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TEN GREAT YEARS:

Statistics of the Economic and Cultural Achievements
of the People's Republic of China

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Introduction by

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INTRODUCTION

A Note on Chinese Economic Statistics

by Feng-hwa Mah

The year 1973 marks the fourteenth year of the statistical blackout imposed by the authorities in Mainland China. The situation during the 1960's, when the blackout was nearly total, is well described by Professor Walter Galenson who wrote in 1966:

"Scarcely a significant figure relating to the national economy, regional economies, sectors of the economy, or branches of industry has been published. There has been no public announcement of the magnitude of steel or coal production, of machinery output, of the size of the harvests. The routine information which we ordinarily find in annual statistical yearbooks and allied publications is completely unavailable for China on a current basis.... Most books, journals, and newspapers have been embargoed, so effectively that they are not even available in Hong Kong. Those few that still come through contain almost no economic data. There is an occasional statement about the success of an individual enterprise in raising its output, and a few percentage increase claims have been released (for example, that in the first 8 months of 1966, steel output was 20 percent higher than in the corresponding period of 1965). Visitors have been given an odd figure or two. But there is nothing of a systematic character; not even plan targets. Indeed, we do not know whether China is actually operating under a five-year plan."

The first enticing trickle of economic statistics in more than a decade did not come until the first half of 1971 when the late Edgar Snow published a series of articles which contained some economic figures. The most interesting piece, from a statistical point of view, is a report of Snow's interview with Chou En-lai conducted in early 1971.² During that interview, Chou revealed the

1970 hard figures for the following items: total grain output, state grain reserves, total value of industrial production, output figures of chemical fertilizer, cotton, cloth, steel, crude oil, and the combined total output value of industry, agriculture, and transportation. Unfortunately, these data for 1970 were not given in greater detail. Furthermore, Chou made no attempt to link his 1970 figures with the official statistics of the 1950's. For example, the 1970 grain output of 240 million tons given by Chou clearly cannot be reconciled with the official figure of 250 million tons in 1958.³ The 1958 figure is generally believed to be an exaggeration even though it had already been revised downward and admitted as such by Chou in 1959. At any rate, it has not been officially disowned.

During the last few years, increasing numbers of Westerners, including Americans, have been visiting China, but Peking's policy of statistical suppression has not been much relaxed in the early 1970's. In September of 1972, a delegation of three eminent American economists (John K. Galbraith, James Tobin, and Wassily Leontief) visited China for the purpose of observing the Chinese economy.⁴ The visit was officially arranged by an agreement between the Federation of American Scientists, on the one hand, and the Chinese Academy of Sciences and the Chinese Scientific and Technical Association, on the other. In addition to these two Chinese institutions, the Department of Economics at Peking University also played host to the American delegation. Regarding the availability of Chinese economic statistics, Galbraith wrote:

"[There] is the nearly total absence of figures on absolute output, either of the economy as a whole or for individual industries or items. The figures are not published; the Chinese economists with whom we talked were forthcoming and helpful but did not appear to have them either."⁵

Professor Tobin observed:

"We are acutely aware of the vast gap in our

information about the Chinese economic system. Very few macro-economic data were available to us, and we were not able to talk to economists and other responsible officials in the planning and operating agencies of the government."⁶

More recently, shortly before National Day on October 1, 1973, Peking released a few economic statistical figures for the year 1972, to wit, output of food grain and steel, revenue, and population.⁷ In each case the 1972 figure is not absolute but relative to that of 1949 (or "early liberation period"). One can easily discover at least one puzzling inconsistency. The New China News Agency report claimed that "during the past twenty-four years the Chinese population rose a little more than fifty percent. Thus the population increased from slightly more than 500 million in 1949 to over 700 million in 1972."⁸ Yet the 1949 population had previously been given by the State Statistical Bureau as 548.77 million,⁹ presumably including the population of Taiwan, which was 7.40 million in 1949.¹⁰ A "more than 50 percent" increase of the 1949 population of 541.37 million (548.77 - 7.40) would give a 1972 population figure of more than 812 million. Most students of the Chinese economy and demography would probably consider the "over 700 million" figure for 1972 an understatement.

This discrepancy points to the importance of official Chinese statistics released before the total blackout was imposed by Peking in 1960. Not only are they fundamental for the study of the Chinese economy during the 1950's, they are also crucial for any outside estimates to be made for later years, especially if the statistical blackout should continue. If on the other hand, statistical suppression should be gradually relaxed, the statistics for the 1950's will still be important both for testing consistencies and for purposes of benchmark orientation. This is the justification for publishing a reprint edition of Ten Great Years which has remained the only official statistical handbook ever published but which has long since been out of print.

