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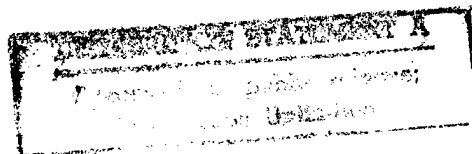
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China Report

ECONOMIC AFFAIRS

No. 236



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CHINA REPORT
ECONOMIC AFFAIRS

No. 236

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NATIONAL POLICY AND ISSUES

XU DIXIN SPEAKS AT ECONOMETRICS CONFERENCE

HK110739 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 4, 20 Apr 82
pp 3-6

[Opening speech delivered by Xu Dixin [6079 3321 2450] at the First National Forum on Econometrics]

[Text] Opening Speech

Comrades:

This First National Forum on Econometrics is also the first annual meeting of the Chinese Econometrics Society. More than 150 specialists and professors who hail from more than 20 provinces, municipalities and autonomous regions all over the country have come together to carry out academic exchanges and discuss various problems related to econometrics. This is the first such gathering ever held in our country. This is a grand gathering for reviewing China's ranks of econometricists and recent achievements in econometrics. On behalf of the Chinese Academy of Social Sciences, I would like to extend our warmest congratulations to fellow deputies.

The application of mathematical methods and electronic computing techniques to economic research and economic management and the conducting of quantitative analyses are a very important field in China's economic science. Not long after liberation, these methods came to the attention of economists and mathematicians. In 1958, many mathematicians left their ivory towers and applied mathematical methods (mainly linear programming) to the solution of some enterprise management problems. After that, Comrade Hua Luogeng organized forces to spread the application of the optimum seeking method and overall planning method throughout the country and achieved some results. In the early 1960's, a small number of comrades of the present Institute of Systemic Science under the Chinese Academy of Sciences and the Institute of Economics under the Chinese Academy of Social Sciences began to apply mathematical methods to the study of macroeconomic problems. But, during the 10 years of turmoil, this rising field of science was subject to "repudiation" and was almost completely strangled.

After the smashing of the "gang of four," and particularly since the 3d Plenary Session of the 11th CCP Central Committee, things have changed fundamentally. The responsible comrades of the CCP Central Committee have been very much concerned with the development of this branch of economics. Comrade Zhao Ziyang personally wrote instructions to approve the application of the input-output [tou ru chan chu 2121 0354 3934 0427] method throughout the nation. Early in 1978, Comrade Hu Qiaomu asked people to conduct a quantitative analysis of the economy. Soon after the establishment of the Research Center of Technical Economics under the State Council, in May last year, the research group of macroeconomic models was set up, a group which is composed of scores of units in Beijing. Between June and August in 1980, entrusted by the Institute of Economics under the Chinese Academy of Social Sciences, the Chinese Society of Econometrics sponsored national study groups on econometrics and invited seven American professors headed by Professor Klein who is a famous economic metrologist and 1980 Nobel prize-winner in economics to come to China to give lectures. One hundred people participated in the studies.

Since the establishment of the Chinese Society of Econometrics in March 1979, quite a few provinces, municipalities and autonomous regions have been preparing to establish societies to organize and unite the local ranks of econometricists. Over the last 2 or 3 years, apart from the carrying out of theoretical study, a lot of practical work has been done in this field. More than 100 treatises related to econometrics have been submitted to this forum. This fully reflects the results of the theoretical research and practical application in this field. This makes us very happy.

The task of econometrics is on the one hand, to use mathematical methods in conducting a quantitative analysis of economic theoretical problems and on the other, to widely apply higher mathematics and electronic computers to the solutions to various economic management problems. These two tasks are all very important but the second task is, as I see it, more important. Japanese economists have summarized the experiences of Japan's high-speed economic development into two points: One is technology and the other is management. These two points are both of great importance to us. The importance of technology has been realized by many people but the importance of management has not yet been understood by many people. A host of facts show that without scientific management, modern technology will be unable to bring its due efficiency into play. Raising the managerial level in China's macroeconomy and microeconomy as quickly as possible has become a task of top priority. There is plenty of room for econometrics in this respect.

The aim of this forum is to carry out academic exchanges, advance econometrics and serve the improvement of economic research and economic managerial skills. Econometrics is fairly extensive in range. Here, we will stress the discussion of questions in the following 4 fields:

First, the question of the theory of econometrics. What is econometrics? At present there are widely differing views on this matter. Some comrades hold the view that econometrics does not exist; some argue that econometrics is actually economic metrology; some maintain that econometrics is a new branch of learning involving the study of quantities in the socialist economy; there are still others who are of the opinion that econometrics is the mathematical school of Marxist economics. In this forum full exchanges of views on this question are encouraged.

The West has for more than 100 years been applying mathematics to economics. Further very great advances were made after World War II. We made a relatively late start and so we must learn from them. Here there is a question of how to correctly handle and spread Western economic metrology and how to correctly handle the Western mathematical schools of thought. While discussing this question, besides making clear the general principles, it is still necessary to make a penetrating analysis of the main contents of Western economics.

Second, the question on the economic system and input-output analysis. The national economy is an exceptionally large complicated and changeable system. Many questions on how to make a scientific analysis of and how to effectively manage the system need to be studied by applying modern mathematics and electronic computers. The input-output method is one of the major methods for studying the economic system. We have done some work in both theoretical study and practical application and some problems have cropped up. For instance, working out an input-output table takes time and a lot of trouble; can we find a simpler and more convenient method?; in order to spread the application of this method throughout the country, how should the existing system of statistical planning methods be restructured?; how should the expansion model, performance model and optimization model be studied and applied?; and so on.

Third, the question of economic metrological models. We have done some work in this respect and some problems have also cropped up, including the problem of how to establish models under the guidance of Marxist economic theory; why regression analysis can be used in forecasting; and how to use economic models in making economic analyses, in policy appraisal and in economic forecasting. This exchange and discussion will enable us to make preparations for establishing more, bigger and better models.

Fourth, the question of economic forecasting. Economic forecasting, which is a new branch of China's economics, has attracted the close attention of the grassroots enterprises and responsible departments. Some localities and units have run study classes of various types. We must intensify the study of theory and methodology to meet the needs of practical work. The methods of forecasting are many and apart from the input-output method and economic metrological models, there are many other methods. This time we will emphatically discuss the relationship between planning and forecasting, the theory and methodology of economic forecasting and the question of how to carry out forecasting and how to improve the accuracy of forecasting in our country. This forum is just a step toward establishing our economic forecasting theory. In the future, this branch of learning needs to be developed through theoretical study and practical application.

Apart from the questions I have mentioned above, you comrades can raise any other questions for discussion.

Below I would like to make a few principled remarks on how to carry out the work of the study and application of econometrics.

First, uphold Marxism-Leninism-Mao Zedong thought and implement the policy of "letting a hundred schools of thought contend." Marxism-Leninism-Mao Zedong thought is our guiding ideology and one of the four basic principles. We must have a clear-cut attitude towards this matter of principle. At the same time, we must further emancipate our minds, resolutely implement the policy of "letting a hundred schools of thought contend," and practice the principle of the "three don'ts." However, in stressing the policy of "letting a hundred schools of thought contend," we must have a basic premise, that is, to uphold Marxism-Leninism-Mao Zedong thought. Without this premise, some people may possibly indulge in bourgeois liberalization with the excuse of "letting a hundred schools of thought contend." In establishing an economic model, having a correct theoretical guide is an important condition. Western metrologists also take the theory in which they believe as the foundation. Of course, their theory is bourgeois economics while ours is Marxist economics. The two are essentially different. Therefore, while reading Western econometric works and carrying out academic exchanges with the Western economists, must take a correct stand and uphold Marxism-Leninism-Mao Zedong thought. In this respect there exist two tendencies: one the one hand, at the mention of criticism, everything is totally repudiated and on the other, at the mention of learning from others, everything is indiscriminately and mechanically transplanted. These two tendencies are both harmful. The correct attitude is to apply the Marxist stand, viewpoint and method in making a profound analysis of Western economics and critically absorb its scientific components so that they can serve us. Comrade Mao Zedong said: "Now there are two different attitudes towards learning from others. One is the dogmatic attitude of transplanting everything, whether or not it is suited to our conditions. This is no good. The other attitude is to use our heads and learn from those things which suit our conditions, that is, to absorb whatever experience is useful to us. This is the attitude we should adopt." ("Selected Works of Mao Zedong," "on the correct handling of contradictions among the people," vol 5, pp 401-402).

Second, in the study of economics in the past, we attached insufficient importance to metrological analysis. For the sake of the socialist modernization program, we must continue, on the basis of the attained achievements, the study of economic metrology and sincerely put a lot of further work into it. However, we must not, just because of this, unlimitedly exaggerate the role of economic metrology. It is known to all that in everything in the world, there is a unity in the contradiction between quantity and quality. Certain quality must conform to a certain quantity; the gradual change in quantity which reaches a certain stage will inevitably give rise to a change in quality. This is so in the case of the natural world and it is also so with the case of social life. But in the social economic phenomena, this survey of the quantitative limit which conforms with a certain quality cannot be as accurate as the quantitative analysis in the natural sciences. For instance, an important law in Marxism is that the productive forces advancing to a certain stage will lead to a change in the relations of production. However, in the question of to what extent the productive forces must develop before this gives rise to a change in the relations of production, we cannot use metrological analysis to set a quantitative limit as precisely as can the critical temperature under which water freezes be set. Comrade Mao Zedong said: "Marxists are not fortune-tellers. They should, and indeed can, only indicate the general direction of future developments and changes; they should not and cannot fix the day and the hour in a mechanistic way." ("Selected Works of Mao Zedong," "a spark can start a prairie fire," vol 1, p 103) This is the experience summed up from the history of the Chinese revolutionary struggle. This is of great significance to comrades who study economic metrology.

Some economic metrologists in the West not only take economic matters exclusively as relationships between matter and matter but also regard economics as a branch of mathematics. That is to say, social economic phenomena are treated as natural phenomena. Marx said: "In making an analysis of economic forms, neither microscopes nor chemical reagents can be used." He went on saying: "Physicists start with the place where the course of nature appears to be the truest and suffers the least obstructions in observing the course of nature." ("Das Kapital," People's Publishing House, 1975 Edition, vol 1 p 8) But, the study of economic science lacks this condition. In fact, the law of motion in economic relationships between man and man, who is governed by his subjective consciousness are restricted by the social systems and class relationships. It is obviously different from the laws of motion governing molecules and energy. However, we must not underestimate economic metrology just because of this, because under the premise of certain qualities, quantitative determination is a question which should not be ignored. In this respect, higher mathematics and electronic computers are tools and the object of study is the question of quantitative determination of economic phenomena. Economic metrology is a branch of economics rather than a branch of mathematics.

Third, correctly handle the relationship between the macroeconomy and the microeconomy. Econometrics is divided into the two major categories of macroeconomics and microeconomics. At present we attach more importance to the former and neglect the latter to some extent. Ours is a socialist country. Such questions as practicing a planned economy, the development strategy, management system, population control, an overall balance, the economic structure, economic effect, and the optimum allocation and utilization of resources

are all very important. It is highly necessary to study these questions in terms of the macroeconomy. But we must not ignore the microeconomy. We have 400,000 industrial and communications enterprises. Along with agricultural, commercial and other departments, the number of grassroots units is even greater. Enterprises are the cells of the national economy and also the foundation for the modernization and automation of management. Rapidly improving the managerial skills of enterprises is an urgent task. Econometrics must make its own contributions in this respect. The experiences at home and abroad show that the application of mathematical methods and electronic computers to a company or an enterprise can result in quicker results because smaller scope brings about fewer difficulties. I hope that in the future, more units and comrades will engage in the study and application of microeconometrics and make new sustained achievements.

