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COMPARATIVE REPORTS ON CHINA'S BUDGETS, 1950-1956

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COMPARATIVE REPORTS ON CHINA'S BUDGETS, 1950-1956

[The two reports presented here cover budgetary information for the period 1950-55 and 1950-56. They are presented together for comparative purposes.]

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I. COMPREHENSIVE FIGURES ON CHINA'S BUDGET, 1950-1956

Following is a translation of an article by Feng Ch'i-hsi, entitled "The High Tide in the National Economic Development of China as Seen in Its State Budgets," in the Chinese-language periodical, T'ung-chi Kung-tse (Statistical Work), Peiping, No 12, 29 June 1957, pages 28-33.7

"The state budget is an immense problem, and in it are embodied all of the state's policies, for it determines the scope and direction of the government's activities." -- Mao Tse-tung (in Collection of Financial Policies and Laws of the Central Government, First Edition p 87; compiled by the Finance and Economics Committee of the State Council, published in August, 1950)

China's state budget does not merely show the source of revenues and the direction of expenditures; through its mobilization, concentration, allocation, and utilization of capital, it can also reveal China's achievements in the development of the national economy, in the elevation of the people's material and cultural living standards, in the strengthening of the national defense capacity, etc. Running figures from successive budgets can also show the course of national economic development in monetary terms.

In the last 7 years, China's state budget has amassed huge quantities of capital to carry the national economy to even higher levels, as shown by the table below.

Figures for rate of development are indexes with 1950 taken as a base year of 100.

	<u>Revenues</u> <u>(million yuan)</u>	<u>Rate of</u> <u>Development</u>
1950	6,519.12	100.0
1951	12,967.02	198.9
1952	17,559.68	269.4
1953	21,762.36	333.8
1954	26,236.83	402.5
1955	27,203.32	417.3
1956*	29,731.73	456.1

*Figures for 1956 are plan figures, while those for all other years are figures for actual implementation.

The total amount of revenues for the last 7 years is 142.1 billion yuan.

As Mao Tse-tung has said: "To increase our revenue through the development of the national economy is the basic line in our fiscal policy..." (From Selected Works of Mao Tse-tung, People's Publishers, October 1951, East China Reprint, Second Edition, Vol I, p 131). He has, further pointed out: "... while a good or bad financial policy may affect the economy, it is economic development that determines the financial situation. We can never overcome financial difficulties unless we have a sound economy, and we can never attain financial abundance without economic development." (From Selected Works of Mao Tse-tung, People's Publishers, February 1953, Peiping, First Edition, Vol 3, p 913.)

The rapid growth of revenues in China's state budget is the result of the uninterrupted high tide in the national economy. From 1949 to 1955, the gross value of industrial and agricultural production increased 136.9 percent, and industrial labor productivity in 1955 was 89 percent higher than in 1950. China's state budgetary revenues have consequently increased in pace with the continuous development of the national economy, the virtual completion of socialist transformation, and the expansion of the scale of construction.

In line with socialist construction and socialist transformation, state budgetary increases have been accompanied by a steady expansion of income from the socialist sector and a steady contraction of income from the nonsocialist sector. This is shown by the following table (figures are in million yuan)

"Funds received from peasants" refers only to funds from agricultural tax payments and bond purchases by agricultural producers cooperatives and individual peasants; "funds received from cooperatives" indicates funds from industrial and commercial taxes from cooperative organizations of all types.

	<u>1950</u>	<u>1951</u>	<u>1952</u>
Total revenues	6,519.12	12,699.19	17,559.68
Funds received from			
State-operated economic organs	2,221.79	6,267.75	10,180.74
Cooperatives	--	--	189.50
Public-private jointly operated enterprises	--	--	184.18
Peasants	1,931.65	2,307.08	2,808.91
Private industry and commerce	2,145.74	3,639.24	3,722.42
Other sources	219.94	485.12	473.93

	<u>1953</u>	<u>1954</u>
Total revenues	21,762.36	25,352.58
Funds received from		
State-operated economic organs	13,696.38	16,539.63
Cooperatives	534.37	925.39
Public-private jointly operated enterprises	265.21	421.83
Peasants	2,926.55	3,607.10
Private industry and commerce	3,675.16	3,382.24
Other sources	664.69	476.39

Note: Figures for 1954 and later do not include foreign loans; those for 1950 and 1951 do not include overdrafts on the state bank.

