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Chen Yun and the Chinese Political System

David M. Bachman



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Introduction

Thirty-one years of practice has proved that Comrade Chen Yun's opinions are in conformity with China's national conditions. If we act according to his opinions, we can do our economic work well. In the past, we sometimes put his opinions aside and even acted contrary to them and suffered a great deal.¹

Chen Yun is one of the giants of the Chinese Communist movement. He has been a member of the Central Committee of the Chinese Communist Party (CCP) from 1931 to the present, a length of time unmatched by any other Party member. His more than forty years on the Politburo has been exceeded only by Mao Zedong, Zhou Enlai, and Zhu De. From 1954 to 1962, Chen was the fifth-ranking member of the Party, and one of Mao's "close comrades in arms." Since the landmark Third Plenary Session of the Eleventh Central Committee in December 1978, Chen's prestige and influence has been second only to Deng Xiaoping's.²

Since the People's Republic of China (PRC) was established in 1949, Chen Yun's career has been inextricably connected with economic affairs. Until the Great Leap Forward in 1958, he was China's economic czar. Chen was also the first top leader to champion economic reform in China. His calls in the mid-1950s to move away from both the Soviet model of economic development and the then nascent Maoist model of development have been highly influential even in recent years, when they

¹ Deng Liqun, "Seriously Study Chen Yun's Economic Theories," in *Foreign Broadcast Information Service, Daily Report, China* [hereafter FBIS], July 27, 1981, K-15.

² On Chen's rank from 1954–1962, see American Consulate-General, Hong Kong, *Current Background*, No. 290 (September 5, 1954), p. 24, where Chen is listed, along with Liu Shaoqi, Zhou Enlai, and Zhu De as Mao's close comrade in arms. The First Plenum of the Eighth Central Committee in September 1956 formalized this ranking. See *Documents of the Eighth Central Committee of the Chinese Communist Party, September 1956 to April 1969, Vol. I* (Hong Kong: Union Research Institute, 1971), pp. 103–104. After 1962, Chen lost power, but he did not formally lose his number 5 spot until 1966. On Chen's prestige today, see Fox Butterfield, *China: Alive in the Bitter Sea* (New York: Times Books, 1982), p. 219.

served as important cornerstones to post-1978 efforts to reform and readjust the economy. If Chen is less active in guiding economic affairs today, it is because of physical infirmity. Nonetheless, his interventions in economic policy making since late 1978 have often been decisive. He remains a powerful, if frail and tired, overseer of economic policy making.

In contrast to other senior figures such as Mao Zedong, Liu Shaoqi, Zhou Enlai, and Deng Xiaoping, all of whom held generalist positions, Chen Yun is a specialist. His pre-1949 career certainly provided him with generalist credentials, as we shall see. But Chen's career path may be prototypical of future generations of China's leaders who have advanced to positions of power on the basis of their mastery of particular areas of bureaucratic activity.³

Given Chen's eminence, it is surprising that he has not received more scholarly attention. With the exception of the works of Franz Schurmann, Chen's role in Chinese politics has been largely ignored until recently.⁴

The disparity between Chen's rank and longevity and the paucity of academic analysis devoted to him is probably the result of Chen's retiring personality. As we shall show, Chen Yun's political style emphasizes careful, behind-the-scenes work. In the past three years, the Chinese have published four books of writings by Chen Yun, which provide researchers with almost 150 new speeches, letters, and documents.⁵

³ In making this assertion, I take exception to the notion that top leaders in China must be generalists. The latter position has been posited subtly in Michel Oksenberg and Sai-cheung Yeung, "Hua Kuo-feng's Pre-Cultural Revolution Hunan Years, 1949-66: The Making of a Political Generalist," *China Quarterly*, No. 69 (November 1977), pp. 3-53, and more strongly in David L. Shambaugh, *The Making of a Premier: Zhao Ziyang's Provincial Career* (Boulder, Colo.: Westview Press, 1984).

⁴ See Schurmann's *Ideology and Organization in Communist China* (Berkeley and Los Angeles: University of California Press, 1968), especially pp. 195-208, and his *The Logic of World Power* (New York: Pantheon Books, 1974), especially pp. 255-257; 261-262; and 279-284.

⁵ In order of appearance, these works are: *Chen Yun tongzhi wengao xuanbian (1956-1962)* [Selected manuscripts of Comrade Chen Yun] (Sichuan: Renmin chubanshe, 1981); *Chen Yun wengao xuanbian (1949-1956)* [Selected manuscripts of Chen Yun] (Hubei: Renmin chubanshe, 1982); *Chen Yun tongzhi guanyu pingtan de tanhua he tongxin* [Comrade Chen Yun's talks and letters on pingtan (Suzhou-style opera)] (Beijing: Quyi chubanshe, 1983); and *Chen Yun wenxuan, (1926-1949)* [Selected works of Chen Yun] (Beijing: Renmin chubanshe, 1984). The first two of these volumes have only been released internally. [Since the draft of this work was prepared, the Chinese have published the second volume of Chen's *Selected Works* for the 1949 to 1956 period. There are small differences in the contents of this work and the version published in 1982, but they are not significant—two speeches published in 1954 and 1956 are included in the 1984 edition, but were not in the

Because of these new sources of information, it is now possible to analyze much more thoroughly Chen Yun's place in Chinese politics.

This monograph is based on these materials, the flood of Chinese media articles explaining the lessons of Chen's writings, and on other sources. Its primary purpose is to provide a political biography of Chen Yun. Yet while Chen's life is intrinsically interesting to students of Chinese politics, history, and other disciplines, we hope to go beyond a mere listing of Chen's posts and a chronicling of his rises and falls. We believe that Chen's interactions with the Chinese political system shed light on how leading actors play the game of Chinese politics. We will also try to locate Chen's economic ideas within the spectrum of views advocated by the leadership in the 1956–1962 and post-1978 periods. The successes and failures of the policy platforms associated with Chen Yun are in themselves an important marker of the limits to reform and change in China. In addition, the reasons why Chen's ideas were adopted at some points, for a certain length of time, and then ultimately rejected, illuminate important aspects of economic decision making in China. Chen Yun and his ideas have been at the very center of Chinese debates on the economy for many years. Accordingly, a major goal of this study is to try to provide a better understanding of how the Chinese political system works.

Much about Chen Yun's life and times remains unknown. It is clear from a variety of sources that many other writings of Chen's will probably never see open publication. Perhaps, when Chen dies, the Chinese will provide many more details to fill in some of the gaps in the following study. Nonetheless, it is hoped that the following essay will stand on its own even after further materials by or about Chen become available.

1982 version. The 1984 edition also has footnotes. Since the internal version was used in the preparation of this work, all references are to that collection. See *Chen Yun wenxuan (1949–1956)* (Beijing: Renmin chubanshe, 1984).] The first volume listed above has been translated in Nicholas R. Lardy and Kenneth Lieberthal, eds., *Chen Yun's Strategy for China's Development: A Non-Maoist Alternative* (Armonk, N.Y.: M.E. Sharpe, Inc., 1983). The known writings of Chen Yun are listed chronologically in the appendix.

I

Chen Yun, 1905–1949

Comrade Chen Yun's [writings prior to Liberation] are important documents on the building of the Party and an embodiment, supplement, and development of Comrade Mao Zedong's thinking on Party building.¹

Chen Yun's biography prior to the establishment of the People's Republic of China in 1949 is obscure. Many of the key details of his life remain unreported. His rise to powerful positions within the Chinese Communist Party reflects a combination of many factors: talent, the advantages that accrued from his worker background, ability to make shrewd judgments about whose political network to join and when, and luck. Chen's career path differs from that of many other CCP leaders. His military experience was very limited and, unlike many other leaders, he was a member of the proletariat. He did not spend a great deal of time abroad in Europe or in Soviet educational institutions. Nonetheless, within six years of joining the CCP, Chen had risen to the Politburo, a position he retained throughout the remainder of the Chinese Civil War.²

¹ Mei Xing, "Brilliant Documents for Consolidating the Party Ideologically, Politically, and Organizationally—Introducing the *Selected Works of Chen Yun (1926–1949)*," *Hongqi* [Red flag], 1984, No. 4 (February 16, 1984), in *Joint Publications Research Service, China Report* [hereafter JPRS], Translations from Red Flag, No. 84–007 (April 12, 1984), pp. 16–28. Quotation on p. 19.

² Official or semi-official biographical information on Chen is found in Li Guang, ed., *Diliuci quanguo laodong dahui* [The Sixth National Labor Congress] (Hong Kong: Xinminzhu chubanshe, 1948), pp. 53–54; "Chen Yun Elected to Politburo," in *Foreign Broadcast Information Service, Daily Report, China* [hereafter FBIS], December 26, 1978, E 1; and "Biographical Report on New State Council Vice Premiers," FBIS, July 7, 1979, L 19. Standard biographies of Chen are in Donald W. Klein and Anne B. Clark, *Biographic Dictionary of Chinese Communism, 1921–1965* (Cambridge, Mass.: Harvard University Press, 1971), pp. 149–153; Howard L. Boorman, ed., *Biographic Dictionary of Republican China* (New York: Columbia University Press, 1967), pp. 264–266; Edgar Snow, *Red Star over China* (New York: Grove Press, Inc., 1968), pp. 458–459; Wolfgang Bartke, *Who's Who in the People's*

Chen Yun was born in 1905 on the eleventh day of the fifth month of the lunar calendar in Qingpu county (then in Jiangsu Province, now a part of Shanghai Municipality).³ He was the second of two children, the first a girl eight years his senior, born to poor peasants. Little can be said about his father, but his mother's father was a captain in the Taiping Army, rebelling against imperial authority in the 1850s. Chen's grandfather was from Guangdong, but as the Taipings advanced up the Yangzi River valley, he settled in Jiangsu. Perhaps stories of his grandfather brought out a rebellious streak in the young Chen.⁴

Both of Chen's parents died by the time Chen was four years old. He and his sister went to live with a paternal uncle, but they were not treated well by their aunt, and they left to live with a maternal uncle. While Chen lived with this uncle, he was known by their family name, Liao, and he continued to use the name Liao Chenyun occasionally in later years.

He received a primary school education. His older sister remained illiterate (Chen 1977c, p. 93)⁵ and lives with Chen's family to this day. Chen wished to continue his schooling, but his family could not afford to send him to middle school. One of Chen's teachers thought highly of the lad, was able to give him an introduction, and Chen, age twelve, became an apprentice at the Commercial Press in Shanghai. Later he was a shop assistant. He was apparently very adept in business dealings and was dispatched to various parts of China on selling missions for the press. Chen's understanding of commercial activity, a hallmark of his career, stems from this period.

Republic of China (White Plains, N. Y.: M.E. Sharpe, Inc., 1981), pp. 37–38; Union Research Service, *Biographical Service*, No. 5 (July 17, 1956); *Who's Who in Communist China* (Hong Kong: Union Research Service, 1966), pp. 93–94; *Chinese Communist Who's Who* (Taipei: Institute of International Relations, 1970), pp. 119–120; and “Chen Yun—Newly Appointed Vice Chairman of the CCP Central Committee,” *Issues and Studies* [Taipei], Vol. XV, No. 2 (February 1979), pp. 88–93. Deng Liqun, *Xiang Chen Yun tongzhi xuexi zuo jingji gongzuo* [In doing economic work, learn from Comrade Chen Yun] (Sichuan: Zhonggong zhongyang dangxiao chubanshe, 1981), especially pp. 1–17, contains scattered biographical material on Chen.

³ On the date of birth, see “Background Report,” *supra* note 2, and on the place of birth, see Li Guang, *supra* note 2, p. 53. A footnote in Liu Shaoqi's selected works, presumably based on official records, states that Chen was born in 1904. See *Liu Shaoqi xuanji* [Selected works of Liu Shaoqi, Vol. 1] (Beijing: Renmin chubanshe, 1981), p. 464, n. 253. An informant suggests that 1905 is the correct date.

⁴ Most of the information for this and the following two paragraphs comes from an informant.

⁵ All references to Chen Yun's writings will refer to the list in the appendix and will not be footnoted further.

Before Chen turned ten, he was already “addicted” to *pingtan* (Suzhou-style opera), which he often went to see with his maternal uncle (Chen 1977c, p. 94). Chen’s fondness for *pingtan* would remain throughout his life, perhaps his one major hobby.

The evolution of Chen’s political beliefs is obscure; he himself called his background extremely complicated. He first followed the warlord Wu Peifu, and then the etatists. After becoming disenchanted with them, Chen turned to Sun Yat-sen’s Three Principles of the People, although he apparently did not become a member of the Kuomintang (KMT). Only after believing in these groups and ideas did Chen become a supporter of the Communist Party (Chen 1938b, p. 46). Perhaps his work in the Commercial Press caused his views to shift.

Chen rather succinctly summed up his formative years at the press. “The Commercial Press is a place where I served as an apprentice and a shop assistant, and participated in class struggle” (Chen 1982b). In 1925 he joined the CCP and became very active in Party and labor work thereafter. His Party membership was reportedly recommended by Zhou Enlai,⁶ but it was with Liu Shaoqi and Li Lisan that Chen first made his mark as a labor organizer, at the time of the May 30th Movement in Shanghai. An informant disagrees with the view that Zhou nominated Chen for Party membership, stating that Yun Yutang and Dong Yixiang did. Also in 1925 Chen recruited Zhang Wentian (Luo Fu) as a member of the CCP.⁷

Chen’s exact activities between the May 30th Movement of 1925 and the CCP-KMT rupture in the spring of 1927 are confused, although all sources agree that Chen was a leading union organizer throughout this period. His first known article appeared in July 1926, and the editorial note accompanying this article in Chen’s *Selected Works* states that Chen was then a shop worker in the distribution department of the Commercial Press and head of the Executive Committee of the First Congress of Workers and Staff at the press. He used the pseudonym *Huai Min* (which can be translated as “cherish the people”). This article was extremely nationalistic. He proposed an alliance of workers, students, some shopkeepers (even though he felt that the bourgeoisie already had proved itself unreliable), and peasants to overthrow imperialism in China (Chen 1926a).

Chen was also elected to head the Second Congress of the Commercial Press Workers and Staff. According to Taiwan sources, in

⁶ “Chen Yun—Newly Appointed . . .,” *supra* note 2, p. 89.

⁷ Snow, *supra* note 2, p. 484.

1926, along with Zhang Hao (Lin Biao's uncle) and Deng Fa (later to head the secret police during the Jiangxi Soviet period), Chen organized the Shanghai Labor Union. He assisted Zhou Enlai in launching workers' insurrectionary activities in Shanghai in connection with the Northern Expedition and was one of the leaders of the three armed uprisings of the Shanghai workers in late 1926 and early 1927. Sometime in this period Chen is reported to have assisted Mao Zedong and Liu Shaoqi in organizing the Hanyang miners, who were to become one of the major components of Mao's army in September 1927.⁸ Also sometime during this period, according to an informant, Chen was detained by the authorities for the only time in his pre-1949 career. He was held in one of the foreign concession areas of Shanghai, but once his friends learned of his capture they quickly bailed him out, and Chen was in jail for only a matter of hours.

Chen escaped Chiang Kai-shek's suppression of the workers' movement in April 1927 and fled to Qingpu. In Qingpu and Songjiang counties he mobilized the peasantry, as the responsible person of the Song-Pu Special Party Committee (Chen 1929a, note). He led the ill-fated Xiaozheng peasant uprising throughout the latter half of 1927, but this was crushed in 1928. Chen then fled with the family of Lu Quan (another leader of the Xiaozheng Uprising) to Shanghai, where he remained in hiding for an indefinite period (Chen 1949b). Some reports have Chen traveling to the Soviet Union after the ending of insurrectionary activities and then returning to the Soviet area established by Mao and others. Although many proletarian members of the CCP did go to the Sun Yat-sen University and other institutions in Moscow in 1927–1928, there is no conclusive evidence that Chen was one of them.⁹

Indeed, Chen's own writings undermine the credence of reports that he went to Moscow. In November 1929 he reported to the Seventh Session of the Second Jiangsu CCP Congress on agricultural affairs. He

⁸ Information in this paragraph comes from the following sources: Li Guang, *supra* note 2, p. 53; "Chen Yun—Newly Appointed . . .," *supra* note 2, p. 89; and Snow, *supra* note 2, p. 165.

⁹ On Chen's possible trip to Moscow, see Bartke, *supra* note 2, p. 39; *Biographical Service*, *supra* note 2; and *Who's Who in Communist China*, *supra* note 2, p. 93. On the proletarian influx at Sun Yat-sen University, see Sheng Yueh [Sheng Zhongliang, one of the 28 Bolsheviks], *Sun Yat-sen University in Moscow and the Chinese Revolution: A Personal Account* (n.p.: University of Kansas Center for East Asian Studies, International Studies Research Publication, Number 7, 1971), pp. 74–75. Sheng notes that Chen was never at the Sun Yat-sen University. See p. 227, n. 5. The first three sources listed above report on Chen's arrival in Jiangxi.

was described as the agricultural secretary of the Jiangsu Party Committee at the time (Chen 1929a, p. 4). Taiwan sources report that Chen became the director of the Jiangsu Party's workers department.¹⁰ In this role Chen emerged as an actor in some of the central disputes of that part of the CCP that remained active in and around Shanghai. Chen apparently had no contact with the forces of Mao Zedong.

In September 1930, Chen Yun and Li Weihai (also known as Luo Mai, a strong supporter of Li Lisan¹¹) were criticized by some of Li's opponents (Zhang Guotao among them) for having an overly simplistic view on dealing with the problems of "yellow" unions (unions sponsored by the KMT in Shanghai).¹² Apparently, Chen was not closely linked with Li Lisan during the period Li led the CCP, despite their previous contacts in 1925. In January 1931, when the 28 Bolsheviks attacked Li at the Fourth Plenum of the Sixth Central Committee, Chen was elevated to membership in the Central Committee.¹³ In very short order, Chen would rise to even higher positions in the Party. His election to the Central Committee in 1931 and other promotions he received in that year suggest that Chen sided with Wang Ming and the other 28 Bolsheviks in their struggle with Li Lisan. Chen was also able to resist the blandishments of He Mengxiong and members of the "Labor Union Faction" who opposed both Li Lisan and Wang Ming.¹⁴ Chen's apparent unwillingness to side with other union leaders probably contributed to his cooptation into the Central Committee in early 1931.

By 1931 Shanghai had become an extremely difficult place for CCP Headquarters to function in.¹⁵ The head of the Party's intelligence department, Gu Shunzhang, was arrested in April 1931, and accused of betraying the Party thereafter. To rectify the deficiencies of their security

¹⁰ *Chinese Communist Who's Who*, *supra* note 2, p. 119 and "Chen Yun—Newly Appointed . . .," *supra* note 2, p. 89.

¹¹ On Li Weihai, see Klein and Clark, *supra* note 2, pp. 534–540.

¹² Warren Kuo, *Analytical History of the Chinese Communist Party*, Vols. I–IV (Taipei: Institute of International Relations, 1966–1971). See Vol. II, p. 150. A Red Guard source from the Cultural Revolution also says that Chen sided with Li Lisan. See *Beijing gongshe* [Beijing commune], August 14, 1967, reprinted in *Zhanwang* [Prospect (a Hong Kong publication, hereafter ZW)], 1979, No. 9 (May 1, 1979), p. 29.

¹³ Kuo, *supra* note 12, Vol. II, p. 565. The Red Guard source cited above states that Chen shifted his support to the 28 Bolsheviks in 1931. See ZW, 1979, No. 9 (May 1, 1979), p. 29.

¹⁴ On the He Mengxiong opposition, see James Pinckney Harrison, *The Long March to Power* (New York: Praeger Publishers, 1972), pp. 186–188 and Sheng Yueh, *supra* note 9, pp. 229–234.

¹⁵ See Harrison, *supra* note 14, pp. 218–228.

apparatus, the CCP Central Committee established a Special Service Department. This body was composed of Zhou Enlai, Kang Sheng, Chen Yun, and two others.¹⁶ However, attempts to revivify the CCP security apparatus were insufficient to prevent further catastrophic losses to the Party, including its Secretary General.

With the capture and subsequent execution of Xiang Zhongfa, the figurehead leader of the CCP in June 1931, Wang Ming became the head of the Party. According to one of his close associates, Wang was a coward. Once he became CCP Secretary General, Kang Sheng arranged for Wang and his wife to hide in a sanatorium. At that time Chen Yun was serving as Wang's aide-de-camp. Wang and his wife "virtually became hermits. Chen Shaoyu [Wang Ming] entrusted all matters, important or otherwise, to Kang Sheng and Chen Yun. Without capable leadership the work of the CCP was in fact almost suspended."¹⁷

This account raises a number of issues, none with an easy answer. Why did Wang Ming choose Chen, and not a member of the 28 Bolsheviks, to be his aide? Is the author of the quotation cited above implying that only Wang Ming was incompetent as a leader, or does this failing apply to Chen also? What was Chen's connection to Kang Sheng? Whatever the answers to these questions, Chen Yun throughout most of the pre-Liberation period was to be closely linked with Kang Sheng.

Discreet if not valorous, Wang Ming fled to Russia in July or August of 1931. Party leadership fell to Bo Gu (Qin Bangxian). With Wang's departure, and the continuing arrests and executions of Party members by the KMT, Bo Gu reorganized the leading body of the CCP. Chen Yun, with Bo Gu, Zhang Wentian, Kang Sheng, and Wang Yucheng, formed the new Standing Committee of the CCP Politburo. Chen was also in charge of the Party group of the National Labor Association, of which Liu Shaoqi was chairman.¹⁸ Chen's rise to membership in the Politburo Standing Committee was no doubt related to his position as Wang Ming's aide and his sensitive position in the Party's security organ. In addition, Chen's rise also reflected the success of the KMT campaigns against the CCP in Shanghai. There were few other Central Committee members functioning in Shanghai in late 1931.¹⁹

Conditions continued to deteriorate, and by late 1932, the Party Center abandoned Shanghai and fled to the Soviet base areas. Chen says

¹⁶ Kuo, *supra* note 12, Vol. II, p. 287 and Harrison, *supra* note 14, p. 220.

¹⁷ Sheng Yueh, *supra* note 9, pp. 245-246.

¹⁸ Kuo, *supra* note 12, Vol. II, pp. 235-236.

¹⁹ See Sheng Yueh, *supra* note 9, p. 248.

he arrived in the Jiangxi Soviet in early 1933 (Chen 1977e).

In the leadership reshuffle that occurred when the central leadership arrived in Jiangxi, Chen retained his seat on the Politburo Standing Committee, along with Bo Gu, Zhang Wentian, Zhou Enlai, and Xiang Ying (Kang Sheng went to Moscow in 1933). Chen was also one of the ten members of the Central Secretariat and head of the White Area Work Department.²⁰

By April 1933, Chen apparently felt confident or familiar enough with conditions in Jiangxi to begin writing about the situation of workers in the base area. While some sources state that Chen organized handicrafts and unions in the Jiangxi Soviet,²¹ analysis of Chen's available writings for this period suggests a broader range of activities in which he was involved: labor questions in the Soviet areas; guerilla work in the White Areas; organization (particularly of workers) in the White Areas; and united front activities, particularly in connection with the Fujian Incident.

All of Chen's writings during the Jiangxi Soviet period complain explicitly about work not going well. Party members were not doing enough to solve the workers' economic problems in Jiangxi; they did not put much effort into guerilla work; they did not pay enough attention to White Area work; and they were sectarian, refusing to participate actively in united front activities. Indeed, at the Fifth Plenum of the Sixth Central Committee in January 1934, Chen concluded that labor work in the White Areas was the weakest aspect of Party work at that time (Chen 1934b). Given the increasingly desperate military situation confronting the Soviet areas, it is not surprising that Party work in the areas where Chen was active was weak. Moreover, the power struggle between Mao and the 28 Bolsheviks, fought largely over the issues of military and agricultural policies, further limited the amount of effort that was devoted to activities under Chen's charge.

One other point might be mentioned here. Chen's articles on the labor movement in Jiangxi are an implied criticism of the Trade Union Work Department and the Jiangxi Commissariat of Labor. It is not clear when Liu Shaoqi took charge of these departments, though it is apparent that he did so sometime in 1933.²² Thus, Chen's articles on labor

²⁰ Kuo, *supra* note 12, Vol. II, pp. 483-484.

²¹ Snow, *supra* note 2, p. 458 and Boorman, *supra* note 2, p. 264.

²² On Liu in Jiangxi, see Klein and Clark, *supra* note 2, p. 619; Lowell Dittmer, *Liu Shao-ch'i and the Chinese Cultural Revolution* (Berkeley and Los Angeles: University of California Press, 1974), p. 15; and Ma Wen, "Liu Shaoqi tongzhi zai zhongyang suqu" [Comrade Liu Shaoqi in the central soviet area], *Hongqi piaopiao* [Red flag fluttering], No. 11 (Beijing: Zhongguo qingnian chubanshe, 1959), pp. 19-28.

conditions in Jiangxi might be seen as criticisms of Liu Shaoqi. We shall see that Chen continued to have differences with Liu through 1945 at least.

It might also be noted that the areas Chen was in charge of were not ones that brought him into direct and sharp conflict with Mao, CCP military leaders, or the 28 Bolsheviks. The nature of his responsibilities took him out of the direct line of fire in the ongoing power struggle, leaving him in a relatively safe position. However, Chen's last article in the Jiangxi Soviet period, written on the eve of the Long March, argued that the Party was not devoting enough attention to guerilla warfare, organization, and political work (Chen 1934g), a complaint that may signify a decision on Chen's part to side with Mao on military questions.

In October 1934, Chen started off on the Long March. The CCP's epic trek was a decisive turning point in the Party's path to power. One source says that he traveled with the central column, which contained the leadership.²³ However, explanatory notes to Chen's *Selected Works* identify him as the Center's representative to the Fifth Red Army, which served as the rear guard on the Long March under Dong Zhentang and Li Zhuoran.²⁴ Chen attended the Zunyi Conference as one of the six full members of the Politburo on the Long March (Chen 1935a). Unfortunately, Chen's role in this seminal event in CCP history is murky.²⁵

The actual course of debates at the Zunyi Conference is shrouded in mystery. Various participants in the meeting or high-ranking CCP leaders who were extensively briefed on the Conference have provided numerous details on the Conference.²⁶ However, many of these accounts are biased and mutually incompatible.

²³ Kuo, *supra* note 12, Vol. III, p. 7.

²⁴ See p. 305, note 154 of *Chen Yun wenxuan*. Li Zhuoran became a vice-director of the Party Propaganda Department in 1954, and was purged during the Cultural Revolution. Dong died in 1936.

²⁵ Some accounts of the Long March do not place Chen at Zunyi. See Jerome Ch'en, "Resolution of the Tsunyi Conference," *China Quarterly*, No. 40 (October–December 1969), pp. 1–38 and Dick Wilson, *The Long March* (New York: Avon Books, 1971), chapters 10 and 11. These appear to be incorrect, and numerous other sources do place Chen at Zunyi.

²⁶ Accounts of the Zunyi Conference based on firsthand knowledge include: Warren Kuo, *supra* note 12, Vol. III, pp. 17–26 and Vol. IV, pp. 671–738 (Kuo cites Chen Ran, a high-ranking officer in Peng Dehuai's army known as Guo Jian, as his informant. Ross Terrill, in his acknowledgments to his *The White Boned Demon: A Biography of Madame Mao Zedong* [New York: William Morrow, 1984], states that Warren Kuo is Chen Ran.); Otto Braun, translated by Jeanne Moore, *A Comintern Agent in China, 1932–1939* (Stanford: Stanford University Press, 1982), pp. 95–108; and Wu Xiuquan, "The Splendor of the Zunyi Meeting Should Not Be Blurred—Refuting Li De's [Otto Braun] Slander of the Zunyi Meeting,"

According to Party histories, there were twenty participants at the Zunyi Conference, although Otto Braun, the Comintern agent who attended, claimed that Mao packed the meeting with an additional fifteen to twenty supporters.²⁷ Braun's account also identified Chen Yun as a strong supporter of Mao (at least in regard to military affairs) prior to Zunyi. It was because of this support that Chen was sent to Moscow to brief the Comintern and Wang Ming on events at Zunyi and to seek military assistance for the CCP from the Soviet Union, or so Braun claimed.²⁸

Yet this version of the events at Zunyi conflicts sharply with Warren Kuo's account, which we believe to be the more reliable—it is the most detailed account available, and Kuo has fewer axes to grind than does Braun. According to Kuo, after the initial disagreements over military policies (with Zhou Enlai on one side and Peng Dehuai and Mao on the other), Liu Shaoqi criticized the work of the Party in the White Areas, Chen's area of responsibility. Bo Gu jumped to Zhou's defense on military questions, and Chen argued for the correctness of White Area policies adopted while he was in charge. Unfortunately, it is at this point that Kuo's account ceases to provide further details. Given Braun's statement of Chen's support for Mao and Chen's being chosen to inform Moscow of the details of the Zunyi meeting, it seems safe to conclude that Chen, during the course of the conference, backed Mao. Moreover, Mao trusted Chen enough to assign him the delicate task of informing Wang Ming and the Comintern of the Zunyi Resolutions.

Hongqi, 1981, No. 21, in JPRS No. 79794, Translations from Red Flag (January 5, 1982), pp. 17–27. Additionally, we now have Chen's memo on the conference and some analysis of developments there which significantly revise all previous interpretations of the Long March. See Chen 1935a.

²⁷ The Party histories include Hu Hua, *Zhongguo xinminzhuyi geming shi* [A history of the Chinese new democratic revolution] (Beijing: Zhongguo qingnian chubanshe, 1981), pp. 183 and 185; *Zhongguo gongchandang lishi jiangyi* [Teaching materials on the history of the Chinese Communist Party], 2 volumes (Shanghai: Shanghai renmin chubanshe, 1981), Vol. I, p. 107; and Xu Yuandong, Ma Qingbo, Cong Xiaonan, and Jiang Jie, *Zhongguo gongchandang lishi jianghua* [Lectures on the history of the Chinese Communist Party] (Beijing: Zhongguo qingnian chubanshe, 1982), p. 161. Braun, *supra* note 26, p. 95 speaks of Mao packing the meeting with his supporters. According to Chen Yun, the meeting was attended by: (members of the Politburo) Mao Zedong, Zhu De, Chen Yun, Zhou Enlai, Zhang Wentian, and Bo Gu; (alternate members of the Politburo) Wang Jiaxiang, Deng Fa, Liu Shaoqi, and Kai Feng; (military leaders) Liu Bocheng, Li Fuchun, Lin Biao, Nie Rongzhen, Peng Dehuai, Yang Shangkun, and Li Zhuoran; and (others attending) Deng Xiaoping, Otto Braun, and Wu Xiuquan. There are slight differences in Chen's list and the rankings of the attendees and the lists found in the Party histories.

²⁸ Braun, *supra* note 26, pp. 95, 105–106.

It can be argued that the decision to send Chen to Moscow was a brilliant choice. However, it can also be argued on several grounds that the selection of Chen as a delegate to Moscow was inevitable. First, factors in Chen's own background made him a good choice. Chen's close, if brief, working relationship with Wang Ming might have made Chen more able than others to persuade Wang of the wisdom of the Zunyi Resolutions. Moreover, Chen's worker background and union and White Area experience might have enhanced his credibility as a spokesman to the Soviets for Mao's ascendancy to Party leadership. But sending Chen was potentially brilliant only if Chen remained loyal to Mao. This was indeed the case according to Edgar Snow and Otto Braun.²⁹

Second, there were few others Mao could have sent to Moscow. It would have been foolish to send any of the top military and security leaders to Russia. They were needed much more urgently on the March. Moreover, Mao was unlikely to send any of the 28 Bolsheviks. First, he could not trust them to reflect his views adequately. Second, Mao wanted to play off some of the 28 Bolsheviks against others. Finally, several of the attendees were either too junior in rank or too "special" (e.g., Otto Braun and Mao himself) to be sent. This left Mao with the choice of Chen Yun or Liu Shaoqi.³⁰ Since Liu had criticized Chen and had apparently come out on Mao's side first, it was logical that Liu be assigned responsibility for White Area work. Thus, only Chen was both sufficiently high ranking and sufficiently expendable to send to Moscow.

What may have happened is this. Since some time in 1934, Chen increasingly came to agree with Mao. This did not spare Chen from Liu's criticisms, which may have been motivated by Chen's apparent criticisms of Liu in 1933. At Zunyi, Chen may have been able to explain away the shortcomings of the White Area Work Department. It was unlikely any White Area policies would have been very successful in the mid-1930s, given the KMT's fierce crackdown on the CCP in the area under KMT control. Chen could point to numerous occasions when he himself noted that White Area work was going well. Thus, Liu's criticisms may not have been too damning. Mao may have felt that it was wiser to replace Chen with Liu, but he apparently still believed that Chen was on his side.

²⁹ Snow, *supra* note 2, p. 430 and Braun *supra* note 26, p. 105.

³⁰ For military and security reasons, Zhu De, Zhou Enlai, Wang Jiaxiang, Deng Fa, Liu Bocheng, Li Fuchun, Lin Biao, Nie Rongzhen, Peng Dehuai, Yang Shangkun, and Li Zhuoran were barred from going to Moscow. So too were the members of the 28 Bolsheviks. Repeating some of the above names, these were Wang Jiaxiang, Zhang Wentian, Bo Gu, Kai Feng, and Yang Shangkun. Deng Xiaoping and Wu Xiuquan were too junior, and Mao and Otto Braun were too special.

If in fact Mao limited the criticisms of Chen and allowed him to retain his Party rank, Chen would have been deeply in Mao's debt. It might also be noted here that Deng Liqun, currently member of the CCP Secretariat and Director of the Party Propaganda Department, claimed that Chen became a member of the Politburo Standing Committee at Zunyi.³¹ While we have seen that this is incorrect, the implication in Deng's account is that Chen sided with Mao.