Fourth, correctly handle the relationship between theory and application. Judged from the treatises submitted to the forum, our comrades have attached more importance to the study of theory and methodology. They have also achieved some results in practical application but only a few. If econometrics is confined to theoretical study and not applied in practice, it will become water without a source or a tree without roots and will result in theory departing from practice. If things go on in this way, it will be difficult to achieve new breakthroughs in theory. One of the conspicuous features differentiating econometrics from other branches of economics is its practical application. Econometrics with Chinese characteristics can only be developed on the basis of extensive application and through theoretical summarization. Compared with theoretical study, practical application is far more difficult. I hope our comrades will surmount difficulties with an indomitable spirit and do more work in practical application so as to advance econometrics.

Fifth, correctly handle the relationship between popularization and improvement. We have nearly 10 million cadres from the grassroots enterprises to the central economic management departments. For various reasons, quite a few of these comrades have little schooling and particularly do not understand higher mathematics and electronic computers. "For them the prime need is not 'more flowers on the brocades' but 'fuel in snowy weather.'" (Mao Zedong: "Selected Works of Mao Zedong," "talks at the Yanan forum on literature and art," vol 3, p 819) One of our important tasks is to write about the scientific managerial methods which have been proved to be effective by practice in articles and booklets for popular consumption and widely publicize and introduce them. We must do a good job of the popularization work. By stressing popularization, we do not in the least mean negating the necessity and importance of improving. However, "this improvement does not take place in mid-air, or behind closed doors, but is actually based on popularization. It is determined by and at the same time guides popularization." (Mao Zedong: "Selected Works of Mao Zedong," "talks at the Yanan forum on literature and art," vol 3, p 819) In their prolonged practical work, the managerial cadres at various levels have accumulated rich experiences. Once they master and widely spread the mathematical methods and electronic computers, they will provide fertile soil for improvement. It can be expected that a brand-new situation will emerge in China's econometrics.

Sixth, although we do not agree with the argument which treats economics as a branch of mathematics, it is necessary to strengthen the cooperation between the economic workers and mathematics personnel. Econometrics is a comprehensive science. To engage in the study and application of this science, one must have a relatively comprehensive knowledge. On the one hand, he must understand Marxist economics and Western economics and on the other, he must have a good mastery of higher mathematics and electronic computers. However, most of our economic workers do not understand mathematics while most of our mathematical personnel do not have the knowledge of economics. This is the difficulty we encounter at present in developing econometrics. This state of affairs is the result of the previous irrational educational system which absolutely separated the natural sciences from social sciences and did not allow those who specialized in economics to study mathematics nor those who majored in mathematics to study economics. However, one of the laws of the development of modern science is the interpenetration of the natural sciences and social sciences, of which the penetration of mathematics into the social sciences is the most pronounced. At present, in order to propel the development of econometrics, it is necessary to enhance the cooperation between the economic workers and mathematics personnel, to learn from each other, to make up their deficiencies by acquiring others' strong points and to improve proficiency in their own fields together.

Among the deputies who are participants in this forum, quite a few comrades work in the institutions of higher education. I would like to take this opportunity to make a suggestion that those institutions of higher learning which have the conditions should offer a specialized course in econometrics as early as possible; those which do not yet have conditions should energetically create conditions for offering a specialized course in econometrics and train specialized qualified personnel who are badly needed for the four modernizations program.

Finally, I would like to express our heartfelt gratitude to the comrades of the four sponsoring units of Shaanxi Province who have done a lot of work for this forum.

I wish to offer, in anticipation, congratulations to the first National Forum on Econometrics on its complete success!

That's all I have to say. Thank you.

CSO: 4006/438

NATIONAL POLICY AND ISSUES

SUN YEFANG ADDRESSES ECONOMETRICS FORUM

HK110847 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 4, 20 Apr 82
pp 7-9

[Speech delivered by Sun Yefang [1327 0396 2455] at the First National Forum
on Econometrics]

[Text] I am mathematically illiterate. I am much less educated mathematically than a senior middle school graduate. Therefore, I am not only a defective but also a faulty economist. An economist without a certain level of natural sciences education and particularly without the understanding of higher mathematics cannot be regarded as a certified and modern economist. Although, I am not qualified to make a speech at this annual meeting on econometrics, I would like to take this opportunity to tell you comrades about my bitter personal experience: My repeated failure to firmly grasp the opportunity to study mathematics is my lifelong regret which I will carry to my grave. I will also tell you comrades about the bitter experience of the birth of this branch of learning--econometrics in new China. Trampled underfoot by leftist ideology, this branch of learning, which should have been established more than two decades ago, has only begun to be established today.

Let me first recount my personal experience. When I was in my last years of primary school, I joined the Communist Youth League and then became a party member. Since then I have taken part in revolutionary work. At that time, under the influence of the Chen Duxiu opportunist line, fundamentally speaking, no importance was ever attached to the study of Marxist-Leninist theory, and even less to general knowledge courses. When I finished the first year of middle school, I was assigned to study Marxism-Leninism in the Soviet Union. However, at that time Soviet economists and research fellows did not concern themselves with studying econometrics. Therefore, while studying in the Soviet Union, I also did not consider pursuing the mathematical knowledge I was lacking. If I had this realization at that time, I would have been able to at least study on my own. After returning home, I became involved in the party's underground work. Circumstances did not permit, nor did I understand, that as a Marxist, especially as a research worker of Marxist economics, one had to understand higher mathematics. Later I was transferred to the liberated areas to work, where the situation remained the same. I still failed to realize I lacked knowledge in mathematics. In the early days of liberation, I worked in the industrial department in Shanghai. I began to realize that my scanty knowledge of science and especially mathematics was

detrimental to my work of managing enterprises. However, my work kept me busy and confused, and studying mathematics was fundamentally out of the question. Later I was hospitalized with a liver ailment. When my liver began again to function relatively normal, I asked the department to invite a mathematics teacher to teach me algebra. No more than 3 weeks after I began my study of algebra, my liver took a sudden and rapid turn for the worse. For this reason, the doctors forbade me to study mathematics. Later my health recovered and I returned to duty but failed to make productive use of my time. Now I am over 70 years old. It is much too late for me to study mathematics. However, as Lu Xun said it was because Confucius had stomach ailments that he always thought of eating ginger. Similarly, it is because I am mathematically illiterate that I pay great attention to the importance of mathematics in economics. At the end of 1958, together with Comrade Liu Guoguang, I went to Prague to attend a meeting. At the beginning of 1959, before we returned home, we made a short visit to Moscow. By coincidence the noted American economist Wassily Leontief Jr was giving lectures in the Soviet Union in which he talked at length about the input-output method. After attending his lecture, we visited the Soviet Central Statistical Administration and had a discussion on the content of his lecture with (Sobolev). Sighing, Suo Bo Li described to me the twists and turns which this new branch of learning--econometrics, or the input-output method--had undergone before its emergence in the Soviet Union. First he told me what kind of person Leontief Jr was and how he studied the input-output method. He told us both Leontief Jr and his father, Wassily Leontief Sr, were former staff members of the Soviet Planning Committee and later Leontief Jr defected to the United States. (Sobolev) said that the formula for the input-output method which Leontief Jr now formulated was, in fact, the chessboard balance formula which was designed by Popov, the first director of the State Planning Committee of the Soviet Union. This table was also called the departmental relationship formula, showing the interrelations of the various sectors of the national economy, including industry, agriculture, communications and transportation, as well as such nonproductive departments as scientific research, culture, education and health work. Originally, this formula was calculated with simple mathematics, for at that time there were no such modern mathematical methods as operations research and linear programming, or econometrics as we now call it. But (Sobolev) said Leontief Jr made his own contributions, that is, he applied linear algebra to this chessboard balance formula. (Sobolev) said that in the Soviet Union in the past, some people advocated econometrics, but owing to the obstructions of the "leftist" ideology at that time, econometrics was repudiated as the stuff of the bourgeoisie. Therefore, (Sobolev) said with great emotion, in the past we repudiated such modern mathematics as econometrics, operations research and linear programming as the stuff of the bourgeoisie but conversely we had to grovel at the feet of Leontief and regard the input-output method as a so-called foreign creation and invention.

At the time when Comrade Liu Guoguang and I visited the Soviet Union, the Soviet Union had attached great importance to the study of econometrics. In New Siberia, the Soviet Union set up an economic-mathematical research center which was under the direct leadership of Academician (Nemchinov).

After returning to our country, I explained the necessity of the study of econometrics at an office meeting held by the propaganda department of the CCP Central Committee and described the zigzag road the Soviet Union had followed for several decades in the study of econometrics. I proposed that students should be sent to the Soviet Union to study econometrics. The propaganda department of the CCP Central Committee approved this proposal. Apart from sending a comrade to the Soviet Union to study operations research, the Institute of Economics also sent two comrades to the mathematics department of the China University of Science and Technology to study higher mathematics.

I remember that when I put forth the proposal to the propaganda department of the CCP Central Committee, I did not understand operations research so I failed to clearly explain the role of operations research in the programming work of planning, and the conspirator Kang Sheng used "computing chain reactions," this relatively common formulation, to express what I meant. I said, yes, operations research can quite accurately compute the series of chain reactions which resulted from variations in the output or price of a certain product.

However, it was not foreseen that this conspirator Kang Sheng, who colluded with the other conspirator Chen Boda, would in 1964 instigate the so-called "socialist education movement" or the "four clean-ups" in the Institute of Economics and brand as propagators of revisionism those people studying econometrics and furthermore would recall those comrades sent to the Soviet Union and the China University of Science and Technology to study operations research. This science then was repudiated in economic circles. Not long afterward, the "great cultural revolution" began, when even economics was discarded, to say nothing of econometrics!

The "gang of four" was smashed and now all of us devote much attention to econometrics and what is more, are able to hold this nationwide annual meeting on econometrics. This fact itself is well worth celebrating. In reviewing the history of the birth of econometrics in the Soviet Union and China, a course which was full of twists and turns, it was not easy for us to hold the first session of the annual meeting on econometrics today. By telling you these bitter experiences of the birth of econometrics in the Soviet Union and China, I hope that our comrades will always bear in mind these lessons and strive to make up for the lost two decades through the concerted efforts of all of us. I hope you will strive to establish our own econometrics and the Chinese chessboard balance formula within 5 or 6 years or at most within the next two 5-year plans and, in the future, catch up with and surpass the world.

Before I conclude, I would like to make a suggestion: At present everyone in the economic circles pays great attention to econometrics and the erroneous tendency to negate econometrics has been lessened. However, I am afraid that another tendency may emerge. That is, the tendency to neglect political economics and to hold that economic mathematics alone can solve all the problems in the socialist planned economy and the problems of the overall balance of the national economy. If we harbor such ideas and further think that we can replace Marxist political economics with economic mathematics, we will make a gross error. In an article concerning productive and nonproductive labor, I said that statistics is a pioneering science which has both qualitative determination and quantitative determination with the former determining

the latter. It is the same in the case of economic mathematics. We must apply modern mathematics and economic mathematics to the study of economics but the application of econometrics must be put under the guidance of Marxist political economics. It must be acknowledged that the results of mathematics and all modern higher mathematics are, in terms of economics, only a tool. This tool can be used not only by us, the proletarians, but also by the bourgeois economists. It is known to all that in the West, owing to the different schools of thought of the economists, for instance Keynesians and Friedmanites hold different viewpoints, the economic models they worked out by the application of mathematics are also not completely the same. Even in the inner sectors of Keynesian and Friedmanite schools of thought there are still different theories held by small groups. The economic models they formulate vary due to the difference in viewpoints among the small groups. The Marxist political economic viewpoint is fundamentally different from that of the bourgeois economics. For this reason, we must only apply the mathematical methods of econometrics in the light of the basic principles of Marxist political economics. If we apply econometrics by divorcing ourselves from the basic principles of Marxist political economics, then we will, consciously or subconsciously, learn and transplant together bourgeois economics and lose our bearing among the bourgeois economic models of all types.