	<u>1955</u>	<u>1956</u>
Total revenues	25,546.04	29,589.49
Funds received from		
State-operated economic organs	18,157.13	21,996.09
Cooperatives	1,127.51	1,562.00
Public-private jointly operated enterprises	555.53	1,575.37
Peasants	3,374.79	3,315.49
Private industry and commerce	1,957.56	766.34
Other sources	373.52	374.20

Note: Figures for 1956 are plan figures, while those for all other years are figures for actual implementation.

The above figures show that the receipts from the socialist economic sector have been increasing every year, while those from the nonsocialist sector have been decreasing.

The state-operated economy is the leading force in China's national economy and provides the material basis for realizing the socialist transformation of the state. Therefore, the rapid increase in remittances from the state-operated economic sector mutually corresponds with the priority given to its development. During the past 7 years, this sector remitted a total of 89.1 billion yuan in taxes to the state, accounting for 62.9 percent of the total state budget during this period. The rate of development was also exceptionally rapid; in 1956, it was more than nine times the base year of 1950. Also, the proportion of state budget receipts accounted for by remittances from the state-operated sector increased 100 percent during the 7-year period, as shown in the table below.

Figures for rate of development are indexes with 1950 taken as a base year of 100.

<u>Year</u>	<u>Amount Remitted to State by State-Operated Economic Sector (million yuan)</u>	<u>Rate of Development</u>	<u>Proportion of Total State Budget Receipts (%)</u>
1950	2,221.79	100.0	34.1
1951	6,267.75	282.1	49.4
1952	10,180.74	458.2	58.0
1953	13,696.38	616.5	62.9
1954	16,539.63	744.4	65.2
1955	18,157.13	817.2	71.1
1956	21,996.09	990.0	74.3

Taxation has been an important method in utilizing, limiting, and transforming privately owned capitalist industry and commerce. During the first years after the establishment of the nation, there were comparatively large industrial and commercial tax returns from privately operated industry and commerce: by 1950, the amount of these taxes was almost equal to the total amount of taxes paid by the state-operated economic sector. It should be pointed out that, with the exception of industrial and commercial taxes, all taxes paid by privately operated industry and commerce were shifted to the consumer.

During recent years, both the absolute amounts and the proportion of taxes paid by the privately operated industry and commerce have greatly decreased because socialist transformation is basically completed. The 1956 tax remittances from these enterprises were only 31.3 percent of those in 1950, or only 2.7 percent of the remittances of all type from the state-operated economic sector. This was only 8.2 percent of the tax payments of the state-operated sector. At the same time, both the absolute amounts and the proportions of payments from cooperatives and public-private jointly operated enterprises will continue to increase. This is shown in the tables below.

Figures for rate of development are indexes with 1950 taken as a base year of 100.

<u>Year</u>	<u>Tax Revenue Remitted by Privately Operated Industry and Commerce (million yuan)</u>	<u>Rate of Development</u>	<u>Proportion of Total State Budget Receipts (%)</u>
1950	1,910.38	100.0	29.3
1951	3,312.31	173.4	26.1
1952	3,457.96	181.0	19.7
1953	3,422.04	179.1	15.7
1954	2,871.89	150.3	11.3
1955	1,670.99	87.5	6.5
1956	598.45	31.3	2.0

<u>Year</u>	<u>Tax Revenue Remitted by Cooperatives (million yuan)</u>	<u>Rate of Development</u>	<u>Proportion of Total State Budget Receipts (%)</u>
1950 — 1951	--	--	--
1952	189.50	100.0	1.1
1953	534.37	282.0	2.5
1954	925.39	488.3	3.7
1955	1,127.51	595.0	4.4
1956	1,562.00	824.3	5.3

<u>Year</u>	<u>Tax Revenue Remitted by Public-Private Jointly Operated Enterprises (million yuan)</u>	<u>Rate of Development</u>	<u>Proportion of Total State Budget Receipts (%)</u>
1950 — 1951	--	--	--
1952	184.18	100.0	1.0
1953	265.21	144.0	1.2
1954	421.83	229.0	1.7
1955	555.53	301.6	2.2
1956	1,575.37	855.3	5.3

During the past 7 years of socialist construction, our peasants not only produced grain and industrial raw materials so that people throughout the nation would not lack, but they also made great contributions to the state budget receipts. After passing through the land reform and "cooperativization" movements, they became fully cognizant that socialist industrialization was one way of bettering their livelihood. Consequently, they were glad to remit taxes to the state and to purchase public bonds. During the past 7 years, the peasants remitted 19 billion yuan in agricultural taxes which became state budget receipts. This is shown in the table below.