Some sources allege that Chen remained behind as the Long March continued, then made his way, disguised as a merchant, first to Hong Kong and then to Shanghai.³² In 1982, when commenting on his 1935 memo on the Zunyi meeting, Chen stated that he remained with the Long March until after it crossed the Luding Bridge in Sichuan in late May 1935, whereupon he was directed to travel to Shanghai to restore organization in the White Areas (Chen 1935a). Chen may have deliberately downplayed the connection between the CCP and the Comintern in his 1982 comments. An informant states that Chen was sent to Shanghai to restore the Party. Liu Bocheng gave Chen the money to start on his journey and a letter of introduction to Liu's relatives in Wuhan to help Chen reach Shanghai. In Shanghai the situation was impossible, and he was forced to flee. Whether Chen tried to rebuild the Party in Shanghai and was unsuccessful, or whether he was supposed to go to the Soviet Union directly, he joined Chen Tanqiu, one of the founders of the Chinese Communist Party in 1921, and six or seven others in Shanghai, where they surreptitiously boarded a steamer bound for Vladivostock. Chen estimated that they left Shanghai on August 5, 1935, and arrived in Moscow on August 20, which was the closing date of the Seventh Congress of the Comintern.³³

In Moscow, Chen Yun and Chen Tanqiu studied at the Lenin Academy and taught at the Far Eastern University (Dongfang daxue) (Chen 1980a). Chen remained in Moscow until 1937. During this period, he may have learned Russian reasonably well.³⁴ An informant

³¹ Deng Liqun, *supra* note 2, p. 2.

³² Kuo, *supra* note 12, Vol. III, p. 26.

³³ Wang Ming states that Chen did not arrive in Moscow until the end of 1935, however. See Wang Ming, *Mao's Betrayal* (Moscow: Progress Publishers, 1979), p. 31. An unofficial Chinese source states that Chen did return to Shanghai to carry out underground and united front work, but the context of this remarks seems to imply that Chen returned to Shanghai in 1937, and not 1935. See Xue Xi, "Chen Yun, an Exemplary Truth Seeker," in *Beijing zhi chun* [Beijing spring, a Democracy Wall journal], translated in JPRS No. 073728, June 20, 1979, Translations from the People's Republic of China, No. 532, p. 55.

³⁴ See Robert A. Scalapino, "The Transition in Chinese Party Leadership: A Comparison of the Eighth and Ninth Central Committees," in Robert A. Scalapino, ed., *Elites in the*

suggests he also picked up some English there, as well as a taste for Western food. He apparently succeeded in his mission to win acceptance for Mao from Wang Ming and the Comintern. Chen also seems to have kept his eye on Wang for Mao. If, as Braun claims, Chen was also charged with winning Soviet military support for the CCP, he was unsuccessful at that task. No aid was forthcoming.

These political missions were of obvious importance; probably of equal significance to Chen personally was the sophisticated training he received at the Lenin Academy. This education strengthened his command of Marxism-Leninism and put him on a more equal footing with better educated Politburo colleagues when he returned to China. Chen may have taken a special course on Party security affairs and intelligence work during his sojourn in Russia. His only article from this period deals with rooting out spies and traitors in the Party. Chen was suspicious of those who rejoined the CCP after they had been captured by the KMT and had renounced the CCP as the price of their release (Chen 1936a, p. 40). Red Guards would single out this same group, which included Liu Shaoqi and Bo Yibo, for persecution during the Cultural Revolution. Chen may have thus continued to work closely with Kang Sheng, who is thought to have become well versed in Soviet counter-espionage skills during this period. Party security was a major theme in Chen's writings on organizational affairs after he returned to China.

Wang Ming thought that he had weakened Mao's hold over Chen during this period in the Soviet Union.³⁵ What the true nature of Chen's relationship with Kang and Wang was is impossible to say.

It is unclear when Chen left the Soviet Union. However, by late April or early May 1937, he was in Xinjiang, performing another delicate mission for Mao. Chen was sent to meet the last straggling 700 members of what had been Zhang Guotao's army. After enduring severe hardships, this group, led by Li Xiannian, was met by Chen and Teng Daiyuan and several dozen trucks. They traveled to Urumqi, where Chen apparently arranged for their repatriation to Yan'an.³⁶ From the accounts of the rescue of these forces, it can be inferred that Chen had been in Xinjiang for some time. Although some sources claim that Chen was sent to Xinjiang in late 1936 to establish CCP liaison with the warlord of Xinjiang,

People's Republic of China (Seattle: University of Washington Press, 1972), p. 87.

³⁵ Wang, *supra* note 33, pp. 21–23 and 30–32.

³⁶ On Chen in Xinjiang with the "West Route Army," see Li Tianhuan, "Xianru juejing yihou" [After entering a blind alley], *Hongqi piaopiao*, No. 3 (1957), pp. 209–210 and Li Tianhuan, "Qizhuang shanhe" [Full of power and grandeur], *Hongqi piaopiao*, No. 10 (1959), pp. 110–111.

Sheng Shicai,³⁷ Sheng's memoirs say nothing of this.³⁸

After rescuing Li Xiannian's troops, Chen either remained in Xinjiang or returned to the Soviet Union until the fall of 1937. His next known appearance was around October 1937, when he arrived in Yan'an in a plane that carried Wang Ming and Kang Sheng from Moscow.³⁹ Mao welcomed Wang, and Zhang Wentian delivered a welcoming speech to Chen at the airstrip. Zhang praised him for carrying out his assignments in Moscow successfully and for arranging the resettlement of Li Xiannian's troops.⁴⁰

With Wang's return the struggle between Mao and the 28 Bolsheviks flared anew.⁴¹ Shortly after Wang's arrival, the leadership assembled for a meeting of the Politburo where major organizational, leadership, and policy questions were discussed.⁴² At this meeting, Wang's view, "everything for the united front," prevailed. Chen's role was unclear. According to Zhang Guotao, "Chen Yun and Chao Yun [Kang Sheng] seemed to be a little more experienced than Wang Ming. They showed themselves to be very humble and modest in their speeches, which generally consisted of some supplementary remarks about Wang Ming's ideas. They constantly expressed admiration for us, the leaders who had persisted with the struggles inside China.... Later, in Mao Tse-tung's struggle with Wang Ming, these two were not involved."⁴³ Otto Braun, on the other hand, stated that Mao "was assured of the backing of Chen Yun and Kang Sheng."⁴⁴ It seems likely that Chen and Kang acted together, strengthening what would appear to be a very unlikely alliance from the perspective of the Cultural Revolution.

³⁷ Klein and Clark, *supra* note 2, p. 150; Boorman, *supra* note 2, p. 265; Bartke, *supra* note 2, p. 37; and "Chen Yun—Newly Appointed," *supra* note 2 p. 90. Li Guang, *supra* note 2, in the semi-official biography of Chen published in 1948, states that Chen was working in Xinjiang for "awhile." See p. 54.

³⁸ Allen S. Whiting and Sheng Shih-ts'ai, *Sinkiang: Pawn or Pivot?* (East Lansing: Michigan State University Press, 1958).

³⁹ Braun, *supra* note 26, p. 218 and Kuo, *supra* note 12, Vol. III, pp. 326–327.

⁴⁰ Kuo, *supra* note 12, Vol. III, p. 327.

⁴¹ For a thoughtful reconstruction of Mao and Wang's views, see Gregor Benton, "The 'Second Wang Ming Line,'" *China Quarterly*, No. 61 (March 1975), pp. 61–94. Unfortunately, besides Mao and Wang, Benton only identifies the positions of several other leaders. He states that Bo Gu, Zhou Enlai, and Xiang Ying supported Wang.

⁴² For discussion of this meeting, see Benton, *supra* note 41, pp. 80–82; Braun, *supra* note 26, pp. 222–225; and Chang Kuo-t'ao, *The Rise of the Chinese Communist Party, 1928–1938*, Vol. II (Lawrence: University of Kansas Press, 1972), pp. 566–574.

⁴³ Chang, *supra* note 42, p. 573.

⁴⁴ Braun, *supra* note 26, p. 224.

Chen's formal membership in the Politburo and its Standing Committee probably lapsed when he left China. Both Zhang and Braun, as well as Warren Kuo, state that Chen reentered the Politburo at this meeting, nominated, Zhang and Kuo say, by Wang Ming. Chen was also made head of the Popular Movement Committee of the CCP Central Committee. This committee supervised the work of the Trade Union Committee (which was also headed by Chen), the Women's Movement Committee, and the Youth Movement Committee.⁴⁵ Moreover, on the list of members of the Preparatory Committee for the Seventh Party Congress, Chen was ranked tenth.⁴⁶

An interesting revelation about Chen's relationship with Mao and Wang is found in Deng Xiaoping's *Selected Works*. Chen told Deng that after he returned from Moscow, Mao met with him on three occasions to discuss philosophy, particularly Mao's emphasis on "seeking truth from facts."⁴⁷ These were not academic conversations. Mao apparently was testing Chen to see whether Wang Ming had won him over and to see if Chen was amenable to Mao's emerging brand of sinified Marxism-Leninism. It appears that Chen agreed with Mao.

In November 1937, Chen replaced Li Fuchun as head of the CCP Organization Department (Chen 1978c, p. 16). Chen's acquisition of such critical positions in late 1937 demanded that he balance very carefully between Mao and Wang Ming. Benton argues that Wang's position was on the rise until the capture of Wuhan by the Japanese in the summer of 1938.⁴⁸ Neither contender for power would have wanted to put a potential rival in charge of important personnel questions. According to Zhang Guotao, "Chao Yun [Kang Sheng] and Chen Yun, being newcomers, usually asked others for advice and did not speak freely."⁴⁹ Wang Ming may have hoped that his association with Chen in 1931 and in Moscow in the mid-1930s would be enough to guarantee Chen's support.

On the other hand, Mao may also have believed that Chen would remain loyal to him. (This was the point of the Mao-Chen conversations on philosophy.) After all, Chen had performed delicate operations for Mao in the past (keeping an eye on Wang in Moscow, and rescuing Li Xiannian's troops in 1937). Maybe Mao was allowing Wang to think that

⁴⁵ Kuo, *supra* note 12, Vol. III, pp. 340-341.

⁴⁶ *Ibid.*, pp. 340-341.

⁴⁷ *Deng Xiaoping wenxuan (1975-1982)* [Selected works of Deng Xiaoping] (Beijing: Renmin chubanshe, 1983), p. 336.

⁴⁸ Benton, *supra* note 41, pp. 80-88.

⁴⁹ Chang, *supra* note 42, p. 577.

Chen was pro-Wang when in fact Chen was merely Mao's double agent. That this last possibility may have been the case is suggested by Wang when he noted that Chen was "a wily operator...who always held his nose to the wind."⁵⁰ Wang perhaps felt double-crossed by his old associate. Whatever the politics of Chen's promotion to head the Organization Department, Chen became increasingly pro-Mao as Wang's policies were proven incorrect.

As head of the Organization Department, Chen was in charge of Party building. His numerous writings on this topic show that he devoted a great deal of effort to personnel and organizational questions. It is often argued that during the Yan'an period, Mao became the Party's theorist and Liu Shaoqi the organization builder. While there remains some truth to this view, it would seem that Chen Yun was as responsible for building the war-time version of the CCP as Liu was. Many of Chen's articles focused on what types of people the Party should recruit, the criteria for Party membership, and the proper functioning of Party organs. He stressed the total subordination of the individual to the Party; the maintenance of Party security; the combination of red and expert, although he seemed to criticize the weaknesses of intellectuals who joined the Party out of nationalistic concerns somewhat more than he criticized older Party members; and nascent elements of the mass line. Chen argued that the Party had to provide tangible benefits for the masses before the people could be won over and mobilized to achieve more lofty goals. Local Party units were not to launch campaigns that they could not win (Chen 1938b through 1942b).

Chen's ascension to the leadership in the Party Organization Department put him in the position to build a political base for himself, by using his control over personnel questions to exercise patronage. For example, in a move that may have helped to alleviate some of the hard feeling between Chen and Liu Shaoqi, Chen granted Liu's personal request to have Ma Wen assigned to Liu.⁵¹ Chen also handled special situations, such as Otto Braun's application to join the CCP.⁵² Presumably, the granting of various requests might put other leaders in Chen's debt and thus allow him to solidify and strengthen his own position.

As head of the Party Organization Department, Chen's power was enormous. The Organization Department controlled the files of Party

⁵⁰ Wang, *supra* note 33, p. 147.

⁵¹ Ma Wen, *supra* note 22, pp. 27–28. There is no further biographical information available on Ma Wen.

⁵² Braun, *supra* note 26, p. 248.

members, and Chen sometimes heard the confessions of those who had lied in their party applications (Chen 1940c). The Organization Department also played a vital role in the selection and promotion of cadres (Chen, 1940e, p. 152). It controlled the allocation of graduates from various schools run by the CCP in Yan'an (Chen 1941a and 1941b). It thoroughly investigated the files of all Party members, and along with the Party's security organs headed by Kang Sheng, it rigorously attempted to purify the Party even before the 1942–1944 Rectification Movement. Chen led personal inspections of organizational work in many areas. In his organizational work, he worked closely with his deputies, Wang Heshou and Tao Zhu. But many cases were handled personally and solely by Chen, an informant states. He was certainly in a position to build a very large faction. But he did not appear to do so. True, he must have had an extensive network of contacts, and he no doubt exercised the patronage advantages that seem to have been inherent in his position, but his later career does not suggest that he built a personal empire during this period.⁵³

Chen also controlled admissions to various Party-sponsored schools in Yan'an. In this capacity, Chen reviewed the file of an aspiring actress from Shanghai who sought admission to the Lu Xun School of Literature and Art. (The case of the actress was probably brought to Chen's attention by her fellow provincial and Chen's colleague Kang Sheng.)

She [Jiang Qing] was also eager to join the Lu Xun School... Past experience in the performing arts was insufficient; political qualifications were paramount. When she went to state her case before Lu Xun School officials, Chen Yun... interviewed her. Knowing that he personally controlled the admissions procedure, she took pains to impress him with the sincerity of her desire to study Marxism there; she could not allow him to think that the theater was her sole interest. She told Chen Yun that she had packed her trunk and brought it along, so eager she was to move into the school. Her presentation must have convinced him of her willingness to obey any decision made about her by the Organization Department, for he granted her admission straightaway... Chen Yun actually was never a great fan of hers. Not long after he admitted her to the school he went to watch her perform there, and then humiliated her by panning the play in which she appeared.⁵⁴

⁵³ For the distinction between political networks and factions, and the significance of networks in post-Mao China, see John Wilson Lewis, "Political Networks and Policy Implementation in China," in David M. Lampton, ed., *Policy Implementation in Post-Mao China*, in process.

⁵⁴ Roxanne Witke, *Comrade Chiang Ch'ing* (Boston: Little, Brown and Co., 1977), p. 149.

It was also in his capacity as head of the Organization Department that Chen became even more deeply involved in Mao Zedong's personal life. It was Chen who presided over Mao's divorce from his wife He Zizhen.⁵⁵

Chen's handling of this and other responsibilities must have pleased Mao. Scattered evidence suggests that their relationship became closer. Mao's bodyguard reports that Mao passed his essay "On Protracted War" on to Liu Shaoqi, Chen Yun, Kang Sheng, and Zhang Wentian—all of whom were at best only peripherally involved in military work—to review.⁵⁶ When Mao's house in Yan'an was bombed by the Japanese, Chen was among the handful of leaders who rushed to Mao's side, urging him to find a safer place to live.⁵⁷

Throughout 1938–1939, in addition to his work in the Organization Department, Chen lectured on the "Construction of the Party" at the Marxism-Leninism Institute in Yan'an. One of the members of the audience made this evaluation from contact with him: "My impression of Comrade Chen Yun is of a very sober-minded leader of our Party, a professional revolutionary, and a great statesman who enjoys extremely high prestige and at the same time is affable, constant, and convincing."⁵⁸ Chen also lectured at Kangda—the Anti-Japanese University—in September 1939 with Wang Ming and Kang Sheng.⁵⁹

There was little controversial in Chen's activities in the late 1930s and early 1940s. The one exception is Chen's famous speech "How to Be a Communist Party Member" (Chen 1939b), in which he advised Party members to study Marx, Engels, Lenin, and Stalin (but not Mao) in order to temper themselves.⁶⁰ Nonetheless, this did not appear to cause him any trouble. An editorial in the Party paper *Jiefang* [Liberation] on February 29, 1940, listed the authors of important works that Party members should study. Significantly, this list, which can also be taken as an

⁵⁵ Dick Wilson, *The People's Emperor: Mao—A Biography of Mao Zedong* (New York: Lee Publishers Group, Inc., 1979), p. 208 and Braun, *supra* note 26, p. 250.

⁵⁶ Cited in Jerome Ch'en, *Mao and the Chinese Revolution* (New York: Oxford University Press, 1972), p. 209.

⁵⁷ He Qinghua, "Suicong Mao Zhuxi zai Shaanbei" [Accompanying Chairman Mao in North Shaanxi], *Hongqi piaopiao*, No. 13 (1959), p. 53.

⁵⁸ Ding Ling, "Enhance Party Spirit, Get Rid of Evil Influence—Studying Comrade Chen Yun's 1943 Speech," FBIS, July 2, 1982, K-12. Ding Ling is considered to be China's foremost woman writer. A Red Guard source states that Chen recruited her into the Party. See ZW, *supra* note 12.

⁵⁹ Snow, *supra* note 2, p. 474.

⁶⁰ This is pointed out in Raymond F. Wylie, *The Emergence of Maoism* (Stanford: Stanford University Press, 1980), p. 112.

informal listing of the top leadership, was (in rank order): Mao, Zhu De, Wang Ming, Zhang Wentian, Zhou Enlai, Kang Sheng, Chen Yun, Wang Jiaxiang, and Liu Shaoqi.⁶¹

Some Sources state that Chen became head of the CCP's Rural Work Department in 1939.⁶² Given his inexperience with peasant movements since the late 1920s, this seems unlikely. However, in 1940 Chen did acquire an additional responsibility, one that would affect him for the rest of his life. He was appointed head of the CCP Central Committee's Finance and Economy Department and Director of the Shaanxi-Gansu-Ningxia Border Region Finance Commission.⁶³ The Border Region post was Chen's first major "state" appointment. Prior to that, his career had been in the Party. In these new positions, Chen discovered his true calling. Nevertheless, he retained his post as head of the CCP Organization Department and remained busy in that position also. (Chen 1945b reveals that Chen was head of the Organization Department for seven years.)

Unfortunately, Chen's economic policies for the Border Region are difficult to discern. Leading accounts of the Shaan-Gan-Ning economy and polity fail to discuss his activities in this area.⁶⁴ In Chen's one writing that touched on economics prior to late 1944, he argued that economic and technical work was an indispensable part of revolutionary activity and that a number of cadres tended to look down on it. Otherwise, he provided few clues about his economic ideas (Chen 1941c). It is clear

⁶¹ Wylie, *supra* note 60, p. 125.

⁶² Bartke, *supra* note 2, p. 37; *Biographical Service*, *supra* note 2, p. 2; and *Who's Who in Communist China*, *supra* note 2, p. 113.

⁶³ This is mentioned in all the biographical accounts. However, I have been unable to find any independent evidence to confirm Chen's position as head of the CCP's Finance and Economy Commission. A note in Chen's *Selected Works* states that the Northeast Finance and Economy Office (including the Jin-Sui [Shanxi-Suiyuan] and Shaan-Gan-Ning base areas) was established in 1943. He Long headed this office, and Chen was the vice-head. See *Chen Yun wenxuan*, p. 304, n. 149. A recent PRC biography of He fails to mention anything about his role in economic policy except that he carried out the Party's policies in this area. He may have nominally headed this office, while Chen ran it. See "He Long," in *Zhonggong dangshi renwu zhuan* [Biographies of personages in the history of the Chinese Communist Party], Vol. II (Xi'an: Shaanxi renmin chubanshe, 1981), p. 207. A note in *Liu Shaoqi wenxuan* [Selected works of Liu Shaoqi], Vol. I (Beijing: Renmin chubanshe, 1981), p. 461, n. 216, states that in September 1945, Li Fuchun was the head of the CCP's Finance and Economy Department, but this may have been after Chen Yun was transferred to the Northeast.

⁶⁴ Peter Schran, *Guerilla Economy* (Albany: State University of New York Press, 1976) and Mark Selden, *The Yanan Way in Revolutionary China* (Cambridge, Mass.: Harvard University Press, 1972).

that the CCP adopted a number of policies in the early 1940s designed to cope with the increasingly stringent KMT blockade of the Border Region and the fearsome Japanese response to the CCP's 100 Regiments Offensive of late 1940 (kill all, burn all, loot all). The basic theme of these Party policies (with which Mao Zedong was closely linked throughout his life) was increased self-reliance. Whether Chen played a major role in formulating these policies is not clear. In fact, he may even have opposed them. In a major address on economic questions in December 1942, Mao Zedong stated:

The general policy guiding our economic and financial work is to develop the economy and ensure supplies. But many of our comrades place stress on public finance and do not understand the importance of the economy; engrossed in matters of revenue and expenditure as such, they cannot find solutions to any problems, hard as they try... They do not know that while a good or bad financial policy affects the economy, it is the economy that determines finance.⁶⁵

It would appear from Mao's account that some economic officials were arguing for reducing the Border Region budget deficit by cutting expenditures. This, Mao felt, would only cause a further deterioration of the Border Region economy. While there is no definitive evidence linking Chen (or his deputy, Li Fuchun) to the policy Mao criticized, Chen and Mao adopted similar opposing positions in the 1950s. An informant suggested that it was quite possible that Chen and Mao disagreed on economic issues at this time.

However, several points militate against this interpretation of a Chen-Mao disagreement. First, in discussing Chen's *Selected Works*, his longtime political secretary, Zhou Taihe, emphasized the crucial role played by Chen and other key economic officials in countering the economic difficulties of the early 1940s.⁶⁶ This account does show that Chen paid a great deal of attention to financial factors, as he was to do in his post-1949 career. Chen undertook many personal investigations, concentrating on developments in local markets and at banks. He relied on Cao Juru, head of the People's Bank of China after 1949, to formulate

⁶⁵ Andrew Watson, ed., *Mao Zedong and the Political Economy of the Border Region* (Cambridge, England: Cambridge University Press, 1980), p. 59.

⁶⁶ Zhou Taihe, "Make a Success of Financial and Economic Work by Seeking Truth from Facts," *Renmin ribao* [People's daily], March 5, 1984, p. 5. An informant stated that Zhou was Chen's secretary. That informant also revealed that Zuo Chuntai and Li Chengrui had been Li Xiannian's secretaries and that Fan Weizhong had been Li Fuchun's secretary. After Chen "retired" in 1962, Chen released Zhou Taihe from his service, another informant revealed.

basic policies on currency matters. Chen was adept at calculations and pushed for establishing a sound accounting system in all spheres of economic work. All leaders participated even more directly in the effort to increase production in the Base Area. Chen was no exception, and the yarn woven by him during his stints of manual labor was of the first grade.⁶⁷

That Chen was either ill or wounded at some point in 1942 provides further evidence that he did not clash with Mao in that year. A CCP journal recently stated that “when Comrade Chen Yun was recuperating at the Zao Yuan, Yan’an in 1942, he meticulously studied Comrade Mao Zedong’s works and telegrams. He then came to realize that the basic ideology in these works was: seeking truth from facts.”⁶⁸

But Chen’s illness may not be as innocent as it seems. In the 1950s and 1960s, Chen spent long periods recuperating from ill health that often coincided with periods when his views were in disfavor.⁶⁹ Thus, his position on economic issues in the crucial 1941–1942 period is impossible to discern. But it is significant to note that Mao repeated his criticism of those who upheld the financial viewpoint on several occasions in the economic history of the PRC, often with Chen Yun as the target.

In his writings on economic affairs after the crisis of 1942 was controlled, Chen introduced many of the themes that were to become his hallmarks during the post–Civil War years. First, he attacked the “blindness” exhibited by “political leaders” who came to economic departments demanding resources without any consideration of the costs of their actions. He wanted economic and financial work to be more regularized and specialized. When faced with financial difficulties, Chen advocated that the Party not rely on the bank to paper over the deficit with more currency. He demanded that finances be centralized and that expenditures be strictly controlled. He was already well aware that no unit ever regarded its budget as too large. While agreeing with Mao that production had priority in economic tasks, he also upheld the need to rank income over expenditures, thus undercutting the priority of production (Chen 1945a and, to a much lesser extent, 1944a). These views, as we shall see in the next two chapters, would remain central to Chen’s economic ideas.

⁶⁷ Zhou Taihe, *supra* note 66.

⁶⁸ Feng Jian and Zeng Jianhui, “Strategic Turning Point in Economic Work,” in FBIS, July 27, 1981, K-25.

⁶⁹ Ross Terrill argues that Mao exhibited a similar pattern. See his *Mao* (New York: Harper and Row, 1980).

While Chen may have been ill during part of 1942, he was active in organizational affairs, particularly with regard to the famous CCP Rectification Campaign of 1942-1944. After participating in the Yan'an Forum on Literature and Art in May 1942,⁷⁰ Chen, along with Wang Jiaxiang, was made responsible for implementing the rectification campaign in the CCP's military forces, later known as the People's Liberation Army.⁷¹ This may seem a somewhat unlikely position for Chen to hold; however, in his *Selected Works* there is a speech delivered in October 1942 to military cadres (Chen 1942b), and he spoke at the Conference of Senior Cadres (October 19, 1942, to January 14, 1943).⁷² Around November 1942 he was named as one of the members of the Commission for the Review of Party Cadres and Non-party Personnel.⁷³ From this, it is safe to conclude that Chen was very active in the *zhengfeng* (rectification) movement. As head of the Organization Department, Chen may, in fact, have been in charge of supervising crucial aspects of the campaign. An informant states that Chen personally handled many of the most complex and difficult cases that arose during rectification. Wang Ming reports that Chen criticized himself for his "empiricism" during the campaign, but since Wang charges Chen with being one of the main promoters of the campaign, his self-criticism was probably formalistic.⁷⁴ In Yan'an, Chen would have worked closely with Mao, Gao Gang, Kang Sheng, Peng Zhen, and to a lesser extent Liu Shaoqi (who was not in Yan'an through most of 1942), all of whom were driving forces behind rectification at the Party Center. Indeed, Chen may have been so busy with rectification matters that he delegated many of his economic responsibilities to Li Fuchun. At least there is some evidence of Li speaking on economic matters in the early 1940s, and almost none for Chen.⁷⁵

⁷⁰ Xin Ming, "Precious Parting Words," FBIS, June 11, 1982, K-5.

⁷¹ Harrison, *supra* note 14, p. 325 and Kuo, *supra* note 12, Vol. IV, p. 588.

⁷² Selden, *supra* note 64, p. 201. There is no known text of this speech.

⁷³ Peter Vladimirov, *The Vladimirov Diaries* (New York: Doubleday and Co., 1975), p. 78. This is an extremely biased source, reworked by Soviet authorities before its publication (Vladimirov died in 1953). In general, this work alternates among saying Chen supported Mao, opposed Mao, or was pressured by Kang Sheng into supporting Mao. I assume, however, that on listings of Chen's organizational positions, distortions of fact are less likely, hence this reference. For other references to Chen in this volume, see pp. 47, 68, 71, 77, 104, 134, 415, 422, 427, and 428.

⁷⁴ Wang Ming, *supra* note 33, p. 147.

⁷⁵ For Li Fuchun, see Klein and Clark, *supra* note 2, p. 495 and Bo Yibo, "Comrade Fuchun Will Always Be With Us," FBIS, January 11, 1980, L-11-L-17. Bo states that Li was director of the Finance and Economy Commission.

Thus, despite the fact that Chen Yun became most associated with economic issues during the rest of his career, it is unclear what his initial efforts in this area were. There is no evidence that Chen actively engaged in economic decision making until the mid-1940s, after basic policies had been set. He was very busy performing organizational tasks. A circumstantial case can be made that Chen's nascent economic ideas ran afoul of Mao's economic policies or that Chen delegated his economic responsibilities to Li Fuchun. Yet the fact that Chen continued to receive economic assignments in the 1940s and 1950s does show that if he did clash with Mao, he was forgiven. Indeed, Chen's continued role in economic affairs implies that he did help to formulate the policies that coped with the desperate economic situation of 1941 rather well.

Chen's activities from late 1942 to mid-1945 are obscure. His *Selected Works* contain only two articles for the years 1943 and 1944. One of these was a general report on the economy, already discussed above, and the other was a speech on literary and art workers (Chen 1943a). There Chen took the perspective one might expect of the head of the Party Organization Department. He argued that Party literary figures should put the Party in first place and their artistic concerns second. He also warned that literary and art workers should not feel conceited because they had more education than other Party cadres. This speech should be seen in connection with the ongoing criticisms of inner-Party critics, particularly in literary and art circles, that had begun with Mao's speeches to the Yan'an Forum on Literature and Art.⁷⁶

At the Seventh Party Congress in April-May 1945, Chen made his farewell address as head of the Organization Department. He continued to attack the arrogance of some cadres, particularly those who felt they had made a particularly important contribution to the Party's efforts. According to Chen, the following factors usually accounted for what some saw as their own individual successes: first, the strength of the people; second, the Party's leadership; and last, the role of the individual. He asked, "When a hero dies, will the revolution come to a halt? Will the people no longer wage revolution?" He continued, "If the role of the individual means nothing, why should we support Chairman Mao? I say the individual plays a role and sometimes a big role. My word here is based on facts. People, whether they are Chinese or foreigners... all say that Chairman Mao's leadership is fine. However, the most essential

⁷⁶ On the Party attack on the writers, see Merle Goldman, *Literary Dissent in Communist China* (New York: Atheneum, 1971), chapter 1 and Jonathan D. Spence, *The Gate of Heavenly Peace* (New York: Viking Press, 1981), chapter 11.

thing is the common people, the Communist Party" (Chen 1945b). Chen's seeming deprecation of Mao's leadership stands in sharp contrast to Liu Shaoqi's report on the new Party Constitution that extensively praised Mao and his role.⁷⁷ We have only excerpts of Chen's speech so perhaps in other parts of his talk he too praised Mao extensively. It has also been suggested that the Cult of Mao was deliberately fostered by the CCP and was not a product of Mao's vanity.⁷⁸ Nonetheless, Chen's speech, in its current form, appears as a sharp rejoinder to the direction of the Party Congress set by Liu's report.

Chen's status in the leadership was reaffirmed at this conclave. He was reelected to the Politburo and apparently also to the Politburo Standing Committee (called the Secretariat at that time). However, no formal listing of the Politburo and the Standing Committee was presented.⁷⁹

One final aspect might be noted about Chen's Yan'an years: he did not talk to Americans who traveled to meet CCP leaders. Edgar Snow suggests that he met Chen, but there is no record in Snow's writings of his ever having interviewed Chen. John Service does not remember ever meeting Chen, and Chen's name does not appear in the journalistic or official accounts of U.S. visitors to Yan'an.⁸⁰ Since so many of the CCP's top officials did talk to Americans, one must assume either that Chen was terribly shy and afraid to speak to U.S. guests or that he viewed all Americans as servants of U.S. imperialism. In the late 1940s Chen would have an opportunity to demonstrate his anti-American attitudes.

With the end of the war with Japan, the CCP dispatched Lin Biao and his army to Manchuria. Accompanying Lin were Chen Yun, Peng Zhen, Gao Gang, Li Fuchun, Zhang Wentian, and Luo Ronghuan. The exact ranking of these cadres is unclear, as was the role Chen played in the Northeast. He was probably the highest ranking leader of this group, but until mid-1946 Peng Zhen headed the Party organization in the Northeast, and after that, Lin Biao headed both the Party and the military in Manchuria. Chen held membership positions on the Northeast Bureau Party Committee and the Northeast Administrative Committee (NEAC)

⁷⁷ Liu Shaoqi, "On the Party," in *Collected Works of Liu Shao-ch'i* (Hong Kong: Union Research Institute, 1969), pp. 9-95.

⁷⁸ Wylie, *supra* note 60, chapters 9 and 10.

⁷⁹ Klein and Clark, *supra* note 2, p. 151.

⁸⁰ Snow, *supra* note 2, pp. 453-454; personal communication from John Service. Chen's name does not appear in the works of David Barrett, Harrison Forman, Gunther Stein, Helen Foster Snow (Nym Wales), and other visitors to Yan'an except in an occasional formalistic reference.

in addition to leading the Finance and Economy Commission under the NEAC.⁸¹ An informant suggests Chen was sent to Manchuria to establish an economic base for the CCP and to obtain assistance from the Soviet Union.

Again the course of Chen's career is murky. He traveled widely in Manchuria, frequently changing positions. In November, along with Gao Gang and Zhang Wentian, Chen sent a memo on their opinions for work in Manchuria to the Northeast Party Bureau which was passed on to the Party Center (Chen 1945c). In April 1946, Chen was the Party Secretary for the Northern Manchuria Branch of the Northeast Party Committee (Chen 1946a). This was to become the key staging area for CCP forces in Manchuria.⁸² By August 1946, Chen was Assistant Secretary of the Northeast Party Committee and Deputy Political Commissar of CCP forces in the Northeast (Chen 1946b). Chen's *Selected Works* also indicate that he was active in Western Manchuria and in what was then Liaodong Province (Chen 1946c and 1947a).

The extent of Chen's military career in the CCP's decisive Northeast campaign is also vague. Deng Liqun states that Chen helped to reverse the passive situation in which the Red Army found itself in Manchuria. William Whitson remarks that Chen was active in the East Manchurian military region, which was under Chen's and others' leadership. In a crucial series of battles in 1946, the military forces to which Chen was assigned managed to hold their own in a strategic defensive engagement. Taiwan sources say that Chen was Secretary of the Jilin-Heilongjiang Military Region, under Gao Gang. Robert Rigg notes that Chen was a political commissar in the Northeast, whose propaganda program helped to weld the army together.⁸³

It is hard to say anything definitive about Chen's military experience in the Northeast. It is most likely that Chen spent the majority of his time in that area mobilizing resources to sustain Lin Biao's forces. With Lin's increasing successes, Chen probably played a vital role in restoring production in the industrial centers of Manchuria. It is probably wrong to say that Chen had close ties with the Fourth Field Army.