It must be realized that it was not absolutely without reason that in the past the Soviet economic circles repudiated econometrics. It was because at that time there were indeed quite a few bourgeois economic scholars who tried to find a magic solution for saving the existence of the capitalist economy from among the various mathematical models. They hoped in vain to help the capitalist world economy not to fall into another worldwide economic depression, a depression which took place in the early 1930's and lasted several years, with the economic index dropping by 40 to 50 percent. After World War II, an economic crisis as profound and extensive as that in the 1930's did not emerge. Therefore, they used the term "economic recession" to replace the term "economic crisis." However, this so-called "economic recession" comes more frequently, as frequently as every 3 or 4 years, than the previous crisis, which took place every decade. Economic mathematics cannot save the capitalist economy from its economic cancer. The socialist planned economy plus econometrics will be like a tiger that has grown wings. But there must be a premise, that is, the socialist planned economy must, under the guidance of the party's correct line and Marxist political economics, eliminate the obstructions of the bourgeois economic ideas of all shades and all forms of feudal association trade mentality or the natural economic mentality of small producers.

Finally, I close my speech with the wish I have mentioned above, that is, I hope our research workers of econometrics will, under the guidance of Marxist political economics, gradually catch up with and even surpass the international standard of econometrics (including the input-output method).

CSO: 4006/438

NATIONAL POLICY AND ISSUES

YU GUANGYUAN'S LETTER TO ECONOMETRICS FORUM

HK110914 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 4, 20 Apr 82
pp 9-11

[Letter by Yu Guangyuan [0060 0342 6678] read at the First National Forum on Econometrics: "A Letter to the Annual Meeting of Econometrics"]

[Text] I am sorry I cannot spare the time to attend to the first annual meeting of econometrics held in Xian to learn from you comrades. Since I am unable to attend I have written this letter to extend my greetings to your meeting and put forth some of my personal views.

I enthusiastically support the establishment of this organization, the Society of Econometrics. I am a supporter of this society. To trace back, it was as early as the 1950's that Sun Yefang and I enthusiastically advocated that we should organize people in the Institute of Economics of the Chinese Academy of Social Sciences to engage in the study of econometrics. Over the last 2 years, I have been busy with other work and have done nothing of significance in this respect but I hope you still regard me as supporter of this branch of economics. The ideological base of my enthusiasm is very simple, that is, every social phenomenon has its regularities of both quality and quantity, but in economic movement and social economic life, quantitative regularity is of particular importance. Therefore, economics itself is a science of quantitative determination. Without quantity, no problems can either be dealt with or solved. Besides, out of my interest in mathematics, I also hold the view that if we say that past advances in mathematics were made in the study of natural phenomena, then in the future, the quantitative study of economic movement and of social and economic life, phenomena which are extraordinarily complicated, will become an important reason for advance or serve as the spearhead for the development of mathematics. Now we are able to see this point and it is no longer a matter of theory. In actual life, this trend has emerged.

When I visited Europe in 1979, I bought several books on mathematics and started writing a thesis "An Introduction to Algebra in the Production of Material Means." In Switzerland, The Netherlands and France, I made use of my free time at night and wrote a draft of more than 20,000 characters. When we arrived in France, some of the comrades who accompanied me decided to return home while I continued to visit other countries. In order to travel light, I asked these comrades to take home those books and my draft. It was unfortunate that they were mislaid and have not yet been found. The pity of this loss is about the books rather than the draft, because what I thought

about this matter was written about those books, and furthermore, we can hardly buy those books now. In the "Introduction," I intended to use such branches of mathematics as "metric algebra" (or "complex imaginary numbers") to express every rapid change in social and economic life and movement and especially in the production of material means. That article of mine was highly abstract. However, I think that this basic study is of significance because it is one of fundamental importance. I hope I will be able to return to this study in the future. However, I know my own limitations, with my knowledge of mathematics, I can hardly manage to understand all facets of this subject. Particularly the question of how to quantitate this most abstract study to a greater or lesser extent the mathematical tool which I lack. Encountering this difficulty, I would think that under the socialist system, this can be achieved by developing cooperation between economists and mathematicians but this would be hard to accomplish under the capitalist system. I have always had this viewpoint. Before the "great cultural revolution," I reached an agreement with Comrade Hua Luogeng that we should cooperate with each other to recruit students who would study econometrics. However, before we managed to carry this out, the "great cultural revolution" occurred. Quite naturally this idea came to nothing.

What I have mentioned above is my personal cooperation with mathematicians. How can this not also be the case for econometrics as a whole and its study? I am of the opinion that the cooperation between economists and mathematicians in the domain of the study of econometrics is very important. I do not know to what extent work in this domain has been carried out. For this reason, I cannot make relatively concrete suggestions to you. However, I think it is best to continue to stress and need for cooperation between scholars of these two fields.

In addition, I still have some ideas which I formally want to write down after I read the materials and documents related to this meeting. But up to now I have never read any such materials which will be presented at this meeting. However, even if I received them today, I would not have the time to read them. For this reason I find it difficult for me to offer any practical suggestions. Instead, I will offer some of my personal feelings on the matter.

First, at the time when I went abroad, I went to Japan and West Germany in 1979 and Mexico in 1980. Although I did not intentionally discuss the question of econometrics with foreign economists, I heard some arguments related to it. For example, a Japanese economist told me on his own accord that economic mathematical methods were more often than not useless. He said that the base which was constructed in the peninsular stretching to the north where Oamori Prefecture was located, a region northeast to Japan's main island was aimed at storing and chemically processing imported petroleum. The construction of the base ended in failure because it was unable to calculate in mathematical figures the strong opposition of the local fishermen and peasants. He also told me of another instance: One year the Japanese Government hoped to reduce or eliminate the favorable balance of payments to the United States and wanted to adopt some financial measures. It asked some economists to study the matter. The economists applied econometric methods in computing and drawing up a plan. The result of the implementation of the plan was an increase in the favorable balance rather

than a decrease. As a result, the work of econometrics suffered a serious setback. In West Germany, a certain economist also told me of some similar instances. When I visited Mexico in 1980, in a speech, one of the vice chairwomen of the Mexican Society of Female Economists especially dealt with the issue of whether econometrics is useless. During the Sixth Plenary Session of World Economists held in Mexico, at the cocktail party organized by the meeting, several young Mexican economists gathered around me, asking me to state my views but I asked them in return what they thought about it instead of answering their question. They all disagreed as to its importance. Last year I asked a professor who taught in an economics department which is well known to Europe some questions concerning econometrics. He told me, over the past few years, students who wished to study the theory of operations and management increased in numbers while those who wished to study economics drastically decreased. The reason was that the students all knew that the mathematical models they were taught in the course of studying economics were useless. All instances I have listed above are some opinions I heard when I met with foreign economists. I do not think that these opinions mean that econometrics is useless in those countries. I have no intention to conduct an investigation of this matter but what I heard on this matter is undoubtedly one-sided rather than comprehensive. For instance, the computing of input and output, as I see it, plays a relatively great role in the forecasting and planning of the development of the national economy. By citing the above-mentioned instances, I do not mean pouring cold water on you but instead I mean to ask to reflect on this information. In my opinion, this will be good in our study of econometrics. I would like to hear your opinions and in the future if there is an opportunity I would like to discuss further what I think about this matter.

Here I am going to discuss the question of "indigenous econometrics." By "indigenous" econometrics, we mean: 1. The econometrics which is more closely integrated with China's actual conditions. That is to say, in studying how to apply econometrics in our country, we must devote more energy and time and develop a set of methods which are suited to our country rather than indiscriminately transplant foreign things. I advocate that we should lay less stress on those which are of little importance to and far away from China's reality and put more stress on and carry out those which are closely related to China's reality and which will promise quicker results through research. (Of course, as specialists, it is necessary for us to study foreign things.) 2. Strive to be concise in putting forth principles and computing methods of econometrics. Econometrics can play a greater role in actual life when it is grasped by larger numbers of people. If it is grasped by small number of specialists while the other people do not know what it is, the role it can play and its development are fairly limited. We must, in my opinion, learn from Comrade Hua Luogeng in this respect. He has done a lot of work in popularizing operations research and done it quite successfully. He made the formerly quite complicated mathematical principles and methods quite easy to understand and master. As for us who are in econometrics, if we manage to do so, our research work will then play a greater role than expected. We must "explain the profound in simple terms" rather than "explain the simple in profound terms." One of the premises of explaining things in simple terms is to explain the profound. Frequently, the poorer the research

work is, the more we "explain the simple." As a result, the more often we "explain the profound" rather than "explain things in simple terms." Of course, "explaining the profound in profound terms" is also detrimental to the popularization of this work.

I suggest that this question will also be discussed at the meeting. I also hope to learn of the various opinions expressed on this. Of course, I hope to see more research findings in this respect. I will be particularly happy to see that our research findings will be able to play a greater role in our socialist construction.

Today, I can only express some of my personal feelings as I have stated above. Since they are personal opinions, I have to ask you to view them as such. That is to say, it is not necessary to treat them seriously. I would be content if any words in my letter will serve as enlightenment for your meeting. If there is nothing good in it, I will have to beg your pardon for wasting 20-odd minutes of your time in reading this letter.

I wish the meeting success!

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON MA HONG ECONOMETRICS SPEECH

HK110920 Beijing JINGJI YANJIU [ECONOMIC RESEARCH] in Chinese No 4, 20 Apr 82
pp 11-12

[Speech delivered by Ma Hong [7546 3163] at the First National Forum on
Econometrics: "My Hope"]

[Text] Comrades,

At the opening of the First National Forum of the Society of Econometrics,
first I would like to extend my warm congratulations to you all, comrades.

China's research work in econometrics has risen anew and developed since the
smashing of the "gang of four," and particularly since the 3d Plenary Session
of the 11th CCP Central Committee. After the establishment of the Chinese
Society of Econometrics in March 1979, it did a lot of useful work and pro-
moted the development of the study of the theoretical methods and some
subjects of practical application in this academic sphere. The nearly 100
treatises submitted to this meeting on econometrics reflect the rich fruits
of the research work over the past years. The spirit of you comrades to
assiduously study and strive to make explorations for the socialist moderniza-
tion program must continue to be carried on.

It was in the summer of 1980 during the national study groups on econometrics
sponsored by the Chinese Society of Econometrics, together with other comrades,
that I discussed the great role and significance of econometrics in China's
socialist construction. At present, the economic development of our country
poses many important subjects to the study of econometrics and some of them
are pressing ones.

What are those important subjects?

In November last year, in the government work report delivered at the Fourth
Session of the Fifth NPC, around the attainment of better economic results
and the blazing of a new trail for economic construction, Comrade Zhao Ziyang
formulated 10 major principles for China's future economic construction which
should be implemented in real earnest. These 10 principles involve large
numbers of research subjects of a macroscopic and microscopic nature. I
think the specialists who attend this meeting will surely have great interest
in these great matters which have a great bearing on the national economy and

the people's livelihood. In addition, many comrades have started studying these matters. Comrade Zhao Ziyang pointed out: "The crux of the problem is to do all we can to get better economic results in the areas of production, construction and circulation." In my opinion, this problem must be the major task at present of our research work of econometrics.

To make an analysis of the economic results in all areas of economic construction, it is necessary to make both a qualitative analysis and quantitative analysis. Qualitative analysis is very important. Without qualitative analysis, quantitative analysis will lose both its soul and bearings and will probably go astray. To do a good job in qualitative analysis, it is necessary to have the economic theoretical guide of Marxism-Leninism-Mao Zedong thought and it is necessary to implement the party's principles and policies. Any attempts to neglect qualitative analysis and to overlook the guiding role of Marxist economic theory and the party's principles and policies to qualitative analysis are all naturally wrong.

However, it is also wrong to one-sidedly stress the importance of qualitative analysis, or to content oneself only with empty political or economic slogans without any vivid contents and concrete figures, or to be preoccupied with only the so-called political and not the economic side of accounts, to ignore and even fundamentally negate quantitative analysis and to indulge in subjective voluntariness and harmful directives. We have paid a high price for this. We must bear in mind this lesson. It will be a greater mistake to repudiate econometrics as bourgeois stuff.