The reprinting of Ten Great Years, however, should not be considered as a blanket endorsement of the quality and of the general usefulness of the materials in that volume. For, as Professor Walter Galenson puts it,

"the statistical system of any nation harbors many pitfalls for the unwary observer. There are always particular usages, depending upon the nation's economic structure and state of development. Additional complications arise when one attempts to use the statistics of the Communist nations because of fundamental systemic differences that reveal themselves in the way data are assembled. A good example is provided by the Communist practice of omitting services not embodied in commodities from the calculation of national product.... China is also a relatively underdeveloped country, and a vast one at that, and its statistical system is still at an early stage of evolution to maturity."¹¹

In addition to the above mentioned technical factors, there may also be political or other factors which might lead to biases in a country's statistical reporting. At least this seems to be the conviction of some Chinese Communist economists who have commented on the economic statistics of the United States. For example, Chen Chao-hsing wrote:

"The so-called economic statistics [of the United States], including the national income statistics, indexes of industrial and agricultural production, price indexes, wage and unemployment statistics, etc., are all compiled to give a whitewash to the capitalist system. They cover up the real facts, and they inherit the nature of a high degree of cheating.... When we use the bourgeois statistical data, we must sift, throw away the deceptive and keep the real. For this purpose, we have to trace the original sources and to understand their methods of compilation and calculation. Only through this can we detect where their errors lie, and to what extent they are wrong."¹²

Western economists working on the Chinese economy do not, as far as I know, seem to be so arbitrary toward Chinese statistical

data. For despite the many apparent exaggerations in Chinese statistics as compared with Western estimates, such as demonstrated in the table below, the general consensus among Western students in the field is that there are not likely to be deliberate falsifications. The main reason of this belief is that the falsification of aggregate data can be of only limited usefulness over the long run. For if the extent of exaggeration of output data remains more or less unchanged year after year, the rate of growth would not be affected and thus would have little propaganda value. If, on the other hand, the degree of exaggeration increases over time so that a false impression of high growth rates is created, the series must sooner or later explode.¹³ This is the essence of Alec Nove's "law of equal cheating," first "invented" in 1956 in connection with his evaluation of the reliability of Soviet output data.¹⁴

COMPARISON OF INDEXES OF INDUSTRIAL
PRODUCTION IN MAINLAND CHINA,
1953-1958 (1952=100)

Year	<u>Ten Great Years</u> (1)	Chao (2)	Field (3)
1953	130.2	122.1	125.1
1954	151.4	139.4	143.0
1955	159.9	149.7	143.9
1956	205.0	179.4	178.3
1957	228.4	189.6	196.8
1958	379.6	251.5	256.3

Sources: Column (1): Ten Great Years, 69. (Gross output value of industry.)

Column (2): Kang Chao, The Rate and Pattern of Industrial Growth in Communist China (Ann Arbor: University of Michigan Press, 1965), 88. (Production of factories and handicrafts.)

Column (3): Robert Michael Field, "Chinese Communist

industrial production," in Economic Profile, 273.
(Total industry and handicrafts.) Index originally
given with 1956=100 .

Even though there is no deliberate falsification, official statistics such as those in Ten Great Years are far from satisfactory, even to Peking's State Statistical Bureau. The evaluation of Chinese economic statistics is a very complicated task and it has been done along two lines. One is by investigating the development of the inner working of Mainland China's statistical system in order to learn how basic data are collected, processed and reported in different years. The other is by analyzing the methods used in the construction of official Chinese production indexes.

Professor Choh-ming Li has traced the history of the State Statistical Bureau (hereafter SSB) in terms of its varying objectives within the system of development planning, its institutional organization and administrative authority, and its manpower resources and technical competence. He has been able to provide a meaningful picture of the ups and downs in Chinese statistical work and to describe the consequences of these changes in the quality of official statistical data.¹⁵

The SSB was established in October of 1952. Before that time, statistical data were collected by various national and local authorities and were subject to little central control. Only after 1952 were efforts made to improve the quality of economic statistics. These efforts included the gradual development of a national statistical network and the unification of statistical definitions, computational methods, and statistical reporting schedules and forms. The work of reconciling basic national statistical figures did not begin until 1954 and was generally completed in 1955. It is therefore believed that a relatively high degree of statistical reliability was achieved only during the years 1955-1957. The politicization of statistical work during the "Great Leap Forward" of 1958 and the accompanying decentralization of statistical

services adversely influenced the quality of economic data, as evidenced in the exaggerated claims of economic achievements in 1958 and their public downward revision in 1959. Also in that year, the SSB published the statistical handbook Ten Great Years, and the English edition appeared in 1960. This summary description of the development of China's statistical system should be sufficient to warn the readers of Ten Great Years to use its data with great circumspection.