⁸¹ Klein and Clark, *supra* note 2, p. 151, and p. 715 on Peng Zhen.

⁸² On the Chinese Civil War and battles in Manchuria, see Lionel Max Chassin, *The Communist Conquest of China* (Cambridge, Mass.: Harvard University Press, 1965) and William Whitson with Chen-hsia Huang, *The Chinese High Command* (New York: Praeger Publishers, 1973), chapter 5.

⁸³ Deng Liqun, *supra* note 2, p. 3; Whitson, *supra* note 82, p. 305; "Chen Yun—Newly Appointed . . .," *supra* note 2, p. 90; and Robert B. Rigg, *Red China's Fighting Hordes* (Harrisburg: The Military Service Publishing Co., 1952), p. 93.

Chen's role in the Northeast was almost exclusively organizational and economic by 1948. He took personal responsibility for the ultraleft land reform line that emerged in the Northeast from late 1947 (Chen 1948a, p. 245). He became increasingly involved in the planning for the takeover of Shenyang, and he spoke on policies in newly captured industrial enterprises. Here Chen favored downplaying class struggle in industrial enterprises so that production could be developed. He also advocated retention, for the time being, of all but the most reactionary technical and managerial personnel (Chen 1948b).

In August 1948 the CCP convened the Sixth National Labor Conference in Haerbin. Chen was elected Chairman of the Union and delivered a major speech introducing themes he repeated in many other speeches over the next year. These themes included the need to postpone significant improvements in the conditions of the workers until the Civil War was resolved, while doing for them now those things that could be done; the need to retain technical personnel; the necessity of instituting planning as rapidly as possible; and the requirement of reforming management systems (Chen 1948c).

Chen apparently spearheaded the organizational planning behind the takeover of Shenyang. The most important city of the Northeast was taken by Lin Biao's forces in November, and Chen, as head of the special Military Control Commission that governed the city, set to work to impose order and to restore production. His takeover methods provided models for the takeover of other major urban centers (Chen 1948e, p. 269 and 1949a).

As the effective mayor of Shenyang, Chen must have implemented the siege of its American consulate-general. While the CCP leadership no doubt collectively decided to bring about the first hostage crisis in post-World War II U.S. history, it may not have been accidental that Chen executed this policy.⁸⁴

In April 1949, Chen traveled to Moscow to attend the Tenth Soviet Labor Congress. Upon his return, he began to undertake the task that was probably the most significant accomplishment of his life—the restoration of the Chinese economy after years of invasion, civil war, hyperinflation, and disruption (Chen 1949c and d). But noticeable successes in

⁸⁴ On the siege of the American consulate in Shenyang, see Nancy Bernkopf Tucker, *Patterns in the Dust* (New York: Columbia University Press, 1983), pp. 14–16 and John Gittings, *The World and China* (New York: Harper and Row, 1974), pp. 176–178. A Red Guard account claims that Chen was “soft” on the Americans during the siege. See ZW, *supra* note 12.

that regard would not come until after Liberation.

In late August 1949, Chen told a Preparatory Conference of the Shanghai General Labor Union (an organization similar to the one that had launched him on his path to the heights of power in the CCP), that workers should not be discouraged because their standards of living could not be transformed quickly. He even stated that the temporary shortcomings in current production and in the market would lead to even more self-reliance (*zili gengsheng*) in the future (Chen 1949e). The CCP had inherited an economy in desperate straits. Chen Yun's great challenge was to restore the Chinese economy to health. He did so with spectacular success.

II

Chen Yun, 1949–1984

Since the middle and later periods of the war of resistance [against Japan], Comrade Chen Yun was a principal figure on the economic front of our Party and government. Chairman Mao Zedong once called him the top expert on economic affairs in the Party. After a special trip to the Soviet Union for pertinent studies and inspections, Chen Yun drew up our country's First Five Year Plan. Before 1957, China's economic construction made unprecedented progress and results were brilliant. There were many reasons for this, but a most important one was that the man responsible for economic affairs, Comrade Chen Yun, was proceeding according to objective economic laws, carried out the correct policy and never suffered serious political interference. To learn and master the economic laws, Comrade Chen Yun kept up continuous investigation and studying. He was strongly opposed to making a lot of noise and he was also opposed to employing political means to manage economics. He rather emphasized the need for deep penetration of the realities and for going about things steadily and surely, with careful calculations and strict budgeting.¹

Chen Yun's career since 1949 has evolved in stages. In the early post-Liberation or recovery period of 1949–1952, he was the supreme Chinese economic decision maker, coping with severe problems in an ad hoc but tremendously successful way. From 1953 to approximately late 1955 Chen was a rather conventional economic planner. In 1956 he began to put forward a series of ideas on economic policy making that have guided his thinking on economic questions down to the present day. In this reformist stage, Chen called for the use of the market as a necessary supplement to the planned economy and for the economic planning

¹ Xue Xi, "Chen Yun, an Exemplary Truth Seeker," *Beijing zhi chun* [Beijing spring, an unofficial journal], No. 2 (January 27, 1979), translated in Joint Publications Research Service [hereafter JPRS] No. 073728, Translations from the PRC, No. 532, June 20, 1979, pp. 55–58. See pp. 56–57.

system itself to be overhauled. These views had an important influence on economic policy in the People's Republic of China until the Great Leap Forward of 1958–1960. During the relatively moderate phase of the Leap in the first half of 1959, and especially after its terrible denouement in 1960, Chen played the role of master troubleshooter. During this period he attempted to pull the Chinese economy out of the catastrophic depression caused by the Great Leap. While setting the economy to rights, he also tried to build a solid base of support for his more fundamental ideas on economic reform. His views, particularly on agriculture, antagonized Mao Zedong, and from late 1962 until late 1978 Chen was semiretired.

With Mao's death and Deng Xiaoping's accession to power in late 1978, Chen once again became one of the most powerful figures in the Chinese Communist Party. His ideas on economic reform were recirculated. Again he was summoned as an economic troubleshooter, charged with bringing about the readjustment of the Chinese economy. By this time he was also a Party elder, increasingly concerned with the problems of the CCP. Chen's ideas on Party building might be classed as "restorationist" in the Chinese sense, as he wanted the fine traditions of the CCP restored and revived. Significantly, however, Chen's ideas are no longer at the forefront of economic reform efforts. His statements from the 1950s are currently invoked by those who wish to restructure the Chinese economy, but Chen himself has shied away from a number of experiments that expand on his earlier views. He occupies a more conservative position on the Chinese political spectrum than he did in the 1950s and early 1960s, and this conservatism has apparently brought him into disagreement on occasion with the champions of reform in China, Deng Xiaoping, Hu Yaobang, and Zhao Ziyang. The full degree and significance of Chen's disputes with the reformers should not be overstated, however. Nonetheless, Chen's position remains very influential in Party politics as he enters his eightieth year.

This post-1949 evolution confirms the view that Chen's career differed significantly from that of other members of the CCP elite. His economic specialization became his base of power, and this base became particularly formidable after the Party shifted the focus of its work to economic construction in 1979.

With the founding of the People's Republic of China, Chen Yun became the pre-eminent economic policy maker: "Chen's dominance in the field of economics during the early PRC years can scarcely be exaggerated, particularly during the period of 'reconstruction and

rehabilitation' (1949–1952)... One of his most notable achievements as China's new economic 'czar' was to halt the runaway inflation that had so badly crippled the KMT [Kuomintang] in its final years on the mainland."² A Chinese source sums up Chen's contribution to the entire 1949–1956 period this way: "Comrade Chen Yun was in charge of national economic work... he personally drafted many important documents and speeches at important meetings, made profound and brilliant expositions on economic work, put forward many practical suggestions and measures, and vigorously directed the recovery and development of the economy."³

In the early days of the PRC, Chen was appointed vice-premier of the Government Administrative Council (the GAC, the forerunner of the State Council, or cabinet). He would be the only vice-premier to serve continuously from 1949 to the Cultural Revolution. Even more important, Chen was named to head the government's Finance and Economy Commission (FEC). In this capacity he directed and supervised the activities of all ministries that controlled economic activity.⁴ Chen's deputies in this work included Bo Yibo, Li Fuchun, Xue Muqiao, and later, Deng Xiaoping and Li Xiannian. Chen also served briefly as the Minister of Heavy Industry from October 1949 to April 1950. In addition, he held numerous more ceremonial posts.

Chen's *Selected Works* for the years 1949–1956 are particularly rich in details on his activities in the 1949–1952 period. Moreover, this collection of materials reveals many new details about Chinese politics in general during the early years of the PRC. Because this volume is not translated and has just been published in China for mass circulation,⁵ we will draw on it rather heavily to structure the discussion of Chen's activities in the seven years from 1949 to 1956.

Even before the PRC came into existence on October 1, 1949, Chen Yun directed the work of the Central Finance and Economy Commission. (This Commission had replaced the Central Finance and Economy

² Donald W. Klein and Anne B. Clark, *Biographic Dictionary of Chinese Communism, 1921–1965* (Cambridge: Harvard University Press, 1971), pp. 151–152.

³ *Hongqi* Theoretical Education Editorial Office, "Study Comrade Chen Yun's Works Published during the Period after the Founding of the Country," *Hongqi* [Red flag], 1983, No. 8 (April 16, 1983), in JPRS No. 83808, Translations from Red Flag, July 1, 1983, p. 73.

⁴ See the note on p. 52 of *New China's Economic Achievements* (Beijing: Foreign Languages Press, 1952), for a list of the units concerned.

⁵ This monograph was prepared before the official version of Chen's selected works for the 1949–1956 period was published (on July 15, 1984). Instead an internal collection for the same period was used. See note 5 of the Introduction.

Ministry (*Zhongyang caizheng jingji bu*) established in 1948 [Chen 1949g, p. 28].) At this early date Chen advocated the centralization of financial resources and the exercise of centralized control by the FEC over the supply of materials to the CCP's five field armies. He also called for increasing revenues and reducing expenditures as far as possible. Chen proposed the convocation of a series of systematic discussion meetings to set basic policies in the areas of banking, foreign exchange, and bonds; commerce; and prices, particularly on the price differentials between industrial and agricultural goods. Chen noted that previously, when he was working in the Northeast, he had learned a lesson from not paying enough attention to the problem of the price scissors, or the terms of exchange between industrial and agricultural products, detrimental to the peasantry (Chen 1949d, pp. 14, 16, and 17–18).

During the first nine months of the PRC, Chen devoted much of his attention to solving the problem of nationwide hyperinflation. This he achieved through unified financial and commercial management (i.e., extreme centralization over finance and major commodities), the issuance of government bonds, attacks on speculators, and state intervention in the marketplace (Chen 1949f, 1949h, 1949i, 1949j, 1949l, 1949n, 1950e, and 1950f).⁶ “Comrade Mao Zedong spoke highly of this victory and pointed out that the significance of this victory could well be matched with the Huaihai battle. This battle on the financial front was directed by Comrade Chen Yun.”⁷

Chen ameliorated the financial situation by combining what were to become two trademarks of his method of economic administration: strict financial control and personal investigation. This financial centralization is best exemplified by the Decisions of the GAC on the Unification of State Financial and Economic Work, promulgated on March 3, 1950, the draft of which Chen wrote (Chen 1950e).⁸ From this time onward, whenever Chen was in charge of economic affairs, strict measures to centralize finance were adopted when the economy was in trouble.

⁶ See also Chen Junyan, “The Struggle to Stabilize Market Prices in Shanghai in the First Years after Liberation,” *Hongqi* 1983, No. 8, in JPRS No. 83808, July 1, 1983, Translations from Red Flag, pp. 84–90.

⁷ Chen Junyan, *supra* note 6, p. 90. The Huaihai battle was a decisive engagement in the Chinese Civil War lasting from late 1948 until late February 1949. The CCP's victory ensured that all China north of the Yangxi River would quickly fall into its hands.

⁸ A translation of this document is found in Chao Kuo-chun, *Economic Planning and Organization in Mainland China: A Documentary Study (1949–1957)* (Cambridge: Center for East Asian Studies, Harvard University, 1959), pp. 202–208.

Bo Yibo, Chen's chief deputy in the early 1950s, described Chen's workstyle as follows:

I frequently accompanied Comrade Chen Yun in reporting to Premier Zhou [Enlai]. Premier Zhou was very concerned about financial and economic work. He never failed to give us instructions and support our opinions at every stage and crucial moment... Because... the country had just been liberated after a long war, prices were chaotic. At that time Comrade Chen Yun did a great deal of work in investigation and study, and correctly put forth principles and policies for stabilizing prices. He was vigorously supported by Premier Zhou. These principles and policies played a decisive role in the three year recovery period.⁹

Bo implies (and others have said) that Chen actually ran the economy from 1949 to 1952. Zhou and others may have given instructions, but it was Chen who, on the basis of his investigation and study, formulated the "principles and policies." Zhou would actively support Chen's ideas until the Great Leap Forward.

Even in this period when Chen focused on financial problems, he was engaged in many other aspects of economic work as well. As the PRC's top economic official, he worked closely with Soviet advisors. He echoed the Party line laid down by Mao that China had to lean to one side and that only the Soviet Union would aid China's construction (Chen 1949g, p. 27). Chen's articles reveal that even before the conclusion of the Sino-Soviet Treaty of early 1950, Soviet advisors were playing an important role in Chinese economic decision making. In December 1949, Soviet experts suggested that China should produce 800,000 tons of pig iron in 1950 and that the Northeast should be the center of China's iron and steel industry. While Chen accepted the latter recommendation, he rejected the target for pig iron as excessive (Chen 1949k, p. 38). Also in December 1949, he mentioned that the aid of Soviet experts was instrumental in bringing about an overfulfillment of the targets for railroad repair (Chen 1949m, p. 46). Chen's overall views of the Soviet Union are unclear. He appreciated the help they provided, but, as we shall see, he was far from totally satisfied with all aspects of the Sino-Soviet economic relationship.

During the first months of the PRC, Soviet experts were concentrated in the Northeast. The head of that area, Gao Gang, had

⁹ Bo Yibo, "Cherish the Deep Memory of Esteemed and Beloved Comrade Zhou Enlai," in *Foreign Broadcasting Information Service, Daily Report, China* [hereafter FBIS], January 9, 1979, E2–E8. See E5.

negotiated a separate trade agreement between Russia and Manchuria, and a different currency then circulated in the Northeast from that in China proper. Gao was a member of the Politburo and Party leader of the Northeast. In 1953–1954, he was criticized and then purged for attempting to establish an “independent kingdom” in Manchuria. Gao’s and Chen’s paths would repeatedly cross in the early years of the PRC. Chen, who had led efforts to restore production in the Northeast in the late 1940s, took a dimmer view of that region’s separateness. His calls for financial and economic centralization explicitly included placing aspects of the Northeast’s economy under the Central FEC (Chen 1949k, pp. 39–40).

Chen’s relations with Gao Gang were complex. They had served together from 1937 to 1945 in Yan’an and from 1945 to 1949 in the Northeast. Chen was Gao’s superior in the Party hierarchy, though Chen had been subordinate to Gao for at least part of their period together in the Northeast. Moreover, if economic construction was to occur on a national scale, Chen, as Minister of Heavy Industry and the regime’s top economic official, needed to assert control over Manchuria, then the heartland of Chinese industry. He therefore had a strong motive to support bringing Gao’s region under increased central control. The political positions of Chen and Gao put them fundamentally at odds, despite lengthy personal contacts, and the tension in this relationship would increase until Gao’s purge in 1954.

In his capacity as head of the FEC, Chen apparently formed a long-term relationship with Ma Yinchu, China’s foremost non-Marxist economist (best known for his advocacy of population control in 1957). Ma was one of the vice-chairmen of the FEC, and Chen encouraged him to express his opinions on its work (Chen 1949m). Later, in the mid-1950s, Ma had Chen look over some of his articles, and it is likely that criticisms of Ma’s theory of comprehensive balance in the late 1950s were also aimed at Chen.¹⁰ Chen’s future tasks included interaction with many members of the Chinese bourgeoisie, but Ma Yinchu appears to be the member of that class with whom Chen had the closest contacts.

¹⁰ On Chen reading a draft of Ma’s article, see *Ma Yinchu jingji lunwen xuanji* [Selected economic writings of Ma Yinchu], Vol. II (Beijing: Beijing daxue chubanshe, 1981), p. 73, n. 1. On criticisms of Ma being criticisms of Chen, see David M. Bachman, “To Leap Forward: Chinese Policy-making, 1956–1957” (Ph.D. dissertation, Stanford University, 1984), p. 296. On the criticisms of Ma, see Kenneth R. Walker, “A Chinese Discussion on Planning for Balanced Growth: A Summary of the Views of Ma Yinchu and His Critics,” in C. D. Cowan, ed., *The Economic Development of China and Japan* (New York: Praeger, 1964), pp. 160–191.

Even while Chen was leading the fight against hyperinflation, he also was convening meetings, through the auspices of the FEC, on tea, brush bristles, edible oils, customs, taxation, salt tax, water conservancy, coal, navigation, highways, railroads, grain, urban supply, iron and steel, posts, finance, machinery, non-ferrous metals, power generation, petroleum, paper, and telegraphy, among other things. Of these, he felt the most important was finance (Chen 1949m, p. 46). It is not clear that Chen attended all these meetings personally or that all of them were held as he intended. Nonetheless, this list gives an idea of Chen and the FEC's agenda of concerns in late 1949.

By April 1950, the FEC had brought about a basic return to financial normality. Its work had been so effective that by mid-1950 it was able to shift its focus. In the forthcoming months it was to "call a number of conferences to formulate essential decrees and orders, and to focus the work on readjusting industry and commerce" (Chen 1950g, p. 52 of English translation).

The second major task confronting Chen and the FEC was to restore production and assert control over, while simultaneously utilizing, private industry and commerce. The major problems were the fear of Chinese capitalists of engaging in production and distribution and of severe shortages in the urban areas. Although Chen's efforts in this regard are not well documented, he did argue that the private sector, like the state sector, required planning. According to Chen, it was impossible to have a planned economy (as he and other CCP leaders desired) with some sectors outside the scope of planning (Chen 1950j, p. 92). To bring capitalist production and commerce gradually into the realm of planning, while at the same time reassuring capitalists, Chen advocated the system of the state contracting with capitalist businessmen. The latter were guaranteed a fixed profit. Concurrently, the costs of rejecting state controls were made abundantly and painfully clear. Exorbitant fines, confiscation, and arrest faced capitalists who resisted Chen's policies. Again, his measures proved successful, and by the end of 1950 inflation was under control in China, and production and marketing arrangements were restored. The Chinese economy was on its way to recovery.

With these two most pressing problems of inflation and restoring commerce under control, Chen turned his attention to the task of developing Chinese industry. Sometime in the early 1950s, Chen started working on drafts of the First Five Year Plan (Chen 1954c, p. 221). To facilitate the importation of necessary equipment, plants, and technology from the Soviet Union and Eastern Europe, he urged that exports be expanded as widely as possible but that nonessential imports be strictly

controlled (Chen 1950j, p. 93). While supporting the extraction of resources from the countryside to finance industrialization, he warned of the dangers of neglecting agriculture and concentrating solely on industry (Chen 1950j, p. 96). In mid-1950 Chen's priorities for industrial investment were the same as those of the Chinese government today: "Under the present circumstances, it is only possible to make investments in key industrial projects, first to resolve the problem of petroleum, and [then] later, the problems of electrical generation, railroads, etc. . . . In managing industry, we must have strategic vision" (Chen 1950j, p. 97; also Chen 1951a, p. 122). As is well known, this "correct opinion of Comrade Chen Yun was not well implemented."¹¹ Energy shortages remain a critical bottleneck to China's developmental efforts today.

Plans for economic development were strongly affected by the Korean War. During the Cultural Revolution, Red Guards asserted that Chen opposed the Chinese entry into the war on the grounds that it would make economic recovery extremely difficult.¹² These out-of-context remarks suggest that Chen was not fully opposed to the Korean War on policy grounds but rather that he had bureaucratically-based doubts about the conflict because of difficulties it would entail for China and its struggling economy.

By mid-November 1950, despite whatever private doubts he may have had, Chen informed financial and economic officials that China would enter the war and that they should be prepared for a number of responses by the United States, including invasion of Chinese territory. Chen explained that the needs of battle dictated concentration of financial and economic resources on the military and stabilization of the market. Only after these two tasks were met could any new investment be made (Chen 1950n, pp. 98–99). During this speech Chen argued that avoiding deficit budgets should be raised to the level of a guiding principle in economic work.

Chen hinted that although he supported the Korean War policy, he hoped that the conflict would be over soon. In April 1951 he stated, "Currently, the War to Resist America and Aid Korea [the Chinese name for the Korean War] still continues" (Chen 1951a, p. 113, emphasis added). In early 1952 he stated that although the war might end that year, Chinese officials should be prepared for prolonged conflict (Chen 1952a, p. 144). While Chen wrote this document, it was sent to the Party

¹¹ *Hongqi* Theoretical Education Office, *supra* note 3, p. 81.

¹² *Beijing gongshe* [Beijing commune], August 14, 1967, in *Zhanwang* [Prospect (a Hong Kong publication, hereafter ZW)], 1979, No. 9 (May 1, 1979), p. 30.

Center under the names of Chen, Bo Yibo, and Li Fuchun. The economic bureaucracy appeared anxious for the war to end.

During the war Chen continued to supervise what economic construction was undertaken. He also tried to improve the economic bureaucracy and to raise his own understanding of economic construction. He criticized state trading companies for following what he called “political economics” instead of strict economic accounting and added that capitalist commerce would never commit some of the stupidities that the state companies had. Chen attacked officials who were anxious to build and run industry but who neglected to design, equip, and manage it in a planned and correct manner. He opposed the supply system and pressed for the establishment of a sound economic accounting system. Chen also called for the refinement of the financial system and the establishment of three levels of financial administration (composed of the Center, the administrative regions, and the provinces). While centralization was still the main thrust of policy, Chen wanted the lower levels to have a gradually expanding role in economic affairs (Chen 1951a, pp. 118–120).¹³

In discussing his own understanding of economic affairs, Chen revealed that he had learned a lesson from the plans for the construction of China’s first automobile factory.

Last year after Chairman Mao and Premier Zhou went to Moscow [1950], they signed a contract and invited Soviet experts to come to China and design an automobile factory for us. When they arrived in Beijing, there were many arguments on where to site the plant. Some said Beijing, some said Shijiazhuang, some said Taiyuan. I said couldn’t it be located further away? Siting it in Xian is a little better. Only later did I know that this idea was fundamentally incorrect (Chen 1951a, p. 119).

Chen had failed to consider where the electricity to run the factory and the raw materials to supply it would come from. Finally, it was decided to build the plant in the Northeast.

The defense industry and light industry deserved more attention, but pride of place in industrial construction went to energy production in Chen’s view. He revealed that a planning commission was being organized to coordinate and plan these activities. Repeating a position that was basic to all of Chen Yun’s economic thought, he stated that all

¹³ On the issue of centralization and decentralization in Chinese finance, see Nicholas R. Lardy, *Economic Growth and Distribution in China* (Cambridge: Cambridge University Press, 1978).

plans were to be based on the nation's financial strength (Chen 1951a, pp. 122, 124).

During the early 1950s Chen also devoted attention to the development of agriculture. Chen warned that without an upsurge in agricultural production, it would be extremely difficult for industry to develop (Chen 1951b). But he was relatively confident that with land reform and mutual aid teams, the major measures for increasing production, rural production and peasant incomes would rise rapidly. In fact, Chen predicted that peasant incomes would rise so fast that there was a danger of a scissors crisis developing unless more investment went to light industry (Chen 1951a, pp. 122–123). Chen encouraged the production of agricultural subsidiary products and economic crops (Chen 1950n, p. 105), and he favored the manipulation of price ratios between different kinds of agricultural products to provide the incentives for peasants to grow the types of products most needed by the state (Chen 1952a, p. 146 and 1952c, p. 162). But foreshadowing the future fundamental problem for Chinese economic development (agricultural production not keeping up with consumer and industrial demands), by early 1952 Chen called for the reduction in acreage under economic and subsidiary crops and for increased attention to grain (Chen 1952a, p. 146).

Chen also devoted much of his time to the issue of what to do about capitalist industry and commerce. While the policies adopted in the second half of 1950 had restored market stability, members of the bourgeoisie were understandably concerned about their ultimate fate under the CCP. Chen was only partially able to reassure them. The socialist transformation of the economy was indeed on the political agenda, he acknowledged, but the transformation was not imminent. In the meantime, he urged the capitalists to expand productive and distributive activities. He admitted that the CCP was having trouble finding jobs for demobilized soldiers and that based on his personal investigation of small cities in the Northeast, private industry and commerce was perhaps the most important outlet for this employment problem. Therefore, while there was competition between the state sector and the private sector, the private sector had definite prospects (Chen 1951f).

But this rather measured view of state-private relations was undermined by the Three Anti Campaign and the Five Anti Campaign, which severely affected the bureaucracy and private enterprises beginning in late 1951 and early 1952.¹⁴ The Three Anti Campaign (aimed at the

¹⁴ On the Three and Five Anti campaigns, see A. Doak Barnett, *Communist China: The Early Years* (New York: Praeger, 1964), chapter 12 and *passim*; John Gardner, "The Wu-fan Campaign in Shanghai: A Study in the Consolidation of Urban Control," in A. Doak Bar-

bureaucracy) was originally launched by Gao Gang in the Northeast, but it quickly spread to the rest of China. Chen Yun, in a speech entitled "Report on Economic and Financial Work" (Chen 1951g), appeared to support this campaign fully because of its attack on bureaucratic waste, corruption, and inefficiency. He may even have used the campaign to increase control over the financial system and to introduce further changes in the economic system. During the Three Anti Campaign in early 1952, Chen put forward a policy on financial and economic work that was almost identical with his famous three balances of 1957 (discussed below). Thus, the core of economic work consisted of grasping finance, banking, and market management. This central policy and the campaign meant that financial inspections should be more rigorous. Centralized financial control was not to be undermined through the use of extra-budgetary funds, which Chen strongly opposed throughout his career and which are still a problem in China. To further strengthen economic administration, Chen favored experimenting with an independent accounting system in major enterprises. The center was to be solely responsible for allocating and balancing twelve major products, mainly steel, iron, and other metals and minerals. Grain allocation was to be controlled by the Central Finance and Economy Commission. Chen favored the institution of an eight-grade wage system. He noted that there was widespread waste in capital construction; and in a hallmark of Chen's style of economic administration, he demanded an immediate increase in centralized control of capital construction. All economic functions of centrally operated enterprises were to be placed under the exclusive control of the center, leaving local authorities with a role only in political and administrative activities. In particular, Chen demanded that the finance and economy commissions should be more responsive to the central FEC than they were to local political control and local interests (Chen 1952a).

Several points in this policy indicate Chen's support of the Soviet model of industrial administration. These include his emphasis on strict centralization, the introduction of independent accounting, and the eight-grade wage system. Many of these policies had already been employed in the Northeast under Gao Gang, where the Soviet model was most completely adopted.¹⁵ Chen and Gao may have agreed on the desirability

nett, ed., *Chinese Communist Politics in Action* (Seattle: University of Washington Press, 1969), pp. 477-539; Harry Harding, *Organizing China* (Stanford: Stanford University Press, 1981), chapter 2; and Kenneth Lieberthal, *Revolution and Tradition in Tientsin, 1949-1952* (Stanford: Stanford University Press, 1980), chapters 7 and 8.

¹⁵ See William Brugger, *Democracy and Organization in the Chinese Industrial Enterprise* (Cambridge: Cambridge University Press, 1976).

of these policies, but Chen's demands for centralization would have partially limited Gao's freedom of maneuver in the Northeast, threatened Gao's total control over that region. Increased central control over resource allocation and strengthened vertical control over the local finance and economy commissions took power away from the most developed industrial region. Perhaps Chen was hinting to Gao: you can make a name for yourself with the Chairman by launching campaigns that become national policy, but be prepared for the consequences for such an initiative; others can also advance their interests through such campaigns.

While Chen supported the Three Anti Campaign, he was much more ambivalent about the Five Anti Campaign, which targeted private enterprise. By mid-1952, the Five Anti, with its focus on exposing misdeeds of capitalists, had severely affected the economy. Through astronomical fines assessed on businessmen and the breaking of their will through struggle sessions, the state share of industry and commerce greatly expanded. So many resources had been taken from capitalists that some people wondered whether the continued existence of private industry and commerce made any sense. Again, the question of the role of private industry and commerce in the Chinese state arose. In June 1952, Chen addressed this issue in at least two speeches.

In these speeches Chen attempted to relegitimize the role of private industry. He stated that private industry should be guaranteed profits of 10, 20, 30 percent or more, though capitalists engaged in commerce should receive less than their industrial brethren. Noting that the Five Anti Campaign had significantly depressed the market, he stated that since the state directly controlled 24 to 25 percent of all commerce, its share should neither increase nor decrease. Chen criticized the emerging belief in "better left than right," hitting at finance and trade officials who inspected and supervised capitalist activities. He pointed out that some product inspectors were declaring up to 80 percent of the goods produced by private industry not up to standard. According to Chen, criticism of capitalists was excessive. He stated that workers, too, were guilty of leftist sentiments, spawned by the anti-capitalist spirit of the campaign. He argued that the state could not carry out the Five Anti Campaign, maintain production, and procure livestock from the countryside at the same time. The Five Anti Campaign had to be checked before widespread chaos and confusion resulted (Chen 1952c and d).

It is clear that the goals Chen espoused in these speeches—a stable, secure environment in which predictable patterns of activity existed—were counter to the goals associated with the campaigns, which emphasized political mobilization and the destruction of regular patterns

of behavior and stability. Chen's speeches put "economics in command" whereas campaigns put "politics in command." It was natural that Chen, the regime's top economic official, was selected to publicize these views, and they undoubtedly reflected a consensus (which Chen was probably instrumental in shaping) among the top leadership. It is significant to note, however, that Chen consistently advocated similar views in later years, even when the consensus of the leadership favored mobilization. Although 1952 marks the first time that Chen opposed political mobilization when it disrupted the economy, his views on this subject would only grow stronger over time.

While the Three Anti and Five Anti campaigns were engulfing the Chinese economy and polity in early 1952, Chen Yun was working on major projects associated with the draft of the First Five Year Plan (FFYP) and Soviet aid. Chen personally drafted design protocols for a number of these projects, and his *Selected Works* contains one he wrote for the Haerbin Aluminum Alloy Processing Factory, to be designed by Soviet experts. The Chinese had asked the Russians in January 1951 to supply the designs for this plant whose products went to the aviation industry. It took the Soviets eight months to reply that they needed further contacts with the Chinese trade system. More than a year after the initial request, Chen himself assumed the basic coordination and planning work for this factory since Russian help was slow to arrive. Perhaps his mention of problems with the Soviet side in economic construction in 1951–1952 is an implicit warning to his colleagues about relying on the Soviet Union.

At the end of this design protocol, Chen stated that all large projects (over 5 million yuan) should have similar protocols, which would be investigated and approved by the center. The Central FEC would inspect and approve the proposals, but they would also have to be approved by the Party organization in the GAC and the Party Center (Chen 1952b). In the beginning of 1952, then, Chen was in charge of industrial construction planning and was pushing his line on centralization. But by the end of the year, this was no longer the case.

In the late summer of 1952, Chen was Zhou Enlai's chief deputy when Chinese leaders journeyed to Moscow to discuss questions of mutual concern. The Korean War, economic cooperation, and other forms of mutual interaction were undoubtedly on the agenda. Chen many have posed probing questions as to why the Soviets took so long to provide the design of the aluminum plant. Exactly what happened is unclear, but some discussion of the FFYP, scheduled to begin in 1953, must have taken place.

Upon Chen's return from the Soviet Union, his (and indirectly Zhou Enlai's) primacy in economic affairs was challenged. In the fall of 1952 the State Planning Commission (SPC) was established. As originally created, the SPC was equal in status to, and independent of, the GAC. However, it is likely that many of the ministries formerly under Central FEC jurisdiction were transferred to the SPC. From an organizational standpoint, this greatly weakened the power of the Central FEC and the GAC, Chen's units.

From a personal standpoint, Chen also appears to have slipped a notch in the leadership. Although Chen became a member of the SPC, it was Gao Gang, head of the Northeast Administrative Region, and not Chen who became chairman. While Gao had been in charge of the restoration and development of the Manchurian economy after Chen's departure from the Northeast in 1949, Gao's overall background in economic affairs was much weaker than Chen's. Moreover, if Chen went to the Soviet Union so that he could draw up the FFYP, it is even more surprising that he did not head the planning body. Klein and Clark note that it was "somewhat unusual" for the chairmanship to go to Gao.¹⁶

Several reasons might account for Chen's failure to gain the chairmanship of the SPC. Perhaps his views had angered Mao or other top leaders. We have already noted Chen's possible opposition to the Korean War. His remarks criticizing the execution of the Five Anti Campaign may have also antagonized other ranking officials. His emphasis on centralization may have provoked the heads of the Great Administrative Regions. Interestingly, the head of each region was a member of the planning commission. But we lack any concrete evidence that Chen's views had engendered any real opposition.

On the other hand, it may be that Mao and other top leaders felt that Chen handled financial affairs and other matters so well through the Central FEC that it was better for Chen to remain in charge of that work and not to take on other responsibilities by heading the SPC. But if the leadership wanted Chen to concentrate his energies on finance and other issues, why was he also made a member of the SPC? His energy would still be divided.