Practice is the only criterion for testing truth. To the questions, such as whether or not our qualitative analysis is correct, and whether or not the development strategy for the economy, models, plans, programs and measures which we have adopted reflect objective reality and whether or not they really produce better economic results, it will be impossible for us to find the correct answers unless we make a quantitative analysis of the process of social practice, make a comparison of the quantity of various different plans which are formed by the various continuously changing parameters, and carry out repeated testing and verification. Practice has proved that with qualitative investigation alone and without quantitative investigation, it is difficult to solve the problem of how to improve economic results. It is precisely in this respect that at present our work is still very weak. Therefore, while paying attention to qualitative analysis, it is imperative to attach importance to quantitative analysis and ensure that the two are organically combined, each complementing the other and each shining more brilliantly in the other's company. Only in so doing, can we gradually deepen our understanding of the objective economic laws, and actually manage to act according to the objective economic laws, continuously improve the economic results, and can the superiority of the socialist planned economic system be brought into fuller play.

At present there exists a difficult problem, that is, some of our comrades who have a relatively good understanding of Marxist economic theory and the party's principles and policies have scanty knowledge of econometrics while some comrades who have a relatively good mastery of econometrics have not

studied enough Marxist economic theory and the party's principles and policies. The comrades of these two aspects must cooperate hand in hand, strengthen their unity, learn from each other, help each other, overcome their shortcomings by learning from each others' strong points and make concerted efforts to promote the prosperity of China's socialist economic science.

I hope that the society of econometrics and the specialists who engage in the study of econometrics will give more counsel for the sake of attaining better economic results in the areas of production, construction and circulation and make fresh and greater contributions to the implementation of the 10 major principles for our economic construction. It is believed that propelled forward by this meeting, China's research work in econometrics will surely achieve greater successes.

I wish the meeting complete success beforehand!

I wish beforehand our socialist economic science will grow increasingly thriving and prosperous and become increasingly modernized.

I wish all fellow deputies the best of health!

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON REFORMING ECONOMIC STRUCTURE

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[Article by Yang Jisheng [2799 4949 4939], staff member of the Tianjin Branch of XINHUA News Agency: "Theories, Blueprints, Experiments and Conditions-- Investigation and Research on the Problems of Reforming the Economic Structure"]

[Text] "Without reform, there will be no way out for our economy." This is where the view's of all the economic circles and of all departments of economic work are identical at present. The CCP Central Committee has long made up its mind to carry out reform and has already been conducting experimental reforms in some places. At present, we are in a transitional period when the new system is replacing the old one, therefore, it is natural that our economic work may run up against certain temporary difficulties and confusion. People's minds are actively working, but at the same time they are also bewildered by quite a few problems. Under these circumstances, this writer has recently made a special investigation on the problem of the reform of the economic structure in Tianjin. The following are the views he has collected from various circles.

Theory

Any vagueness or lack of clarity related to theory will result in blindly groping for a way out in practice. Many comrades are of the opinion that some of the difficulties in our experiments of economic reform stem from the lack of a unified understanding of a few basic theoretical problems.

For example, in the process of implementing profit retention, dispute has arisen as to how much or how little the enterprises should retain. The financial department is of the opinion that the enterprises have got too big a share, but in the opinion of the enterprises their share is not big enough. What are the objective criteria for the sharing? How can these criteria be defined? It is imperative to answer these theoretical questions clearly.

Another example is that in summing up the experiences in our three decades of construction, some comrades describe the period of the First 5-Year Plan as a period when the planned economy in our country reached the realm of the ideal and they hope that the methods we used during the 1950's will be adopted now in the 1980's. True, during that period our economy rose steadily and some

experiences we gained during that period can be referred to by us even at present, but the economic management system then was basically copied from the Soviet Union. This system was full of maladies but because our level of economic development at that time was very low and moreover, because we did not make any material errors in our decisionmaking and we were very prudent and painstaking in carrying out our economic work, these maladies did not have enough time to clearly reveal themselves. Our present economic reform is precisely aimed at freeing ourselves from this pattern of overcentralism. Some of our comrades say that excessive eulogy of the First 5-Year Plan precisely showed our shallow understanding of the goal of our reform and the fact that our methods of thinking were one-sided. This was said with good reason.

Some theoreticians said that anything consists of two mutually contradictory aspects and that in order to handle it well, we should find a rational quantitative demarcation line between the two opposite aspects (this demarcation line is called "boundary" in philosophy). As yet some comrades have often failed to find proper "boundaries" on quite a few major theoretical issues. As a result, their exposition on these problems gives people the impression that they waver in their views on these problems. This has certainly exerted a detrimental impact on people's understanding.

For instance, in the past it was held that people's spirit was omnipotent and the principle of the incentive of material interests was negated. But later the incentive of material interests was overemphasized and the role of the people's spirit was negated. As a result, an unhealthy trend of pursuing money in doing everything came into vogue among some people. In the past, we negated the regulation by market mechanism and put one-sided emphasis on the unified planning of the state. Thus we managed our economy in an overcentralized manner. But later when we paid attention to the role of regulation by market mechanism, we neglected the role of planning in giving guidance and in conduction administration and management. As a result the malpractices of letting things slide cropped up in some trades and professions. In the past, we closed our country to international exchange and rejected anything that was foreign. But later some people indiscriminately assimilated anything foreign without making analysis. All the above-mentioned facts have shown that our theory is shallow and one-sided.

Many comrades suggest that the understanding of the following problems should be unified theoretically, otherwise it will be difficult to carry out the reform of the economic structure smoothly.

1) In order to be able to put an end to the malpractices of "eating out of a big pot" and "having an iron rice-bowl," what actual form of socialist public ownership should be adopted in our country? Should the reform of the economic structure affect the existing state ownership? Will the practice of enterprises assuming sole and complete responsibility for their profits and losses lead to a change in the nature of the ownership of the whole people?

2) How are we to correctly implement the policy of taking the planned economy as the core and supplementing it with the regulation of market mechanism?

How are we to ensure that the economic activities in all our enterprises conform to the macroeconomic activities in all our enterprises conform to the macroeconomic goals while we are enlivening our microeconomy? How are we to ensure that the initiative and flexibility of all our enterprises is given free play while carrying out the unified plans?

3) In handling the relationships between the spirit and material, how are we to prevent the malpractice of treating money as being above everything, while giving play to economic incentive? How are we to prevent the principle of commodity exchange from being adopted in our political, cultural and ideological fields while developing commodity production? How are we to prevent our moral qualities, conscience and people's mutual relationships from being turned into commodities?

In order to speed up the reform of the economic structure, our economic workers and economic theoreticians are faced with arduous and complicated tasks. There are a large number of questions to be scientifically answered by them. Some comrades are of the opinion that during the recent years our theoreticians have broken away from the ideological fetters of the "two whatevers," criticized the "leftist" erroneous guiding ideology, exposed the maladies of the existing economic system and thus significantly prepared public opinion for economic reform. However, we should not fail to point out that some of our theoreticians have adopted an unhealthy style of study and treated the directives of the higher level and the theory in books as the only source of truth. As a result they have refused to make sound investigation and study when they are conducting research and they have failed to persistently maintain the scientific and serious nature of theory. When a certain problem was put forth, people rushed to write one article after another and hold one meeting after another. But all they said in their articles and meetings were almost the same things. When the trend changed, they would make an about-face. Some people said, "some of our theoreticians have no scientific views of their own. If a certain leader says something is good today, they will cite classics to prove that this thing is really good. However if this thing is said by another leader to be bad tomorrow, they will again cite classics to prove that this thing is really bad. They seldom look for the criteria of right and wrong in practice." This criticism is to the point for some people. In order to fulfill the historical tasks facing them, our theoreticians must definitely rectify their style of study.

Blueprints

Should there be a general design for the reform of the economic structure? Through 2 years and more of practice, many comrades have begun to see that it is better to have a general design first.

We have gradually formed a tentative idea on the reform of the economic structure through years of arduous groping at all levels and in all fields. This idea can be summed up as the following: Taking the planned economy as the core and supplementing it with the regulation of market mechanism; flexibility in microeconomics and centralism in macroeconomics; strengthening economic legislation and upholding division of labor between the political

leadership and the management of the enterprises; and developing joint ventures and cooperation and enlivening circulation. However, this tentative idea is only an orientation and a rough plan. Using the terms of engineering design, this idea can only be treated as a "design program." In order to complete all the blueprints of the general design, we have to, furthermore, draw up all the concrete structure, features and all the details of every component in accordance with the various requirements of the "design program." As these requirements are often somewhat contradictory with one another, in drawing up the general design we must balance and dovetail all these requirements and thus make the new system a harmonized and coordinated organic entity. Besides, we should also make an estimation beforehand of the problems that may possibly crop up when the new system is being implemented and design a few measures to be adopted to solve these problems.

After drawing up a general design, we should also draw up a series of "working plans." Thus we will know what should be done earlier, what should be done later, how we are to link up one component with another and how we are to dovetail all the components. Without the "working drawing," the various parts of the reform will possibly contradict or offset one another and all sorts of confusion may crop up.

At present, we have already adopted some measures of economic reform, but because of our failure to draw up a mature general design and our lack of a "working plan," the following problems have cropped up in our practice.

1) We failed to form these measures into a complete set and our macroeconomic management lagged behind. As a result we failed to achieve good results even though we have adopted good measures. Undoubtedly, it is necessary to enlarge the decisionmaking power of our enterprises, but because we have failed to adopt other measures of reform to form a complete set of reform measures, we have failed to solve a large number of problems, despite trying every means to enlarge the decisionmaking power of our enterprises. The implementation of profit retention was originally aimed at giving play to the initiative of the enterprises. But because we have failed to coordinate this measure with price reform and because we have failed to provide other necessary conditions, we have failed to give play to their initiative owing to the difference in the exertion needed to fulfill their respective profit targets. On the other hand, the above-mentioned measures are moreover a hotbed for departmentalism, separatism and the tendency of liberalization, which will weaken and destroy the unified planning and harm the unified interests of the state.

2) Failure to dovetail one measure with another. This has made us neglect one aspect while paying attention to another aspect. For example, it is certainly right to lay stress on giving play to the strong points, but we have failed to take both the strongpoints of a part and those of the whole. Because we have failed to take the whole situation into account, instances of anarchic duplicate construction have occurred and a large number of small enterprises have mushroomed everywhere. As a result the big ones suffered and for a time the big cities could not get supplies of tobacco, wool and other raw materials and their technical strong points could not be

brought into play. In solving the employment problem, we have neglected the problem of raising labor productivity. Thus we have not only further inflated the overstaffed personnel of our enterprises, but have also replaced a large number of skilled old workers with unskilled young ones. In implementing the policies of profit retention and assigning full responsibility for profits to the enterprises, we failed to fix criteria for targets of variety and quality. As a result, the malpractices of focusing on producing products with the greatest profit margins and manufacturing goods in a rough and slipshod way have cropped up.

3) Some isolated reforms will perhaps become obstacles to the comprehensive reforms later. For example, since we have divided up the financial systems between the central and the local levels, the localities have pursued their own financial interests and refused to carry out the policy of closing, suspending, shifting the production of and merging some of their enterprises and unplanned duplicative construction projects have become unavoidable. At the same time, this has created obstacles to merging enterprises of the same trade and profession in different areas. As the existing wage system itself does not satisfactorily embody the principle of distribution according to labor, it is difficult to overcome its shortcomings by paying bonuses. In 1980, Tianjin City paid 150 million yuan of bonuses which was 4.3 times the amount of the additional wages paid in that year. Such excessive payment of bonuses will create obstacles to the wage reform in the future.

The above-mentioned problems have proved that the national economy is an integrated entity consisting of sectors that are related to and interact on one another. Therefore an attempt to solve problems one by one in isolation often fails because of the restriction of other factors. That is why many comrades have proposed that the central authorities should establish a commission to take charge of designing the new economic system. This commission will concentrate the wisdom of all circles and conscientiously draw up the blueprints of the new system through repeated investigation and study.

Experiments

Whether in the course of formulating a reform plan, or before the comprehensive implementation of a completed plan, we have to carry out a series of experiments on a small scale. The purpose of these experiments is to prove or negate certain provisional ideas. The experiment in expanding enterprises' decisionmaking power should be conducted in the course of formulating the reform plan. Good results have been achieved in the last 2 years when experiments were being carried out in selected enterprises. However, we have also found several conspicuous shortcomings. To expose these shortcomings does not mean that we want to nitpick or "pour cold water," but that we wish to see improvement in the work.