Not only does the relative quality of statistics vary in different years for reasons already given, it also differs considerably between the various sectors of the Chinese economy. At the end of 1955, for example, the SSB commented on the comparative reliability of the official statistics by classifying them into two groups. The first group, having a "fair foundation," included, in decreasing order of strength, industry, transportation and communication, trade, and basic construction. In industry, the statistics of output value, physical output, and labor force were better in state enterprises than in other enterprises. But even in state enterprises, statistics for trial manufacturing of new products, output quotas, and utilization of equipment had not been satisfactorily computed. The second group, having a "weak foundation," included, in increasing order of weakness, material allocation, culture, education and health, population, finance and cost, wages, and agriculture. In agricultural statistics, the weakest were those on sown area, cultivated acreage, output by crops, and the production of livestock.¹⁶ Professor Li believes that the completion of socialization of private enterprises and of agriculture in 1956 and 1957 did not affect these conclusions on the relative reliability of the different types of official statistics.

Professor Kang Chao analyzed the methods used in the construction of official indexes and summarized the sources of biases in official production indexes in three groups. Some biases were due to the use of the concept of "gross output value" in statistics.

This resulted in the increased double-counting as the economy transformed from industrial backwardness toward fuller development and increased complexity of the country's manufacturing processes. A second group of biases stemmed from the peculiarity of Mainland China's price structure during that period. For instance, 1952 constant prices were used in estimating pre-1957 values, while the current prices of producers' goods were lowered in 1955 and 1956. This resulted in exaggerated rates of industrial growth because the output of producers' goods industries grew most rapidly during the 1950's. The unrealistically high prices of new products, growing at very high rates simply because they started from very low levels, also contributed to the upward bias of the official output indexes. A third group of biases was produced by changing definitions and the coverage of industries without adequate correction in the index. For example, "aquatic products" which had been listed under agricultural products up to 1957 were reclassified under light industry in 1958. However, a comparison of the gross output value of industries published before 1957 and those appearing in Ten Great Years (pp. 68-69) reveals that the indexes for the pre-1957 years were not adjusted according to the new definition even though they did not include "aquatic products."¹⁷

While detailed analysis of the reliability of Chinese economic statistics cannot be done in this short introduction, the above brief account is necessary in order to warn the readers of Ten Great Years of the uneven quality of official Chinese statistics. It should also be mentioned that during the first decade of the Peking regime, more statistics on the Chinese economy were published than those appearing in Ten Great Years. They were scattered in Chinese journals, newspapers, and official documents over the years. Fortunately for students of the Chinese economy, these statistics were carefully assembled, translated and commented on by Nai-ruenn Chen in his Chinese Economic Statistics: A Handbook for Mainland China (Chicago: Aldine Publishing Company, 1967).

Western estimates of the performance of the various sectors of the Chinese economy, many of which includes data for the post-1959 years, can be found, among others, in Ta-chung Liu and Kung-chia Yeh, The Economy of the Chinese Mainland: National Income and Economic Development 1933-1959 (Princeton: Princeton University Press, 1965); Kang Chao, The Rate and Pattern of Industrial Growth in Communist China (Ann Arbor: University of Michigan Press, 1965); Kang Chao, Agricultural Production in Communist China 1949-1965 (Madison: University of Wisconsin Press, 1970); Robert Michael Field, "How much grain does Communist China produce," The China Quarterly, No. 33 (January-March 1968), 98-107; R. M. Field, "Industrial production in Communist China: 1957-68," The China Quarterly, No. 42 (April-June 1970), 46-64; Alexander Eckstein, Walter Galenson, and Ta-chung Liu (eds.), Economic Trends in Communist China (Chicago: Aldine Publishing Co., 1968); U.S. Congress, Joint Economic Committee, An Economic Profile of Mainland China (February 1967), and People's Republic of China: An Economic Assessment (May 1972), both published by the U.S. Government Printing Office; Robert F. Dernberger, "Prospects for trade between China and the United States," Statistical Tables, in Alexander Eckstein (ed.), China Trade Prospects and U.S. Policy (New York: Praeger Publishers, 1971), 275-315; Feng-hwa Mah, The Foreign Trade of Mainland China (Chicago and New York: Aldine-Atherton, 1971); and Nai-ruenn Chen, The Foreign Trade of the People's Republic of China (U.S. Department of Commerce, Bureau of East-West Trade, Trade Analysis Division. Forthcoming). Like the official Chinese economic statistics, these and other Western estimates can be used with confidence only after fully understanding the methodology and basic materials used in their construction.