Figures for rate of development are indexes with 1950 taken as a base year of 100.

<u>Year</u>	<u>Agricultural Taxes Remitted by Peasants (million yuan)</u>	<u>Rate of Development</u>	<u>Proportion of Total State Budget Receipts (%)</u>
1950	1,909.53	100.0	29.3
1951	2,169.11	113.5	17.1
1952	2,701.47	141.4	15.4
1953	2,711.14	141.9	12.5
1954	3,393.01	177.6	13.4
1955	3,054.31	159.9	12.0
1956	3,020.00	158.1	10.2

To consolidate agricultural producers cooperatives and promote their economic development, the state has adopted a policy of increasing production and not increasing taxes as a means of relieving the burdens of the peasants. The above table shows that agricultural taxes averaged about 10-13 percent of the state budget receipts, while their absolute amount was fixed at about 3 billion yuan. Because agricultural output has been increasing gradually, the burdens of agriculture have correspondingly diminished. In 1952, agricultural taxes and rural supplementary expenditures accounted for 13.2 percent of the agricultural output; in 1953, 12.1 percent; in 1954, 12.9 percent; in 1955, 11.5 percent; and in 1956, 11.4 percent. This amounts to about 7 percent of the peasants' net income. However, before liberation, the poor peasants and the hired peasants had to turn over about 70 percent of their net incomes to landlords, usurers, and other ruling bodies. (The land rent item alone amounted to 60 billion chin of grain.)

At present, the peasants turn over only about 12 percent of their production output, directly or indirectly, to the people's government, which works on their behalf. During the past 7 years, the state has rendered systematic material assistance to the peasants. Besides providing for rural cultural, education, and health items, the state allocated some 2.6 billion yuan to defray construction expenses for water conservation; about 1,310,000,000 yuan for welfare and relief in rural calamity areas; and 1,270,000,000 yuan to popularize improved agricultural seeds, purchase new-style agricultural implements, and improve agricultural techniques. These three items are equal to one third of the agricultural taxes which the peasants paid to the state. In addition, the state granted the peasants some 8 billion yuan (total figure) in low-interest loans to help them develop their production and improve their livelihood.

Consequently, there has been considerable improvement in the livelihood of the peasants, and this is reflected in rural purchasing power: in 1953, a 20 percent rise over 1952; in 1954, 13.8 percent over 1953; and in 1955, 10.5 percent over 1954. Another indication of these conditions is in rural culture and education where the number of rural primary school students in 1955 reached 40 million, or more than a 100-percent increase over the highest prewar year. Peasant children comprise about one half of all middle school students and about one fourth of all university students.

This shows that the responsibility of the peasants fixed in the financial policy includes their continuous economic development and improved livelihood. This also shows that there is an increase in the solidarity and development of the worker-peasant alliance.

During the stages of redistributing the national income, the state budget provides for mobilizing capital from workers, peasants, industry and commerce, city residents, and others by selling public bonds. A portion of this capital is then used for state construction. The table below shows the proposed plan figures and the actual subscription breakdown (in million yuan):

	<u>1950</u>	<u>1954</u>	<u>1955</u>
Proposed plan figure	200.00	600.00	600.00
Total actual subscriptions	260.12	836.13	619.31
Workers and staff	30.17	273.19	217.08
Peasants	17.95	140.46	135.17
Industry and commerce	183.65	394.02	244.42
City residents and others	28.35	28.46	22.64

Each year the actual subscriptions greatly exceeded the proposed figures. The proportion of total bond sales accounted for by actual subscriptions from workers and peasants continued to increase. All this shows that the livelihood of the broad workers and peasants has appropriately increased and that there has been a great upsurge of patriotic fervor.

Finally, the mobilization and concentration of capital by China's state budget is predicated on the basis of continuously increasing the gross social product. This gives the budget something of a production nature. In budget receipts, the state-operated economic sector is a decisive factor in the accumulation of national construction capital. Consequently, in accordance with basic socialist economic principles, this portion of budget receipts will undoubtedly continue to increase and this increase will be quite dependable.

Contrasted with this is the situation in capitalist countries where there is no direct relationship between the budget and production. Their budget receipts are based on tax revenue and this tax revenue is obtained not by using profitable economic methods for dividing the national income, but by using compulsory political methods against the masses.