First, the enterprises selected for experimentation are not representative because they possess some favorable conditions which ordinary enterprises never have. For this reason, the conclusions drawn from experiments in those enterprises may not necessarily be generally applicable, and usually, their experience cannot be easily popularized throughout the trade. Most of the enterprises which are carrying out the experiment of proportional profit

retention are ones which enjoy high profit rates. Therefore, we can find in each enterprise selected for experimentation that profits are distributed according to a formula, namely, "the state takes away the large portion, the enterprise retains a small portion, while the individual keeps the small change." But, if we apply this formula on a larger scale, we will find that the portion retained by the enterprise is too large to ensure the financial revenues of the state. On the other hand, enterprises selected for carrying out the experiment of "assuming sole responsibility for profits and losses" are enjoying a high profit rate. They include watch factories, bicycle plants, and so on. As all of them always make profits and never suffer losses, carrying out that specific experiment in these enterprises seems meaningless.

Second, too many enterprises have been selected for experiments. Take Tianjin for example. The number of enterprises selected for carrying out the experiment of proportional profit retention amounts to 509, or 62 percent of the total number of enterprises subordinate to the municipal administration; and in terms of output value or in terms of profits, they account for over 80 percent of all state-run enterprises throughout the city. At the beginning, there was the opinion that selection of more enterprises for experimentation meant emancipation of the mind. This opinion pushed some regions to expand the scope of the experiment in disregard of their own objective conditions.

Third, we have seldom made objective and scientific observations and analyses of those enterprises selected for experiments and summed up their experience. In the appraisal of the progress of the experiments carried out in these enterprises, we have always heard indiscriminate comments such as "the situation is enlivened wherever the responsibility system is enforced," "the responsibility system is universally applicable," and so on. People have seldom made scientific and overall analyses and have put forth their own opinions. The actual purpose of the experiment is to justify the correctness of certain provisional ideas or policies. It may prove the ideas correct or it may prove them wrong. Even though the results of an experiment prove them wrong. Even though the results of an experiment prove that an original idea is correct, we still have to try to find out its defects so as to improve it. And this is the only scientific and responsible attitude we should take.

Apart from the above, the content of the experiment is relatively simple. We are experimenting with only one aspect: Expansion of enterprise decision-making power by reforming the distribution system. Undoubtedly this is one of the important topics of the present reform. But there are a number of other problems in the economic reform which need to be solved through experimentation, for example, taxation, pricing, salaries, labor, finances and so on. Unfortunately experiments in reform in these fields have not been properly carried out so far.

Some comrades suggest that comprehensive and comparable experiments using different models be confined to several medium-size and small cities; in other words, a certain comprehensive reform plan will be extensively carried out in a small city so that its policy will be different from that adopted in the surrounding area. The advantages of this kind of experiment are: Since

various reform items are carried out in a well-coordinated manner, it is possible to see the overall result. Since they are carried out within a relatively isolated locality, external interference can be avoided and the experimental conditions can be easily controlled. Since they are carried out in several medium-sized and small cities, their influence on the overall situation will be limited in case of failure. Finally, since several comparable reform plans are implemented, we will be able to select an optimum plan. Not all of these advantages exist in those experiments which are currently being carried out.

Conditions

The reform of the economic system requires certain conditions: 1. All organizations concerned, from the upper levels down to the lower levels, must reach a unanimous understanding of the malpractices of the current economic system and have a strong desire for reform; 2. There must be a strong leading organ which is determined in carrying out the reform; 3. There must be a favorable political climate of stability and unity; 4. There must be a harmonious economic situation which is steadily developing; and 5. The party must cultivate a good work style. Here we mean that leading organs at various levels must hold identical views to those of the CCP Central Committee, so that orders and prohibitions can be strictly enforced, the principle of being practical and realistic be upheld and everything be carried out in accordance with principles. In the opinion of many comrades, at present, the former three conditions are basically available, while the latter two conditions still need to be created.

The present economic situation in our country is generally good. Very great successes have been achieved in the readjustment of the national economy, production is developing, and the people's livelihood is being improved step-by-step. However, the long-standing irrational economic structure has not yet been fundamentally changed, and the latent danger has not yet been eliminated. Quite a few enterprises are having their production wholly or partly suspended, the difficulties we are facing in allocation of funds, energy production, employment arrangement and so on are still rather prominent, and the national economy is still not on a healthy cycle. Under these circumstances, the reform should be carried out steadily and not rashly; otherwise good results cannot be achieved. We will surely be bitterly attacked or criticized by various circles once the reform is proved ineffective, and this will in turn slow down the progress of the economic reform. Therefore, in view of the present situation in our country, economic readjustment is the prerequisite for economic reform. We must first conscientiously do a good job of readjusting the economy if we really want to reform the economic structure.

In a certain sense, the reform of the economic system is equivalent to a readjustment of power and interests. Therefore, it is bound to encounter various obstacles and possibly has to face an unexpected and complicated situation. Therefore, our cadres at various levels must proceed in all cases from the fundamental interests of the state and the people, take the overall situation into consideration, and resolutely oppose those activities of

regarding personal interests and the interests of one's own unit as everything, harming the collective to benefit the individual and violating the law and discipline. Moreover, it is also an important task to correct the party's work style, to reorganize leading groups at various levels and to prepare necessary political conditions for economic reform.

At present, some comrades are overanxious in carrying out the reform and are speeding up new construction projects. However, there will surely be more and greater difficulties if new construction projects fail to emerge while the old ones have already been destroyed. Therefore, those comrades who are really eager for reform should never be overanxious to destroy the old structure but should try their best to complete a good design for new structures, carry out experiments, actively create conditions and then enforce the reform in a planned way.

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NATIONAL POLICY AND ISSUES

'JINGJI YANJIU' ON STABILIZING RURAL PRICES

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[Article by Yang Fangxun [2799 2455 0534]: "Persist in the Principle of 'Giving Simultaneous Consideration to the Interests of the State, the Collective and the Individual' and Stabilize the Price of Agricultural Products."]

[Text] It is the desire of the people and is also the policy in the work of handling price problems to ensure the basic stabilization of the market prices with a view to achieving overall stability and unity. The purchasing price for agricultural products is the basis of the market price. In order to stabilize the market price, the first thing to do is to stabilize the price of agricultural products. How should we treat the problem of stabilizing the price of agricultural products? What should the peasants depend on if they wish to increase their income? This article attempts to present some initial ideas concerning all these problems.

1. Overall Consideration Is An Important Principle in Handling Price Problems in Our Country

All the economic activities in socialist countries aim at satisfying the ever increasing needs of the people for a better material and cultural life, and improving step by step the life of the people on the basis of everincreasing production. Therefore, the proportion of accumulation and consumption in the national income must be well arranged. There should be appropriate proportion for the amount of money to be spent on economic construction, and for the sum to be spent on raising the income of the people of various social strata, especially the income of the workers and peasants. Increasing the wages is a means to improve the life of the staff and workers. In the enterprises, administrative organs and various organizations, the collective welfare, such as subsidy for rent, for the barber shop charges, for laundry charges and others, may also offer some assistance to the raising of the living standard of the staff and workers. The income of the peasants depends on the quantity and quality of the agricultural products sold by the peasants themselves, and at the same time it also depends on the purchasing price for the agricultural products. Besides, the lowering of the selling price for agricultural production materials (such as fertilizer, farm chemicals, and so forth), and the increase of consumer goods of a self-sufficient nature (such

as grain, vegetables, meat, and so forth) can help to reduce the expenses and raise the living standard of the peasants. As regards the distribution of the national income, how to handle correctly the relations among the state, the collective and the individual is a matter of paramount importance. In 1957, when elaborating the problem of how to overcome difficulties in the society, Comrade Mao Zedong suggested that "our policy is overall consideration and appropriate arrangement." (Mao Zedong: "On the correct handling of the internal contradictions among the people," "Selected Works of Mao Zedong," vol 5, p 387) In the work of handling price problems, the principle of overall consideration should also be followed so as to handle correctly the relations among the state, the workers and the peasants.

Readjustment of commodity prices cannot increase the wealth of the society, and it is only a means of redistributing the national income. For example, to raise the purchasing price of agricultural products can increase the income of the peasants; if the selling price of the agricultural products and the selling price of the industrial products which use the agricultural products as the basic material are correspondingly increased, then the financial expenditure of the state will not be affected, but the expenditure of the staff and workers will be increased. If the purchasing price of the agricultural products is raised, and the selling prices remain the same, then the life of the staff and workers will not be affected, but the financial expenditure of the state will be increased, thus possibly affecting the financial balance in that particular year. Therefore, we should do things within our power, and arrange the purchasing and selling prices of agricultural products according to the principle of overall consideration. Consideration should be given to the financial status of the state, the income of the peasants and the expenditure of the staff and workers, and nothing that is rash and one-sided should be practiced.

In 1979, the purchasing prices of grain, oil and cotton were raised. In order to enable the life of the staff and workers to remain stable, the State Council decided to keep the selling prices of grain, edible oil and cotton fabrics unchanged, the price difference being subsidized by the state. At the same time there were some commodities whose purchasing prices or ex-factory prices were raised but the selling prices were unchanged or slightly adjusted, the price difference being also subsidized by the state. Thus, the amount for various kinds of price subsidies furnished by the financial authorities increased drastically. In 1978 this kind of subsidy amounted to 6.57 billion yuan, that is, 5.9 percent of the financial expenditure of the state. In 1979, the subsidy was 14.05 billion yuan, 11.6 percent of the state expenditure. In 1980, the subsidy was 18.43 billion yuan, 16.3 percent of the state expenditure, out of which the subsidy for agricultural products was 15.94 billion yuan, 86.4 percent of the total amount for subsidies (this figure did not include the subsidies for agricultural production materials and for the imported grain.) The large amount of money spent on subsidizing the price of agricultural products has been one of the factors that has affected the balance of revenue and expenditure of the state in the last few years. At present, the wage level of the staff and workers in our country is rather low. Under the present conditions where there has not been a big increase in the state revenue, and where there has not been a big rise in the wages of the staff and workers, within a certain period from now, the policy of basically

stabilizing the purchasing price of agricultural products should be adopted, so as to keep the revenue and expenditure basically balanced, and to enable the life of the staff and workers to remain stable. Only those particular prices that are very irrational may be adjusted, whether upwards or downwards, as the case may be.

2. The Current Purchasing Price of Agricultural Products Can Basically Help Develop Agricultural Production

Since liberation, especially since the 3d Plenary Session of the 11th CCP Central Committee, when implementing various economic policies, the purchasing prices of agricultural products have been raised many times, with a view to developing agricultural production and to consolidate the alliance of workers and peasants. Compared with 1950, the purchasing price of agricultural products in 1980 increased by 151.2 percent (the figure would be 184.4 percent if the additional price for above-quota products and the rural fair price were included), among which the purchasing price of grain increased by 171.8 percent, that of edible vegetable oil increased by 298.1 percent, and that of cotton, by 65.2 percent. In 1979, the State Council decided to raise the purchasing price for 18 kinds of agricultural products including grain, cotton, oil, pigs, cows, sheep, eggs, aquatic products, the timber of the southern provinces, and so on. The general level of the purchasing price of agricultural products increased by 22.1 percent. This was an instance that the variety and extent of the price raising were both comparatively great after the founding of New China. In 1980, the purchasing price of cotton, jute, tung oil, raw lacquer, resin and others were raised, and the ex-factory price of timber from the northeast and Nei Monggol was also raised, the average rise in the whole country being 7.1 percent. In 1981, the purchasing price of flue-cured tobacco, soybean, timber and edible black fungus was raised, and that of hemp and honey was lowered. Judging from the overall situation of the country, the purchasing price for all the principal agricultural products has been increased in the past few years. The practice of the production responsibility system in the countryside has mobilized the labor initiative of the peasants. The raising of the purchasing price of agricultural products has increased the income of the peasants. All these policies have brought about a new phase in the rural areas. In 1981, although many places in our country suffered from severe floods and droughts, still the overall situation on the agricultural front was very good. The gross grain output approached the level of 1979, being the second year of bumper harvest after the founding of New China. The output of cotton, oil and roasted tobacco were also increased. This demonstrates that the current purchasing price of agricultural products can help develop the agricultural production in our country.