It might also be hypothesized that the Soviets had something to do with the appointment of Gao,¹⁷ who was the foremost advocate of the wholehearted application of Soviet industrial policy and management techniques to China. Moreover, Gao was apparently the Soviets' man in

¹⁶ Klein and Clark, *supra* note 2, p. 152.

¹⁷ My thanks to Kenneth Lieberthal for suggesting this to me.

China, and regularly supplied Stalin with reports on the attitudes of the Politburo.¹⁸ The Soviets may have strongly “recommended” that Gao head the SPC. But there are several problems with this view. First, Khrushchev states that Stalin, prior to his death in March 1953, revealed to Mao that Gao was informing on the inner workings of the Politburo. Would Mao have placed Gao in a position of importance, as head of the SPC, if Mao knew Gao was a spy? Second, Chen Yun also had apparently established good relations with the Soviets in the summer of 1952. Would the Russians’ preference for Gao over Chen have been strong enough to warrant Soviet intervention in China’s internal affairs? Finally, would the Soviets even have risked exerting influence in China through the manipulation of Chinese personnel appointments? After all, such efforts would be obvious to the Chinese leadership, and risked triggering a backlash, particularly among the more nationalist members of the CCP. Was not a more likely Soviet strategy of control to try to lock the Chinese into the Soviet model of development and make the Chinese dependent on Russian exports of whole plants? While Soviet support for Gao’s elevation to the head of the SPC is likely, it is less probable that it was the moving force behind his appointment.

A final possible explanation for Gao’s rise is that Mao, who was well known for playing subordinates off against each other, was deliberately trying to limit Chen’s power in the economic sphere. He and other Chinese leaders realized that Chen had been the driving force behind the restoration of the economy. Perhaps Mao was concerned that Chen’s expertise and control over economic policy limited his own freedom of maneuver on economic policy making. Mao may have been somewhat disgruntled with Chen’s criticisms of the Five Anti Campaign. Thus, Mao may have advanced Gao and the SPC as a counter to Chen’s dominance exercised through the Central FEC.

Whatever the reasons for Chen’s failure to gain the SPC chairmanship, his political fortunes fell again in 1953, when he unequivocally advocated policies Mao found distasteful and found himself in a situation where he could not avoid making at least some enemies.

¹⁸ Nikita Khrushchev, *Khrushchev Remembers: The Last Testament* (New York: Bantam Books, 1974), pp. 243–244. For an internal Chinese speech that repeats Khrushchev’s claim, see Liao Gailong, “Historical Experiences and Our Road of Development” (Part 1), *Issues and Studies*, Vol. XVII, No. 10 (October 1981), p. 79. On Gao, Soviet management, and his purge, see Brugger, *supra* note 15; Klein and Clark, *supra* note 2, pp. 431–436; Franz Schurmann, *Ideology and Organization in Communist China* (Berkeley and Los Angeles: University of California Press, 1968), pp. 243–284; and Frederick C. Teiwes, *Politics and Purges in China* (White Plains, N. Y.: M. E. Sharpe, Inc., 1979), chapter 5.

Fortunately for Chen, Gao Gang's unsuccessful power play and subsequent purge intervened, probably sparing Chen further trouble.

Initially, Chen's role did not seem to change very much after the formation of the SPC, and he continued to tackle various economic problems. Addressing a National Geological Work Planning Conference in late 1952, he advocated a policy later known as "walking on two legs" to increase the number of geological workers. He championed both increased technical training and specialized education and the mobilization of those who had practical experience in geology to carry out the greatly expanding need for surveying and prospecting. He particularly stressed the role of experts in this work and, while warning against the existence of counterrevolutionaries among them, cautioned against conflating ordinary mistakes with sabotage (Chen 1952e). The next day Chen sent a letter to the Shanghai Party Committee on resolving the employment problem in that city (Chen 1952f). It would appear that Chen was as busy as ever.

But a gap of seven months between this letter and Chen's next known writing or speech hints that Chen began to face political trouble. Difficulties surfaced during the National Conference on Financial and Economic Work, held from June 13 to August 11, 1953.¹⁹ As head of the Central FEC, Chen was most likely ex officio chairman of this meeting. Bo Yibo, then Minister of Finance and Vice-chairman of the FEC, proposed that taxes be assessed at the same rate for state-owned and privately-owned enterprises, a policy he had first proposed in December 1952. The proposal was roundly criticized by Mao Zedong, who condemned Bo's plan as a "reflection of bourgeois ideas" within the Party.²⁰ Bo promptly lost his portfolio as Minister of Finance and was replaced by Deng Xiaoping.

Since Chen Yun was Bo's superior in economic affairs, it is extremely unlikely that he was unaware of Bo's tax policy. Moreover, it is quite likely that the tax policy was formulated in the Central FEC, and not in the Ministry of Finance. A number of Red Guard accounts attribute this policy to Chen and not Bo.²¹ In fact, many of the articles in Chen's *Selected Works* for this period reveal that although Chen might first draft a

¹⁹ See Kenneth Lieberthal, *A Research Guide to Central Party and Government Meetings in China, 1949-1975* (White Plains, N.Y.: International Arts and Sciences Press, 1976), pp. 59-60.

²⁰ See *Selected Works of Mao Tsetung, Vol. V* (Beijing: Foreign Languages Press, 1977), pp. 103-111 and 127-129.

²¹ Wall posters reprinted in ZW, 1979, No. 3 (February 1, 1979), p. 22; *Caimao hongqi* [Finance and trade red flag], February 8, 1967, in ZW, 1979, No. 4 (February 16, 1979), p. 26; and *Caimao zhanshi* [Finance and trade soldier], February 16, 1967, in ZW, 1979, No. 6 (March 16, 1979), p. 25

document, after revision it would go out in Chen and Bo's names. Finally, in September 1953 Chen was forced to criticize errors made by the Central FEC. He said, "All of these [mistakes] are the responsibility of the Central Finance and Economy Commission and all its concerned departments. I am the head of the Central FEC, I should be the first to take responsibility for these problems" (Chen 1953c, p. 188).

Thus, while Mao did not criticize Chen (as far as available records indicate), Chen was without doubt implicated in this affair. At the very least, he was guilty of extreme laxity in the supervision of his principal subordinate's activity. It is even more likely that Chen was as much in favor of the tax policy as Bo. While the impact of this affair on Chen's political power is unclear, it certainly did not strengthen it.²²

Other problems for Chen also occurred at the 1953 conference. Provincial and administrative region leaders criticized what they felt was "excessive" and "rigid" control by the Center over financial affairs.²³ Again these comments could only have been aimed at Chen and the Central FEC. In addition, a dispute broke out on how to handle provincial grain surpluses and deficits. Provinces producing surplus grain apparently pushed for a program whereby they themselves were in charge of sending the surplus directly to provinces with deficits, which appear to have favored central control over interprovincial grain flows. These conflicting views were presented to Zhou Enlai for his decision. Zhou sought out Chen's opinion, and not surprisingly Chen favored centralized allocation. One version of this story has Chen's view prevailing. However, Chen's own statements suggest that he suffered at least a partial defeat on this question. He clearly favored the centralized allocation, but he seems to have conceded that this position would not prevail and that one calling for management by different levels would be accepted. He attempted to inject the maximum amount of central control and the least amount of local discretion into such a proposal (Chen 1953a). Later in the year, he complained that regions were conducting mutual blockades so that there were no grain flows from one area to another. This complaint implies that Chen lost on this issue and was trying to get the policy changed (Chen 1953d, p. 190).²⁴

²² It is most likely that Bo did receive most of the blame for this policy and made a self-criticism. Bo describes how Mao put him on the spot in the spring of 1953, stating that Bo lacked a materialist and dialectical viewpoint. See Bo Yibo, "Respect and Remembrance—Marking the 60th Anniversary of the Founding of the CCP," in FBIS, July 29, 1981, K26–K36. See K31.

²³ Lieberthal, *Research Guide*, *supra* note 19, pp. 59–60.

²⁴ For the version in which Chen's views prevailed, see Deng Liqun, *Xiang Chen Yun*

Available data on Chen's role in the conference and during the following months suggest that he attempted to defend and develop his views while giving some ground to his critics. Chen asserted that the Chinese revolution aimed to improve the living conditions of the vast majority of the Chinese people (Chen 1953b, p. 180). He thus defined the principal goal of the PRC as economic development, mirroring the position taken by the Eighth Party Congress in 1956 and rejected shortly thereafter by Mao and his supporters. Chen attempted to defend strict concentration of financial resources (Chen 1953b, p. 181), but he had to concede that his policy on financial control was excessive and that lower levels should be given a larger role in financial administration (Chen 1953c, pp. 187–188). He also admitted that the Central FEC had not listened to the concerns of various ministries and ministerial systems sufficiently when it drew up budgets for the state. Chen called on the Party to play a larger role in the budget-making process (Chen 1953b, p. 181), perhaps in an effort to diffuse criticism. Finally, he had to take some responsibility for the budget deficit that was emerging in 1953 (Chen 1953c, pp. 186–187). State expenditure expanded very rapidly in that year because it was (nominally) the first year in the FFYP. (The plan itself would not be presented until mid-1955.)

Thus, in the summer of 1953 Chen's views on several issues were disputed by Mao, provincial leaders, and members of the bureaucracy. Chen had had to make a self-criticism and to modify some of the policies he had favored. His competency as an administrator of the economy might have been called into question by these criticisms and the budget deficit. Possibly Gao Gang joined in criticizing Bo Yibo in an effort to weaken Chen's position. In any event, Chen's immediate prospects in the summer of 1953 were not as bright as they once had been.

An additional Red Guard criticism of Chen might also be interpreted as evidence of contention between Gao and Chen. These sources claim that Chen stated that "financial power is above all [else]" (*caiquan gaoyu yiqie*).²⁵ While the Red Guards interpret this as an attempt by Chen to subvert Mao's thought (and indeed "finance above all else" runs counter to "politics in command"), without a fuller description of the context in

tongzhi xuexi zuo jingji gongzuo [Learn from Comrade Chen Yun in doing economic work] (Sichuan: Zhonggong zhongyang dangxiao chubanshe, 1981), pp. 3–4 and the discussion in Nicholas R. Lardy and Kenneth Lieberthal, *Chen Yun's Strategy for China's Development: A Non-Maoist Alternative* (Armonk, N.Y.: M.E. Sharpe, 1983), p. xix. They incorrectly state that the issue concerned long-term versus short-term grain transfers.

²⁵ *Shoudou Hongweibing* [Capital Red Guards], January 21, 1967, in ZW, 1979, No. 2 (January 16, 1979), p. 25 and *Caimao hongqi*, February 8, 1967, *supra* note 21, p. 27.

which Chen may have made this statement it is unclear what he meant. But it is plausible that Chen was trying to resist encroachments Gao and the SPC were making on the Central FEC and Chen's territory. As the SPC moved to adopt the Soviet model of material balance planning, Chen had to base his claims for continued influence in overall economic activity on the area of the economy under his direct control. Finance was precisely this area. In this way, "finance above all" was a defense of Chen's leadership position and an attempt to preserve the preeminence of the institution he headed.

The Gao (Gang)-Rao (Shushi) Affair, a leadership struggle that remains extremely obscure, undoubtedly prevented any further erosion of Chen's role in economic policy making. The best available account²⁶ shows that Gao's opening gambits to enhance his power and replace Liu Shaoqi and Zhou Enlai occurred at the time of the 1953 Finance and Economy Conference, suggesting that Chen's weakness helped to stimulate Gao's activities.

At some point in the second half of 1953 Gao approached Deng Xiaoping (then head of the Southwest Regional Government) about joining with him to surround and overthrow Liu Shaoqi. "Gao Gang also looked for Comrade Chen Yun to negotiate with him. He said: 'There can be several vice-chairmen; you could be one and I could be another.' In this matter, Comrade Chen Yun and I could only feel the problem was serious, and immediately reflected this to Comrade Mao Zedong, arousing his attention."²⁷ Perhaps Gao felt he could take advantage of Chen's weakened position to enlist his aid. Gao's promise of high position would guarantee that Chen did not suffer the same fate as Bo Yibo. Gao may also have counted on their long acquaintanceship. Chen rebuffed the advance, and possibly regained Mao's favor by turning Gao in. Gao was purged shortly thereafter.

There was no definite link between Gao's power play and the SPC, yet shortly after Gao's fall, the SPC was thoroughly reorganized. With the creation of the State Council (SC) under the new Constitution of the PRC, the SPC was placed under the SC. In addition, under Gao Gang the SPC's membership had included such top leaders as Chen, Deng, Li Fuchun, Peng Dehuai, Lin Biao, and Peng Zhen.²⁸ After Gao's purge and

²⁶ Teiwes, *supra* note 18, chapter 5.

²⁷ *Deng Xiaoping wenxuan (1975–1982)* [Selected works of Deng Xiaoping] (Shenyang: Renmin chubanshe, 1983), p. 257. Deng's grammar in the above quotation is unclear. He may be saying that Chen and Deng could be vice-chairmen or that Chen and Gao could be.

²⁸ The membership of the SPC in mid-1953 was as follows: Gao Gang, Chairman; Deng Zihui, Vice-chairman; Chen Yun; Peng Dehuai; Lin Biao; Deng Xiaoping; Rao Shushi; Bo Yibo; Peng Zhen; Li Fuchun; Xi Zhongxun; Huang Kecheng; Liu Lantao; An Zhiwen; Ma

the establishment of a constitutional government, Li Fuchun, the new chairman of the SPC, was the only top leader who remained a member of the SPC. This reorganization of the SPC, which undercut its organizational base, largely removed the threat to Chen's dominance over economic affairs. Moreover, Gao's purge removed whatever shadow had fallen on Chen. By mid-1954 Chen was referred to as one of Mao's "close comrades in arms."²⁹

Chen's last known role in the Gao affair came at the Fourth Plenum of the Seventh Central Committee in February 1954. At this plenum, Gao and Rao were removed from office. (Gao committed suicide shortly thereafter.) Chen's speech, of which only a portion is available, shows him playing the role of Party leader trying to ensure that future Gaos would not appear. High-level Party cadres had to ensure that unity was preserved and that Party splits did not occur, Chen said. Some members of the Party had thought that after Zhang Guotao (a high-ranking official who defected from the CCP in 1938) there would be no further splits in the Party because of internal Party education in Marxism-Leninism, the long history of the CCP, and Mao's leadership. These factors were helpful, Chen agreed, but they were not enough. Classes still existed in China, and even after they were eliminated, class consciousness would persist for a long time, and this (bourgeois) class consciousness would be reflected in the Party. Chen noted that individualism was apparent in varying degrees in the activities of not a few high-ranking cadres. It had also been thought that after the Party came to power, it would be harder for Zhang Guotao types to appear. Chen, on the contrary, felt it was easier for them to pop up. More and more people just thought of becoming officials and not about making revolution. It was certainly much easier for corruption to appear now that the CCP was in power than it had been in the early 1930s when the Party was in Jiangxi or in the late 1930s and early 1940s when the Party was in Yan'an.

Chen hoped that the comrades who had been criticized at the plenum would truly reform and criticize themselves. He quoted Qu Qiubai, a former leader of the Party who noted that it was difficult to get a water buffalo to make a turn. But, he asked, even if these comrades truly changed, would this ensure that future conflicts in the Party did not emerge? No, he answered. Increased Party study of Marxism and

Hong; and Xue Muqiao. See *Renmin shouce 1953* [1953 People's handbook] (Tianjin: Da gong bao chubanshe, 1953), p. 180.

²⁹ Klein and Clark, *supra* note 2, p. 152; see also American Consulate-General, Hong Kong, *Current Background*, No. 290 (September 5, 1954), p. 24.

Leninism might help, but it could not guarantee that wildly ambitious people would not emerge. Chen also stated that the Party could not rely on Mao to prevent inner-Party conflict from erupting. Perhaps in reference to Mao's health (Mao's infirmity was apparently the catalyst for Gao's attempts to supplant Liu Shaoqi and Zhou Enlai and to make himself Mao's successor), Chen stated that while hoping that Mao lived 10,000 years (*wansui*), everyone knew this was impossible. (In fact, Mao did not attend the plenum, probably for reasons of health.)

To guarantee that careerists did not emerge to split the Party, Chen called for high-level cadres to improve their sense of revolutionary smell and revolutionary awareness and to pass this on to their successors. In the meantime, current leaders should develop systems to check excessively ambitious leaders. Chen recommended that particular attention be paid to the several hundred leaders at the level of provincial Party secretary and above. It is from this group that splittists would emerge. The party must rely on these people, on their revolutionary consciousness and their strict obedience to Party rules and regulations. Do not be afraid of making mistakes, he urged, but guard against arrogance when success comes your way (Chen 1954a).

Chen's methodology for coping with Party splits was too vague to be implemented successfully. However, this article does clearly reveal Chen's concern for modesty, collegiality, and the special role Party leaders must have in protecting the Party from internal attack. Like Mao and other Party leaders, Chen was very concerned over the loss of revolutionary virtue among the CCP now that it was in power. But while aware of the problem, he and like-minded others were unable to design effective measures against this drift in the fighting organization that they had worked so hard to build.

At the time of the Gao-Rao affair in 1953, China was in a period of transition: the Korean War ended, production had reached or exceeded recorded levels in almost all areas, and planned construction was supposed to begin. Basic systems of economic administration had been established, and many of the preconditions for rapidly expanding production were in existence. Perhaps because of this growing stability in the Chinese polity and economy, Chen Yun's role began to change. It seemed less necessary for him to focus on problems in different spheres of activity. From late 1953 until the fall of 1956 he was concerned with only three sets of issues: collection of agricultural products from the rural areas, planning and construction, and the transformation of private industry and commerce into joint public-private enterprises (effective nationalization of remaining privately-owned capital). Chen's writings during this period reveal him to

be concerned with the standard interests of the planner: stability, control, and activity based on bureaucratic procedures. Chen later realized that this approach needed modification, but in the mid-1950s he felt that extensive planning was the only way to run the Chinese economic system.

By late 1953 China was facing a serious grain problem. The state was selling more grain than it was procuring, supplying urban residents and peasants in poor or disaster-afflicted areas with more grain than it was purchasing from the countryside. Demand outstripped supply. Moreover, in 1953 a number of major grain areas were affected by natural disasters, further lowering the amount of grain the state expected to procure. Without measures to ensure that procurement targets were met and sales controlled, serious trouble threatened the economy: renewed inflation, lack of agricultural products to finance industrialization, and popular discontent. In September 1953 Chen convened a meeting lasting ten days to discuss grain problems; he concluded that unified purchase and supply of grain was the best alternative to deal with the grain shortage. Under this policy, the state was to set targets for rural delivery (to be collected through compulsory sales at below market rates) and to control sales through rationing in urban areas. Shortly after this meeting, Chen told Mao Zedong that without this policy "the planned economy would be shattered" (Chen 1977c, p. 95; Chen 1953d).

Originally, Chen was hesitant to implement unified purchase and supply in 1953, figuring that there was insufficient time to carry out preparations and develop procedures properly. But Deng Xiaoping, Bo Yibo's replacement as Minister of Finance, felt that with some effort this system could go into effect in November 1953. Chen and the Party Center were convinced by Deng, and the unified purchase and supply of grain duly went into effect. Chen noted that a black market would develop unavoidably as a result of this policy, and he called for a quasi-legalization of it, with leadership and supervision of the market under Party and state control. Party members were told not to be afraid of this "grey" market (Chen 1953d).

Problems concerning the supply and production of edible oils were even worse than problems concerning grain. Edible oil production still had not regained its historical record level, primarily because Chen and the FEC had set an incorrect price ratio between oil and grain. In 1952 it was erroneously believed that an oil surplus existed. Accordingly, prices were lowered, fewer oil-bearing crops were planted, and the state purchased less oil than in 1951. To solve the edible oil problem, production had to be increased. But it would take time for price incentives to be felt, and oil production would not catch up with demand very quickly.

Consequently, edible oils also had to become part of the unified purchase and supply system for agricultural products (Chen 1953e).

Problems also existed in the production and supply of subsidiary agricultural products. For the time being most of these products would not be subject to unified purchase. However, the state was to play an increasingly large role in the organization of production, procurement, and allocation of these commodities (Chen 1953f).

Chen returned to a discussion of the grain allocation system in his speech to the First Session of the First National People's Congress (NPC) in September 1954, where he attempted to defend the necessity for this policy. The reason for unified purchase and supply was not that grain production had decreased or that too much grain was exported (Chen's mention of the latter point several times suggests that some people were upset about the quantities of grain being sent to the Soviet Union and Eastern Europe to pay for industrial inputs); the reason for the policy was that purchasing power exceeded supply. If supplies of commodities were not controlled, inflation would result. To deal with this situation it was necessary to increase production and to control consumption until supplies of commodities and purchasing power were in balance. Chen felt that unified purchase and supply were advantageous for the peasantry as a whole, though rich peasants and private merchants complained about the policy. But policy would not change until production increased dramatically. This increase in agricultural production would take a long time because land reclamation would be the principal means of increasing agricultural output, and large-scale reclamation would only be possible after a number of large agricultural machinery factories were built. In the meantime Chen favored the establishment of agricultural cooperatives. He also warned that the number of agricultural commodities under planned purchase and supply might have to be expanded because of growing disparities between supply and demand (Chen 1954e).

Serious difficulties with the unified purchase and supply system emerged in late 1954 and early 1955. Despite a poor harvest, the state significantly increased its procurement target for grain. This led to talk of a "grain crisis" in early 1955 and to widespread dissatisfaction with this policy.³⁰ Thus, it became necessary for Chen again to address the issue of the unified purchase and supply system when he spoke to the Second

³⁰ On the grain crisis, see Thomas P. Bernstein, "Cadre Behavior under Conditions of Insecurity and Deprivation: The Grain Supply Crisis of the Spring of 1955," in A. Doak Barnett, ed., *Chinese Communist Politics in Action* (Seattle: University of Washington Press, 1969), pp. 365-399.

Session of the First NPC, which met in July 1955. Chen took a very hard line on criticisms of this policy. He conceded that there was a little over-purchasing in the countryside, but argued that it was not really significant. He attributed the problems to the agitation of rich peasants, former landlords, and counterrevolutionaries. Without state control there was a danger of the restoration of capitalism in the countryside, which was why landlords and others attacked the grain purchasing and supply system, he averred. Some of the problems were also due to the newness of the system. The State Council and the CCP had reorganized the unified grain distribution system in April 1955. Hundreds of thousands of cadres went to the countryside to see that this policy was carried out correctly. But despite this refinement of the unified purchase and supply system, Chen felt that the problems in 1954–1955 were due to the weaknesses of the small peasant economy. He pointed out that agricultural cooperativization would make it much easier to implement the procurement system, and he favored increasing the number of coops to one-third of all rural households by the end of the FFYP in 1957. This was also the major way to increase agricultural production, he now felt. Coops made it easier to plan agricultural production also. But he warned against a big push for cooperativization (Chen 1955b).³¹

Chen's views on agriculture shifted in favor of increasing state control and toward growing recognition of the need for cooperativization in the countryside. He moved away from the position often associated with the "moderates" during this time—that collectivization of agriculture could only occur after the mechanization of agriculture³²—and instead came to believe that cooperativization was necessary to ensure state control over the supply of key agricultural products, to control the activities of class enemies in the rural areas, to develop production, and to facilitate planning. The increasing impediment that agriculture posed to China's industrial development could best be met by increasing the size of rural production units, extending the scope of planning in the rural areas, and expanding state control over the procurement and allocation of major agricultural products. While he opposed the hastiness of the collectivization drive Mao was to launch within days of Chen's speech at the Second Session of the First NPC, he strongly supported cooperativization (and

³¹ See also the analysis of Chen's position in *Hongqi* Theoretical Education Office, "Study Comrade Chen Yun's Works Published during the Period after the Founding of the Country," *Hongqi*, 1983, No. 9 (May 1, 1983), in JPRS, No. 83822, Translations from Red Flag, July 6, 1983, pp. 70–79.

³² Parris Chang, *Power and Policy in China* (University Park: Pennsylvania State University Press, 1975), chapter 2.

ultimately collectivization). As of 1955-1956, Chen appears to have held a rather traditional planner's view of the countryside.

But agriculture was only one facet of Chen's activities between late 1953 and mid-1956. With Gao Gang's purge, Chen was once again restored to the pinnacle of the economy policy-making apparatus. The new head of the SPC, Li Fuchun, had worked closely with Chen since 1940 (with Li in a clearly subordinate role throughout their relationship), and there were good prospects that the two men could cooperate to develop the Chinese economy and to smooth over whatever organizational jealousies might remain. Klein and Clark characterize the division of labor between Chen and Li in the mid-1950s: "With the assumption of the Planning Commission chairmanship in 1954, Li moved into the number two spot in the PRC's economic hierarchy, ranking behind Politburo member Chen Yun. Although a precise delineation cannot be made between their functions in the mid-fifties, it appears that Chen worked principally at policy levels, whereas Li (although obviously involved in policy decisions) was primarily responsible for the day-to-day functioning of the economy..."³³ Bo Yibo states that the First Five Year Plan [FFYP] "was formulated and implemented mainly under the auspices of Comrades Chen Yun and Fuchun."³⁴ Thus, even though Chen was no longer a member of the SPC, he continued to play an extremely important role in planning. Bo Yibo, in another article, makes this abundantly clear: "After the central conference on organization in 1953... Comrade Chen Yun began... to grasp the first 5 year plan, particularly the 156 key projects to be built by our country with Soviet aid. Comrade Chen Yun made very good suggestions. He suggested we should clearly understand each and every one of the 156 projects and report on them to the central authorities one by one. I also joined in making this report."³⁵ At that time, Bo says, Chen and Zhou Enlai set forth the basic principles of learning from the Soviet Union and its advisors sent to China. But they argued that Chinese officials must always remember China's actual conditions and needs. There should not be any mechanical copying of the Soviet experience.

Most of Chen's writings and speeches on the FFYP are not yet available. He made at least three speeches on the contents of the FFYP. Only part of one of these appears in his *Selected Works*. Excerpts from another

³³ Klein and Clark, *supra* note 2, p. 497.

³⁴ Bo Yibo, "Comrade Fuchun Will Always Be with Us," FBIS, January 11, 1980, L11-L17; see L13.

³⁵ Bo Yibo, *supra* note 9, E5.

are provided by Red Guards, and there is no known text of Chen's third speech on the FFYP at the National Party Congress in March 1955 (where Gao Gang and Rao Shushi were formally purged).³⁶

Chen's first known talk on the FFYP was given to a joint meeting of the CCP's Second National Propaganda Work Conference and the Sixth National Public Security Work Conference on May 25, 1954.³⁷ Although the speech was entitled "On Commercial Problems," the available excerpts suggest that Chen was speaking about the FFYP. Drafts of the plan were circulating in early 1954,³⁸ and it seems likely that Chen would be explaining the plan to propaganda and security leaders so they would understand clearly their responsibilities in carrying out the plan.

Red Guard accounts accuse Chen of opposing Mao's line on giving attention to agriculture and of arguing both that there was a shortage in the supply of consumer goods and that this shortage provided an incentive to stimulate production. On the first point, Red Guard excerpts from Chen's speech are taken completely out of context, making it difficult to understand what his point might have been. It would seem that the Red Guards said Chen felt that because the state needed to accumulate more funds, the prices of goods sold to the peasants should not be lowered; thus peasants would have to bear the brunt of the shortage of consumer goods.³⁹

On the second point, the Red Guards provide several quotations by Chen that seem less wrenched out of context and are therefore less ambiguous. Chen is cited as saying:

The supply of many commodities does not meet demand. Is this trend a short-term phenomenon? We must affirm that this trend is a long-term phenomenon. The rate of increase of people's purchasing power exceeds the rate of growth of consumer goods production. This tendency will exist for a long time. Also, only because of this tendency will we be able to spur the development of production, and

³⁶ On the announcement of Chen's speech to this body, see "Communique of the National Conference of the Communist Party of China," in *Documents of the National Conference of the Communist Party of China (March 1955)* (Beijing: Foreign Languages Press, 1955), pp. 7–9. See also pp. 11, 29–33, and 39–46 in that volume.

³⁷ *Caimao zhanshi*, *supra* note 21, pp. 25–26 and Lieberthal, *supra* note 19, pp. 64–65.

³⁸ Ezra Vogel, *Canton under Communism* (New York: Harper Torchbook, 1969), p. 130.

³⁹ *Caimao zhanshi*, *supra* note 21, p. 25. The text says, "The price of agricultural products must not be reduced" (*nongchanpin de jiage jiangbude*). I believe the Red Guards interpreted this to mean that Chen thought that products sold to the peasants—not prices paid to the peasants for their crops—should not be lowered. If in fact the passage refers to agricultural purchase prices, then there is little in Chen's remarks that is controversial. That is why I reject the apparent Red Guard interpretation.

promote our country's industrial development... If you want to balance fully the figures for people's purchasing power and consumer goods, this is impossible. Between the two, we should maintain a certain gap in order to spur industrial and agricultural production.⁴⁰

As we shall see, Chen totally rejected these views in January 1957. Indeed, Chen is best known as a balancer. In 1962, in fact, he argued that the supply of consumer goods had to exceed the people's purchasing power. Chen's views in 1954 were mainstream ideas, reflecting both Soviet practice and the consensus of China's leadership. If these Red Guard excerpts are accurate, by 1954 Chen Yun had not developed a particularly distinct view on economic issues.

On June 30, 1954, Chen wrote a report to the Party Center on the outline for the FFYP. Illustrating his involvement in drawing up the plan, he began: "From 1951 to the present, the First Five Year Plan has been drafted five times altogether. The first three drafts were compiled by the Central Finance and Economy Commission, and the fourth was drafted by the State Planning Commission. This time [the fifth draft] I am again in charge, and have been working on it continually since March of this year" (Chen 1954c, p. 221). Chen laid out many of the basic policies and targets of the FFYP. Industry was to grow by 15.5 percent per year, agriculture by 5 percent. It was possible that industry would overfulfill the targets. China would have to rely on existing factories or ones already under construction to achieve the targets because most of the major Soviet-supplied projects would not enter production during the FFYP. Factories provided by the Russians would account for no more than 25 percent of industrial production. Six hundred fifteen above-norm industrial projects were included in the plan. Showing some frustration with the Soviets, Chen noted that some of these projects might have to be carried over into the next five-year plan because all the necessary equipment provided by the Soviets might not arrive on time.

Discussing agriculture, Chen noted that it would be impossible to undertake large land reclamation projects in the FFYP. Raising yields on existing farmland would be the best way to increase production, and the best method for increasing yields was cooperativization, which should be inexpensive yet yield crop increases of 15 to 30 percent. After cooperativization was accomplished, advanced agrotechnology could be applied to the land efficiently. Agriculture and transportation were the major trouble spots that might hold back the achievement of the plan.

⁴⁰ *Caimao zhanshi*, *supra* note 21, p. 25.

Chen discussed the proportionate relations in the plan, defending the allocation of investment for agriculture, light industry, and heavy industry. Agriculture was to receive 9.5 percent of all economic construction funds. The ratio of investment between light and heavy industry was 1 to 7.3. Light industry, in other words, would receive 14 percent of all industrial investment. But the major problem for increasing light industrial output was not lack of investment, but a shortage of raw materials. This shortage made more investment in light industry disadvantageous.

Within heavy industry, many resources would have to go to national defense. In addition, it was unlikely that petroleum could fulfill plan targets; indeed, this might not happen until the end of the second five-year plan. Supply of coal and electricity was tight. Investment in railroads was less than optimal.

He summed up this section on proportional relations in the economy by stating that "the law of proportionate development must be observed. But during different periods in various countries or within a country, the proportions among the various production departments may be different. A country must define the proportions in its plans according to its economic situation at the time. It is hard to tell the exact proportions. Therefore the only way is to see whether they are balanced; proportionate means balanced, balance basically means in proportion" (Chen 1954c, p. 228). Under planning, all balances would be delicate.

Chen thus indirectly stated that the Soviet pattern of resource allocation should not be copied in China. China had to set its own percentages of investment in heavy industry, light industry, and agriculture. However, his discussion of the FFYP illustrated that the Soviet model of development strongly influenced the formulation of the plan. Later in the same speech his objections to Soviet economic policies would be shown in sharper relief.

Chen's ideas on balance and proportion and sectoral relations in the Chinese economy are also of interest here. At this point he was unable to state exactly what balance meant. A 1982 commentary suggested that Chen in 1954 was arguing that proportions had to be controlled by the overall balance in the economy (which for Chen was achieved by the balancing of budgets, bank loans and repayments, and material supply and demand, as we shall see).⁴¹ But there is no evidence that he saw overall

⁴¹ Liang Wensen and Tian Jianghai, "We Must Follow the Law of Proportionate Development—Reading Comrade Chen Yun's Explanations about the First Five Year Plan," *Guangming ribao* [Illumination daily], November 14, 1982, in JPRS No. 82427, December 8, 1982, Economic Affairs No. 291, pp. 41–46; see p. 44.

balances or the three balances controlling proportional relations in the economy at this time, as he would in 1957.

Chen's speech revealed that Chinese leaders realized the importance of the major relationships in the Chinese economy. Chen himself addressed the question of why investment in agriculture and light industry should not be increased. In this light, Mao Zedong's April 1956 speech "On the Ten Major Relationships"⁴² represents incremental changes in an existing intellectual construct rather than a new way of looking at Chinese society and the economy.