In China the continued increase in production by socialist enterprises, the increase of industrial and agricultural commodities, the expansion of commodity turnover, and the increase of labor productivity and decrease of commodity costs will provide the nation with great amounts of capital. We must continue to expand reproduction according to the objective demands of basic socialist economic principles and satisfy the daily increasing material and cultural needs of the society. During the past 7 years, expenditures in China's state budget were allocated as follows (in million yuan):

<u>Expenditure</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>
Total	6,808.06	11,902.19	16,787.02	21,487.79
Economic construction	1,735.60	3,511.00	7,626.40	8,645.28
Social, culture, and education	755.23	1,343.60	2,279.64	3,361.04
National defense	2,827.31	5,060.66	4,370.99	5,680.20
Administrative expenses	1,313.18	1,745.59	1,727.44	2,118.05

<u>Expenditure</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Total	24,632.44	29,346.94	30,742.77
Economic construction	12,358.22	13,762.09	16,055.21
Social, culture, and education	3,460.51	3,189.27	3,915.99
National defense	5,813.53	6,499.86	6,141.39
Administrative expenses	2,162.07	2,154.07	2,410.94

It can be seen from the above table that, from 1950 to 1956, expenditures distributed through the medium of the state budget amounted to 141.7 billion yuan, and that the amount in 1956 was 4.5 times that in 1950.

The annual expenditures of China's state budget used for development of the national economy have not only been very large, but also shown an unusual rate of increase. In the past 7 years, state budgetary expenditures used for this purpose have totaled 63.7 billion yuan, or 44.5 percent of total state budgetary expenditures. The figure for 1956 alone was nine times that for 1950; the proportion of state budgetary expenditures for which this accounts grew from 25.5 percent in 1950 to 52.2 percent in 1956. The distribution of expenditures for the development of the national economy is presented in detail in the following table.

Expenditures for Economic Construction, 1950-1953
(million yuan)

<u>Expenditures</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>
Total	1,735.60	3,511.00	7,626.40	8,645.28
Industry	665.75	1,418.04	2,731.43	4,286.46
Heavy industry	386.14	819.51	2,026.16	3,692.70
Light industry	279.61	598.53	705.27	593.76
Agriculture, forestry, water conservation, and meteorology	199.11	434.60	914.70	1,190.83
Railways, communications, posts and telecommunications, and civil navigation	352.39	674.61	1,036.77	1,227.34
Foodstuffs, commerce, foreign trade, and banking	382.87	563.54	1,468.45	1,026.65
Urban public utilities	49.90	174.09	379.88	355.46

Expenditures for Economic Construction, 1954-1956
(million yuan)

<u>Expenditures</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Total	12,358.22	13,762.09	16,055.21
Industry	5,738.42	5,960.28	8,544.08
Heavy industry	4,845.50	5,488.82	7,760.05
Light industry	892.92	471.46	784.03
Agriculture, forestry, water conservation, and meteorology	1,375.08	1,497.61	2,184.90
Railways, communications, posts and telecommunications, and civil navigation	1,760.35	1,925.48	2,895.75
Foodstuffs, commerce, foreign trade, and banking	1,761.32	3,358.76	857.18
Urban public utilities	328.42	328.92	387.86

Of all expenditures for economic construction, the greatest portion went to industry, which also had the most rapid rate of increase. Of special significance among these expenditures were those for the expansion of heavy industry. Light industry, commerce, agriculture, and transportation and communication all underwent corresponding increases. This can be seen from the analysis presented in the following table:

<u>Expenditure</u>	<u>1956 Rate of Expansion (1950 equals 100)</u>	<u>Percentage of Economic Construction Accounted for by Each Expenditure Item in 1956</u>
Industry	1,283.4	53.2
Heavy industry	2,009.6	48.3
Light industry	280.4	4.9
Agriculture, forestry, water conservation, and meteorology	1,097.3	13.6
Railways, communications, posts and telecommunications, and civil navigation	821.8	18.0
Foodstuffs, commerce, foreign trade, and banking	223.9	5.3
Urban public utilities	777.3	2.4

These types of investment in economic construction and the conditions of their distribution were fitted to the basic tasks of the First Five-Year Plan. As a result of these investments, China's gross value of industrial production increased 315 percent in 1955 over 1949 (modern industry increased 369 percent), the number of state-operated industrial enterprises increased by 4,519 in 1955 over 1952, the ratio between the first and the second categories in the table increased from 28.8 : 71.2 in 1949 to 46 : 54 in 1955, railways increased by 2,699 kilometers in 1955 over 1952, and the volume of retail trade in social commodities by the state-operated economy increased from 1,331,000,000 yuan in 1950 to 10,785,000,000 yuan in 1956.