3. To Increase the Income of the Peasants on the Basis of the Development of Production

Because the level of productive forces in our country is comparatively low, plus the long-term erroneous influence of the "leftist" line in our work, the income level of the peasants is low. Therefore, to help the peasants to increase their income and to get rich is a common task of every trade.

What should be relied upon if the income of the peasants is to be increased? There are different opinions regarding this problem. Some comrades hold that since the purchasing price of agricultural products in our country is low, raising the purchasing price is the primary means of increasing the income of the peasants. My view is that the peasants should resort to increasing production so that the quantity of merchandise can be increased and thereby income can be raised. Raising the purchasing price of agricultural products will help to increase the peasants' income, but it is not a fundamental way to attain the goal.

With reference to the concrete conditions of our country, and based on our initial analysis, there are four principal ways to raise the income of the peasants:

First, to implement various forms of agricultural production responsibility system, so as to raise the labor productivity and to increase production output and the quantity of commodities. After the 3d Plenary Session of the CCP Central Committee, various forms of agricultural production responsibility systems were practiced in many rural areas, and the initiative in production of the peasants was greatly enhanced. In 1979 and 1980, the production output and the purchase quantity of the principal agricultural products were increased, and the income of the peasants was correspondingly raised. Particularly in some longterm backward rural areas, the change of income for the better was markedly manifest after the practice of the responsibility systems. Of the 221 poor counties that provided a yearly income of under 50 yuan per person for 3 consecutive years, 72 counties succeeded in providing a yearly income of above 50 yuan per person in 1980, out of which 4 counties, Gaotang, Xiajin, Xinxian and Heze in Shandong Province and Luyi County in Henan Province, succeeded in providing a yearly income of above 100 yuan per person.

Second, to carry out the policy set forth by the CCP Central Committee that "we should never slacken the efforts in grain production, and at the same time actively develop the production of the diversified economy." Many places carried out this policy and thereby increased the income of the peasants. Santangjie commune in Taojiang County, Hunan Province, began to alter the structure of the labor force in 1980. The labor force that was occupied with grain production originally amounted to 2/3 in 1979, which was reduced to 1/3 in 1980. The labor force engaged in the diversified economy increased to 2/3. Still, the total grain output in 1980 reached a record high, with a tremendous increase in the diversified economy. The gross income of the commune increased from 1.63 million yuan in 1979 to 2.35 million yuan, an increase of 44 percent. The average income per person increased from 80.7 yuan to 134 yuan, an increase of 66 percent.

Third, to pay due attention to scientific farming, strengthen operation and management, raise the unit output, reduce waste, and minimize costs. In the past, under the erroneous "leftist" influence, many communes and brigades did not pay enough attention to scientific farming and financial control, resulting in heavy losses and waste, so that the expenditure in agricultural production increased and the production cost rose. On the average, in our country, the percentage of the cost of agricultural production in the total

income of agriculture was 25.13 percent in 1957, 25.05 percent in 1965, and increased to 31.93 percent in 1980 which was an increase of 6.88 percent over the year of 1965. That year the total cost of agricultural production amounted to 39.979 billion yuan. If the production cost had been reduced by 2 percent, the income of every peasant, totalling 800 million, in our country would have increased by 1 yuan. The figure shows the great potential inherent in this respect. In the past 2 years, since some production brigades practiced the system of production expenditure have been reduced, the output has increased, and the costs have been lowered.

Fourth, to raise the purchasing price of agricultural products. Raising the purchasing price of agricultural products can increase the income of the peasant. But as the quantity of the products sold by the peasants varies to a great extent, benefits arising from the raising of purchasing prices are markedly different with different peasants. In 1979, a big raising of the purchasing price for agricultural products was effected, and each peasant in our country increased his income by 9 yuan and more on the average. But a peasant in a certain region might get well over 30 or 40 yuan of extra income, while another peasant in another region might get only 2 or 3 yuan of extra income. Therefore, it follows that the raising of the purchasing price of agricultural products is one of the means to increase the income of the peasants, but it is certainly not a principal means. The fundamental means of increasing the income of the peasants is to help them develop their production, to increase the quantity of the products for sale and at the same time to pay enough attention to producing more high-quality agricultural products.

4. Stabilization of the Purchasing Prices of Agricultural Products Is An Important Factor in Basically Stabilizing Market Prices

At present, the consumer goods for the people in our country are mainly of two categories: The first consists of the agricultural products such as grain, oil, meat, eggs, vegetables, aquatic products, and so on; the second consists of the industrial products, such as cloth, knitwear, furniture, bicycles, sewing machines, and so forth. Of all the industrial products for daily use, about 70 percent make use of the agricultural products as the constituent material. This illustrates the important role which the agricultural products play in the daily life of the people. The stabilization of the purchasing price for agricultural products helps to stabilize the selling prices of most of the consumer goods, and it is an important factor in keeping the market prices basically stable.

The stabilization of the purchasing price for agricultural products can also control in a planned way the monetary investment in the rural areas, and help to maintain the fundamental stability of the selling price on the market. The balance of the circulation of money and the supply of commodities is one of the important conditions in maintaining the stabilization of the selling price on the market. In the last few years, because of the development of agricultural production and the increase in the quantity of agricultural products sold by the peasants, plus the raising of the purchasing price for agricultural products and the increase in the monetary investment, and because of the insufficiency of the supply of industrial products, there exists the

imbalance of the circulation of money and the supply of commodities. Dezhou District of Shandong Province had a bumper harvest in 1980. The purchase of cotton that year amounted to 2 million dan, about 4 times the average figure of 400,000 dan and more in previous years. The cash in the hands of the peasants out of the sales of their agricultural products increased 3 to 4 times accordingly, but the quantity of the industrial products on the market did not increase much. Hence the peasants were unable to buy the requisite goods with their ready money in hand. Some peasants put their money in the bank or in the credit cooperative, and some just kept their money at home as their assets. The current contradiction of the abundance of money and scarcity of industrial merchandise has to be solved in one way or another. At present, a handful of speculators sell their industrial products which are in short supply at very high prices in the rural areas, thus affecting the stability of market prices. Under these circumstances, it is necessary to stabilize the purchasing prices for agricultural products and to control in a well planned way the volume of money circulating in the rural areas. Such measures will facilitate the maintenance of selling prices on the market.

In order to carry out the policy of basically stabilizing the selling price of agricultural products, in addition to solving the problem of acquisition of a correct understanding, some concrete work must be done meticulously. With respect to the irrational purchasing prices for individual agricultural products, adequate readjustment of prices should be effected, with the raising or lowering of prices as appropriate on particular occasions. Restructuring of the negotiated price system for agricultural products should be carried out so as to reduce the categories of the negotiated goods and to lower the inflated prices. As regards the agricultural products of the first and second categories, the purchasing prices set by the state should be strictly followed, and no raising or lowering of either the grade or the price is permitted. Price rises and price subsidies for those extra above-quota products should be placed under strict control. Prices for agricultural products in places bordering two localities should be in alignment, and no competitive purchase by raising the price of agricultural products should be enforced, thus effecting the principle of matching management with individual endeavor, and coupling flexibility with orderliness.

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FINANCE AND BANKING

'JINGJI YANJIU' ON EXTENDING ROLE OF BANKS

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pp 64-66

[Article by Zhao Haikuan [6392 3189 1401]: "Further Enhancing the Role of Banks in Adjusting the Economy"]

[Text] Banks are one of the national departments responsible for capital management. Their role in raising and employing capital should be given full play. In the past 2 years, the system of banking management has been reformed, the work of raising social capital has been strengthened, the area of capital spending has been widened, medium- and short-term loans for the purchase of equipment have been provided, and the readjustment of the circulation of money has been strengthened. Much has been achieved. However, the following three things should be done to better bring the role of the banks into play:

1. We Must Raise More Social Capital By Some Economic Means

Our banks have done a lot in raising social capital and large amounts of deposits have been made since the founding of the PRC. According to the statistics, the sum total of various forms of saving at the end of 1980 reached 165.864 billion yuan, equivalent to 45.7 percent of the national income in that year which amounted to 363 billion yuan, or 1.53 times of the total revenue of 108.52 billion yuan that year. Such capital has been spent on our socialist construction, as planned by the state.

In the past, our banks, however, had quite a few shortcomings in raising social capital. The main reason was that they relied too much on administrative means while economic means were inadequate. The problem had to be studied and resolved.

In the past 2 years, as a result of the rise in the prices of agricultural products and sideline products, readjustment of workers' wages, an increase in the enterprises' autonomy and the reform of the financial management system, a portion of capital, which was previously included in revenue, has been dispersed to the enterprises and units, into the hands of the peasants and workers. At present, the localities have about 50 billion yuan of capital. The money in the hands of city and rural residents has also greatly

increased. Meanwhile, the ratio of revenue to the national income has inclined. For instance, during the 24 years from 1953 to 1978, the revenue made up an average of 36 percent of the national income. In 1979, this dropped to 32.73 percent, and in 1980 it dropped further to 29.33 percent. The banks thus have to play a more active role in the coordination of raising social capital by economic means.

Deposit rates should first of all be raised appropriately to unify and effectively raise social capital. Bank deposit rates have been raised twice since the gang of four was smashed. However, they have not been raised to the required level. For now on, credit interest rates should be raised as high as possible without bank deposit rates being overtaken, so that people may feel that by saving they can not only offset inflation but can also receive a notable amount of interest. In this way, they will be encouraged to make rational arrangements for their income and expenditure and to save more. In the past, some enterprise units did not receive any interest on their deposits. As the bank rates are raised, such units should also enjoy interest. Higher rates should be set for fixed deposits by enterprises, institutions, organizations and armed forces and other units so that they may feel that making long-term deposits in banks is an effective way to rationally utilize their capital.

Second, the variety of deposits should be extended in accordance with the various characteristics of social capital. As for saving deposits, apart from effectively utilizing the basic forms of saving such as deposit and withdrawal in whole, deposit in parts and withdrawal in whole, deposit in whole and withdrawal in parts, deposit in whole and withdrawing only the interest, the banks should work together with the departments concerned in setting up deposits especially for durable consumer goods, municipal housing and rural construction materials. As for unit deposits, consideration can be given to starting fixed deposits for enterprises and institutions so as to absorb their idle capital. While extending the variety of deposits, consideration can also be given to the issue of bonds so as to raise longer term capital (i.e. for construction programs for which the banks are held responsible as assigned by the state, the construction units would entrust the banks to issue bonds to raise the capital required. Interest would be paid to the enterprises and the people who have bought the bonds voluntarily.) Besides, the banks should also actively promote trust business, and develop the insurance business. In sum, social capital should be raised by various means.

Moreover, attention should also be paid to the services provided for deposit customers. The number of banking offices, saving agencies and mobile service groups should be increased appropriately. Studies should also be made on the possibility of providing saving services in post offices to customers, so that people can deposit or withdraw their money at nearby locations. Attention should be paid to readjusting the labor structures of saving banks so as to simplify saving procedures, reduce customers' waiting time and raise working efficiency.

2. We Must Support the Development of the National Economy and Appropriately Expand the Range of Loans

Our nation, for a long time, followed Russia's practice of limiting loans to a small range. The enterprises of the economic sector, with the exception of the agricultural and municipal collective "five small" enterprises, were not provided with loans of circulating capital, but only with fixed capital loans. As a result, the banks were only involved in one spectrum of enterprise funds activities and their role in enterprise production and management was only partial. This practice could not meet the needs of the changing circumstances. An overwhelming majority of banks throughout the world have begun to provide loans for fixed assets one after another since World War II. At present, the U.S.S.R. State Bank provides loans of circulating capital as well as for fixed assets. For instance, long-term loans made up 24.88 percent (R68.4 billion) of the total amount of loans (R274.9 billion) in 1978.