Chen's discussion of financial aspects of the FFYP proves further evidence of his qualms about the Sino-Soviet economic relationship. He noted that China's holdings of rubles was very "tense" (a favorite expression of Chen's). Within the FFYP China would have to pay 13.6 billion rubles for imports of complete plants and equipment. But he urged that all possible efforts be made to ensure that China would not borrow foreign exchange. Perhaps this is a manifestation of Chen's nationalism. Having lived in Shanghai during the period of the foreign concessions, he was anxious to limit the strands of dependency that would develop if the Soviets provided both the materials and the funds for the FFYP.⁴³

When he discussed the relationship between social purchasing power and commodity supply, Chen indirectly confirmed some of what the Red Guards accused him of saying in May. Eliminating the gap between purchasing power and available commodities—estimated at about 8 percent or 4 billion yuan—was impossible in the short term, but it had to be controlled. Consequently, raising agricultural purchase prices, lowering prices of consumer industrial goods, and providing wage increases for workers had to be delayed until light industrial production and agricultural output had been expanded.

In closing, Chen reminded the Party of the importance of maintaining balanced budgets and balancing the supplies of key products such as electricity, coal, and wood. He averred that specific targets in the plan would change, but that the general targets he had outlined could not be changed. Finally, he called on local Party committees to discuss the plan and make their contributions to its final formulation (Chen 1954c).

⁴² *Selected Works of Mao Tsetung, Vol. V, supra* note 20, pp. 284–307.

⁴³ It is of course possible that all the negative statements by Chen about the Soviet Union in this volume were added when the volume was edited. Since these speeches have never previously been released, there is no way that this can be checked. But I am inclined to believe that many of Chen's remarks on problems in the Sino-Soviet economic relationship are genuine. On the other hand, I suspect that a number of favorable references to Soviet economic assistance have been deleted.

Thus, more than a year before the final draft of the FFYP was presented to the National People's Congress, Chen Yun had overseen the drawing up of the plan. He was strongly influenced by the Soviet model (as were all Chinese leaders at this time) but retained a critical approach to the Soviet experience. Nonetheless, there is little in this speech to suggest that Chen was not a typical planner schooled in the basics of Soviet procedures and priorities; his distinctive approach to economic development was not yet apparent.

Chen's other activities in the realm of Chinese planning and the implementation of the FFYP can only be surmised. We have already noted that Chen addressed a Congress of the CCP in March 1955 on the FFYP. Unfortunately, no text of that speech is available. Prior to that time his role as the regime's chief economic official was reconfirmed on several occasions. When the first constitution of the PRC was adopted in September 1954 and the State Council established, Chen was named first Vice-premier of the PRC, serving as acting premier when Zhou Enlai was out of the country. Since economic construction was the principal item on the agenda of the state structure (as opposed to the Party, which still faced the uncompleted tasks of agricultural collectivization and the effective nationalization of private industry and commerce), it was likely that the number two person in the state bureaucracy should be the top economic official. Second, in September–October 1954 a Soviet delegation led by Khrushchev arrived in Beijing for discussions. As was the case in 1952, Chen served as Zhou's deputy in the negotiations. The actual course of the negotiations is not clear. Did Chen raise some of his doubts about the Sino-Soviet economic relationship during the meetings? Since the Soviets rescinded some of the more onerous ties imposed on the Chinese by Stalin in 1950, returning the Soviet naval facility in Dalian to the Chinese and withdrawing Soviet citizens from a number of joint Sino-Soviet companies,⁴⁴ it is likely that at least some of these issues were broached. Apparently Chen did not meet with Khrushchev, or he made such a slight impression that Khrushchev did not feel it necessary to discuss Chen in his memoirs. A third example of Chen's critical role in economic policy formulation and policy implementation is suggested by Chen's 1979 statement that he was in charge of the construction of the Sanmen Xia (Three Gorges) water control project (the biggest such project in the FFYP) on the Yellow River, which he conceded yielded

⁴⁴ See Klein and Clark, *supra* note 2, p. 152 on this meeting.

disastrous results (Chen 1979d, p. 79).⁴⁵ Finally, an informant states that though the GAC's FEC was abolished in 1954, a similar organ continued to exist in the Party, and Chen was in effective charge of the Party's FEC until late 1957.

Perhaps Chen's reformist ideas developed from his experience with the socialist transformation of existing private industry and commerce from 1954 to 1956. The majority of his writings during this period focus on the socialist transformation of private enterprises into joint public-private enterprises, which were essentially state controlled. He wanted to extend the scope of planning in all spheres of the economy, including the private sector. His emphasis was on control and fully utilizing the assets of private enterprise in the service of the state. After socialist transformation began, however, his conventional views changed rather dramatically.

In July 1954 Chen argued that the scope of state control in the marketplace had to expand. The number of commodities under state-planned purchase and supply would only increase over time. As long as the supply of consumer goods could not meet demand, state control was necessary. But the measures taken by the state in 1952 in the aftermath of the Five Anti Campaign were no longer appropriate in light of changing market conditions. On the basis of "beneficial conditions" then in existence, Chen proposed that socialist transformation be carried out "actively and steadily" among private commercial enterprises, batch by batch, with intervening periods of consolidation. Although it was clear that the state would play the leading role in this sector, Chen urged counties to establish their own finance and economy committees to strengthen management of commerce and the market and local Party committees to play a more active role in leading commercial activity. The one exception to this concern for control was import-export companies. While Chen favored bringing these companies under the leadership of the state, he wanted these enterprises to be further encouraged (Chen 1954d). He became increasingly outspoken on this point, and in September 1956 suggested that these companies had a special role to play.

On the eve of 1955 Chen spoke on private enterprises and the need for state control in a more strident tone.

It is certainly not the case that all development is good. If there is not increased planning and management then it is no good. Not only is private industry like this; state-owned enterprises are also like this.

⁴⁵ For a discussion and visual evidence of the failure of the Sanmen Xia project, see Václav Smil, "San-men-hsia Reservoir: A Space View," *Issues and Studies*, Vol. XV, No. 3 (March 1979), pp. 77-81.

Only paying attention to the socialist nature of state-owned plants and not carrying out planning is also blind. State-owned industry is not isolated. We also have industrial collectives, joint public-private industry, and private industry. If only state-owned industry is planned and these other sectors are not, then the plan is useless (*kong de*). Only considering state-owned industry is wrong; only considering industry is also wrong (Chen 1954f, p. 242).

There was a continuing lack of leadership over private enterprise, Chen felt, because the state had not, until recently, established an organ to lead work in this regard. The establishment of the Ministry of Local Industry to take charge of non-state-owned industry in October 1954 improved matters.

But in another respect Chen backed away from some of the positions he advocated in July 1954. He now felt that the work of “limiting” and “transforming” had been going too quickly, necessitating an immediate period of consolidation. In other words, the Party’s policy of “utilization, limitation, and transformation” of private industry had been distorted in the implementation process. Party cadres were too anxious to turn the restriction of the activities of capitalist plants into an excuse to change them into socialist units.

Chen’s December 1954 speech also concentrated on problems of industrial production and contradictions between state-owned and private enterprises, mostly in the area of light industry. Because of the shortage of cotton, he advocated a reduction in the working time of both state and private textile plants. But the state sector should not monopolize all available cotton; some should be given to private enterprises to keep them in business.

Chen also attacked the tendency of backward areas to restrict the free circulation of products from Shanghai and Tianjin in order to protect local industry. He held that this departmentalism was as bad as free competition. The production levels of Shanghai and Tianjin should be protected, even if this meant that capitalists in those two cities received some of the benefit. Blind development of light industry in local areas was wrong. Significantly, this same problem of local industry developing blindly at the expense of Shanghai and Tianjin is apparent today.

In its concern with coastal industry, Chen’s policy prescription would be echoed by Mao in “On the Ten Major Relationships” in 1956. Mao also favored more emphasis on the coastal cities and provinces. But regarding another one of the ten major relationships, that between light and heavy industry, Chen in 1954 differed with Mao, who favored more investment in light industry. Chen wanted light industrial investment reduced because there was already surplus capacity in light industry. In

particular, he favored reducing the construction target for the textile industry in the FFYP. He wanted much stricter control over investment in light industry and even suggested that all local investment in light industry be suspended for two years. Once again, Chen advocated centralized control of finance and investment (Chen 1954f).

Chen desired a more measured pace of socialist transformation of industry and commerce, but he wanted further control and planning, especially with regard to the remaining private sector. Perhaps his thinking was influenced by the conventional wisdom of Soviet planning. While he may have been more willing to delay the final conversion of private enterprise to joint public-private enterprise, he was no less convinced of the need to plan everything. But he was losing control over the speed of socialist transformation. At the end of July 1955 Mao Zedong criticized central and local cadres alike for proceeding too slowly with agricultural collectivization, thus triggering an avalanche of rural mobilization. The apparent successes in the countryside stimulated Mao and other leaders to suggest at the Sixth Plenum of the Seventh Central Committee in October 1955 that the pace of socialist transformation of private enterprise could be similarly hastened.⁴⁶

Chen discussed socialist transformation at least twice in November 1955. One speech, which he later said contained many of his reformist ideas on newly socialized industry, was given on November 1 (Chen 1956d, p. 804). No text is available. He addressed a group of provincial party secretaries on socialist transformation on November 16. Here he began to recognize that perhaps the complete planning of all activity of private enterprises was not appropriate. He still favored overall planning and overall arrangements, but he stated that private enterprises should be merged in the process of transformation, that specialized companies should be established to manage them, and that a certain amount of competition should be allowed among enterprises. He continued to hold out for a planned and controlled socialist transformation, rather than the more spontaneous and frenetic process that was underway in the countryside. He wanted greater party leadership over socialist transformation, but he pointed out that since the Three Anti and Five Anti campaigns of 1952, Party members had been unwilling to make contact with the capitalists for fear of corruption (Chen 1955d).⁴⁷

⁴⁶ See the discussion of this period in Roderick MacFarquhar, *The Origins of the Cultural Revolution 1: Contradictions among the People, 1956–1957* [hereafter MacFarquhar 1] (New York: Columbia University Press, 1974), pp. 15–26 and Lieberthal, *supra* note 19, pp. 72–77.

⁴⁷ My analysis of this speech is hindered by the fact that two pages of it are missing in my photocopy of this volume of Chen's writings.

Apparently Chen devised a two-year plan for socialist transformation that was endorsed by Mao on December 6, 1955. However, provincial-level leaders quickly made this plan moot by carrying out a greatly accelerated socialist transformation. Indeed, the mayor of Beijing, Peng Zhen, oversaw the complete transformation of that city's private enterprises in the first twelve days of January 1956. Mao subsequently endorsed more speed in this area also.⁴⁸ Throughout 1956 Chen Yun grappled with the problems caused by this abrupt transition. Speaking to a Supreme State Conference in January 1956, he indirectly criticized the vigor with which socialist transformation had been brought about and warned that the formation of joint public-private enterprises was just the beginning of a long and complicated process of integrating these enterprises into the Chinese economy. As he would throughout the year and in later years, he attacked the amalgamation of small shops and handicraft enterprises into large collectives. The problems with this process had been brought home to Chen personally. Outside his home a little shop that sold small necessities, such as toothpaste, and had been open all the time was closed down with socialist transformation. Similarly, because of socialist transformation a famous restaurant in Beijing noted for its instant broiled mutton (*shuan yangrou*), apparently a favorite dish of Chen's, had to buy frozen meat or lambs that were too heavy. Forced to buy from the state commercial network, this restaurant's quality declined (Chen 1956a). Later in the year Chen cited the problems several vice-ministers of commerce experienced because of socialist transformation (Chen 1956e, p. 306). The defects of socialist transformation were thus brought home to the elite personally. The amalgamation and closure of many small shops made life more inconvenient; the quality of goods fell because producers lost control over supply relationships (and, though Chen did not say this until later, because of the reduced competition between the different systems of ownership); and the variety of goods also declined. Chen spent most of the rest of 1956 trying to devise methods to solve these problems (see Chen 1956b, 1956c, 1956d, 1956e, and 1956f). His most systematic analysis of how to improve the operation of the new joint enterprises was presented in a speech at the Eighth Party Congress (Chen 1956f), which we will consider carefully. First, however, we will briefly consider some of the insights provided by his other speeches on socialist transformation.

Chen, in an act typical of his leadership style, assumed responsibility for the problems associated with socialist transformation. Leading

⁴⁸ See MacFarquhar 1, *supra* note 46, pp. 20–25.

comrades are the ones most responsible for errors in work, he felt, and since he himself had supervised work in the area of private industry, he was the one most responsible for shortcomings in that area (Chen 1956b, p. 275). Chen spoke to the Third Session of the First NPC on problems in the socialist transformation of handicrafts and individual shop owners (Chen 1956c). But there was apparently so much criticism of socialist transformation and the work of commercial departments that Chen made an unusual second speech to the session, promising that policies to improve matters would be implemented (Chen 1956d).

In July Chen spoke to a group of provincial commercial, agricultural procurement, and supply and marketing cooperative officials. By this time it was obvious that Chen was no longer the conventional economic planner. He cited Mao as saying that wherever there was competition, work was done better. Chen used this not so much to legitimate economic competition as to justify policies associated with the emerging Hundred Flowers Campaign, where people were supposed to speak out more freely about shortcomings in society, and he particularly encouraged the expression of constructive criticism of economic work. But he did carry over this theme of competition into an expanded role for the market. In contrast to earlier speeches in which he stated that the system of unified purchase and supply would be expanded, he now argued that except for items like grain and cloth, and several other items where supply did not meet demand, individuals and enterprises should have the opportunity to purchase what they wanted from whom they pleased. Chen was not suggesting that consumer sovereignty in the economy should prevail, but he seemed to suggest that state control over commerce should be relaxed significantly.

He called for the development of better policy planning within the commercial departments. Citing Mao Dun's famous novel *Midnight* (about the Chinese bourgeoisie in Shanghai in the 1930s), Chen stressed the need for strategic thinkers "wearing watermelon caps and holding waterpipes in their hands" (*you yi zhong tou dai guapi mao shou na shuiyandai de*)—people who were really good at running their own businesses. They should be emulated. Indeed, a Chinese informant suggested that this is a good description of Chen himself.

Chen also called for the full utilization of the business skills of the former owners and for allowing them to play an important role in enterprise management. But he noted that Party members and bureaucrats were afraid of this, remarking: "Some people may ask: Will the utilization of private personnel lead to right opportunist mistakes or not? Will it cause us to lose our standpoint or not? Will there be a danger of us

losing our Party membership [because of using capitalists] or not? Can you insure that this won't happen?" (Chen 1956e, p. 306). In a prophetic response, given that within a year the Party would launch attacks against rightists both outside and within the Party, Chen said that he could not make such a pledge because he could not guarantee that every Party member and every capitalist would behave correctly.

It would appear that Chen's thinking on the desirability of the total planning of the Chinese economy had changed. No longer was he an advocate of the view "the more planning the better." It is possible that his change of heart resulted from the grain supply crisis of early 1955, but his rather hard-line speech following this event belies that idea. Yet perhaps the grain crisis did sow the seeds of doubt in Chen's mind. It is clear that his ideas were strongly affected by the process of socialist transformation and its inherent shortcomings. He shed his planner mantle and for the next few years became China's foremost economic reformer. His reformist phase reached its apogee in his speech to the Eighth Party Congress.

The Eighth Party Congress in September 1956 was the first such convention in eleven years. During that time the CCP had gone from a relatively weak party out of power to the ruling party on the Chinese mainland. By late 1956 most of the items on the Party's agenda, such as collectivization and socialist transformation, had been completed well ahead of schedule. The Eighth Party Congress met to sum up achievements and shortcomings, set new guidelines for future work, and address current problems.⁴⁹

Many of these problems were economic. Since mid-1955 the CCP had collectivized agriculture, transformed private industry and commerce, and launched the "small leap forward" of 1956. These three movements created many headaches for Chinese officials supervising economic work. First, the newly created collectives in the countryside were poorly organized, incentives were lacking, local cadres frequently resorted to ordering the peasants about, and subsidiary crops received little attention. Second, the increased investment during the small leap brought problems. Investment increased by 62 percent over the previous year, and with financial investments greatly exceeding the material supplies of the state, inflation and hoarding by enterprises resulted. The crash construction program led to a drastic decline in product quality and worker safety. And socialist

⁴⁹ On the Eighth Party Congress generally, see MacFarquhar 1, *supra* note 46, pp. 99–165; Harding, *supra* note 14, pp. 121–129; and Bachman, *supra* note 10, chapters 3–8.

transformation contributed to a decline in product quality and variety and to increased inconvenience to consumers. Third, the small leap created a budget deficit of about 2 billion yuan. More than 1.4 million more workers entered the labor force than was planned. Moreover, workers who had been on the job for several years received a major wage increase. In other words, there were strong inflationary pressures on an overheated economy, and many of the basic economic structures in society lacked basic procedures and were weak organizationally.⁵⁰

It was in this context that Chen Yun gave his speech to the Eighth Party Congress, a speech that a Chinese official has called one of the three major speeches of 1956 by Chinese leaders that broke with the Soviet model of development.⁵¹ (The other two were Zhou Enlai's speech on intellectuals in January and Mao's speech on the ten major relations in April.) Chen's speech at the Congress is perhaps his best-known work, and one of the two most important in his career.⁵²

The five major points in Chen's speech, while touching other issues also, focused on newly socialized private industry and commerce. First, Chen argued that factories (the newly socialized enterprises and other plants in the light industrial sector) should be allowed to purchase raw materials by themselves and market their products directly, rather than have the commercial departments supply raw materials, tell factories what to produce, and market their products.

Second, Chen struck out at the tendency of blind amalgamation in industry, agriculture, commerce, and handicrafts. These mergers harmed incentives by placing additional layers of administration between producers and consumers. He wanted previous patterns of organization restored.

Third, Chen urged that all old regulations governing capitalist industry and commerce be rescinded. Such regulations, designed to restrict such enterprises, had created state bureaucracies with effective monopolies over trade and material supply. Since these capitalist enterprises were now state-owned (for all intents and purposes), there was no need to restrict them. In fact, Chen pressed for competition between these enterprises and many of the state monopolies to promote flexibility in economic activity.

⁵⁰ Bachman, *supra* note 10, pp. 114–118. See also MacFarquhar 1, *supra* note 46, chapters 5 and 7.

⁵¹ Liao Gailong, *supra* note 18, p. 78.

⁵² Because the volume of Chen's writings from September 1956 to early 1962 has been translated (Lardy and Lieberthal, *supra* note 24), the discussion of his speeches in this period will be somewhat briefer than was the case with Chen's 1949–1956 writings and speeches.

Fourth, Chen called for changes in price policy. He suggested that prices for some classes of goods might have to be unfrozen and allowed to fluctuate with market demand. He calculated that the changes associated with these four policies would affect about a quarter of all commodity sales in China.

Finally, Chen advocated that "suitable changes should be made in the state's control over certain products." Here, Chen sought a great reduction in attempts to plan light industrial production, calling instead for production to be guided by consumer demand. Chen concluded his call for reform by stating that "in industrial and agricultural production, planned production will be the mainstay, to be supplemented by free production carried on within a scope prescribed by the state plan and in accordance with market fluctuations" (Chen 1956f, p. 176 of Eighth Party Congress Speeches translation).

The whole thrust of Chen's speech favored improving incentives, gearing production to serve market needs, reducing bureaucratic interference in economic activity, and improving the quality of consumer goods. The measures he supported included a greatly expanded role for the market mechanism, competition between enterprises and bureaucracies, and allowing different forms of ownership to exist within China's socialist economy. Implicit in Chen's speech was the view that political movements should not be used to run the economy. In this he remained true to the position he had held since the Three Anti and Five Anti campaigns. Taken individually, the policies he backed were not great departures from policies adopted since mid-1956. Taken together, however, they augured a sweeping change in the nature of the Chinese economic system. Indeed, Chen's remarks constituted the most outspoken call for economic reform by a Politburo member until 1979–1980.

At the First Plenum of the Eighth Central Committee, which immediately followed the Eighth Party Congress, Chen became a vice-chairman of the Chinese Communist Party, and his place on the Standing Committee of the Politburo was reconfirmed. Within the CCP only Mao, Liu Shaoqi, Zhou Enlai, and Zhu De held statuses superior to Chen. Deng Xiaoping ranked immediately below Chen.⁵³

Late 1956 and early 1957 was an unusual period in the history of the CCP. Essentially, most of the top leaders of the Party, such as Mao, Liu,

⁵³ Klein and Clark, *supra* note 2, p. 152; and "Communique of the First Plenary Session of the CCP 8th Central Committee," in *Documents of the Chinese Communist Party Central Committee, September 1956–April 1969* (Hong Kong: Union Research Institute, 1971), pp. 101–103.

and Zhou, focused on contradictions within Chinese society, on Party rectification, and on the impact of Khrushchev's de-Stalinization speech of February 1956 on developments at home and within the Soviet bloc. With the uprisings in Poland and Hungary, emphasis on political questions intensified. This left Chen and other officials in charge of economic affairs without much supervision. Moreover, Zhou Enlai was out of the country for much of late 1956 and early 1957, and Chen served as acting premier during this period. He and other officials were given a relatively free hand to restore the economy after the high tide of 1956. Presumably, in the position of Minister of Commerce, which he assumed in late 1956, he was able to implement immediately the commercial reforms he had proposed at the Party Congress.

Most of Chen's speeches and writings after the Eighth Party Congress were on specific problems, such as grain supply, vegetables, prices, commerce, and newly transformed industries (Chen 1956g, 1956h, 1956i, 1957c, 1957d, 1957e). While the specifics of these documents are not terribly important, a number of his points are of interest. First, Chen appears to have been an early supporter of the Hundred Flowers Campaign and the use of criticism to cure the evil of bureaucratism. He called on the staff of the Ministry of Commerce and other commercial units to form worker and staff congresses to put forward their ideas about what was wrong with their units. In this regard, Chen cites the successful experience of worker self-management in Yugoslavia, and perhaps he favored moving the Chinese economy along Yugoslav lines (Chen 1956g and h).⁵⁴

Chen argued that people should not be too concerned by price increases. Some of these increases had been mandated by the state in an effort to stimulate production. Prices on the free market were unstable because the market had only been in operation for a little while and

⁵⁴ Edward Friedman, "Maoism, Titoism, Stalinism: Some Origins and Consequences of the Maoist Theory of Socialist Transition," in Mark Selden and Victor Lippit, eds., *The Transition to Socialism in China* (Armonk, N.Y.: M.E. Sharpe, Inc., 1982), pp. 159–214, argues that Chen headed a group in the Chinese leadership that favored the Yugoslav model of socialist development. Sun Yefang, "What Is the Origin of the Law of Value?" *Social Sciences in China*, 1980, No. 3 (September 1980), pp. 155–171, states that his reform proposals of 1956 were modeled on Yugoslavia. See p. 169. One of the problems with this interpretation is that at the time the major characteristic of the Yugoslav economy was worker management, and not a particularly wide role for the market. It appears that no Chinese leader, including Chen and Sun, strongly favored this (except possibly some trade union officials). Moreover, Friedman cites no article by either Chen or Sun to support his interpretation. On Yugoslavia generally, see Dennison Rusinow, *The Yugoslav Experiment: 1948–1974* (Berkeley and Los Angeles: University of California Press, 1977).

suppliers had not had enough time to respond to market cues or because the lead time for various crops to mature was so long that the market could not work very well over a short period. Chen told people not to be overly concerned about rising prices and a shortage of commodities; things would get better shortly (Chen 1957c).

At the National Vegetable Conference in July 1957, he asserted: "In the past, we paid attention to factory buildings and machines, to the neglect of the daily needs of the workers and staff, and the supply of vegetables and other non-staple food has not been handled effectively. I believe the supply of these things is of no less significance than the construction of factories, and it should be considered as important as factory construction" (Chen 1957d, p. 49). This theme, that livelihood was as important as construction, appeared throughout Chen's writings of late 1956 and 1957. It was given fullest expression in a speech to provincial Party secretaries on January 18, 1957,⁵⁵ where he put forward his major idea that overall balance in the economy necessitated a balanced budget, balanced bank loans and repayments, and balanced material supply and demand. These are known as the "three balances" for which Chen is famous.⁵⁶ He presented principles and policies both to cope with the overheated economy created by the small leap forward of 1956 and to establish a more stable foundation for Chinese economic development. Most fundamentally, he argued that the scale of capital construction should correspond to national strength, defined in terms of the state's financial, credit, and material resources. According to Chen, if the scale of capital construction exceeded the state's resources, economic dislocation would result, and the more construction exceeded the state's capacity, the more severe the dislocation.

From this general principle, he presented five specific methods for ensuring that the scale of capital construction did in fact correspond to China's strength. First, it was necessary to balance financial revenues and expenditures and bank loans and repayments, or even to run a slight surplus of revenues and receipts. Second, the minimum amount of materials for guaranteeing basic living standards, particularly in urban areas, was to be the top priority for the allocation of materials, followed by

⁵⁵ The date of this speech is given in Yang Xianzhen, "Shehuizhuyi jingji yao you duoyangxing, linghuoxing" [The socialist economy should be diversified and flexible], *Guangming ribao*, May 23, 1980, p. 3.

⁵⁶ *Zhongguo baike nianjian* [Chinese encyclopedia yearbook] (Beijing: Zhongguo baike quanshu chubanshe, 1981), p. 562.

current production needs; any remaining raw materials were to be allocated for capital construction. This marked a complete reversal of previous allocation rules. Third, the supply of consumer goods had to correspond to social purchasing power. Fourth, plans should dovetail. This meant not only that national strength and capital construction should be balanced in any one year, but also that current capital construction plans should be based on the previous year's plan with due consideration given to the following year's plan. In other words, plans should be sustainable. Finally, the pace of agricultural development would be slow for a considerable time. This meant a slowing of the overall pace of construction since agriculture supplied a large percentage of the state's financial revenue (directly through taxes and requisitions, and indirectly through profits and taxes from light industrial factories using agricultural raw materials), the raw materials for light industry, and the exports to pay for the imports of technology for heavy industry.

These and other points to be discussed in the next two chapters represented a fundamental modification of the way the Chinese planned economy was supposed to operate. Chen criticized both the way political movements distorted economic activity and the way planned economic development was carried out. He called for more emphasis on consumption and less on new construction. More weight was to be given to the "flesh" in construction, such as building more housing, and less to the "bones"—building new factories. Chen wanted planning and construction to be controlled by financial indicators and not by the Soviet style of material balance planning that relegated finance to a subsidiary role. Thus, Chen not only proposed a procedural arrangement of the operation of the Chinese economy, but he also strongly hinted that a change was needed in the organizational structure that managed the economy. He sought a larger role in planning for financial officials (Chen 1957a).⁵⁷

The logic of this analysis may have led Chen to take advantage of Zhou Enlai's absence to reduce targets for the plan for 1957 and for the Second Five Year Plan (SFYP). There was a long delay from the time the draft proposals were transmitted from the Party Congress to the Central Committee of the CCP. There was another pause between the Party's handing the proposals over to the State Council for drafting and the State Council's actual discussion of them. The latter occurred on February 7, 1957, while Zhou was still away from Beijing. Chen must have chaired

⁵⁷ See also Bachman, *supra* note 10, pp. 298-301.

this meeting, and according to one account, between the Party Congress and the start of the SFYP more than 10 billion yuan in capital construction was cut from the plan by those who opposed “rash advance.” Chen and Zhou Enlai are now regarded as the two major leaders who took this position.⁵⁸

Chen’s challenge to the hegemony of the planners and heavy industry officials led them to devise an alternative to Chen’s strategy in the late spring and summer of 1957. This alternative emphasized self-reliance, industry aiding agriculture, more construction of medium- and small-scale industry, and decentralization. Mao essentially coopted this program; it became one of the key components of the Great Leap Forward,⁵⁹ which occurred between late 1957 and mid-1960.

With the failure of the Hundred Flowers Campaign by early June 1957, the Party launched an Anti-Rightist Campaign as a means of silencing its critics. Once again mobilization gripped the political system and the ideas of Chen Yun were looked upon with increasing disfavor. Chen had been in charge of drawing up documents on decentralizing the economy, following Mao’s instructions to look into this in April 1956. Chen is said to have taken personal charge of the drafting of two documents on industrial and commercial reform and decentralization (Chen 1957g, p. 60 and 1957h, p. 67). Moreover, Red Guards also accuse Chen of having been responsible for a third document, on financial reform and decentralization.⁶⁰

In his speech to the Third Plenum of the Eighth Central Committee in September–October 1957, Chen attempted to keep as much central control as possible over decentralization. He called for even more thorough consideration to all around interests and better balance in the national economy after decentralization. Regarding finance he proposed only modest changes and argued that the decentralized systems he drew

⁵⁸ For the chronology of the transmittal of the SFYP draft proposals, see *Jihua jingji* [Planned economy], 1957, No. 3 (March 1957), p. 1. On Zhou not being in Beijing, see MacFarquhar 1, *supra* note 46, p. 182. On the cut in capital construction, see Xue Muqiao, “Guanyu yijiububanian–yijiuliuniunian guomin jingji jianshe de qingkuang he jingyan” [On the conditions and experiences of national economic construction from 1958 to 1966], *Jingji cankao ziliao-1* [Economic reference material] (Beijing: Beijing daxue jingjixi ziliaooshi, 1979), pp. 1–20; see p. 3. On Zhou and Chen as the conservatives, see Bo Yibo, *supra* note 22, K33. Further cuts in the 1957 plan were announced in *Jihua jingji*, 1957, No. 3, pp. 4–5, 13.

⁵⁹ This process is the focus of the last four chapters of my doctoral dissertation, *supra* note 10.

⁶⁰ *Shoudu hongweibing*, January 25, 1967, in ZW, 1979, No. 2 (January 16, 1979), p. 25; Beijing wall posters, printed in ZW, 1979, No. 3 (February 1, 1979), p. 22; and *Caimao zhanshi*, *supra* note 21.

up should not be changed significantly for three years. He argued against provincial autarchy (Chen 1957f). Chen clearly did not endorse the decentralization he was charged with drawing up, and sought to limit it as much as possible. But his efforts were to no avail; the decentralization in practice greatly exceeded his plans and realized all his fears. Balance and control were not possible in the emerging environment of the Great Leap Forward⁶¹ which, despite plans and promises, ended in famine and an economic depression.

After the Third Plenum, Chen largely disappeared from view and made no known interventions on policy questions throughout 1958. He himself says that he became ill in 1957 and 1958 on two different occasions and spent time recovering in South China (probably around Shanghai). There his interest in *pingtan*, or Suzhou-style Chinese opera, was revived. He said that listening to *pingtan* helped to cure his swelled head (Chen 1977c, p.94). Frederick Teiwes states, on the basis of information supplied by a Chinese refugee, “Chen voluntarily stepped aside rather than be saddled with the implementation of policies he believed wrong.”⁶² According to Deng Xiaoping, since Mao’s head was feverish (that is, Mao was pursuing utopian dreams) during the Great Leap, Liu Shaoqi, Zhou Enlai, and he did not oppose the Leap, and Chen Yun did not say anything.⁶³ Deng implied that Chen opposed the Leap, but did not actively try to stop it. An informant states that Chen did argue with Mao about the Great Leap’s high targets, however.

But Chen’s lack of criticism of the Great Leap Forward may not have been enough for Mao, who to ensure that Chen would have no base of support if Chen objected to the Leap, criticized him in early 1958. “At the Nanning Conference in January 1958, he [Mao] improperly criticized those who were against rash advance and found fault with Comrades Zhou Enlai and Chen Yun who adhered to the correct stand. After the Chengdu Conference in April [the Chengdu Conference was held from March 9 to March 26⁶⁴] he continued to oppose ‘rightist conservatism’ and advocated ‘removing the white flag and planting the red one.’”⁶⁵

⁶¹ On the Great Leap, see Roderick MacFarquhar, *The Origins of the Cultural Revolution 2: The Great Leap Forward 1958–1960* [hereafter MacFarquhar 2] (New York: Columbia University Press, 1983).

⁶² Frederick C. Teiwes, *Leadership, Legitimacy, and Conflict in China* (Armonk, N.Y.: M.E. Sharpe, 1984), p. 155, n. 31.

⁶³ Deng Xiaoping, *supra* note 27, p. 260.

⁶⁴ *Zhongguo baike nianjian*, *supra* note 56, pp. 562–563.

⁶⁵ Bo Yibo, *supra* note 22, K33.

Possibly in an effort to get Chen out of the way for a while, Mao had him attend the Warsaw Pact and Comecon meetings in Moscow in May 1958. The period of Chen's trip partially overlapped with the Second Session of the Eighth Party Congress, where Liu Shaoqi's report definitively announced the Great Leap Forward.⁶⁶ And despite Chen's claim to have been ill, he continued to attend Party meetings (he was on the rostrum during the Beidaihe Conference in August and during the Sixth Plenum in December 1958), and he labored on the Ming Tombs reservoir like many other CCP leaders.⁶⁷

As the CCP leadership moved toward regaining contact with reality after the most utopian phase of the Leap in late summer and early fall of 1958, Chen Yun began to inch back toward the limelight. Although his influence on policy developments was minimal throughout 1958 and he lost his portfolio as Minister of Commerce in September, in November 1958 Chen was appointed to head the newly established State Capital Construction Commission (which apparently replaced the old State Construction Commission, abolished in early 1958). Given his preferences for centralized control and limited investment, Chen's appointment may have symbolized a shift in the leadership's thinking on how the Leap should be managed. But Chen said nothing on this subject until March 1959, when a limited retreat was already underway.

Between March and May 1959, Chen returned to the economic policy-making arena with gusto. Apparently taking his cue from Mao's critical views of the Leap at the Second Zhengzhou Conference in February and March 1959,⁶⁸ Chen attempted to reestablish central control over capital construction and other aspects of the Great Leap. In mid-March 1959 he wrote an article in the Party theoretical journal *Hongqi* (Red Flag) on recentralizing capital construction, criticizing the idea of provincial self-reliance, condemning the poor quality and haphazard procedures found in current projects, and urging that the whole country be treated

⁶⁶ On Chen's trip, see Klein and Clark, *supra* note 2, p. 153. Liu's speech is contained in *Communist China, 1955-1959: Policy Documents with Analysis* (Cambridge: Harvard University Press, 1971), pp. 417-438.