These enormous investments in national economic construction hastened the increase in national income, which in turn hastened the increase in state budgetary income. Therefore, this also lent a firm basis to the expansion of state budgetary income. Premier Chou En-lai has said, "Our financial receipts must be established on the basis of an expanding economy, and our financial disbursements must also primarily guarantee economic expansion." (Literature from the Eighth National Party Congress of the Chinese Communist Party, People Publishers, 1957, First Edition, p 121.)

The Constitution stipulates that "the state through economic plans direct the expansion and transformation of the national economy so that productive power will increase without interruption and to promote the people's material and cultural livelihood and the independence and security of the entire state. (Constitution of the Chinese People's Republic, Article 15.) These are also objective requirements of the basic economic laws of socialism. Simultaneous with the promotion of large-scale economic construction, therefore, the state appropriates a large amount of capital from the state budget to initiate many activities in the fields of social, cultural, educational, and welfare programs, to raise the workers' real income, and to improve living and working conditions.

The capital used by the state for these purposes during the past 7 years is as follows (in million yuan):

Expenditures for Social, Cultural, Educational, and Welfare Programs, 1950-1953

<u>Expenditures</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>
Total	755.23	1,343.60	2,279.64	3,362.1
Culture, education, and health	623.51	1,186.74	1,828.36	2,875.0
Culture and broadcasting	60.90	94.08	126.18	181.0
Education and cadre training	491.49	920.80	1,313.13	2,082.0
Science	--	7.87	11.34	31.0
Health	71.12	162.54	373.63	565.0
Social relief and special benefits	131.72	156.86	451.28	485.0
Special benefits	--	62.69	208.10	278.0
Social relief and welfare	--	94.17	243.18	206.0

Expenditures for Social, Cultural, Educational, and Welfare,
Programs, 1954-1956

<u>Expenditures</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Total	3,460.51	3,189.27	3,915.99
Culture, education, and health	2,842.91	2,678.01	3,506.17
Culture and broadcasting	190.02	185.00	233.83
Education and cadre training	2,105.08	2,016.41	2,525.93
Science	33.89	38.00	234.64
Health	489.69	406.22	436.98
Social relief and special benefits	617.60	511.26	409.82
Special benefits	198.02	213.97	191.64
Social relief and welfare	419.58	297.29	218.18

This appropriation over the past 7 years has totaled 18.3 billion yuan, and the amount in 1956 alone was five times that in 1950. That portion allocated to culture, education, and health was especially large, accounting for 80-90 percent of the total annual appropriation, with the amount in 1956 being 4.6 times greater than that in 1950.

<u>Expenditure</u>	<u>1956 Rate of Expansion (1950 equals 100)</u>	<u>Percentage of Total Appropriation Accounted for by Each Expenditure Item in 1956</u>
Culture, education, and health	562.3	89.5
Culture and broadcasting	384.0	6.0
Education and cadre training	513.9	64.5
Health	614.4	11.2
Social relief and special benefits	311.1	10.5

Note: Based on an index of 100 for 1952, the rate of expansion for expenditures for science would be 2069 for 1956.

From the items in the following table, it can be seen how the state allocated large quantities of capital to the various cultural, educational, and health activities, raised the level of popular culture and education, improved the state of public health, and carried out relief for the unemployed and for calamity-stricken people.

Itemized Expenditures for Social, Cultural, Educational, Health, and Relief Programs, 1951-1953 (million yuan)

<u>Expenditure</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>
Culture			
Motion pictures, dramatic troupes, and script writing	14.81	19.99	43.19
Museums, libraries, and culture halls (stations)	6.47	23.12	35.62
Education			
Higher education	113.51	205.12	425.82
Middle-school education	139.76	394.38	722.06
Primary-school education	560.29	499.51	633.43
Industrial and agricultural spare-time cultural study and literacy study	--	24.13	50.53
Health			
Construction and subsidy of hospital facilities	60.93	163.68	332.92
Women and children's clinics and day nurseries	4.83	15.17	24.48
Hospitals run at public expense	--	--	104.68
Relief			
Urban relief	20.83	37.14	54.18
Rural relief	71.38	144.26	127.62

Itemized Expenditures for Social, Cultural, Educational, Health,
and Relief Programs; 1954-1956 (million yuan)