Bank loans are much better than financial allocation. Loans have to be repaid. When a target is achieved, the loan can be withdrawn to support another construction program. Loans have to be repaid with interest. The larger the amount and the longer the period, the greater the amount of interest which accrues. The banks supervise the process throughout from the issue to the payment of loans. Therefore, loans of various forms can fully utilize the capital of the state, strengthen the sense of responsibility of the enterprises making use of the capital, facilitate the enterprises improvement of their management and raise the efficiency of capital utilization in state construction. In the past, our state narrowed bank loans to the scope of circulating capital. As a result, the banks failed to directly supervise and readjust the enterprises that utilized fixed capital. This was a great defect in our socialist construction.

In order to give fuller play to the banks' role and effectively utilize state capital for construction, the People's Bank of China began in 1979 to provide enterprises, to a limited degree, with medium- and short-term loans for the purchase of equipment. By the end of September 1981, although loans of this type only made up 2.6 percent (i.e. 6.51 billion yuan) of the bank's total loans, they have played a considerable part in the readjustment and development of the national economy. For example, the People's Bank of China provided 7.78 billion yuan of medium- and short-term loans for the purchase of equipment for more than 33,000 tapping, renovating and restructuring projects from early 1980 through to the end of 1981. More than 16,000 projects have been completed and put into operation. The increase in production value amounts to 13 billion yuan, 1.67 times the amount of medium- and short-term loans provided for the purchase of equipment. The amount of profit tax increased by 2.96 billion yuan.

From now on, the banks, in the first place, should fully manage the provision of circulating capital for the enterprises. They should also continue to do a good job of medium- and short-term loans for the purchase of equipment, sum up the experience in the provision of such loans in the past 2 years, further improve investigation before loans are provided, improve the examination at the time and after loans are provided so as to ensure that proper projects

are chosen for the provision of loans, and ensure that greater and quicker returns can be achieved at the minimum expenses.

At present, views are divided on whether the People's Bank of China should provide loans for fixed assets. Comrades holding a negative view believe that the provision of such loans is incompatible with the principle of separating the management of financial and credit capital. They also believe that it may lead to inflation. This is a wrong concept. The separation of the management of financial and credit capital means that their functions should be specifically different from the other. So long as there is a difference between financial and credit capital, the separation of management remains essential. Whether or not the People's Bank of China is capable of providing fixed asset loans is another matter. The provision of these loans by the People's Bank of China will change the demarcation line between financial and credit capital. We may not in the beginning be accustomed to the new demarcation line, but it better fits the present financial and credit conditions, and it is more beneficial to the utilization of our state capital for construction. Changing the demarcation line of work does not necessarily violate the principle of separating the management. On the contrary, this principle can be thoroughly implemented on a new basis. As to whether this will lead to inflation, we hold a negative view. The increase of the amount of currency in the past few years has outweighed the normal needs for the circulation of commodities. This was due to the imbalance of the national economy which was unduly influenced by the 'leftist' errors, and to the large deficits during the past few years. In order to bring the circulation of currency back to its normal course, we should first of all readjust our economy and balance the budget. This will take some time and cannot be accomplished within 1 or 2 years. Under such circumstances, the circulation of currency can hardly be improved unless we proceed from the national economy as a whole and solve the currency problem. We should achieve a benign cycle in our national economy, and support the view that the national economy should be developed at a constant pace during the period of readjustment. While the provision of loans of circulating capital is properly handled, other means of money circulation are under control and the withdrawal of currency is organized, we should also arrange annually an appropriate amount of loans for fixed assets, vigorously support the development of daily consumer products, and support the technical improvement of the national economy. Only by doing so can we develop our national economy, strengthen the currency withdrawal and thoroughly resolve the currency problem.

3. We Must Maintain An Overall Balance in Credit Capital and Rationally Readjust the Circulation of Currency

A stable currency market is essential for the healthy development of the national economy. The difference between the total amount of credit from all sources and that of utilization is the amount of currency that is put into circulation or the amount returned by the banks. To maintain an overall balance of credit is an important part of readjusting currency circulation and stabilizing the currency value and prices. Our state has attached much importance to the overall balance of credit capital in the past. With the

reorganization of the economic system, the increase of credit capital sources and of the channels of utilization, and the widening of the scope of banking activities, a stable currency can be ensured only when we attach more importance to the balancing work.

Stabilizing the currency has been one of our basic policies. This definitely cannot waver. According to Engels, a chronic inflation policy has been generally adopted in the capitalist states for a long period of time. It has considerable effect on stimulating demand and promoting productivity. However, it fails to work now. Ours is a socialist state whose economic problems are basically different from those of the capitalist states. At present, the supply of daily products still falls short of demand and there is no need to stimulate demand. The implementation of a chronic inflation policy will be much to our disadvantage. We definitely will not follow the same old disastrous road taken by the capitalist states.

The People's Bank of China has provided certain medium- and short-term loans for the purchase of equipment. Does this mean that we have given up the policy of stabilizing inflation, ceased to enthusiastically control inflation and tolerated excessive circulation of market currency? Definitely not. The aim of such provision is to raise the utilization effects of the capital for state construction, to help the national economy realize a benign cycle, to help maintain the speed of construction, to fundamentally resolve the problem of excessive circulation of currency, and to stabilize the RMB currency. Moreover, such loans are provided in a planned and limited scope. The orientation of utilization is also under the banks' supervision.

The condition of both financial and credit revenue and expenditure is an overall reflection of the development of the national economy. In order to earnestly improve the condition, to keep a balanced budget, to stop issuing financial currency, to readjust the circulation of market currency and to stabilize value and prices, we must further improve the readjustment of the national economy and the reform of the economic system, greatly raise the economic effects in utilizing state capital, realize a good cycle of the national economy and healthily develop economic construction.

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INDUSTRY

HUNAN MEETING DISCUSSES INDUSTRIAL TASKS

HK080347 Changsha Hunan Provincial Service in Mandarin 2310 GMT 7 May 82

[Text] The provincial government held a provincial telephone conference on industry and communications production on 7 May, to mobilize the workers throughout the province to brace their spirits, maintain and develop the good momentum of sustained output increase in the first 4 months of the year, redouble their efforts, advance from victory to victory, do a good job in production in May and June, and make new contributions to further improving economic returns.

Secretary of the Provincial CCP Committee and Governor Sun Guozhi, Vice Governor Zhou Zheng, and Provincial Planning Committee Deputy Director (Wang Hanping) spoke at the meeting.

The meeting pointed out: The situation in the province's industry and communications system was good in the first 4 months of the year. Total industrial output value was 13 percent more than in the same period last year. Local state-owned enterprises covered by the budget boosted profits by 9.1 percent during the first quarter, while turning over 3.78 percent more profit to the state.

However, there are also some problems. The meeting demanded that the industry and communications take advantage of May and June, a period when power supplies are relatively good, to speed things up and promote production still more. There should be new progress in all economic indices. At present it is necessary to concentrate on the following tasks: 1) Strengthen leadership over production and promote command and control; 2) continue to implement measures for reducing output of products in ample supply and raising output of those in short supply, and ensure that production is organized according to the needs of society; 3) get a good grasp of the production, economy and supply of energy; 4) straighten out the enterprises and vigorously promote economic returns; 5) promote production safety and carry on production in a civilized environment.

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INDUSTRY

DEVELOPMENT OF CHINA'S MARINE OIL RIGS

HK301537 Beijing ZHONGGUO XINWEN SHE in Chinese 0139 GMT 30 Apr 82

[Roundup: "China Scores Relatively Great Development in the Manufacture of Marine Oil Rigs"]

[Text] Beijing, 30 Apr (ZHONGGUO XINWEN SHE)--China's large-scale exploitation of offshore oil will begin soon and its huge needs for extraction equipment have been put on the agenda. In the near future, China will attain new development in the manufacture of offshore oil extraction equipment, particularly various types of marine oil rigs.

It was from the 1960's that China started researching into and designing marine oil-drilling rigs. In 1972 Dalian Shipyard succeeded in building "Bohai No. 1," the first oil-drilling rig capable of operating at a depth of 30 meters. Up to now this rig has sunk 30-40 wells in the waters of the Bohai Sea. Since then Dalian Shipyard has succeeded in building one after another the "Bohai No.3" and "Bohai No.5," the 40-meter deep jack-up drilling rigs. The three oil-drilling rigs being constructed now will also be completed soon.

The Shanghai shipyard is building "Kantan No. 3," China's first semisubmersible marine oil-drilling rig. The upper part of the rig is a platform the size of a football field and its lower part is made up of two submarine-shaped floats connected in the middle with six huge upright pillars 9 meters in diameter, 24 meters in height. The whole rig is 91 meters long, 71 meters wide and 100 meters high and it has a working displacement of over 20,000 tons. At present, work has been completed on joining the principal parts of the drilling rig. After the rig has been completed, it will be capable of executing a drilling operation at a depth of from 35 to 200 meters and of drilling 5,000 to 6,000 meters deep in the waters of the Yellow Sea, Donghai Sea and South China Sea.

The Huangpu Shipyard of Guangzhou is repairing the "Nanhai No. 2" self-navigating semisubmersible oil-drilling rig of the Aker-H-3 type. Imported from Norway in 1978, this rig was capable of carrying out drilling operations at a depth of 300 meters and of drilling at a maximum depth of 7,620 meters. It has sunk three oil wells so far in the waters of the South China Sea. A Japanese company was entrusted with the repair of the rig in the past, but it was not completely repaired. Now the various departments concerned in the

country have joined hands to repair the rig with the Huangpu Shipyard undertaking the main task.

While contacting to build marine rigs for domestic users, China's shipbuilding industry has also received orders for rigs from abroad. From November 1980 up to the present, China has received orders for the joint construction of four marine oil-drilling rigs and for rebuilding another.

In 1980, Dalian Shipyard received orders from the (Baker) Marine Engineering Company of the United States for the construction of two 100-foot-deep jack-up drilling rigs and for repairing a drilling rig. They have been basically completed now and will be available to the users this year. In early February this year, Dalian Shipyard signed a memorandum of understanding with the (Ying Ge Er Si) [5391 2706 1422 2448] Shipyard of the United States for the joint construction of L-780 type jack-up drilling rigs. Recently it again signed an agreement with the (A Ke) [7093 0344] Engineering Corporation of Norway for the joint construction of the improved H-3 type semisubmersible drilling rigs.

In 1981 the Huangpu Shipyard received an order from the Hua Chang International Co., Ltd. of Singapore for a 200-foot-deep jack-up drilling rig. Work has been started on the manufacture of this rig which is scheduled to be completed in 1983.

China still lacks experience in the manufacture of offshore oil extraction equipment, particularly the marine oil-extracting rigs. It is therefore prepared to cooperate in the near future with some financially powerful, prestigious and experienced rig manufacturing companies abroad for the design and production of rigs with the given oil areas as specific items. At present, China has got in touch with the (Bu Lang-lu Te) [1580 2597 6424 3676] Inc. and the (Mai Ke De Mo Te) [7796 0344 1795 5459 3676] Corporation of the United States and the (Lian He Qi Ye) [5114 0678 0120 2814] Corporation of France on matters of cooperation between both parties.