⁶⁷ Pictures show Chen on the rostrum. For Beidaihe, see Ministry of Agriculture, People's Republic of China, comps., *People's Communes* (Beijing: Foreign Languages Press, 1960), no page numbers, but the photograph appears on the sixth page after the preface. For the Sixth Plenum, see *Renmin ribao* [People's daily], December 18, 1958, p. 1. On the Ming tombs, see MacFarquhar 2, *supra* note 61, p. 163.

⁶⁸ See *Mao Zedong sixiang wansui!* [Long live the thought of Mao Zedong!] (n.p.: n.p., 1967), pp. 8-49 and pp. 279-288 of the 1969 edition. For analysis, see MacFarquhar 2, *supra* note 61, chapter 8.

like a chess board. In other words, there should be unified planning by the center for capital construction (Chen 1959b).

Indicating that he was not solely concentrating on the question of construction, Chen wrote a letter to the members of the Central Finance and Economy Small Group. This group, whose existence at this time was previously unknown, was apparently in charge of coordinating general economic policy. The letter shows that Chen was concerned with grain, subsidiary agricultural products, light industrial production, and social purchasing power, as well as transportation, planning, and construction. Chen had focused on the first set of issues throughout the 1950s; with regard to them, he reiterated some of his previous policies: balance between demand and supply and between consumer goods and purchasing power, and putting planning on a reliable basis (Chen 1959c).

On April 29-30, 1959, the Secretariat of the Central Committee of the CCP (headed by Deng Xiaoping) charged Chen with fully reporting on the problems of the iron and steel industry, the key industrial sector in the Great Leap Forward. Sometime in May he produced such an analysis. However, Deng Liqun says that Chen spent three months working on iron and steel questions, suggesting that Chen set about his studies before he was officially authorized to do so.⁶⁹ Perhaps he undertook this investigation because he thought it was part of his job as chairman of the construction commission. Perhaps a senior party official, either Mao, Liu, or Zhou, asked him to. Chen concluded that steel production had to be further reduced and that careful consideration should go into the drawing up of the plans for iron and steel production. He presented these findings to a meeting of the Politburo that Mao in all likelihood did not attend (Chen 1959d). Because of this, Chen wrote Mao a letter explaining the consensus of the Politburo discussions but going beyond his Politburo report and indirectly criticizing small iron and steel plants for being very inefficient (Chen 1959e). After this letter in May 1959, Chen reportedly fell sick once again, supposedly continuously until 1961.⁷⁰

It might be thought that Chen's illness was partially political. After all, Mao was the main force behind the steel drive and may have taken umbrage at Chen's criticisms. But this is not likely. It is more likely that Mao strongly supported Chen's views on the very eve of the Lushan Conference, where Peng Dehuai, the Minister of National Defense, challenged Mao and the Great Leap Forward. In late June or early July 1959 Mao explicitly stated that Chen's views on balance, as presented in

⁶⁹ Deng Liqun, *supra* note 24, p. 116.

⁷⁰ Deng Liqun, *supra* note 24, p. 14.

January 1957, were correct, though many did not think so at the time. Further indicating his support for Chen, Mao said that only when there was economic balance could the mass line function.⁷¹ Moreover, Mao's secretaries thought it was reasonable in late June or early July 1959 to propose to the Chairman that Chen be returned to the position as the nation's top economic policy maker.⁷² This proposal raises questions about the nature of Chen's illness; if he had been really sick, such a proposal would have been unlikely.

Chen probably did fall ill in the summer of 1959, but he probably could have returned to work in a relatively short time. However, Peng Dehuai's criticisms of Mao at Lushan, Mao's counterattack, and the resulting reintensification of the Leap may have encouraged Chen to prolong his convalescence. There is absolutely no evidence that Chen played any role in elite policy making from the summer of 1959 to the summer of 1960.

Chen apparently spent most of the period from mid-1959 to early 1961 in East China, presumably Shanghai, Suzhou, and Hangzhou. There he devoted himself once again to his beloved *pingtan*. His many short writings on this topic suggest a passionate interest by an outsider who is offering his patronage and protection to this art form. According to an informant, Chen's views on *pingtan* are not profound. But they do reveal certain aspects of his views and activities during an obscure period in his life and his ideas on cultural policy in particular.

Writing in late 1959, Chen implicitly criticized the view popular in the Great Leap Forward that the masses should be mobilized to turn out works of art. Only specialists should write new *pingtan* scripts, he argued (Chen 1959f, p. 2). He stated that artistic work should not be pedantic; going to the theater should not be like attending a political lecture (Chen 1960m, p. 45). Plays and operas, he felt, should be more realistic. It was incorrect to say that workers had no faults or that their faults could be a part of new artistic creations (Chen 1960k, p. 40). He warned members of the Shanghai Culture Bureau that discussions of drafts of scripts should not be printed in newspapers because of the tendency for political labels to be attached to early drafts. The threat of being labeled made writers nervous and lowered their creative spirit (Chen 1960k, p. 38).

These writings also suggest that during his convalescence Chen was not totally removed from politics. He spent the tenth anniversary of the

⁷¹ *Miscellany of Mao Zedong Thought* (Arlington: Joint Publications Research Service No. 61269-1, 1974), p. 183.

⁷² See the discussion in MacFarquhar 2, *supra* note 61, p. 192.

founding of the PRC in Shanghai (Chen 1960a, p. 8). He traveled back and forth between East China and Beijing in 1960 (Chen 1960f), and he was not above using his personal power, still quite real in 1960. For example, he opposed ahistoricism and doubted that certain practices portrayed in several *pingtan* works as having been common in the Ming dynasty were in fact from that era. He directed the Institute of Chinese History to look into these questions (Chen 1960f). He also wrote letters to Zhou Yang, the Party's watchdog on literature and art questions, about *pingtan* policy (Chen 1960i). In short, Chen may have been ill, but his writings on *pingtan* suggest that he was definitely not bedridden.

Chen probably returned to Beijing in the second half of 1960. Xi Zhongxun, currently member of the Politburo and a vice-premier of the State Council until late 1962, stated that in the fall of 1960 Zhou Enlai convened a small-scale meeting of the State Council at which "Comrade Chen Yun gave a report directed at current problems existing in socialist construction that was full of foresight and understanding."⁷³ Zhou approved of Chen's analysis. Chen was also reported to have inspected Anhui in November.⁷⁴ He may also have made an investigation of Henan during this period, and he was charged with handling a severe case of famine that broke out in Xinyang prefecture (in Henan) in 1960. He also convened a meeting on pork production in 1959 or 1960.⁷⁵

⁷³ Xi Zhongxun, "Yongyuan nanwang de huainian" [Eternal memories] in *Renmin de hao zongli* [The people's good premier], Vol. 3 (Shanghai: Renmin chubanshe, 1979), p. 19.

⁷⁴ See Klein and Clark's biography of the Anhui governor, Huang Yan, *supra* note 2, p. 404.

⁷⁵ See Deng Liqun, *supra* note 24, pp. 54–55. Deng states that Chen went to Henan to investigate at one time, at which point he grilled the provincial first Party secretary, Wu Zhipu. MacFarquhar argues that this was in the spring of 1959; see MacFarquhar 2, *supra* note 61, p. 172. I think this is unlikely. First, Chen, as mentioned above, was in Anhui in the fall of 1960. Anhui, like Henan, was one of the radical provinces during the Leap. It would seem more likely that Chen would then travel on to Henan. Second, it is probable that Chen's trip to Henan was in conjunction with his investigation of the Xinyang incident. Since famine did not break out in China until late 1959 and early 1960 (and probably wasn't acted upon by the CCP until the summer of 1960), Chen's investigation of the Xinyang incident could not have come before 1960. Finally, it is unlikely that Chen would have spoken to Wu as harshly as Deng Liqun reports in the first half of 1959. True, Mao was urging more caution in economic policy, but would Chen have so directly attacked one of Mao's protégés? Moreover, there is no other evidence that Chen was paying significant attention to agricultural problems at this time. His formal position, as head of the Construction Commission, would have militated against this, and we have been told that he spent most of his time investigating the situation in the iron and steel industry. On the famine of 1959–61 generally, see Thomas P. Bernstein, "Stalinism, Famine and Chinese Peasants," *Theory and Society*, Vol. 13, No. 3 (May 1984), pp. 339–374. On the Xinyang incident, see pp. 366–367 therein and Deng Liqun, p. 55. On the pork production meeting, which lasted two weeks,

Given these activities, why does an authoritative source (whose own account disproves this statement) say that Chen was sick (literally, that he had to take a rest) continually from mid-1959 until 1961?⁷⁶ If Chen made an important speech to the State Council in the fall of 1960, why is it not included in his *Selected Works*? Why has his role in the critical early phase of the emergency caused by the Great Leap Forward been under-reported?

There are no answers to these questions. But a strong circumstantial case can be made that Chen played a critical role in the effort to cope with the catastrophe wrought by the Leap. Other leaders were concentrating on foreign affairs, particularly Sino-Soviet relations. Mao clearly withdrew from economic policy discussions in 1960. Liu Shaoqi only started to study economic questions in late 1959. Liu and Deng Xiaoping (whose economic policy-making experience was scant) spent much of the fall of 1960 in the Soviet Union. This left Zhou Enlai to run the country. Since Zhou was a foreign affairs expert, he too was probably preoccupied by the discussions on Sino-Soviet relations. Moreover, Zhou had always turned to Chen for advice on economic problems. It is therefore likely that he did so again.⁷⁷ A recent internal Chinese account of the recovery period and a chronology of readjustment policies from mid-1960 to the end of 1965 shows that many economic policies long associated with Chen were adopted starting in July 1960. These included the concentration of resources, the centralization of finance and banking, reduced capital construction (in a joint directive of the State Planning Commission and Chen's Construction Commission), serious warnings on budget deficits, and the demand that more attention be devoted to financial questions.⁷⁸

Whatever the reasons for the inattention to Chen's role, he reappears in his *Selected Works* in April 1961 and vigorously sets about tackling one problem after another. In short order he focused on the questions of chemical fertilizers (Chen 1961f), foreign trade and export

see Deng Liqun, p. 111. Again, given Chen's other responsibilities in early 1959, it is more likely that this meeting took place in 1960.

⁷⁶ Deng Liqun, *supra* note 24, p. 14.

⁷⁷ On foreign affairs and Sino-Soviet relations, see MacFarquhar 2, *supra* note 61, chapter 11. On Liu's attention to economic questions, see MacFarquhar 2, pp. 293–295.

⁷⁸ The chronology of the readjustment period is found in Zhu Banshi, "1960 nian 7 yue zhi 1965 nian youguan guomin jingji tiaozheng gongzuo de dashi jiyao" [Outline of the major events concerning national economic readjustment work from July 1960 through 1965], in Liu Suinian, ed., *Liushi niandai guomin jingji tiaozheng de huigu* [A review of the readjustment of the national economy in the 1960s] (Beijing: Zhongguo caizheng jingji chubanshe, 1982), pp. 179–215 (especially 179–184), and the specific accounts of the various sectors of the economy found in this volume.

promotion (Chen 1961g), reducing urban population (Chen 1961h), rural problems (Chen 1961k,l,m), and coal (Chen 1961o). He is also reported to have chaired a month-long meeting on steel production.⁷⁹ Many of his ideas during this period fundamentally rejected the Leap policies. For example, he implicitly called for the scrapping of small fertilizer plants because they were so inefficient, and suggested that the state should build large plants instead. In his report on coal work, he called for the restoration of piece rate wages, which had been roundly criticized during the Leap. In his report on rural conditions in his native county, he called for the expansion of private plots, which had been eliminated during parts of the Leap.

But Chen's work in some areas was not immediately appreciated. It took three months, until August 11, 1961, for Chen's fertilizer policy of May to win Central approval (Chen 1961f).⁸⁰ In other areas, Chen was the leader called as a last resort when readjustment policies were not working well. Two other top officials (probably Bo Yibo and Li Fuchun) were called in to try to restore coal production when it was apparent by July 1961 that the situation was desperate. But neither of them was able to change the situation, and Chen was brought in to take charge of the matter in October.⁸¹ Chen may have felt that a comprehensive program was needed to solve the problems of the Great Leap rather than the ineffective band-aid approach. He was given a number of opportunities to present such a program, and his presentation was ultimately quite powerful. But it appears that he made a bad mistake when he turned down a request by Mao to make just such a speech.

Mao wanted Chen to present an overview of economic conditions at the expanded Central Work Conference of January–February 1962 (the 7,000 Cadres Conference).⁸² Chen demurred on the grounds that he had not had time to finish his investigations. Mao is reported to have said in his speech to the 7,000 Cadres Conference that in economic work he did not equal Chen Yun. This remark was later excised from the official record.⁸³ Chen's speech on this general topic a month later at a forum not

⁷⁹ Xue Muqiao, *supra* note 58, p. 10. Xue also reports that the coal conference lasted a month.

⁸⁰ Zhu Banshi, *supra* note 78, p. 190.

⁸¹ On Chen following two others, see Deng Liqun, *supra* note 24, p. 118. On the crisis apparent to the leadership by July, see Zhu Banshi, *supra* note 78, p. 189.

⁸² On the conference, see Lieberthal, *supra* note 19, pp. 179–180.

⁸³ See Deng Liqun, *supra* note 24, p. 14. Red Guards also state that Mao asked Chen to give a speech at this time, but that he refused. They do not confirm Deng Liqun's statement about Mao's high appraisal of Chen's economic views. See Beijing gongshe, *supra* note 12, p. 30. An informant also says Mao admitted that Chen's economic abilities exceeded his at this meeting.

convened by Mao may have upset the chairman in its apparent attempt to go behind his back.

Chen actually delivered these speeches, one to an enlarged meeting of the Politburo Standing Committee,⁸⁴ an expanded version to a meeting of Party members of State Council ministries and commissions (Chen 1962b), and a different speech to the Central Finance and Economy Small Group, headed by Chen (Chen 1962c). He painted a bleak picture of China's economic conditions. It would take three to five years for the country to recover from the economic disasters caused by the Leap, poor weather, and the withdrawal of Soviet advisors that had occurred in July 1960 as Sino-Soviet relations worsened. Agriculture was in terrible shape. Capital construction greatly exceeded national capacity and the current level of industrial and agricultural production. Inflation was rampant. Peasants (mostly in the suburbs) had a great deal of cash because urban dwellers were desperate for more to eat and willing to pay very high prices for peasant produce. But the state had nothing to sell to the peasants, so they might stop selling food because money was essentially worthless. Finally, urban living standards had fallen drastically. To solve these problems, Chen outlined essentially the same measures he had proposed in January 1957. The budget and the credit plan were to be balanced. Currency in circulation had to be reduced. Capital construction was to be cut resolutely. Agriculture was to receive top priority in all planning and economic work. In short, balance had to be restored to the economy (Chen 1962b).

After these speeches Chen again faded from view. He tried to turn down the post of head of the Central Finance and Economy Small Group because of poor health.⁸⁵ It remains unclear what he did between March and September 1962. Many policies he favored were adopted during this period. For example, a Central Work Conference, held from May 7 to May 11, 1962, discussed and approved the Central Finance and Economy Small Group report—probably an outgrowth of Chen's early speeches—on readjustment measures for 1962.⁸⁶ But by the summer harvest of 1962 the Chinese economy began to recover from the long decline caused by the Great Leap. Chen Yun may have got himself into

⁸⁴ Chen's speech to the Politburo came between February 21–23, 1962. Liu Shaoqi was so impressed with Chen's speech to the Politburo he asked him to speak more comprehensively to an even wider audience. See *Zhongguo baike nianjian 1981*, *supra* note 56, p. 564 and Deng Liqun, *supra* note 24, pp. 4–5.

⁸⁵ Deng Liqun, *supra* note 24, p. 6 and Xue Muqiao, *supra* note 58, p. 11.

⁸⁶ *Baike nianjian*, *supra* note 56, p. 564 and Zhu Banshi, *supra* note 78, p. 198.

trouble with Mao by continuing to emphasize the seriousness of the situation, particularly in agriculture.

Chen had held that it would take a long time for agricultural production to recover. In the meantime he favored efforts to expand private plots, make the team the basic accounting and management unit in the countryside, and improve incentives generally. But he may have gone even further than this. According to Red Guard accounts, he advocated the full breakdown of rural collective agriculture and a return of the land to peasant households. According to one source, he told the Minister of Commerce (Yao Yilin) that the farm responsibility system of Deng Zihui (a vice-premier in charge of agriculture long known for his opposition to political movements in the rural areas and in charge of restoring agricultural production at this time) did not go far enough. Land should be returned to the peasant households.⁸⁷ An informant also confirms that Chen favored experimenting with *fentian daohu*, or dividing up the land among the households. Chen's ideas were apparently motivated by the fear that Chiang Kai-shek and the Kuomintang on Taiwan would take advantage of the economic dislocation in the PRC to launch a counterattack to retake the mainland. Giving the land back to the peasantry would make them more willing to resist Chiang, Chen felt. When asked how this policy fit in with Marxism-Leninism-Mao Zedong Thought, he is reported to have replied, "The People's Republic of China will last ten thousand years; later we can try it [collectivization] again." He was accused of ordering the drawing up of contingency plans for decollectivization in May 1962.⁸⁸ One knowledgeable informant stated that Chen got into trouble because of his wholehearted support for the policy of "three freedoms and one contract" (*san zi yi bao*). This policy, a forerunner of today's responsibility system, emphasized that grain procurement be obtained based upon household quotas, not on the collective.

It seems that Chen's views alienated Mao, who believed that, with the harvest of 1962 marking an upswing, the worst of the economic troubles were over. Special measures were less necessary. Mao may have been irked by Chen's failure to notice this. (In all fairness, it would appear from the timing in the Red Guard accounts that Chen's views were articulated before the harvest of 1962 was collected.) Mao may also have nursed a grudge about Chen's unwillingness to speak at the 7,000 Cadres Conference.

⁸⁷ *Caimao hongqi*, February 15, 1967, in ZW, 1979, No. 5 (March 1, 1979), p. 27.

⁸⁸ On Chen's views on agriculture, see also *Shoudu hongweibing*, *supra* note 25, pp. 25–26; *Caimao zhanshi*, *supra* note 21, p. 27; and *Beijing gongshe*, *supra* note 12, p. 30.

At the Tenth Plenum of the Eighth Central Committee in September 1962, Mao, declaring that the Party must never forget class struggle, introduced more ideological themes into domestic decision making. At this meeting, three vice-premiers of the state council—Chen Yun, Deng Zihui, and Xi Zhongxun—were apparently removed from any role in policy making. Xi, who was attacked by Kang Sheng and other leftists, supposedly for his links to Gao Gang, records Chen as telling him at the Tenth Plenum, “I have committed even bigger mistakes than yours. Everything is all right now that I have corrected my mistakes. You must pull yourself together.”⁸⁹ Another source stated that “when Chen Boda, Kang Sheng, and others dished out the theory of the so-called ‘class struggle,’ Comrade Chen Yun was their first target, and was brought down by them. Comrade Chen Yun was then removed from the political stage for a long time and lived in semi-seclusion.”⁹⁰ Finally, a Hong Kong source quoted Mao as saying, “Chen Yun always maintains a rightist position and must not be allowed to assume a key duty.”⁹¹ This statement, according to an informant, was probably made during the Tenth Plenum.

After this meeting, there are only three known writings of Chen Yun until the Cultural Revolution. Two are on *pingtan*, and one is a short inscription on learning from Lei Feng (Chen 1962g, 1963a, 1964a). In 1977 Chen noted that he had discussed *pingtan* with members of the Ministry of Culture (Chen 1977c, p. 94). But he seems to have not participated in any other activities. With the exception of one criticism of Chen’s activities in *pingtan* in 1964, the Red Guards have nothing to say about Chen after 1962.⁹² After Chen’s political illness, his physical problems may have worsened also.

Chen’s role in the Cultural Revolution (here meaning 1966–1969) is also obscure. At the Eleventh Plenum of the Eighth Central Committee in August 1966, Chen was dropped from the fifth to the eleventh place on the Politburo, but it is not clear that he attended this meeting.⁹³ In 1967 and 1968 Chen appeared on only formal occasions, such as May Day, Army Day, and National Day.⁹⁴ Some sources state that he was one of the

⁸⁹ Xi Zhongxun, “Eternal Memories,” FBIS, April 27, 1979, L4–L13. See L12.

⁹⁰ Xue Xi, *supra* note 1 p. 57.

⁹¹ Luo Bing, “Party Rectification and Hua Guofeng,” *Zhengming* [Contend], November 1983, translated in FBIS, November 9, 1983, W1-W5; see W3.

⁹² *Caimao hongqi*, February 15, 1967, in ZW, 1979, No. 5 (March 1, 1979), p. 27.

⁹³ “Chen Yun—Newly Appointed Vice-Chairman of the CCP Central Committee,” *Issues and Studies*, Vol. XV, No. 2 (February 1979), pp. 88–93; see p. 92.

⁹⁴ Chen’s appearances are listed in the Central Intelligence Agency’s *Appearances of Leading Chinese Communist Personalities* (Washington: Government Printing Office) for the years 1967 through 1981.

leaders of the "February Adverse Current" of 1967 when senior leaders attempted to check the Cultural Revolution. However, recent Chinese accounts, including a reference in Deng Xiaoping's *Selected Works*, state that though Chen was criticized by Red Guards at this time, he was not an active participant in this effort.⁹⁵

An informant stated that Chen's wife, Yu Ruomu, then working in the Chinese Academy of Sciences, was outspoken in her criticism of Lin Biao, the leader of the Chinese army. Several others state that Yu's criticisms were aimed at Jiang Qing. She was arrested, and for a while Chen was forced to suspend contact with her. Chen was also under supervision, if not outright arrest. He later stated that as of July 20, 1967, Qi Benyu, one of the most radical ideologues of the Cultural Revolution, took charge of his case and deprived him of access to internal Party materials. All he could read was *Capital* and other works of Marx and Lenin (Chen 1977d, p. 98). Chen is reported to have read all three volumes of *Capital* three times during the decade of the Cultural Revolution.⁹⁶

It is known that Chen came under heavy wall-poster attack during the Cultural Revolution, but somehow he survived the most chaotic period of that cataclysm. His survival, in retrospect, seems odd, since if there was anyone in China who consistently opposed politics in command, it was Chen Yun. Several reasons might be advanced to account for Chen's survival. First, as one informant stated, Chen, already politically dead, was not a key figure in the struggles in the Party leadership from late 1962 to 1966. Second, while Chen and Mao may have split on economic policy, Mao, this informant stated, did not forget his old ally and apparently bore no particular ill will toward Chen. This may be a product of Chen's previous unwillingness to challenge Mao, always either supporting Mao or withdrawing from the leadership when in disagreement with the Chairman. Third, it should be recalled that Chen had for long periods worked together with Kang Sheng, and this member of the radical Cultural Revolution Small Group may have partially protected him.

⁹⁵ Lieberthal, *supra* note 19, cites Japanese sources saying Chen participated in the adverse current. Dick Wilson, *The People's Emperor—A Biography of Mao Zedong* (New York: Lee Publishers Group, 1979), pp. 450-451 cites Taiwan sources saying this. The evidence that Chen did not participate is found in Xi Chen, "A Great Struggle to Defend Party Principles," FBIS, February 29, 1979, E7-E20; Jiang Xichen, "The Beginning and the End of the 'February Adverse Current of 1967,'" in JPRS, No. 76237, Political, Sociological, and Military Affairs, No. 105, August 15, 1980, pp. 17-62 and JPRS, No. 77029, Political, Sociological, and Military Affairs, No. 149, December 18, 1980, pp. 70-81; and Deng Xiaoping, *supra* note 27, pp. 389-390, n. 104.

⁹⁶ Deng Liqun, *supra* note 24, p. 104.

Moreover, Zhou Enlai, figuring that when the Cultural Revolution was over the Chinese economy would need Chen's ministrations, may also have tried to shelter Chen. In 1979 Chen stated that Zhou did shelter him, but Zhou's protection by itself may not have been enough (Chen 1979a, p. 47). In the end Chen was not overthrown, and we will probably never know the exact reasons for this rather remarkable outcome.

As the Cultural Revolution wound down in 1969, Chen attended the Ninth Party Congress in April, where he was a member of the Presidium of the Congress and sat on the rostrum. But at the First Plenum of the Ninth Central Committee, he was elected only to the Central Committee, and not to the Politburo. Chen was also elected to the Tenth and Eleventh Central Committees chosen in 1973 and 1977. Throughout 1969 he was identified as a vice-premier of the State Council, but in that year he made only ceremonial appearances.

A Hong Kong source states that Lin Biao had Chen exiled to South China in 1969, when Lin issued his "Personnel Order No. 1."⁹⁷ Perhaps this is why Chen did not appear in public for all of 1970 and 1971. But with Lin's death in September 1971 as a result of a power struggle between Mao and Lin, the cloud over Chen was lifted partially. An informant states that Chen spent most of the 1969-to-mid-1972 period exiled to Jiangxi. In 1972, he resumed his appearances at ceremonial occasions, still identified as a State Council vice-premier. This pattern of Chen's activities continued up to Mao's death in September 1976. Chen apparently lost his State Council vice-premiership sometime in 1973, but he became a vice-chairman of the (ceremonial) Standing Committee of the National People's Congress in 1975.

After Lin's death, however, Chen may have played a more important role behind the scenes. An informant stated that Chen supervised China's initial purchases of large-scale factories from the West in the early 1970s. These focused on fertilizer plants, but China's entire relationship with the international economy moved in the direction of greater openness during this period. Chen had advocated greatly increased fertilizer production from large, modern factories as early as 1961 (Chen 1961f); perhaps because of this, he was in charge of imports in 1972-1974. In 1977 Chen mentioned a conversation in 1973 in which Zhou Enlai had asked him if he had heard any *pingtan* lately (Chen 1977b, p. 84). This

⁹⁷ "Cheng Ming Jih Pao on Chen Yun's Prestige," FBIS, July 15, 1981, W2-W5; see W3. The daughter of Tao Zhu, the Party leader of South China until the Cultural Revolution, reveals that Tao Zhu was also exiled by Lin's order. See "People's Daily Publishes Two Part Article by Tao Zhu's Daughter," FBIS, December 14, 1978, E2-E5; see E4.

may have been small talk on Zhou's part in the midst of some more substantive collaboration between Zhou and Chen. Chen also later noted that in 1975 he was in Shanghai, speaking with Ma Tianshui, Shanghai's leading economic official and the effective mayor of this radical bastion while the formal leaders of Shanghai, Wang Hongwen and Zhang Chunqiao, members of the Gang of Four, were active in Beijing. Chen was perhaps investigating the economic situation in Shanghai. After his stop in that city, Chen went on to visit his native county (Chen 1977b, p. 84). A recent article, perhaps informed by U.S. government sources, states that Chen, along with Zhang Wentian and Wang Jiaxiang, was a member of Zhou's "kitchen cabinet" in the early and mid-1970s.⁹⁸ But another Chinese informant states that Chen was not involved in politics until 1978.

Thus, we can only conclude that Chen was doing more behind the scenes than his formal public appearances would suggest. What role Chen played is impossible to say; it is also difficult to speculate on his influence on events. It is likely that Chen supported Deng Xiaoping throughout the mid-1970s, but what this support meant in power political terms during the heyday of the radical Gang of Four is unknown.

Even after the fall of the Gang, shortly after Mao's death, Chen's influence on policy remained unclear. He did not return to the top of the political system until late 1978. According to Taiwan sources, after the fall of the Gang, Hua Guofeng, Mao's successor, asked Chen to present his views on policy. Chen is reported to have asked for the reversal of verdicts on the Tiananmen Incident (when in April 1976 hundreds of thousands of Chinese gathered in Beijing to honor the memory of Zhou Enlai and support Deng Xiaoping against the Gang of Four), Deng Xiaoping, the Anti-Rightist Campaign of 1957, Peng Dehuai, Peng Zhen, and Bo Yibo. He also wanted foreign capital to be used to solve economic difficulties. This source states that Wang Dongxing, Wu De, and Hua Guofeng blocked the implementation of these measures.⁹⁹ A Hong Kong source also states that Hua was so enamored of whatever Mao said, including Mao's statement that Chen was a rightist and should not be given a position of authority, that Hua also blocked Chen's return to power.¹⁰⁰

⁹⁸ Carol Lee Hamrin, "Competing 'Policy Packages' in Post-Mao China," *Asian Survey*, Vol. XXIV, No. 5 (May 1984), pp. 487-518. See pp. 504-505, n. 33.

⁹⁹ "Chen Yun—Newly Appointed . . .," *supra* note 93, p. 88.

¹⁰⁰ See note 91, *supra*, W3.

Even though Hua rejected Chen's proposals, Chen's influence grew. No doubt Deng Xiaoping's rehabilitation in mid-1977 strengthened Chen's position. Chen also took matters into his own hands. He revived *pingtan* performances and in June 1977 argued that "seeking truth from facts" should be the basis of all policies (Chen 1977a,b,c,d). In commemorating the first anniversary of Mao's death, Chen publicly argued that "seeking truth from facts" was the essence of Mao's thought (Chen 1977e). What influence this statement had on the 1978 campaign to take practice as the sole criterion of truth, a decisive step in the smashing of leftist remnants in the Chinese leadership, is not clear.

Sources in the Chinese democratic movement assessed Chen's activities and prestige in late 1978 and early 1979.

After the Gang of Four had been smashed, Comrade Chen Yun was the only one left of "eight great" vice-chairmen [i.e., the last surviving vice-chairman of the Eighth Central Committee], the whole Party and the whole nation felt an ever increasing respect for him. Comrade Chen Yun returned to the front and then submitted his opinions and proposals, becoming the Central Committee's high counselor. Although he enjoyed popular confidence, there were still some who opposed Chairman Hua's decision to bring Comrade Chen Yun back out of seclusion.¹⁰¹

The question of bringing Chen out of seclusion was decisively resolved at the Third Plenary Session of the Eleventh Central Committee in late December 1978. At this time Deng Xiaoping defeated the remaining Maoist forces in the Chinese leadership. Chen took an active part in the extended Party Work Conference that preceded the Third Plenum. He criticized Mao and Kang Sheng, demanded the rehabilitation of most veteran cadres purged in the Cultural Revolution and the reversal of verdicts on the Tiananmen Incident, and spoke on economic questions.¹⁰² Chen decisively supported Deng Xiaoping in the latter's effort to become China's paramount leader. Because of Chen's support and experience, he was named vice-chairman of the Central Committee, member of the standing committee of the Politburo, and chairman of the newly (re)established Discipline Inspection Commission.¹⁰³ Chen also served as vice-premier of the State Council from the Second Session of the Fifth

¹⁰¹ Xue Xi, *supra* note 1, p. 57.

¹⁰² On Chen's views during these meetings, see Xue Xi, *supra* note 1, p. 58; Lardy and Lieberthal, *supra* note 24, p. xi; Deng Liqun, *supra* note 24, p. 9; and Chen 1978c.

¹⁰³ "Communique of the Third Plenary Session of the Eleventh Central Committee of the Communist Party of China," *Beijing Review*, 1978, No. 52 (December 19, 1978), pp. 6-16; see p. 7.

National People's Congress until the Fourth Session and was chairman of the Finance and Economy Commission during the same period. One source stated that if Chen were younger and in better health, he, not Zhao Ziyang, would be premier of the People's Republic today.¹⁰⁴ In short, in the waning years of his life, Chen Yun's power and influence reached their zenith. This was reaffirmed by Chen's retention of his Politburo Standing Committee rank and his chairmanship of the Discipline Inspection Commission during the Twelfth Party Congress in September 1982.

After returning to work in late 1978, Chen again concentrated on the economy. As usual, most of his activities were carried on in private, with little publicity. Only with the release of internal Party materials have some of Chen's ideas during this period become known. This information reveals that Chen's views in the late 1970s and early 1980s are fundamentally the same as his views in the mid-1950s and early 1960s. Chen continued to advocate an expanded role for the market in Chinese economic processes and argued that the portion of the economy subject to market adjustment should become a larger part of the overall economy. Nonetheless, Chen still believed that market adjustment should be subordinate to planned allocation (Chen 1979b).

But as Chen studied the economy more thoroughly, he concluded that combining the plan and the market was not the most pressing issue facing the Chinese economy. It was essential that another economic readjustment be launched immediately. In 1977-1978 the Chinese leadership had embarked on an overly ambitious plan to modernize the country. Levels of investment were too high, a budget deficit was developing, agriculture and light industry were shortchanged as most investment went into heavy industry, and the Chinese had purchased many sets of foreign equipment that they could not afford. In this context, Chen was the first to propose that capital construction be cut and economic balance restored, proposals immediately accepted by Deng Xiaoping.¹⁰⁵

To coordinate economic affairs, Li Xiannian and Chen wrote a letter to the Party Center suggesting that a Finance and Economy Commission be established under the State Council (Chen 1979c), with Chen serving as chair and Li as vice-chair. Again, this proposal was immediately accepted. After this letter was sent, Chen declared that his health was not good enough to accept the post, but since he had already nominated himself, this ritualistic response was taken seriously neither by Chen nor by

¹⁰⁴ An Zhiguo, "Reforming the Cadre System," *Beijing Review*, 1982, No. 9 (March 1, 1982), p. 3.

¹⁰⁵ Deng Liqun, *supra* note 24, p. 10.

the Politburo (Chen 1979d, p. 79). Chen proposed a three-year period of adjustment, a cut in steel investment, careful consideration of any proposal to borrow from foreign countries, and the restoration of economic balance (Chen 1979d).

In September 1979 Chen repeated many of his arguments about balance, evincing particular concern about China's taking out excessive foreign loans, particularly buyer's credits. He was afraid that units would avoid readjustment by taking out foreign loans (Chen 1979e). His concern and caution about China's opening to the West would be shown on a number of other occasions (Chen 1980c, 1981d).