<u>Expenditure</u>	<u>1954</u>	<u>1955</u>	<u>1956</u>
Culture			
Motion pictures, dramatic troupes, and script writing	37.66	32.84	38.60
Museums, libraries, and culture halls (stations)	34.75	27.79	41.14
Education			
Higher Education	467.52	399.09	558.80
Middle-school education	743.46	691.04	1,042.69
Primary-school education	649.23	649.05	431.98
Industrial and agricultural spare- time cultural study and literacy study	23.08	21.77	42.15
Health			
Construction and subsidy of hospi- tal facilities	282.99	212.53	218.57
Women and children's clinics and day nurseries	18.22	10.66	10.43
Hospitals run at public expense	98.66	99.99	100.20
Relief			
Urban relief	36.78	39.15	71.00
Rural relief	373.95	226.63	115.47

Note: The 1956 primary-school expenses totaled 700,470,000 yuan. The figure given in the table is the budget appropriation. The additional 268,490,000 yuan was resolved from among rural supplementary expenses.

As a result of this broadly inclusive appropriation from the state budget, between 1950 and 1955, higher-school enrollment increased from 117,000 to 292,000, middle-school enrollment from 1,268,000 to 4,473,000, primary-school enrollment from 24,391,000, to 53,126,000, motion-picture projection teams from 522 to 3,698, motion-picture theaters from 641 to 859, hospital beds from 99,800 to 221,000, polyclinics and area health stations from 917 to 11,138, combined clinics from 803 to 31,165, and women and children's health clinics (and stations) from 141 to 3,003; and up to 1955, the number of workers having received hospital treatment at public expense had reached 5,937,000. All this is testimony to the improvement in the people's material and cultural livelihood.

Among total state budgetary expenditures, a sizable portion is accounted for by investment in capital construction, as is shown in the following table (in million yuan):

<u>Year</u>	<u>Total State Budget Expenditures</u>	<u>Capital Construction Appropriation</u>	<u>Percentage of Total Expenditure Accounted for by Capital Construction</u>
1952	16,787.02	5,013.45	29.9
1953	21,487.79	8,145.40	37.9
1954	24,632.44	9,592.38	38.9
1955	26,727.24	9,517.38	35.6
1956	30,742.77	14,874.29	48.4

Note: In this table, total expenditures for 1955 do not include an additional granting of 201,420,000 yuan to the local budget revolving fund or the allocation of 2,418,280,000 yuan to the bank for credit and loan capital.

This enormous investment in capital construction by our state has undoubtedly contributed to the vigor and stability of the national economy.

Comrade Liu Shao-chi has already pointed out that, "although the various minority nationalities have already obtained equal rights and privileges, if they rely solely on their own conditions and capacities, they will not be able to rapidly overcome their original economic and cultural backwardness." (Documents of the First Session of the First National People's Congress of the People's Republic of China, People's Publishers, 1955, First Edition, p35.)

Our state, therefore, along with total economic and cultural development must give special attention to assisting in the rapid development of minority nationality areas. Because of this, the rate of increase in budgetary expenditures for minority nationality areas as reflected in the state budget has been rapid, even more rapid than the rate of increase for the state budget itself. Based on an index of 100 for 1953, the rate of increase in the state budget was 114.6 in 1954 and 119.1 in 1955, whereas the rate of increase in the minority nationality area appropriation was 117.4 in 1954 and 127.6 in 1955. In 1956 alone, their budgetary expenditure amounted to 791,460,000 yuan, a 32.6-percent increase over the previous year, whereas the state budget increase was only 4.8 percent. It is obvious that the high tide of China's national economy is not only for the whole nation but is also shared with minority nationalities.

China's state budget is under the auspices of planned economy, receipts have been established on the basis of a daily expanding economy, and budgetary expenditures have played an important role in promoting the nation's economic high tide and bringing about a rise in the people's material and cultural living standards. Because of all these things, the budget is strong and reliable, and since 1950, receipts in every instance have exceeded expenditures.

State Budget, 1950-1955 (million yuan)

<u>Year</u>	<u>Total Receipts</u>	<u>Total Expenditures</u>	<u>Balance</u>
1950	6,519.12	6,808.06	-288.94
1951	12,967.02	11,902.19	1,064.83
1952	17,559.68	16,787.02	772.66
1953	21,762.36	21,487.79	274.57
1954	26,236.83	24,632.44	1,604.39
1955	27,203.32	26,727.24	476.08

Note: Total expenditures for 1955 do not include 2,418,280,000 yuan in credit and loan capital allocated for the bank or 201,420,000 yuan for the local budget revolving fund.

These receipts and expenditure data on China's state budget shows that, from the financial angle, China's national economy is enjoying a superlative and secure high tide.