CSO: 4013/69

INDUSTRY

BRIEFS

XINJIANG FARM MACHINERY CONFERENCE--The Xinjiang Regional Conference of Prefectural and Autonomous Prefectural Farm Machinery Bureau Directors concluded on 16 April. The conference pointed out that farm machinery departments in all places must further sum up and popularize the experiences in implementing and perfecting the system of responsibility for controlling and using farm machinery and strengthen safe use supervision and control of farm machinery in order to reduce the number of accidents and to make farm machinery serve agricultural and livestock production even better. Janabil, deputy secretary of the Regional CCP Committee and vice chairman of the Regional People's Government, visited the comrades present at the conference and spoke. [Urumqi Xinjiang Regional Service in Mandarin 1650 GMT 22 Apr 82 HK]

CSO: 4006/438

DOMESTIC TRADE

BRIEFS

SHAANXI COMMODITY SUBSIDIES--Since the 3d Plenary Session of the 11th CCP Central Committee, the party and the government have done everything possible to improve urban people's livelihood and Shaanxi Province has spent 1.01958 billion yuan on subsidies for seven commodities, including grain, oil, eggs, and so on. Since 1979, due to the increased prices of surplus grain, cotton and oil in excess of their procurement quotas and the reduced price of pork, the central authorities have subsidized this province with 234 million yuan and this province has used 785 million yuan from its local revenue as subsidies. Over the past 3 years, each person in an urban area in this province has obtained an average of 153.6 yuan from the state. According to the amount of commodities sold by the state-run market in 1981, the state subsidized 0.07 yuan on the sale of 1 jin of grain, 0.6 yuan on the sale of 1 jin of edible oil, 0.1 yuan on the sale of 1 jin of pork, 0.14 yuan on the sale of 1 jin of eggs and 0.015 yuan on the sale of 1 jin of vegetables. [HK030335 Xian Shaanxi Provincial Service in Mandarin 0500 GMT 21 Apr 82 HK]

CSO: 4006/438

LABOR AND WAGES

LIFE IMPROVES DESPITE COMMODITY PRICE INCREASES

OW091201 Beijing XINHUA Domestic Service in Chinese 0102 GMT 9 May 82

[Excerpts] Beijing, 9 May (XINHUA)--Information from the latest investigation here shows that there have been some commodity price increases in the past 3 years, but, in general, the life of city and township residents has somewhat improved. In these 3 years, the retail commodity price index has risen 12.2 percent, that is, the consumer products that could be purchased for 100 yuan in 1978 cost 112.20 yuan in 1981. Although this somewhat affected the life of the people, especially city and township residents, their living standard was generally enhanced because most of the staff members and workers had higher wages and received cash awards in recent years. Besides, over 26 million young people were given jobs.

This information was given to this news agency's reporter by the State Statistical Bureau after it carried out a large number of investigations and study. The State Statistical Bureau's investigation states: Of all the consumer products whose prices have increased, vegetables and nonstaple food registered the highest price increase index with an increase of 32.1 percent from 1978 to 1981. Based on the present average number of dependents per each staff member and worker in the urban area--1.77 persons--the family of each staff member and worker is spending 47.5 yuan more in yearly living expenses per person than in 1978. Therefore, a family of four is spending 190 yuan more in such expenses each year. This cannot be regarded as a minor effect on their life.

With regard to changes in the incomes and expenses of the families of staff members and workers in the past 3 years, the investigation shows: The average wage income of staff members and workers at units under the systems of ownership by the whole people and collective ownership throughout the country in 1981 was 772 yuan, or an increase of 158 yuan over the 614 yuan of 3 years ago. Deducting the expenses incurred by the price increase, such an increase in the average wage income is 74 yuan, or 12 percent greater than that of 3 years ago. Based on the average number of employed persons in each household, the actual income of the family of each staff member and worker last year was 167 yuan more than that of 3 years ago. The staff members' and workers' expenses for food, clothing and other purposes have somewhat increased. Television sets, large chests of drawers, sofas and other high-grade products that could only be owned by a small number of people with high incomes in the

past now appear in many families of staff members and workers. At the same time, the balance of deposits by city and township residents in 1981 increased 20 billion yuan over that of 1978, or an increase of 2.3 times. All this indicates that the life of staff members and workers in urban areas has improved.

The State Statistical Bureau stressed: The problem of commodity price increases should not be taken lightly. At present, cases of arbitrary price increases and price increases under disguised forms have often occurred at some units in the production and commodity circulation spheres. In some departments and enterprises, the speed of increasing the incomes of their staff members and workers has exceeded the speed of their production development. Such a situation really merits attention. We should strictly enforce the State Council's regulations concerned and mobilize the masses to carry out supervision and continue to make efforts to stabilize commodity prices and guarantee the people's livelihood.

CSO: 4006/438

LABOR AND WAGES

BRIEFS

SICHUAN MUNICIPALITY WELFARE WORK--According to the statistics compiled by the Dukou Municipal Finance Bureau, Municipal Statistical Bureau, Municipal Labor Bureau and Municipal Tax Bureau, the municipality has spent 286 million yuan on increasing urban and rural people's income and improving welfare work over the last 3 years. This amounts to 41 percent of the municipality's revenue in the same period. This shows that the party and the government have shown concern for workers in urban areas. The municipality has implemented the system of bonuses and nonstaple food subsidies and arranged jobs for some 38,000 people awaiting employment. The municipality has built houses on 750,000 square meters. [HK060629 Chengdu Sichuan Provincial Service in Mandarin 1100 GMT 1 May 82 HK]

CSO: 4006/438

TRANSPORTATION

RAILROAD COURTS, PROCURATORATES START WORK

HK080553 Beijing ZHONGGUO XINWEN SHE in Chinese 0713 GMT 7 May 82

[Text] Beijing, 7 May (ZHONGGUO XINWEN SHE)--The Supreme People's Court and People's Procuratorate recently issued a joint circular stipulating that railroad transport courts and procuratorates at all levels are to commence formal operations on 1 May.

The railroad courts and procuratorates at all levels are judicial and procuratorial organs set up in the railroad transport departments by the state. These courts and procuratorates are now fully ready to begin operations, thanks to the efforts of the departments concerned since the preparatory work began.

At present the railroad transport courts and procuratorates at all levels throughout the country are mainly handling criminal cases in which the railroad transport public security organs are responsible for detection, applications for arrest, and prosecution, together with economic, disciplinary and legal cases connected with the railroad transport departments, and also cases on the railroad involving foreign nationals. Civil cases of all types and cases that occur in railroad plants, engineering bureaus, survey and design institutes, colleges and other units but which do not come under the railroad transport category will continue to be handled by the local people's courts and procuratorates at all levels. Cases that occurred before 1 May will still be handled by the units originally responsible for them.

CSO: 4006/438

GENERAL

XINJIANG LEADER ON HITTING AT ECONOMIC CRIME

HK100249 Urumqi Xinjiang Regional Service in Mandarin 1300 GMT 9 May 82

[Excerpts] According to XINJIANG RIBAO, Regional CCP Committee Secretary Qi Guo spoke at the recent forum of industry and commerce administrative bureau chiefs, demanding that party committees at all levels seriously implement the decision of the CCP Central Committee and State Council on hitting at serious criminal activities in the economic field, wage resolute struggle against criminal activities such as smuggling and peddling contraband, engaging in bribery and corruption, embezzlement and speculation, and protect China's socialist system and the interests of the people of all nationalities.

Qi Guo said: The key lies in enhancing understanding. There are still many comrades in our region who lack sufficient understanding of the importance of this struggle. Some people say that serious illegal and criminal activities mainly occur in the coastal areas or the special economic zones; Xinjiang is far from the coast, and although there may be problems, they will not be so serious. There are also some comrades who worry about this struggle. They are unable to take a correct view of certain problems that appeared in previous campaigns they experienced, and are afraid of future trouble if they get things wrong. Even some comrades who have undergone long education and steeling and now hold quite responsible posts dare not tackle this work. Hence, there remains a problem of enhancing awareness and understanding among our leading cadres and masses.

Qi Guo said: We must act in a thoroughgoing way in implementing the decision of the CCP Central Committee and State Council on hitting at serious criminal activities in the economic field. The stress is on tackling major and important cases. We must seek truth from facts, and attach importance to investigation and study.

Comrade Qi Guo said: Hitting at criminal activities in the economic field is the central task for the industry and commerce administrative departments this year. These departments must make a success of their work this year, centering on this task.

CSO: 4006/438

GENERAL

YUNNAN'S AN PINGSHENG MEETS MODEL WORKERS

HK070309 Kunming Yunnan Provincial Service in Mandarin 1100 GMT 6 May 82

[Text] Four representatives (Dai Renli), (Ma Fuchang), (Li Chaoping) and (Tang Haibai) of our province, who attended the National May Day forum of model workers and representatives of advanced figures, returned to Kunming from Beijing by plane on the morning of 5 May. When the representatives arrived in Kunming they were received by Comrade An Pingsheng. Responsible persons of the Provincial Trade Union Federation, Communications Department, and Metallurgical Bureau, Kunming Trade Union Federation and other relevant departments received the representatives at the airport.

The representatives said that they would join the workers of the whole province in seriously studying and publicizing the rules for workers, and play an exemplary role in observing these rules.

CSO: 4006/438

Economic Development

AUTHOR: LI Jianbai [2621 0494 4101]

ORG: None

TITLE: "Emphasizing the Function of Science and Technology in Economic Development"

SOURCE: Beijing RENMIN RIBAO [PEOPLE'S DAILY] in Chinese 5 Apr 82 p 5

ABSTRACT: The paper announces that during the 6th 5-year plan, Heilongjiang Province will attempt to emphasize sciences and technologies to cause the fruits of scientific and technological progress to become 1/3 to 1/4 of the factors for the growth of the provincial economy. In praise of the policy of the central party to change the leftist ideas and to construct socialism in China on the basis of the actual conditions of China, the paper mentions a series of past mistakes, including insufficient production of consumer goods, lack of coordination in matters of scientific research between the military and the civilian systems and among the various civilian systems, devoid of creativeness, etc. In so far as the development of science and technology is concerned, although it is necessary to catch up with the advanced level, to produce more results, and to train more talents, the most fundamental goal should be to raise the productivity and to promote the economic and social development. If this basic goal is ignored, scientific research will become a water without a source or a tree without its roots. Following this clarification of policy, the paper lists 6 types of programs in scientific and technological research for the purpose of utilizing the advantages of Heilongjiang to develop its economy.

AUTHOR: DONG Tai [5576 1132]

ORG: None

TITLE: "Devote More to Economic Management"

SOURCE: Beijing RENMIN RIBAO [PEOPLE'S DAILY] in Chinese 5 Apr 82 p 5

ABSTRACT: With the implementation of the readjustment policy of recent years, the national economy has been put on the track of stable development and the people have received more true benefits. The masses are happy for that but they are not happy with the rising prices. There are 3 origins of price increases: (1) An increase of prices approved by related departments of the State; (2) The industry raises the price of its products on its own; (3) A price increase in the marketplace. The first does give the masses a bad impression but after some reasonable explanations, they do understand. The third type is caused by the function of the marketplace, i.e. created by a bunch of secondary traders. The masses are most unhappy about this second type of price increase. Many industries arbitrarily raise prices or use other ways, such as collecting additional fees, etc. to increase their profits. They attempt to charge the consumers the cost of their own waste in the process of production, transportation, management, and circulation. Instead of devoting themselves to economic management to improve their cost and profit profile, these industries have their minds fixed on the consumers and are determined to use whatever means to get more out of consumers so as to increase their profits. The paper explains that this is definitely wrong in a socialist society.

AUTHOR: ZHANG Guangdou [1728 0342 2435]

ORG: Qinghua University

TITLE: "Improve Engineering Colleges to Fulfill the Educational Goal of the Party"

SOURCE: Beijing RENMIN RIBAO [PEOPLE'S DAILY] in Chinese 8 Apr 82 p 3

ABSTRACT: If the four modernizations are to be quickly realized and the advanced level of the world is to be reached Chinese colleges of engineering must be reformed and improved. Judging from his observations of many universities and colleges of the USA, France, Japan, Mexico, Argentina, etc. the author is of the opinion that foreign experiences cannot be transferred to China totally. The goal of colleges of engineering should be to train engineers and the attitude of valuing scientists and professors and treating engineers lightly must be changed. At the same time, students of colleges of engineering must emphasize the overall development of the mind, the morals, and the body. The colleges must link theory with practice. At present, the trend is to emphasize theory and this trend is in need of readjustment. The industries should help the colleges to bring education to reality. On the one hand, colleges of engineering should devote their efforts to scientific research; yet on the other hand scientific research and education should compliment each other so that both may serve China's productive construction. In a not very systematic manner, the paper attempts to point out the essence of the party's policy on engineering education and the necessary difference in goals and procedures between Chinese and foreign systems of higher education in the various fields of engineering.

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CSO: 4011/87

END