NOTES

1. Walter Galenson, "Introduction: The current state of Chinese economic studies," in U.S. Congress, Joint Economic Committee, An Economic Profile of Mainland China (Washington: U.S. Government Printing Office, 1967), 3-4.
2. Edgar Snow, "Talks with Chou En-lai," The New Republic (March 27, 1971), 20-23. The other articles in this series appeared in the issues of April 10, May 1, May 22, and June 26, 1971 of the same magazine.
3. See Ten Great Years, 91. 2,000 catties equal one metric ton.
4. All three had been presidents of the American Economic Association: Leontief in 1970, Tobin in 1971, and Galbraith in 1972. Leontief is the winner of the 1973 Nobel Prize in economics.
5. John K. Galbraith, A China Passage (Boston: Houghton Mifflin Company, 1973), 119.
6. James Tobin, "The economy of China: A tourist's view," Challenge (March-April 1973), 20.
7. Chungkuo Hsinwen [China News], Peking, September 17, 1973; New China News Agency, Peking, September 23, 1973.
8. New China News Agency, Peking, September 23, 1973.
9. See Ten Great Years, 10.
10. Economic Indicators (Taipei: Taiwan Provincial Government, Bureau of Accounting and Statistics, 1954) (mimeographed).
11. Walter Galenson, "Foreword," in Nai-ruenn Chen, Chinese Economic Statistics: A Handbook for Mainland China (Chicago: Aldine Publishing Company, 1967), v.
12. Chen Chao-hsing, "Problems we should pay attention to in the use of American economic statistical data," Chingchi Yenchiu [Economic Research], General No. 91 (May 15, 1964), 58. The translation is mine.
13. See, for example, Choh-ming Li, Economic Development of Communist China (Berkeley and Los Angeles: University of California, 1959), 13; Kang Chao, "On the reliability of industrial output data of Communist China," Journal of Asian Studies (November 1962), 47-65; and Dwight H. Perkins, Market Control and Planning in Communist China (Cambridge: Harvard University Press, 1966), 216-217.
14. Alec Nove, The Soviet Economy (New York: Praeger Publishers, 1961), 309.

15. This and the following two paragraphs are based on Choh-ming Li, The Statistical System of Communist China (Berkeley and Los Angeles: University of California Press, 1962).
16. Editorial, T'ungchi Kungtso T'unghsin [Statistical Work Bulletin], January 1956, as quoted in Li, Statistical System, 64.
17. For more detailed discussion of these points, see Kang Chao, Rate and Patterns, chapter 3.

FOREWORD

Ten years have passed since the founding of the great People's Republic of China on October 1, 1949.

Ten years are but a moment in the course of man's historical development. But to the Chinese people, who in the past have gone through all kinds of tribulations and hardships, their experiences during these ten years have created an epic of world-shaking importance for ever worthy of being recalled. They are the Chinese people's ten years of rebirth; they are the Chinese people's ten years of progress at flying speed in economy and culture. During this short period the Chinese people, under the brilliant leadership of the Chinese Communist Party and Chairman Mao Tse-tung, with the help of the great Soviet Union and other fraternal socialist countries, and with the help and sympathy of the peace-loving peoples of the whole world, have worked with determination, diligence and great revolutionary drive. Over the wide expanse of their motherland, which was "poor and blank," they have written the newest and most beautiful words and printed the newest and most beautiful pictures where none existed before.

Ten years ago, just before the birth of the Chinese People's Republic, Chairman Mao Tse-tung made this prediction:

The Chinese people will see that as soon as China's destiny is in their own hands, China, like the sun rising in the east, will radiate her own brilliant light over the earth, the mud and dirt left by the reactionary government will quickly be washed out, the wounds of war will be healed and a new, strong people's democratic republic of China will be founded both in name and in fact.

During the past ten years big strides were made in China's socialist revolution and socialist construction precisely as Chairman Mao predicted.