II. STATE BUDGET DATA, 1950-1955

Following is a translation of excerpts from an article ~~was~~ by Ke Chih-ta, entitled "The Nature of Our National Budget and Its Role in the Transition Period," in the Chinese-language bimonthly periodical, Ching-chi Yen-chiu (Economic Research), Peiping, 17 June 1956, pages 67-80.

Budget revenues and expenditures have increased from year to year. Compared with 1950, 1955 budget revenues increase 3.78 times and expenditures increased 3.36 times. Increases in the budgetary revenue are based on the steady improvement of the national economy, and the enlarged budgetary expenditure has in turn promoted its continual development. This demonstrates that the state budget has not only become the budget of the national economy, but has also become an important tool of the state in the development of the national economy.

In keeping with the rapid development of the socialist economy and the continual transformation of the nonsocialist economy during the past 6 years, the proportion of the budgetary revenue submitted by the socialist sector of the economy has risen year by year, and the proportion submitted by private industry and commerce and the peasantry has been correspondingly reduced. The following table illustrates the changes which have taken place in the proportion of budgetary revenues as accounted for by various sectors of the economy. All figures are given in percent, with the 1955 figure being the only budget figure, whereas those for the preceding 5 years are actual percentage figures for each year's final budget.

<u>Source of Revenue</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
From tax payments and profits of the socialist economy	34.08	49.35	57.98	62.60	65.24	69.47
From tax payments of the semisocialist economy	--	--	2.13	3.71	5.31	6.71
From tax payments and bond purchases of peasants	29.63	18.17	16.00	13.48	14.23	11.76
From tax payments and bond purchases of private industry and commerce	32.92	28.66	21.19	17.02	13.34	10.70

These figures show that, of the total budgetary revenue, the proportion accounted for by the socialist and semisocialist economy increased from 34.08 percent in 1950 to 76.22 percent in 1955 (including the public-private jointly operator sector); the proportion accounted for by the peasantry (including agricultural taxes and bond purchases) decreased from 29.63 percent in 1950 to 11.76 percent in 1955; and the proportion accounted for by private industry and commerce decreased from 32.92 percent in 1950 to 10.7 percent in 1955. These changes are compatible with the economic development of the transitional period and indicate the sound and reliable foundation on which the state budget rests.

The increased budgetary revenue and expenditure reflects, on the expenditure side, the greater outlay for economic construction and cultural construction. Changes in the proportion accounted for by the various expenditure categories are shown in the following table. (The various ratios do not total 100 because there are still other expenditure items which are not listed.)

<u>Expenditure Category</u>	<u>1950</u>	<u>1951</u>	<u>1952</u>	<u>1953</u>	<u>1954</u>	<u>1955</u>
Economic construction	25.49	29.50	45.43	40.23	50.12	47.72
Social, cultural, and educational projects	11.09	11.29	13.58	15.64	14.05	12.95
National defense	41.53	42.52	26.04	26.43	23.60	24.19
Administrative	19.29	14.60	10.29	9.86	8.78	7.54

These figures show that, of the total budgetary expenditure, the proportion accounted for by economic construction and by social, cultural, and educational projects increased from 36.58 percent in 1950 to 60.67 percent in 1955, and that the proportion accounted for by national defense and administration decreased from 60.82 percent in 1950 to 31.73 percent in 1955. Attention is directed to the superior increase of the expenditure for industrial construction. Of the 47.72 percent of the total budgetary expenditure which was devoted to economic construction in 1955, nearly half was invested in industry and of this, allocations for coal, crude oil, metallurgy, chemicals, and other heavy industrial items accounted for 89.2 percent.

The state budget is designed not only for production and construction, but also for the promotion of the people's welfare. This is because the budgetary revenue rests on a socialist economy which is advancing daily, and the budgetary expenditure is used for production and construction, to raise the material and cultural standard of living of the working people, and for the development (proportionately) of the national economic plan. The budgetary expenditure also fixes the scope of the budget plan. Consequently, our state budget is able not only to maintain a balance between revenues and expenditures, but also to wind up with a suitable surplus at the end of each year. This is demonstrated in the table of final budgets given below (unit, 10,000 yuan).

<u>Final Budget</u>	<u>Revenue</u>	<u>Expenditure</u>	<u>Surplus</u>
1950	764,251	680,806	83,445
1951	1,443,191	1,108,871	334,320
1952	1,997,395	1,599,433	397,962
1953	2,599,678	2,148,779	450,900
1954	3,074,583	2,463,244	611,339

Thus the surplus for the final budget of 1954 came to 6,113,390,000 yuan. These surpluses for the various years were used by the government to return funds it has overdrawn from the bank and they also provided for the rapid increase in working capital required by state enterprises over the past few years. This surplus fund then not only maintained a supply of working capital for production and commodity distribution, but also provided ample bank-loan capital, acted as a reserve for the state budget, and further stabilized the country's currency and commodity prices.