In December 1980, at a Central Party Work Conference, Chen delivered a major speech summarizing current economic conditions and discussing the lessons of China's economic development since 1949 (Chen 1980c). Chen made clear that his role in economic affairs had been limited because of ill health and age. He revealed that he lacked the strength to study China's energy problems, and that Zhao Ziyang, and not Chen, would report to the Party on the work of the Finance and Economy Small Group. (In fact, one source stated that Chen spent most of his time in the hospital.¹⁰⁶)

The major theme of this speech was the need for economic reform to serve economic readjustment. Chen was particularly concerned that widespread price increases should be strictly controlled. He observed that Chinese measures to freeze prices around this time had been mislabeled "the death of reform" by a number of observers. Reforms should continue, he argued, but they had to be carefully considered, tried out in experimental units, and extended nationally only after the experience of these test points was carefully summed up. Planning and control were the watchwords of Chen's address, which met with the complete approval of Deng Xiaoping.¹⁰⁷

Since this major oration Chen's remarks on the economy have been relatively infrequent, brief, and general. He upheld the need for planning in agriculture and the careful assimilation of the experiences of China's special economic zones (Chen 1981d). He urged planners not to feel that they did not have a part to play in transforming the Chinese economy. But he also advocated a change in the nature of planning, from crude material balancing and project planning to the sort of planning pursued by capitalist corporations (Chen 1982a). Chen supported the Sixth Five Year Plan, but argued that it must be carefully implemented. He called on

¹⁰⁶ Fox Butterfield, *China: Alive in the Bitter Sea* (New York: Times Books, 1982), p. 219.

¹⁰⁷ Deng Xiaoping, *supra* note 27, p. 313.

cadres in financial and economic affairs to apply computers to their work (Chen 1984c) and hailed the founding of the National Planning Society as an endeavor designed to strengthen and improve planning (Chen 1984d). Chen's economic ideas do not seem to have evolved in new directions in the post-Mao period. The concerns that occupied his attention in the mid-1950s and early 1960s reappear here. His prescriptions on how to run the economy are practically identical to those he proposed earlier. This suggests that Chen's ideas will continue to be influential as long as the Chinese economy is facing issues similar to those of 1957 and 1961–1962, i.e., readjustment. But as the economy confronts new problems, it is less likely that Chen will be at the forefront of reform efforts.

Chen's role in policy making has not been confined to the economic realm. He has also concerned himself with Party affairs, the arts, the conditions of intellectuals and other social problems and, more speculatively, foreign policy.

Chen has chaired the Party's Discipline Inspection Commission (DIC) since it was reestablished after the Third Plenum. He has attended sessions of this body and made important speeches (Chen 1979a, 1982g). His most famous interjection on Party work, that the workstyle of a political party in power concerns the life and death of that Party, was given in the context of DIC activity, but the text of the speech in which he made this comment has not been released.¹⁰⁸ Perhaps because of illness, his appearance at formal meetings of the DIC has been sporadic. If nothing else, however, Chen's name helps to legitimize the DIC, a major function of which is to root out Party corruption. The DIC drew up the Principles on Inner Party Life in the year after its founding. Chen's role in the drafting of this document is not known, but many of the provisions echo segments of Chen's writings on Party work and cadres written in the 1930s and 1940s.¹⁰⁹

¹⁰⁸ "Hu Yaobang tongzhi zai Zhongjiwei disanci guanche 'Weice' zuotanhui shang chuan-da Chen Yun tongzhi yijian shuo: zhizheng dang de dangfeng wenti shi youguan dang de shengsi cunwang de wenti" [Comrade Hu Yaobang at the Third Meeting of the Central Discipline Inspection Commission on carrying out the 'Principles of Inner Party Life' propagates Comrade Chen Yun's opinion that the question of the workstyle of a party in power is a question bearing on the life or death of that party], *Xinhua yuebao* [New China monthly], 1980, No. 12, pp. 8–12.

¹⁰⁹ A text of the Principles can be found in *Beijing Review*, 1980, No. 14 (April 7, 1980), pp. 11–19. On the DIC in general, see Graham Young, "Discipline and Style: Discipline Inspection Commissions Since the 11th Congress," *China Quarterly*, No. 97 (March 1984), pp. 24–52 and Lawrence R. Sullivan, "The Role of the Control Organs in the CCP, 1977–83," *Asian Survey*, Vol. XXIV, No. 6 (June 1984), pp. 597–617.

Perhaps in his capacity as head of the DIC, Chen allegedly played an important role in the case of Jiang Qing (Mao's widow) and the other members of the radical Gang of Four, purged after the death of Mao in the fall of 1976. He is reported to have handled Jiang's case materials throughout 1979 and into 1980.¹¹⁰ Another source claims that after Jiang was tried and convicted, Chen was instrumental in dissuading the Politburo from executing her.¹¹¹ Presumably Chen did this not out of any personal feeling for Jiang, but in an effort to forestall any reaction from her remaining supporters and to soothe international public opinion.

Chen has also concerned himself with Party rectification and the training of a younger generation of CCP leaders (Chen 1981b, 1982f, 1982g, 1983c). Not only were senior Party leaders too old (here Chen clearly referred to himself), but he was afraid that even the Party Secretariat, with members in their sixties, was too old. The CCP had to train and promote large numbers of skilled young cadres (Chen 1981b). (Deng Xiaoping warmly welcomed Chen's ideas here and frequently discussed these themes himself.¹¹²) While anxious to promote qualified young Party members, Chen has also proposed resolute removal of bad elements from the Party's rolls, and he appears to have warmly supported Party rectification (Chen 1982f,g).¹¹³

Chen's final known intervention in Party affairs was in the drafting of the Resolution on the History of the CCP. Deng Xiaoping supervised the drafting of this document, but he discussed it on occasion with Chen. It was Chen who suggested that the resolution summarize not just the CCP's years in power, but also the pre-1949 years. In this way, a more favorable assessment of Mao Zedong's role could be made.¹¹⁴

Thus, Chen's ideas on the Party have been influential and often appear to have Deng Xiaoping's support. But, his interventions have been typically behind the scenes. His ideas have tended to be restorativist,

¹¹⁰ See the Taiwan source cited in Ross Terrill, *The White Boned Demon* (New York: William Morrow, 1984), p. 376.

¹¹¹ Again, see the Taiwan source cited in Immanuel C. Y. Hsu, *China Without Mao* (Oxford: Oxford University Press, 1982), p. 138.

¹¹² Deng, *supra* note 27, pp. 340, 343; see also 369.

¹¹³ Chen is reported to have made a major speech on Party rectification at the Second Plenum of the Twelfth Party Congress in October 1983. However, no text of Chen's remarks has yet appeared. See "CPC Central Committee Holds Plenary Session," *Beijing Review*, 1983, No. 42 (October 17, 1983), p. 4.

¹¹⁴ Chen's role is discussed in Deng, *supra* note 27, pp. 267-268, 270. Deng's role in the drafting of the resolution is seen in his discussion of it in his *Selected Works*, pp. 255-274. The text of the resolution is found in *Resolution on CCP History* (Beijing: Foreign Languages Press, 1981), pp. 1-86.

favoring revival and strengthening of the pre-1949 traditions of the CCP. There are no new elements in Chen's ideas on improving the Party. He is not a pathbreaker when it comes to Party reform.

Chen's work in literature and art centers once again on his beloved *pingtan*. While busy with economic and Party policy questions, he has been able to discuss the further development of this local art form (Chen 1981a, 1982c,d,h,i,k, 1983i, 1984a). He has worked to restore *pingtan* troupes in East China; indeed, Chinese informants suggest that the publication of his book on *pingtan* was about as public and overt an act of support this art form was ever likely to receive.

But Chen's later writings on *pingtan* focus more on larger questions of literature and art. In particular, Hong Kong journals suggest he is associated with the "Spiritual Pollution Campaign" of late 1983 and early 1984, where the CCP leadership launched a campaign against "bourgeois" ideas in literature, art, and the social sciences. Chinese intellectuals were afraid that this marked the beginning of another Cultural Revolution.¹¹⁵ In a letter to Hu Qili, a member of the Party Secretariat, in August 1983 (Chen 1983i), Chen criticized the tendency of art groups to pursue only profit and not to worry about the content and messages conveyed in their performances. He was also concerned about the often unsupervised proliferation of places where performances were put on.

It would, however, be a mistake to attribute to Chen too large a role in the campaign against spiritual pollution. First, Premier Zhao Ziyang had complained about the same phenomenon at the First Session of the Sixth National People's Congress in June 1983.¹¹⁶ Thus, Chen was not the first to express such a view. Second and more important, as the purported text of Deng Xiaoping's speech to the Second Plenum of the Twelfth Central Committee makes clear, Deng was the driving force behind the movement to attack spiritual pollution.¹¹⁷ Chen may have favored a tightening up in literature and art, but it seems fairly clear that Deng Xiaoping was the leader most responsible for the movement.¹¹⁸

¹¹⁵ An excellent discussion of this campaign is found in Thomas B. Gold, "Just in Time: China Battles Spiritual Pollution," *Asian Survey*, Vol. XXIV, No. 9 (September 1984), pp. 947–974.

¹¹⁶ Zhao Ziyang in *The First Session of the Sixth National People's Congress* (Beijing: Foreign Languages Press, 1983), p. 51.

¹¹⁷ "Teng Hsiao-p'ing's Speech at the Second Plenary Session of the 12th Central Committee of the Chinese Communist Party," *Issues and Studies*, Vol. XX, No. 4 (April 1984), pp. 99–111.

¹¹⁸ The generally well-informed monthly Hong Kong journal *Zhengming* [Contend], in articles by its correspondent Luo Bing in late 1983 and early 1984, blamed the campaign on Deng Liqun, the head of the CCP Propaganda Department, and implied that Chen Yun was

Despite Chen's (limited) role in the spiritual pollution affair and in limiting intellectual freedom, he has been credited with paying attention to problems facing young intellectuals. The same journal that implicitly blamed Chen for the spiritual pollution campaign in late 1983 and early 1984 credited him with being a major factor in CCP efforts to improve the conditions of younger intellectuals. He apparently was motivated to take on this question after his wife, Yu Ruomu, who was then working in the Central Office of the CCP, came upon evidence of some particular maltreatment of intellectuals.¹¹⁹ Informants also stated that Chen's son, Chen Fang, frequently sought out young intellectuals and relayed their feelings to his father. More recent evidence of Chen's concern with social problems is his involvement in the question of what to do about people who are over thirty and still unmarried (Chen 1984b). Chen has also been a major force behind the drive for one-child families. According to Chen Muhua, in 1979 head of the Party's population control group (and not related to Chen Yun), Chen Yun said, "The immediate, primary task is to advocate each couple have just one child. The resultant problems are secondary."¹²⁰ However, we lack more concrete evidence of Chen Yun's involvement in this work.

It is difficult to say anything definitive about Chen's activities regarding literature and art, intellectuals, and social problems. His interventions are not systematic. He seems to play a troubleshooting role, suggesting courses of action regarding problems that are brought to his attention. He shares the view with many other CCP leaders that intellectuals play an indispensable role in China's modernization, and he is doing what he can to improve their lot.

Chen's views on foreign policy are even more obscure, and our knowledge of them is based even more on secondhand information and rumors. Chen does not now meet foreign visitors; he has never met with

also partially to blame. *Zhengming* has long been a pro-Deng Xiaoping publication, so they may have tried to cover up his role in the movement. In addition, Luo Bing, according to an informant, is a former member of the Chinese Academy of Social Sciences who has subsequently left China. He had had a number of conflicts with Deng Liqun, and the articles focusing on Deng Liqun's role in the campaign may have been his way of seeking revenge in this informant's view. In recent years, Deng Liqun, formerly Liu Shaoqi's political secretary (again according to informants), has spent a great deal of his time boosting Chen's economic ideas.

¹¹⁹ Chang Chuan, "Chen Yun gao hu qiangjiu zhishifenzi" [Chen Yun raises a loud cry to rescue intellectuals], *Zhengming*, 1982, No. 12 (December 1982), pp. 15-16.

¹²⁰ Chen Muhua, cited in Wong Siu-lun, "Consequences of China's New Population Policy," *China Quarterly*, No. 98 (June 1984), pp. 220-240; see p. 220.

any American since the founding of the PRC. It was all the more surprising, then, that Hu Yaobang told Ronald Reagan that Chen would meet with the Soviet Deputy Premier.¹²¹ Informants as well as Hong Kong publications suggest that Chen has favored improving ties with the Soviets.¹²²

Informants also suggest that Chen favors continuing an independent line in Chinese foreign policy, as do all Chinese leaders. But he is perceived as tilting toward the Soviet Union, whereas Deng Xiaoping is portrayed as tilting in a pro-Western direction (although Deng too wants improved Sino-Soviet relations). It is believed that Chen wants the Soviets to aid in the modernization of the major projects imported in the 1950s from the Soviet Union and Eastern Europe that are still among the most important enterprises in China. Deng is said to see the West as the locus for this assistance.

Taiwan sources also report that Chen opposed the Chinese decision to invade Vietnam.¹²³ Whether Chen's opposition was similar to his purported opposition to the Chinese intervention in Korea, where he seemed more concerned about the economic consequences of the war than about the foreign policy implications, or whether he felt it was wrong for foreign and domestic policy reasons to invade Vietnam is not clear. The gaping budget deficit that appeared in 1979, partially as a result of the conflict, was no doubt a major factor affecting Chen's views.

Earlier we noted that Chen was very cautious about China's opening up to the West. He favored expanded economic relations with the West and some foreign loans, but he continually reminded his colleagues that foreign bankers were out to make money from the Chinese and that China should not lose control of its involvement in the international economy.

Chen Yun thus appears to have been involved in many aspects of Chinese policy making in the post-Mao period. His activities were not confined to the economic realm, as was largely the case prior to the Cultural Revolution. That he has not intervened regularly likely reflects his poor physical condition. But he retains compensatory political resources. Foremost among these is his prestige. He is the only Chinese leader who

¹²¹ "A Chinese Warning to the President?" *Newsweek*, May 7, 1984, p. 27 and Julian Baum, "Moscow Throws Curve Ball to China," *Christian Science Monitor*, May 10, 1984, pp. 1, 36. The Russians subsequently postponed the trip until December 1984.

¹²² Chang Chuan, *supra* note 119, p. 15 and Luo Bing, "Chen Yun he Deng Xiaoping de fenqi" [Differences between Chen Yun and Deng Xiaoping], *Zhengming*, 1984, No. 6 (June 1984), pp. 26-28; see p. 28.

¹²³ Cited in Daniel Tretiak, "China's Vietnam War and Its Consequences," *China Quarterly*, No. 80 (December 1979), pp. 740-767; see pp. 752-753 and n. 29.

apparently held the correct line in the 1950s and 1960s, or so many intellectuals in China believe. He was not active in the Anti-Rightist Campaign of 1957 (which Deng was in charge of implementing), and he opposed the Great Leap Forward and the Cultural Revolution.¹²⁴ His extensive network of political contacts and relations, a major basis of power in China,¹²⁵ is probably exceeded only by Deng Xiaoping's. Chen's modest and retiring political style is somewhat called into question by the recent wide circulation of his writings. Indeed, with the open publication of Chen's works for the period 1949 to 1956 on July 15, 1984, three volumes of his writings are now available, with another on the way. Except for Mao, no other Chinese leader has been so widely published.

These writings serve political as well as historical purposes. Chen's writings prior to 1949 demonstrate that he was a giant in the CCP movement well before Deng Xiaoping and that he played a major role in the building of the Party. His economic writings show that he was correct in the 1950s and 1960s, in contrast to Deng, who was sometimes on the wrong side of a number of issues. Chen's writings on *pingtan* suggest that Chen may have served as a patron of intellectuals and has done his part to try both to protect literary and art figures and to preserve elements of traditional culture.

Chen's power and prestige are a significant issue in light of recent reports that there are major areas of disagreement between Chen and Deng Xiaoping, China's paramount leader in the post-Mao era. One article states that the two leaders disagree on opening to the West, on the role of the market in the Chinese economy, on Party rectification and the spiritual pollution campaign, and on restoring relations with the Soviet Union.¹²⁶ The article implies that a major political struggle is about to break out between Chen and Deng.

There are, of course, differences between these two leaders, and, in the event of a political showdown, it is likely that Deng, who has more resources to employ and more political skill than Chen, will prevail. But it is unlikely that the areas of disagreement are so fundamental as to cause a serious intra-Party conflict. Both Chen and Deng are too old to wage such a struggle. Both know the costs of victory and that the subsequent polarization within the CCP, revenge-seeking, and revival of factionalism would

¹²⁴ For one discussion of Chen's prestige, see the source mentioned in note 97, *supra*.

¹²⁵ Lowell Dittmer, "Bases of Power in Chinese Politics: A Theory and Analysis of the Fall of the 'Gang of Four,'" *World Politics*, Vol. XXI, No. 1 (October 1978), pp. 26-60.

¹²⁶ Luo Bing, *supra* note 122. See also "Cheng Ming Article Views Deng's Guangdong Trip," FBIS, March 2, 1984, W1-W7, especially, W3-W4.

greatly hinder all efforts to modernize China. Finally, post-Mao China is no longer a place where policy is determined by the wishes of one person. Instead, policy making is largely consensual. To posit that a showdown between Chen and Deng would fundamentally alter this position would be a mistake. In the last years of Chen Yun's life it is extremely unlikely that he and Deng Xiaoping will face each other in an antagonistic struggle for control of the CCP.

Little is known about Chen Yun's personal life. He is married to Yu Ruomu, and according to informants, they have five children: two sons, Chen Yuan and Chen Fang, and three daughters, Chen Weili, Chen Weihua, and Chen Weilan. Chen Fang is married to the daughter of Song Renqiong, a longtime specialist in Party organizational affairs. Chen Yuan is head of the Beijing Municipal Economic Committee. One of Chen's daughters portrays her father as a strict, upright, but loving father. Chen Weihua suggests that her father was so busy during her childhood that she did not recognize him when he was able to come home. She also states that Chen brought all of his children up to respect people from all walks of life and to not seek special privileges.¹²⁷

It is not known who Chen's personal friends are. For a number of years the family of Chen Yu lived with Chen Yun. Chen Yu was minister of coal and governor of Guangdong in the late 1950s and early 1960s. Chen Yun has also long been associated with Yao Yilin. In addition, Chen is reported to be a close friend of the father of China's leading dissident, Wei Jingsheng,¹²⁸ but an informant thinks this is unlikely. Until recently Chen did not live in the compound of the Central Committee in Zhongnanhai, but in an apartment in Beijing.¹²⁹ According to an informant, from 1949 to 1979, Chen and his family lived in a house on Beichan jie, formerly owned by Li Zongren, interim president of the Republic of China in 1949. Only in 1979 did Chen move to Zhongnanhai.

When he dies Chen will leave an ambiguous legacy to Chinese economic officials. To be sure, he will be fondly remembered as the master troubleshooter who brought the Chinese economy out of a number of periods of economic dislocation. He will also go down in PRC historiography as the original advocate of the use of the market as a supplement to the plan. As such his views are the starting point for all economic

¹²⁷ Shang Shaohua and Gong Xiaocun, "Fu nü qing" [Father and daughter sentiments], *Zhongguo funü* [Women of China], November 1984, pp. 2–5.

¹²⁸ Butterfield, *supra* note 106, p. 413.

¹²⁹ See note 97, *supra*.

reforms in China. But his actions in the post-Mao era may not be valued as highly because his policy positions did not keep up with the changing economic reality of the PRC. It will remain to others to devise a reformed Chinese economic system.

III

The Economic Thought of Chen Yun

In the ten years from 1956 to 1966, the Party accumulated precious experience in leading socialist construction....Comrade Chen Yun held that plan targets should be realistic, that the scale of construction should correspond with national capability, that consideration should be given to both the people's livelihood and the needs of state construction, and that the material, financial, and credit balances should be maintained in drawing up plans... [T]hese views were not only of vital significance then, but have remained so ever since.¹

This chapter will survey the fundamental tenets of Chen Yun's economic thought, particularly as it developed between 1956 and 1962. Other than the correspondence of this time frame with the coverage in the first volume of Chen's works circulated internally in China² (probably the most important among the collections of Chen's writings), there are good reasons for concentrating on Chen's economic ideas during these years. There was little that was particularly innovative in Chen's economic ideas before 1956, as noted in the previous chapter, and there are no available writings of Chen's on economic affairs from late 1962 until 1979. Chen's post-Mao writings, partially discussed in Chapter 2, will be a major topic in Chapter 5. In addition, 1956 is an appropriate place to begin this discussion because only then did China become a fully socialist economy. Until 1955–1956 private ownership of industry, agriculture, and commerce was an important component of the entire economy. Thus,

¹ "Resolution on Certain Questions in the History of Our Party since the Founding of the People's Republic of China," in *Foreign Broadcast Information Service, Daily Report, China* [hereafter FBIS], July 1, 1981, K1-K38; see K11.

² *Chen Yun tongzhi wengao xuanbian (1956–1962)* [Selected manuscripts of Comrade Chen Yun] (Sichuan: Renmin chubanshe, 1981), translated in Nicholas R. Lardy and Kenneth Lieberthal, eds., *Chen Yun's Strategy for China's Development* (Armonk, N.Y.: M.E. Sharpe, Inc., 1983).

many of Chen's earlier writings were on transitional economic policies and limited in their temporal significance. It was not until 1956 that he had to face the challenges of a socialist economy. Finally, we might argue that by 1956 economic institutions and economic policy makers had accumulated enough experience so that administration had passed from ad hoc economic management to a more stable system of economic control. For example, the State Planning Commission (SPC) had a more or less stable membership since Gao Gang's fall in 1954. Similarly, Li Xiannian had been Minister of Finance since 1954, and many other ministers came to their portfolios in 1954. True, the pattern of ministerial responsibility and the organization of the State Council were constantly changing (for instance, the State Economic Commission [SEC] was not established until 1956), but these changes represented further elaboration on the existing division of labor rather than fundamental administrative changes.

Because the terms "reform," "readjustment," and "restructuring," despite a certain degree of redundancy, are crucial to an understanding of Chen's ideas on political economy, they form the key organizing concepts for this chapter.³ And because these terms will be used in a manner somewhat different from current Chinese usage, we first define them.

By reform we mean efforts to improve the functioning and efficiency of the Chinese economy. Reform efforts are generally microeconomic in nature. In the context of a socialist state with a Soviet-style economic system, key methods of reform include: (expanded) use of the market mechanism, decreasing bureaucratic interference in economic activities (an example of this would be department stores concluding contracts with factories for the consumer goods the department store will sell, instead of

³ Reform, readjustment, and restructuring, as they will be elaborated in the text, bear a certain resemblance to efforts to modify what Robert Dernberger has described as the three central elements of the Chinese strategy of economic development. (See his "Communist China's Industrial Policies: Goals and Results," *Issues and Studies*, Vol. XVII, No. 7 [July 1981], pp. 34-73, especially pp. 44-45.) In particular, the concept of readjustment, as used here, reflects a reaction to what Dernberger describes as the Stalinist big push emphasizing basic heavy industry, such as steel and machine building. However, we do not find a concept in Chen's writings that directly opposes what Dernberger labels the Maoist strategy (with its emphasis on mass mobilization and egalitarianism). This may be for largely temporal reasons. The Maoist strategy appeared in archetypical form in the late 1960s. There are practically no known writings of Chen from 1963 to 1977. Moreover, the idea of reform, as presented here, does not aim to correct what Dernberger calls the Soviet model (state ownership, planning, collectivization, etc.). Rather, as presented in the text here, reform is aimed at questions of economic efficiency, though measures designed to further economic efficiency may impinge on state ownership, etc. Nonetheless, Dernberger's article is an extremely insightful way of examining economic developments in post-Mao China.

the commercial system acting as a middleman between producers and distributors), and improving incentive systems.

Readjustment, in contrast, refers to macroeconomic questions and, in particular, to attempts to alter the relationship between the primary sector (i.e., heavy industry) and the subsidiary sector (in China this includes light industry; agriculture, handicrafts, and nationalized private industry). Readjustment efforts aim to increase the relative importance of the subsidiary sector. Readjustment policies concern the "proportional relations" in the economy. These include the percentages of national income allocated to investment and consumption; the relative share of investment devoted to heavy industry, light industry, and agriculture; and the percentage of government expenditure going to productive items and the percentage going to administrative expenses and national defense. Readjustment in China in the 1956 to 1962 period (and from 1979 on) also includes the notion of a change in the pace of economic growth. Under readjustment, a slower, more balanced pattern of development emerges.

Restructuring means changing the allocation of power over economic decision making (or changing economic decision-making organizations) and changing the rules that govern economic policy making. The idea of restructuring is the result of the inability of reform and readjustment policies to become dominant ideas in economic policy making. We will argue that Chen Yun advocated restructuring because he felt that the specific organizational structure endemic to the Chinese system of economic planning and management made reform and readjustment impossible.

Chen, the Market, and Reform

Prior to the death of Mao Zedong, Chen Yun was viewed as the leading proponent of the market in China.⁴ Chen's speech at the Eighth Party Congress in September 1956 (Chen 1956f) was seen as his strongest statement in favor of the market and reform. Indeed, this address has been used as a justification of attempts to reform the economic system in China today.⁵ Yet, the market and reform were never ends in themselves

⁴ Franz Schurmann, *Ideology and Organization in Communist China* (Berkeley and Los Angeles: University of California Press, 1968), especially pp. 195–208 and Franz Schurmann, *The Logic of World Power* (New York: Pantheon Books, 1974), pp. 255–257, 261–262, and 279–284 are the best examples of this view of Chen.

⁵ On the continued relevance of the Eighth Party Congress speech, see "Banyue Tan Answers Questions on Restructuring," FBIS, August 27, 1980, L7–L10; Dong Furen, "Develop a Socialist Economy that Is Beneficial to the People—Rereading Comrade Chen

for Chen. He did not suggest that China emulate the Yugoslav model of market-oriented socialism. His proposals were largely aimed at the subsidiary sectors of the Chinese economy—light industry, agriculture, commerce, handicrafts, and recently socialized private industry. Nowhere did Chen explicitly call for reform in heavy industry. Moreover, he did not single-mindedly argue for reform. Under certain conditions, Chen saw the market mechanism producing undesirable outcomes. He also came to believe that macroeconomic questions (readjustment) and structural questions (restructuring) were of greater importance than reform. Thus, while Chen's September 1956 speech marked the time that Chen was most concerned with reform, he later backed away from the positions he advocated then, and refocused his attention on readjustment and restructuring. Nonetheless, there were recurring reformist ideas in Chen's thought throughout the period 1956–1962. (See Chen 1956f, a speech by Yao Yilin at the Eighth Party Congress later attributed to Chen,⁶ Chen 1956g, 1956h, 1957c, 1961g, 1961k, and 1961m.) These include rural free markets, retention of small producers' organizations, and narrowing the distance between producers and consumers in the light industrial sector.

Chen often called for free markets for agricultural subsidiary products. He did this for a number of reasons. The agricultural collectives (and later, the communes) neglected subsidiary agricultural products. A free market would restore some incentives for peasants to grow these crops and help to counteract the effects of the collectives' neglect of subsidiary production. Also, rural free markets would provide some competition for state procurement agencies, the only means by which peasants could dispose of their production. Because of this monopoly power, commercial units often cheated the peasantry. Rural markets would serve as a partial check on such abuses.

Yun's Speech to the 8th CCP National Congress," FBIS, February 24, 1981, L6–L10; and You Lin, "Gaige jingji tizhi de zhongyao zhidao wenjian" [An important guiding document on the reform of the economic system], *Hongqi* [Red flag], 1982, No. 2, pp. 31–33. Dorothy J. Solinger, "Economic Ideas via Reformulation: Where Do Rightist Ideas Come From?" *Asian Survey*, Vol. XXXI, No. 9 (September 1981), pp. 947–960, discusses how a major statement on economic reform by Xue Muqiao in June 1979 was a paraphrase, and in some parts a direct copy, of Chen's speech to the Eighth Party Congress.

⁶ See Yao Yilin, "Caiqu youxiao cuoshi jiejie zhurou he shengcai gongying wenti" [Adopt effective measures to resolve pork and vegetable supply problems], *Xinhua banyuekan* [New China semimonthly], 1956, No. 21, pp. 214–215 and the second article in Chen Yun, *supra* note 2, pp. 14–19.

Chen also frequently argued that handicrafts or small industrial workshops and factories should not be amalgamated into larger, more "socialist" enterprises. After such mergers took place despite Chen's pleas, he called for the disaggregation of these units, so that the original pattern of organization would reemerge. He felt that these small enterprises provided a wider variety of goods at different levels of quality than did larger enterprises. In short, smaller units were more attuned to market demand. Moreover, by amalgamating such enterprises, incentives were distorted, quality fell, and more bureaucratic forms of management hindered market responsiveness. Thus, the bigger organization of production and distribution was not necessarily the better. In Chen's view, there was room in the socialist economy for non-socialist elements.

Finally, on a number of occasions, Chen advocated that light industrial enterprises have both greater freedom to purchase their own raw materials selectively and greater control over the distribution of their production, including marketing their output themselves. Chen believed that these measures would raise the quality of factory output and make the entire light industrial sector more responsive to consumer demand. Layers of administration that separated producers and consumers would be removed.

In addition to suggesting these measures, some of which Chen and Yao Yilin, a vice-minister of commerce, advocated at the Third Session of the First National People's Congress in June 1956 (Chen 1965c, 1956d),⁷ Chen expounded on other general questions of reform in his speech to the Eighth Party Congress (Chen 1956f). The basic theme of his speech was that planned production and distribution were primary but that the market played a supplementary role in guiding the economy. Having just collectivized and socialized the economy in 1956, many Chinese Communist Party (CCP) cadres were willing to eliminate the market. Chen's arguing that there remained a role for the market in a fully socialist economic system provided the impetus and the legitimation for efforts to delineate fully, and ultimately to expand, the role of the market in the Chinese economy. Despite the market's inferior position vis-à-vis the plan, Chen's strong advocacy of a continuing role for the market is significant.

⁷ See "Shangyebu Yao Yilin fubuzhang de fayan" [Speech by Vice-Minister of Commerce Yao Yilin], in *Zhonghua renmin gongheguo quanguo daibiao dahui disanci huiyi huikan* [Collected materials of the Third Session of the First National People's Congress of the People's Republic of China] (Beijing: Renmin chubanshe, 1956) [hereafter 1/3 NPC], pp. 454-464.

In his speech to the Eighth Party Congress, Chen called specifically for floating prices and for setting prices according to the quality of the product. Implicitly, then, the profit motive was to help direct productive activities in three areas Chen singled out: high quality items, new products, and minor local products. Chen estimated that if all the reforms he proposed at the Eighth Party Congress were implemented, only a little more than a quarter of all retail sales would be affected. Obviously, Chen's market- and profit-oriented reforms were limited in scope. He reaffirmed the position that major agricultural and consumer goods, "which constitute three-fourths of our domestic trade, will still be bought and distributed by the state" (Chen 1956f, p. 11, 1981 edition).

However, Chen made two proposals at the Eighth Party Congress that, while apparently still in his area of major concern (trade and light industry), had profound implications for the course of China's economic development. One of these more radical proposals concerned foreign trade. Chen called for improvement in the work of import shops and cooperatives. This was to be carried out by the Ministry of Foreign Trade, which was to rehire "professional personnel who did various kinds of import work in concerns run by foreign merchants in the past. . . . The few state import corporations which monopolize the whole import business at present and still have a low level of professional skill cannot meet the needs of society" (Chen 1956f, pp. 7-8, 1981 edition). This not only hinted at a role for the national bourgeoisie in foreign trade, but also implied a role for elements of the comprador bourgeoisie, a reviled class in Chinese Marxism. They were precisely the people who did professional work in foreign trade firms prior to 1949.

An even more interesting question is why Chen may have raised this issue in the first place. Since most Chinese imports came from the Soviet Union and Eastern Europe, and were more bartered than traded, why was the skill level of import shops an issue for discussion? Chen and other Chinese leaders suggested that it might be an issue if the direction of Chinese foreign trade should change. Import personnel with greater skills would matter if imports were to increase and/or more imports were to come from capitalist economies. The possibility of such a shift had been raised earlier in 1956. At the Third Session of the First National People's Congress, Zhang Bojun, the non-communist Minister of Communications, proposed that the port of Zhanjiang, Guangdong, be developed so that Chinese trade with overseas Chinese in Southeast Asia could be expanded.⁸ To maximize China's small foreign exchange reserves and

⁸ "Jiaotong bu Zhang Bojun buzhang de fayan" [Speech by Minister of Communications

receive the most beneficial terms, the skill level of importers was crucial. In addition, payment for increased imports from capitalist economies demanded increased exports to the West. While somewhat speculative, Chen's brief and ambiguous remarks on this subject can be read as an implied criticism of Sino-Soviet trade relations and the Soviet model of development.

The other radical suggestion in Chen's speech undermined the justification of a planned economy.⁹ Chen argued that most plans for light industry were based on estimates. Because of his insistence that light industrial production should reflect market needs, and because plans were largely based on these estimates, he concluded that there was no need for rigid planning in much of light industry. Therefore, he stated that "we should not waste any more money and labor in collecting much statistical information that has turned out to be useless."

Chen argued that because statistical information was either unavailable or unreliable, it was impossible to plan fully (or even largely) consumer goods production and sales (still the largest component of Chinese industry). Planning could only be applied to the most common and desired consumer goods, such as cloth. The unspoken question was: was the planning situation in heavy industry any better? If the answer was, not much (and Li Fuchun, Chairman of the SPC, in his speech to the Eighth Party Congress led one to believe that the shortcomings in light industrial planning were also found in heavy industrial plans),¹⁰ then the basic premises of planning in China may have been called into question. Other methods, including the market and price planning as opposed to quantity planning,¹¹ would have to supplant or supplement material balance planning. This was necessary because Chen implied that many Soviet-style planning procedures did not work in China.