In the past ten years socialist revolution and socialist construction in China passed through several different stages. The period from the founding of the People's Republic of China on October 1, 1949 to the end of 1952 was the period of the rehabilitation of the national economy. During those years the runaway inflation left by the reactionary Kuomintang government was stopped, market prices were stabilized and the task of rehabilitating the national economy which had been seriously damaged by the prolonged war was successfully fulfilled. This period also saw the

completion, in the main, of the reform of the feudal system of landownership, the liberation of the productive forces in the countryside, the development of a socialist state economy, and the consolidation of the leadership of the state economy over the capitalist and individual economies. The period of the First Five-Year Plan for the development of the national economy extended from 1953 to 1957. During this period the socialist transformation of agriculture, handicrafts, and capitalist industry and commerce was virtually completed and a great rectification campaign and a struggle against the bourgeois rightists were carried out. Thus a decisive victory was scored in the socialist revolution in the economic, political, as well as ideological spheres, and the social productive forces were further liberated. Besides, economic construction was carried out in a planned way and on a hitherto unknown scale which led to the successful fulfillment of the First Five-Year Plan for the development of the national economy and laid preliminary foundations for socialist industrialization.

In 1958 China entered a new era of development in socialist revolution and construction--an era of an all-round big leap forward in socialist construction with technical and cultural revolutions as the core. Under the inspiration of the general line--to go all out, aim high, and achieve greater, quicker, better and more economical results in building socialism--advanced by the Central Committee of the Chinese Communist Party and Chairman Mao Tse-tung, the Chinese people, with great determination and enthusiasm, made an all-round big leap forward in economic and cultural development such as had not been known in the history of China, and established people's communes in all rural areas. The characteristics of this period may be summarized in the words of Chairman Mao Tse-tung:

Throughout the country, the communist spirit is surging forward. The political consciousness of the masses is rising rapidly. Backward sections among the masses have roused themselves energetically to catch up with the more advanced and this shows that China is forging ahead in her socialist economic revolution (where transformation of the relations of production has not yet been completed) as well as in her political, ideological, technical and cultural revolutions. In view of this, our country may not need as much time as we previously envisaged to catch up with the big capitalist countries in industrial and agricultural production.

During the past ten years the social and economic structure, the national economy, and the people's mental outlook, have all undergone tremendous and profound changes. Private ownership of

the means of production has practically been eliminated, class exploitation, which was practiced for thousands of years, has been ended, and the socialist system has been firmly established. A new, independent and complete system of national economy is taking shape, the foundations of socialist industrialization have been laid, industrial and agricultural production is increasing by leaps and bounds and the productive capacity which was newly developed within the past ten years already surpasses that which had been developed during thousands of years. With the development of production the level of the people's material and cultural life has been raised considerably. The people's thoughts, understanding, and outlook have taken on an entirely new character. They have great confidence and full belief in the happy life of socialism and communism.

These solid facts conclusively prove the great superiority of the socialist system. They prove that once the oppressed and enslaved working people break the fetters put on them by the reactionary ruling class and become the masters of their own destiny, they can evoke an immense, unfathomable store of energy. The wisdom and power of an emancipated people are inexhaustible. Under the inspiration and leadership of the Chinese Communist Party and Chairman Mao Tse-tung, under the inspiration and guidance of the general line, the people in their wisdom and strength are like a powerful army charging ahead and which no force can stop.

Imperialist elements, headed by the American imperialists, have always been extremely inimical to our revolution. They use all kinds of contemptible means to sabotage it. In recent years they have been shouting themselves hoarse to slander and maliciously attack our general line, our big leap forward, and our people's commune movement to attain their aim of sabotaging our cause, but their efforts have been in vain. In the past they have been powerless to stop the Chinese people from marching forward in giant strides in their work of revolution and construction, and in the future they will be still more powerless to prevent the Chinese people from marching forward triumphantly in accordance with their own will.

During the past ten years of economic and cultural development China has accomplished feats unheard of in her history. Her achievements are very great. But because China was very backward economically in the past, despite these achievements, her production today still remains at a comparatively low level, her industry is not sufficiently developed in size and extent, and her agricultural production does not yet fully meet the increasing needs of the people and of industry. Thus, the achievements to date still fall far below the great ideals of the Chinese people. To completely change the condition of being "poor and blank" the Chinese people have to make yet greater efforts. At present the

650 million Chinese people, guided by the general line advanced by the Central Committee of the Chinese Communist Party and Chairman Mao, and encouraged by the 1958 big leap forward and the victory of the people's communes, are enthusiastically responding to the great call of the Eighth Plenary Session of the Eighth Central Committee of the Chinese Communist Party. Therefore they are struggling to make a continued leap forward in the national economy in 1959, so as to fulfill the main targets in 1959. They are struggling to make China a great socialist country as quickly as possible with a highly developed modern industry, agriculture, science and culture.

The aim of this book is to describe, through extensive statistical data presented systematically, the great economic and cultural achievements of the People's Republic of China during the past decade.