The rapid rate at which the state economy has advanced reflects completely the superior nature of the people's democratic dictatorship, and at the same time indicates that the state budget has maintained an available supply of needed capital. For instance, state budget allocations to state industry increased 7.3 times in 1954 compared with 1950, and allocations to state commerce increased 1.7 times during the same period. In addition, a very large part of the capital needed by state commerce was obtained in the form of loans from the state bank. In 1954 alone, bank loans to state commerce increased 3.8 times compared with 1950.

To provide for the national economic development of all areas, to execute planned transformation, to improve steadily the backwardness of certain areas, and to achieve the utilization of budget capital, it is necessary, when distributing capital among the various areas, to do so within the framework of a rational distribution principle and the minority nationality policy. The budget of the central government is an important device for carrying out this work. Provinces, municipalities, and autonomous districts which are constructing industrial, agricultural, communications and transport, and other projects of national significance rely on the central government for their allocations. Consequently, the industrial foundation of these areas is very quickly established. The industrial complex of the Northeast is a good example.

At the same time, as a result of the continual assistance given by the central government budget to various provincial and autonomous district local budgets, there was guaranteed the rapid advancement of those budgets of what were originally economically and culturally backward provinces and especially the budgets of minority nationality autonomous districts. On a national scale, expenditures of individual local budgets increased 1.4 times between 1950 and 1953. Of this, individual local budgets increased 2.3 times for the various provinces and municipalities of the Northeast and 2.8 times for the Inner Mongolia Autonomous Region. For nearly the past 2 years, increases in expenditures by these districts have been more rapid than by other provinces and municipalities in general. From 1952 to 1955, 70-80 percent of the annual Tibetan local budget expenditure was allocated from the central government budget. On 9 March 1955, the State Council decided to assist Tibet to carry out local construction and relevant communications projects. The implementation of this decision will undoubtedly further Tibet's local development. This demonstrates that the state has energetically supported the rapid development of economic and cultural programs in minority nationality areas.

To develop fully the function of the state budget during the transitional period so that it can better serve socialist construction, it is necessary to improve continually the system of budget planning and to raise the quality of financial and budgetary work.

During the past few years, there has arisen two different one-sided approaches to the drawing up of the state budget. Rightist conservatism is one, and the other involves rushing forward blindly without considering objective capabilities. This second approach considers only subjective aspirations and restricts itself to the positive conditions of socialist construction with the end in view of completing the task hurriedly. Under this concept, which strives only for quantity in the arrangement of the budget and plans, it is difficult to avoid a situation whereby the budget is not sufficiently reliable and plans fail to correspond with concrete conditions. In 1953, our country's financial and economic situation had already undergone a basic change for the better, but, during this recently initiated period involving large-scale economic construction, the tendency described above had become very noticeable.

At the same time, because state finance organs lacked sufficient experience, the entire previous year's surplus was entered in the state budget, and moreover, an adjustment was made in the expenditure figure. However, this sum had actually already been loaned through the state bank to various economic departments for the development of their production and the stabilization of the market. If it was insisted that these funds be returned to meet financial expenditures, the state bank would then be compelled to recover its loans from state commerce and other departments. The only step left for commerce departments would be to rapidly unload their stock [to obtain the necessary funds]. Furthermore, since commerce departments have inadequate working capital, the products of those industrial departments which were not handled within the framework of a strong contract sales (pao-hsiao) system would also have been adversely affected. Consequently, this would not only have influenced the stability of the market, but the regular advancement of industrial production would also have been affected. At the same time, because this surplus fund had been employed so as to figure significantly in both the credit plan and the state budget, it could not be relied on solely as a budgetary income item, and the expenditure base was consequently broadened. In this manner, the "steadily advance key-point construction" objective was violated.

As a result, because the need for capital increased in keeping with the gradual strengthening of the national economic plan, the rapid development of economic construction, the support extended to the front line [of national defense], the stabilization of the market, etc., the situation with respect to the state budget and the turnover of credit-loan capital was unusually tight by the end of the first quarter [of 1953]. But because the Central Committee promptly issued its "increase production, enforce savings, increase income, and curtail expenditures" directive, this situation was promptly remedied.