While Chen's speech to the Eighth Party Congress strongly favored reform, as has been pointed out, his implicit calls for reform were much

Zhang Bojun], in 1/3 NPC, *supra* note 7, pp. 162-168. Interestingly, Zhanjiang is now the major supply base for south China offshore oil exploration efforts.

⁹ Significantly, some of the harshest rhetoric in Chen's speech has been removed from the 1981 version of Chen 1956f. Compare p. 13 of Chen 1981 with p. 66 of *Xinhua ban-yuekan*, 1956, No. 21.

¹⁰ "Speech by Comrade Li Fuchun," in *Eighth Party Congress of the Communist Party of China, Vol. II, Speeches* [hereafter 8PC/S] (Beijing: Foreign Languages Press, 1956), pp. 288-303.

¹¹ On the distinction between price planning and quantity planning and Chen's advocacy of the former for the rural sector, see Nicholas R. Lardy, *Agriculture in China's Modern Economic Development* (Cambridge: Cambridge University Press, 1983), chapter 2.

more far reaching than his specific proposals. We have already noted that Chen himself saw the reform measures affecting only about 25 percent of all retail sales. His market-oriented reforms were only explicitly targeted for the light industrial, agricultural, and handicraft sectors. However, he quickly backed away from his more radical criticisms, and even from the specific proposals. For example, at the National Vegetable Conference in July 1957, Chen moved away from this market-oriented approach. Instead, he called for greatly strengthened Party leadership in this area, equating the importance of the growing of vegetables with that of building factories (Chen 1957d). Chen wanted cities and city Party committees to organize their surrounding countrysides to produce enough vegetables for the market, thus advocating concomitant use of administrative methods and the market. On other occasions, too, Chen emphasized the role of the Party in areas where he had earlier called for a significant use of the market (Chen 1956g, 1956h).

Similarly, notes in Chen's *Selected Works* for this period reveal that he was principally responsible for drafting at least two of the three decentralization decrees of 1957 (Chen 1957g, p. 60 and 1957h, p. 67). In the previous chapter, we suggested that Chen may have drafted the third regulation also. If he was strongly committed to the market, and if he was given responsibility for drawing up reforms in industry, commerce, and finance, then we might expect to see an emphasis on the market in the drafts of these regulations. This is not the case. The reforms of 1957 emphasize geographic decentralization, not market-oriented reforms.¹²

During the economic collapse that followed the Great Leap Forward, Chen was extremely wary of using the market to alleviate food shortages. Although he favored the restoration of some marketing arrangements by the peasants, he feared that use of the market would foster inflation and a growing peasant distrust of currency. In addition, speculation was rampant at the time. Free markets under such difficult conditions could only play into the hands of speculators (Chen 1962, pp. 162–163).

Thus, while it was true that Chen was strongly in favor of the market at the Eighth Party Congress (especially in comparison with other speakers), even at that time Chen placed limits on how extensively the market should be employed. Moreover, after the Congress, his willingness to use the market mechanism decreased. To Chen, the use of the market was constrained by such things as which sector of the economy was involved (he never explicitly stated that the market should be used in allocating heavy industrial production), the need for Party leadership in

¹² See Schurmann, *Ideology*, *supra* note 4, pp. 195–208.

areas such as commerce and vegetable and grain production, the availability of consumer goods, and the amount of currency in circulation. In short, Chen was generally in favor of the market and reform for some things, but overall conditions limited the extent to which the market could be employed. It was unfortunate that these conditions, especially the limited supply of consumer goods, were endemic to the Chinese economy. Because of this, Chen saw only a limited role for the market in China.

However, the chronic shortage of consumer goods highlighted a major macroeconomic question in the Chinese economy. If there were more consumer goods or, in other words, a readjustment in the relationship between heavy and light industry, an expanded role for the market was possible. Only after readjustment could some of the constraints limiting the role of the market be removed. Readjustment, therefore, had to be carried out successfully before true market reform was even a possibility.

Chen and Readjustment

Chen's ideas on adjustment are most forcefully presented in "The Scale of Construction Should Correspond with National Strength" (Chen 1957a), a speech given in January 1957. The text of this speech is arguably the most important writing of Chen Yun. But before we discuss Chen's ideas on this topic, it is essential to clarify what Chen wanted to readjust—the Soviet-Stalinist model of economic development.

The basic characteristics of the Soviet-Stalinist system are well known.¹³ These include: state ownership of the means of production; a central planning system reliant on material balances; concentration of investment in heavy industrial projects, particularly in the metallurgical and machine-building industries; planners' prices; collectivization of agriculture and the extraction of agricultural resources from the countryside at unfavorable terms of trade for the peasants to finance industrialization; and the "big push"—efforts to mobilize all available factors to eliminate quickly the state of underdevelopment in the key area, heavy industry. Such an economic system gives rise to a dual economy. Resources are concentrated in heavy industry. At best, little attention is paid to light industry and agriculture, and often these two sectors are harshly exploited.

¹³ See Dernberger, *supra* note 3. We have collapsed this discussion of the Soviet model and the Stalinist big push. See also Benjamin Ward, "The Chinese Approach to Economic Development," in Robert Dernberger, ed., *China's Development Experience in Comparative Perspective* (Cambridge: Harvard University Press, 1980), pp. 91–119.

Central to Chen Yun's ideas on readjustment were attempts to reunify the economy by devoting more resources to the previously neglected sectors. This not only reintegrated the economy, leading to a more sustainable and balanced pattern of growth in Chen's eyes, but also smoothed out the imbalances created by the various "big pushes."

Chen argued that successful readjustment demanded a fundamental change in the nature of planning. In January 1957, Chen presented principles and policies both to cope with the overheated economy created by the "small leap forward" of 1956 (a "big push" that saw investment expenditures increase by 62 percent over 1955)¹⁴ and to establish a more stable foundation for China's economic development. Most fundamentally, Chen argued that the scale of capital construction should correspond to national strength, defined in terms of the state's financial, credit, and material resources. If the scale of capital construction exceeded the state's resources, economic dislocations would result. The more construction exceeded capacity, the more severe the dislocation. From this general principle, Chen presented five specific methods for ensuring that the scale of construction did in fact correspond to China's strength. First, it was necessary to balance financial revenues and expenditures and bank loans and receipts, or, ideally, to have a surplus of revenues and receipts. Second, the minimum amount of materials for guaranteeing basic living standards, particularly in urban areas, was to be the top priority for the allocation of materials, with current production needs coming second, and capital construction third. This marked a complete reversal of previous allocation rules. Third, the supply of consumer goods had to correspond with social purchasing power. This, as noted in the previous chapter, marked a reversal of Chen's view in 1954. Fourth, not only should national strength and capital construction be balanced in any one year, but current capital construction plans should be based on the previous year's plan and should leave enough reserves so that the following year's plan could be fulfilled without too much difficulty. In other words, plans should dovetail. Finally, Chen noted that the pace of agricultural development would be slow for a considerable time. Since agriculture supplied not only a large percentage of the state's financial revenue (directly through taxes and requisitions and indirectly through the profits and taxes earned by light industrial enterprises using

¹⁴ "Speech by Comrade Bo Yibo," in 8PC/S, *supra* note 10, pp. 45-62; see p. 58. For an analysis of the "small leap," see Roderick MacFarquhar, *The Origins of the Cultural Revolution, I: Contradictions among the People, 1956-1957* (New York: Columbia University Press, 1974), pp. 15-32.

agricultural raw materials), but also the raw materials for light industry and exports to pay for imports of technology used in heavy industry, the overall rate of advance would have to be slow.

Chen's views have been summarized as the "three balances." (More recently, a balance of foreign exchange earnings and expenditures has been added to the balance in finance, loans, and materials.¹⁵) Some of the implications of these balances were obvious, others less so. Previously, financial targets were set after the plan was determined.¹⁶ In contrast, Chen made a strong case for financial control over the planning process, arguing that financial indicators should provide two of the three critical criteria in determining balance and planned construction. Chen's proposals also implied lower growth rates and investment expenditures because agriculture, the major sources of funds, could not grow quickly. In addition, the minimum consumption needs of the populace were to receive first priority in the allocation of resources. This also meant slightly more emphasis on light industry and non-productive projects, such as housing. Given a balanced budget, which was essential in Chen's view, increases in consumption and light industry meant that investment in heavy industry would be reduced.¹⁷

The political ramifications of these readjustments of priorities and methods of planning are easily seen. Chen's proposed readjustment threatened the dominant positions of planning bodies and heavy industrial units. By treating financial and credit balances as of equal importance as material balances, Chen raised the Ministry of Finance, which had a great deal of influence over the activities of the People's Bank of China, to the dominant position in planning. Thus, the Ministry of Finance was to play the crucial role in determining what kinds of economic allocations would

¹⁵ Deng Liqun, *Xiang Chen Yun tongzhi xuexi zuo jingji gongzuo* [In doing economic work, learn from Comrade Chen Yun] (Sichuan: Zhonggong zhongyang dangxiao chubanshe, 1981), p. 82, states Chen now adds balance of payments to the three other balances. See also Wang Zhuo and Huang Jubo, *Guoli lun* [The theory of national strength] (Beijing: Zhongguo caizheng jingji chubanshe, 1981), p. 3. This book is an explicit examination of Chen's political economy and an attempt to devise methods to see that the tenets of Chen's thought are actually incorporated in macroeconomic management.

¹⁶ Zhou Enlai, "Report on the Proposals of the Second Five Year Plan for the Development of the National Economy," in *Eighth National Congress of the Communist Party of China (Documents)* (Beijing: Foreign Languages Press, 1981), p. 295. For a more general discussion of the conflict between planners and financial officials in developing countries, see Naomi Caiden and Aaron Wildavsky, *Planning and Budgeting in Poor Countries* (New York: John Wiley and Sons, 1974), chapter 8 and *passim*.

¹⁷ Li Xiannian argued much the same thing in his speech to the Eighth Party Congress. See 8PC/S, *supra* note 10, pp. 219–221.

maintain stasis or what activities would be prohibited in order to prevent imbalance. In short, implementation of Chen's ideas on readjustment demanded changes in the basic characteristics of Chinese economic policy making. Consideration of Chen's views on the restructuring of the economic policy making system is therefore our next topic.

Chen and Restructuring

Chen's ideas on restructuring were a direct attack on the prevailing allocation of bureaucratic power in the area of economic policy making and on the procedures by which economic decisions were made. Indeed, the writings of Chen Yun and the booklet by Deng Liqun¹⁸ reveal that there was something of a "three-line struggle" over Chinese economic policy making from 1956 to 1962. (Two lines are explicitly discussed by Chen, and the other is present by implication.) However, the personae of this drama and the positions they took are somewhat different from that which is often supposed.

Many analyses of Chinese politics employ "two-line struggle" models, which posit the existence of two antagonistic strategies of political, social, and economic development. One of the two lines is commonly associated with Mao Zedong. Its main components include mass campaigns, downplaying of bureaucratic and technical expertise, egalitarianism, and "putting politics in command" of all activities. Opposed to this radical or Maoist position is one associated, at various times, with Liu Shaoqi, Zhou Enlai, and Deng Xiaoping. The moderate line is cast in terms opposite to those ascribed to radicalism: emphasis is placed on stable methods of bureaucratic administration, appropriate attention to technical expertise, use of cost-benefit analysis to evaluate projects, and use of material incentives.¹⁹

The version of line struggle presented by Chen Yun and Deng Liqun is quite different. Chen explicitly located two lines within the economic decision-making apparatus itself. Chen never directly attacked a third line, associated with Mao and the Chinese Communist Party, though he does argue against the tendencies associated with that line. The key issue

¹⁸ Deng Liqun, *supra* note 15.

¹⁹ Several of the many works employing two-line struggle are Parris H. Chang, *Power and Policy in China* (University Park: Pennsylvania State University Press, 1975); Richard Solomon, *Mao's Revolution and the Chinese Political Culture* (Berkeley and Los Angeles: University of California Press, 1971); and Jack Grey, "The Two Roads: Alternative Strategies of Social Change and Economic Growth in China," in Stuart R. Schram, ed., *Authority, Participation, and Cultural Change in China* (Cambridge: Cambridge University Press, 1973), pp. 109-158.

for the economic bureaucracies was “overall balance” versus “planned, proportionate development.” Overall balance, espoused by Chen and his allies, took the three balances as the key criteria for allocating resources. The aim was to provide a more stable, balanced pattern of economic growth. Chen’s allies included Li Xiannian, the Minister of Finance; Deng Zihui, Chairman of the CCP’s Rural Work Department; and lesser officials in the Ministry of Finance.²⁰ Opposed to overall balance were officials associated with the planning and heavy industrial bureaucracies, who wished to maintain the dominance of their own institutions in economic decision making. Among those who opposed Chen’s ideas were Li Fuchun, Chairman of the SPC; Bo Yibo, Chairman of the SEC; Wang Heshou, Chairman of the State Construction Commission and concurrently Minister of Metallurgical Industries; and Huang Jing, Minister of the First Ministry of Machine Building before his death in 1958.²¹ With the advent of planning in China, such officials and economists had tried to bring about economic development according to the “law of planned, proportionate development.” In practice, this meant a system of planning based on material balances, formulation of plans by specialized planning bodies, and channeling of most investment into heavy industry. While a suitable proportion of investment was supposed to go to light industry and agriculture, in reality, they received very little.

Chen and his allies wished to change the procedures by which the Chinese economy was planned. While not opposed to priority for heavy industrial development, Chen wanted more emphasis placed on light industry and agriculture, and a more balanced and sustainable pattern of growth. The planning-heavy industry coalition remained committed to the allocation patterns set down in the First Five Year Plan (1953–1957) and were loath to give up the methods of allocation that so greatly benefited their institutional bailiwicks.

This struggle was conditioned by the evolving conditions of the Chinese economy in the mid-1950s. At times, all sides agreed that certain measures should be adopted to mitigate the effects of certain problems. All lines also agreed on where the key bottleneck in the economy lay—in agriculture. But fundamental and irreconcilable differences existed regarding what policies should be adopted and what types of decision-making rules should determine those policies. This is the context within which Chen’s views on restructuring must be considered.

²⁰ See the discussion in David M. Bachman, “To Leap Forward: Chinese Policy-making, 1956–1957” (Ph.D. dissertation, Stanford University, 1984), especially chapters 4 and 9–11.

²¹ See Bachman, *supra* note 20, chapters 5 and 9–11.

The testimony of Chen Yun suggests that our understanding of the Chinese planning system has to be revised (Chen 1957a, 1962b, 1962c). Instead of a unitary planning system, where all major forms of economic activity are jointly planned, Chen claimed that

the State Planning Commission has a tradition. Since its inception, it has just managed industry and capital construction. Other areas, such as agriculture, finance, trade, etc., all had to improvise. This has an historical cause. In the recovery period [1949–1954], there was a Finance and Economy Commission [headed by Chen] that managed finance and economics in a unified way. After the establishment of the State Planning Commission, agriculture and finance and trade were separately run by the Agricultural Staff Office and the Finance and Trade Staff Office [of the State Council] (Chen 1962c, p. 179).

Chen's picture of a fragmented planning system (reflecting a dual economy) was repeated by Deng Liqun.²² Further confirmation was implicit in the following statement of Mao Zedong. "In drawing up plans, handling affairs, or thinking over problems, we must proceed from the fact that China has a population of 600 million, and we must never forget this fact. Why do we make such a point of this? Is it possible that there are people who are still unaware of this?"²³ This remark suggests that the planners did not appropriately consider the interests of all 600 million Chinese, most of them peasants, or that the planners neglected agriculture.

Not only did Chen deny the existence of a unified planning system in China, but he criticized as flawed what planning *was* being done. In his January 1957 speech, he noted that the SEC had estimated a capital construction budget of 12.6 billion yuan for 1957 and 16.2 to 18.1 billion yuan for capital construction in 1958. The 1958 estimates significantly exceeded the 1956 figure for capital construction, which had created inflation, excessively large population growth in urban areas, and shortages in the supply of materials. (The figures also show the commitment of the planners to very high levels of investment and suggest that there were bureaucratic as well as ideological origins to the Great Leap Forward.) Chen thundered that the proposed 1958 figures could not be sustained and that the state's finances could not bear such a strain in 1958. Plans had to be steady, Chen argued, and this was done through the mechanism of the three balances. He strongly implied that excessive losses would be unavoidable if the SEC wrote plans with such wide yearly variation in

²² Deng, *supra* note 15, p. 86.

²³ Mao Zedong, "On the Correct Handling of Contradictions among the People," *Selected Works of Mao Tsetung, Vol. V* (Beijing: Foreign Languages Press, 1977), p. 407.

investment.

In the same speech Chen asserted that the nature of planning had to change. In the Second Five Year Plan (1958–1962), he called for emphasis in planning work to shift from drawing up plans for new factories to utilizing more fully and developing the capacity of existing and newly-built enterprises. Thus, he argued, China should move from extensive development (expanding the number of enterprises) to intensive development (increasing the productivity of existing plants) in economic terms.

Five years later Chen repeatedly criticized the planners and officials in charge of heavy industry. He clashed with Wang Heshou over steel plans, and he revealed that he had previously clashed with Huang Jing on money for industry. Chen insisted that the planning bodies take the lead in aiding agricultural production work, which they had ignored in the past. Chen felt that the ministries should no longer distribute products (items under central planning). Instead, he wanted all product allocation handled by the SEC (bearing in mind that the SEC should now first grasp agricultural production). It can be argued that Chen was implying that the planning and heavy industry coalition was analogous to a system of ownership with control over the products it produced and with a seemingly boundless enthusiasm for new investment in heavy industry. The planners would provide the funds and targets for heavy industrial projects and plants. Through the distribution system run by the planning bodies and ministries, the heavy industrial planning coalition controlled who received the output of enterprises under their control. Since most heavy industrial products went to other heavy industrial projects,²⁴ this planning–heavy industrial system was largely closed to the outside. There was little trickle down or spillover to other sectors. In short, the planners and leaders of heavy industry created a system that produced and disposed of heavy industrial products in ways that maintained their dominance and impenetrability. Moreover, their insatiable demands for investment meant that funds for light industry and agriculture were squeezed even more tightly. The few and powerful exploited the weak and many.

In other words, Chen's analysis was that the planning process, as it operated in the 1950s, was at best incomplete (it did not incorporate light industry, agriculture, and trade) and dominated by a coalition of heavy industrial ministries. Under such dominance, the planning system was

²⁴ Dwight Perkins, "Industrial Planning and Management," in Alexander Eckstein, Walter Galenson, and Ta-chung Liu, eds., *Economic Trends in Communist China* (Chicago: Aldine Publishing Co., 1968), pp. 601–608.

governed by a preference for high levels of investment and also tended to channel that investment exclusively into the heavy industrial sector. Thus, there was a growing consolidation and institutionalization of organizational and bureaucratic interest groups that was locking China into the Soviet-Stalinist system,²⁵ with all the attendant problems of that pattern of development. To overcome this organizational-bureaucratic coalition, Chen argued, fundamental organizational and procedural changes were necessary.

Chen's answer to this structural defect in the Chinese political system in 1962 was to place a body, charged with overall responsibility in economic affairs, above the SPC and the SEC and the ministries. Rather blatantly, Chen asserted that when he ran the Finance and Economy Commission in the early 1950s, things were much better. He argued for the re-creation of that body to oversee all economic policies and/or for his return to his former position as the regime's top policy-maker. In this capacity, it is assumed that Chen would have used the three balances to restructure the economic decision-making system.

Yet, even after the reestablishment of the Finance and Economy Small Group in 1962²⁶ (this was a response to the catastrophe caused by the Great Leap), the planning-heavy industry alliance seems to have suffered only a temporary reverse. The need for yet another attempt at readjustment and restructuring in 1979 and the third incarnation of the Finance and Economy Commission, chaired once again by Chen Yun, testifies to the tenacity of the planning-heavy industry alliance. Until 1979, the allocation of power and values within the Chinese political system enabled heavy industry and planning officials to dominate economic policy making.

Thus, while Chen Yun rightly perceived that only fundamental changes in the structure and process of decision making could ensure that his ideas on economic growth would be given a chance to operate for more than a short time, he was unsuccessful in seeing that such changes were made. This raises the question of Chen's role as a politician in the Chinese political system, a topic to which we now turn.

²⁵ Again, see Dernberger, *supra* note 3.

²⁶ Deng Liqun, *supra* note 15, pp. 6-7 and Xue Muqiao, "Guanyu yijiuwu-banian-yijiulilunian guomin jingji jianshe qingkuang he jingyan" [On the conditions of national economic construction from 1958 to 1966], *Jingji cankao ziliao-1* [Economic reference materials] (Beijing: Beijing daxue jingjixi xiliaoshi, 1979), pp. 11-13.

IV

Chen Yun and Chinese Politics

Chen Yun...rarely revealed himself. He only provided back stage encouragement and concealed his activities. Because of this, for a time, some people could not clearly see his true evil features.¹

The Red Guard attack on Chen Yun quoted above raises the fundamental issue of Chen's role as an actor in the Chinese political system. Whether he manifested "truly evil features" is beside the point. The crucial question is whether Chen was an effective politician as he worked behind the scenes. If Chen was not particularly forceful in pressing his views and seeing that they were adopted by the leadership, then many of the innovative elements in his economic ideas would only represent a "road not taken" rather than a significant change in the institutions and policies that guided the Chinese economy. In short, without considering Chen's role as a political leader, we are unable to evaluate his career fully.

Chen played two principal roles in Chinese politics: leader of a group of bureaucratic organizations trying to change the nature of economic control and guidance, and master troubleshooter. To understand Chen as a political actor, we must understand his ideas, his position in the leadership, his goals, his strategies, and the context within which he operated. In the first three chapters of this work, we have discussed what Chen did, what he thought, and what he said. But we have not really examined the questions of what factors shaped and constrained Chen's ideas, how his views were perceived, and how others responded to his policy program. The central goal of this chapter is to examine these questions and to assess Chen as a political leader. Once again we will focus extensively on the 1956-1962 period, especially the year from late

¹ *Caimao zhanshi* [Finance and trade soldier], February 16, 1967, in *Zhanwang* [Prospect (a Hong Kong publication, hereafter cited as ZW)], 1979, No. 6 (March 16, 1979), p. 25.

1956 to late 1957, for which documentation is quite good. China had by then made the transition to a fully socialist economy, and bureaucratic procedures and organizations had been established. Additionally, 1956–1957 was one of the great turning points in the history of the People's Republic of China. During this time Mao Zedong first tried to implement a vision of a populist, participatory regime, and when this model failed, he adopted policies that radicalized the political system for years to come.²

Chen Yun's Resources and Strategies

A politician's activities are conditioned by his/her political resources, which, in turn, decisively affect the strategies of action that the politician can pursue.³ Political resources have been defined by Robert Dahl as "anything that can be used to sway the specific choices or strategies of another individual."⁴ From this definition, it is clear that the scope of political resources is vast indeed. In the broadest sense, almost anything that can be used to influence another is a political resource.

"Access to resources and, consequently, strategy will be shaped and constrained by the role which a particular actor plays in the system and by the actor's political aims."⁵ A number of typologies of different actors have been suggested for politicians in general, and for the Chinese political system specifically. Perhaps the most basic role dichotomy is between incumbents and challengers. But because actors often play several roles in the system within which they operate,⁶ an actor might be both an incumbent and a challenger. In the Chinese political system, where top leaders often held several positions simultaneously, the various

² On the significance of 1956–1957 and developments during this period, see *inter alia*, David M. Bachman, "To Leap Forward: Chinese Policy-making, 1956-1957" (Ph.D. dissertation, Stanford University, 1984); Harry Harding, *Organizing China* (Stanford: Stanford University Press, 1981), chapters 4 and 5; Roderick MacFarquhar, *The Origins of the Cultural Revolution, 1: Contradictions among the People, 1956–1957* (New York: Columbia University Press, 1974); and Maurice Meisner, *Mao's China* (New York: The Free Press, 1977), chapter 11.

³ The following discussion of resources and strategies draws heavily on Ann Elizabeth Fenwick, "The Gang of Four and the Politics of Opposition: China, 1971–1976" (Ph.D. dissertation, Stanford University, 1984), pp. 35–46.

⁴ Robert A. Dahl, *Who Governs?* (New Haven: Yale University Press, 1961), p. 226, cited in Fenwick, *supra* note 3, p. 36.

⁵ Fenwick, *supra* note 3, p. 36.

⁶ See, for example, Daniel J. Levinson, "Role, Personality, and Social Structure in the Organizational Setting," in Fred I. Greenstein and Michael Lerner, eds., *A Sourcebook for the Study of Personality and Politics* (Chicago: Markham Publishing Co., 1971), pp. 61–74.

demands of different roles sometimes conflict. Chen Yun faced such competing demands in 1956–1957.

It has been argued that to compete effectively for influence at the very center of the Chinese political system, a political actor must have a “first order” or “mega” resource to sustain his or her position. This is the actor’s powerbase.⁷ These are “tightly and often imperviously controlled by a given political actor, such that their assets or component resources thus become available to and are monopolized by the actor in question in his or her efforts to influence other units and actors.”⁸ In other words, the actor’s powerbase is the ultimate political currency that stands behind his or her position in the political system. Chen Yun’s powerbase was a coalition of bureaucracies, with the ministries of Finance, Commerce, and Agriculture as the principal components.

Political success demands a correspondence between a politician’s resources, goals, and strategies. “Political strategy refers to an actor’s characteristic approach to the acquisition, organization and deployment of resources for political ends, including response to opponents’ efforts to marshal similarly their own resources.”⁹ Politicians can employ many different stratagems in the pursuit of their goals, and often they use several different stratagems at the same time. Ultimately, however, there are five master strategies of political action from which an actor can choose.

The first such strategy is “self-strengthening.” The actor focuses inward, consolidating his/her powerbase and other sources of support. This is often the strategy of a weak actor trying to maximize his/her limited resources. But a well-considered powerbase and other sources of support can also serve as the springboard for the actor to build new sources of power.

The second strategy is either to increase or reduce the number of actors involved in the arena of contention. E. E. Schattschneider has referred to these activities as the “socialization” or “privatization” of political conflict.¹⁰ Incumbents tend to favor the privatization of conflict, even to the extent that all other actors are removed from the arena of decision, save the incumbent. They believe that by reducing the number of other actors involved, they exert greater control over the outcome.

⁷ Philip Bridgham, “Factionalism in the Central Committee,” in John Wilson Lewis, ed., *Party Leadership and Revolutionary Power in China* (Cambridge: Cambridge University Press, 1970), pp. 204, 232 and Fenwick, *supra* note 3, pp. 37–40.

⁸ Fenwick, *supra* note 3, p. 38.

⁹ Fenwick, *supra* note 3, pp. 40–41.

¹⁰ E. E. Schattschneider, *The Semi-Sovereign People* (New York: Holt, Rinehart, and Winston, 1960), especially pp. 3–40, 63–75. Each of these strategies is discussed in Fenwick.

Socialization of conflict is more likely to be employed by challengers. Often, they seek to bring new forces into the arena of decision making in an effort to shake up the existing balance of power over an issue. New participants may tip the balance in the challengers' favor. When temporarily in the minority, however, incumbents have also been known to socialize political conflict.

A third major strategy is to change the political agenda. Again following Schattschneider, we call this the "displacement of conflict."¹¹ Each dominant issue on a political agenda creates cleavages in the polity. If leaders are able to substitute a different dominant issue, new patterns of cleavage and a redistribution of power may result. For example, during the early and mid-1970s, the Gang of Four tried to establish radical social and ideological goals as the dominant issue on the political agenda instead of the developmental issues connected with the Four Modernizations of Zhou Enlai and Deng Xiaoping.

A fourth principal strategy is to change the institutional structure of the system, thereby redistributing power. As we suggested in the last chapter, Chen Yun's ideas on restructuring were aimed at taking power away from the planners and heavy industrial officials and giving more power to the financial departments. If he had succeeded in this effort, his powerbase would have been strengthened and that of his competitors would have been weakened.

The last master strategy is to change the rules of the political game. The normative rules of the Chinese political system in the 1950s comprised: collective leadership, minority rights, Leninist discipline, a ban on factions, and civilian control of the military.¹² Actors who find themselves frequently on the losing side of policy debates may be tempted to bolster their position by resorting to illegitimate activities. This is a high risk strategy, but they may feel they have nothing to lose.

With resources, powerbases, and strategies in mind, we can now turn to the particular circumstances in which Chen Yun found himself in late 1956 and most of 1957.

At the time of the Eighth Party Congress in September 1956, Chen Yun was the fifth-ranking member of the Chinese Communist Party and first Vice-premier of the People's Republic. In November 1956 he also became Minister of Commerce. In addition, he led a coalition of bureaucratic agencies responsible for resource extraction and allocation.

¹¹ Schattschneider, *supra* note 10, pp. 63–76. See also Fenwick, *supra* note 3, pp. 44–45.

¹² See Frederick C. Teiwes, *Leadership, Legitimacy, and Conflict in China* (Armonk, N. Y.: M. E. Sharpe, 1984), p. 96 and *passim*.

The key elements of this bureaucratic coalition were the ministries of Finance, Commerce, and Agriculture. Chen was supported by Li Xiannian, the Minister of Finance, member of the Politburo, and Vice-premier; and Deng Zihui, head of the Party's Rural Work Department and Vice-premier.

This coalition was one of the five groups of bureaucratic organizations that carried out the basic functions of the Chinese state. In addition to Chen's, which was in charge of resource extraction and allocation, the other groups were the planning-heavy industry nexus; organizations most concerned with social transformation, most notably, the Party; organizations charged with social integration; and the organizations of domestic and national security. This chapter will focus on Chen's coalition, on the planning-heavy industry group, and on the social transformation group.

These bureaucratic groups developed out of the specific functional and historical circumstances facing the Chinese state and the Communists in their struggle for power.¹³ The process that led to the formation of these coalitions gave rise to specific tendencies, or policy programs, associated with each group. The job of the central leadership was to sort out the often conflicting tendencies associated with different groups. In the 1950s the central leadership in China might be defined as the CCP Politburo, the Party Secretariat, and the Premier and Vice-premiers of the State Council. The central leadership balanced, mediated, coopted, altered, transformed, and/or selectively combined the policy programs of the various bureaucratic coalitions. Despite the CCP doctrine that decision makers should be policy generalists and not advocates for any particular interests, many central leaders were closely involved in the workings of these bureaucratic groups. Often, the leaders could not help but articulate the views associated with the coalition they headed. The resolution of conflicts between these groups, or the favoring of one group's options over another, then, might have important implications for the power relations of leaders within the elite. Questions of political power were thus closely related to the politics of these groups.

The extraction and allocation coalition (ex-al) was responsible for the extraction of resources from society, largely through taxes and grain requisitions. In addition to such extraction, this group was also concerned with allocation. It controlled the budget drafting process and the distribution of food and consumer goods.

¹³ This process is discussed in Bachman, *supra* note 2, chapters 2 and 4-7.

The principal function of this group was to provide revenue and grain to the state for state building and preserving activities. In an agricultural society, this extractive function is most closely associated with acquiring grain from the peasantry. Agricultural taxes and grain requisitioning procedures were at the heart of the bureaucratic activities of this coalition. In addition, the ex-al group was concerned with the collection of other taxes and the formulation of tax policy. Once taxes, in kind and in cash, were collected, this group, under the guidance of the central leadership and in line with the plans set by the planning and heavy industry group, was responsible for formulating a budget based on these taxes and other government receipts. Moreover, it was logical that since this group requisitioned grain and stored it in granaries and warehouses belonging to units under its control, it should also be responsible for grain distribution and, by extension, for the distribution of all consumer goods. Thus, the ex-al group was not exclusively concerned with resource extraction. Intimately linked with the extractive function were distribution questions, both in physical form (through the rationing system) and in monetary form (through the budget).

Because China was a densely populated society with a well-developed traditional agricultural base, there were strict limits as to the amount of grain that could be extracted and how easily it could be requisitioned. These facts colored all aspects of the policies put forward by the ex-al group.

All Chinese leaders realized that agricultural growth was essential for the success of China's developmental effort. Agriculture provided food, raw materials for light industry, and exports that paid for high-technology imports. Consequently, overall economic performance was closely linked with agricultural production. It is fair to say, then, that agricultural production and agricultural procurement were necessarily closely related. For this reason, the Ministry of Agriculture is an important component of the ex-al group. A vital issue in this linkage between agricultural production and agricultural procurement is peasant incentives: incentives to produce and incentives to market grain and other agricultural products. Leaders of this coalition were well aware from their experiences in 1954–1955¹⁴ that excessive extraction had a deleterious effect on incentives and production.

¹⁴ Thomas P. Bernstein, "Cadre Behavior under Conditions of Insecurity and Deprivation: The Grain Supply Crisis of the Spring of 1955," in A. Doak Barnett, ed., *Chinese Communist Politics in Action* (Seattle: University of Washington Press, 1969), pp. 365–399. See also the discussion in Chapter 2 above.

From these facts, this experience, and the other tasks confronting this coalition of bureaucracies, the leaders of that group derived a number of key policies on economic issues. These included moderate overall levels of extraction; more investment in agriculture and light industry; the "three balances" of budgets, loans and repayments, and supply and demand for materials; a role for the market as a supplement to state commerce; price incentives; and retention of some private ownership.

These policies stemmed from the general concerns of this group. It was charged with difficult tasks: obtaining taxes and grain for the state, and distributing consumer goods. To implement these tasks, the group tried to ease the demands placed upon it. Accordingly, its leaders argued for lower rates of accumulation (and hence less need for taxes and grain). They advocated a role for the market in distribution, thereby easing demands on the commercial network. Increasing agricultural production occupied a very high place on this group's political agenda. Increased production, coupled with proper incentives, would make tax collection easier. More speculatively, they favored light industry because it produced large profits quickly and provided the means by which the peasants could be enticed to sell their grain. The profits generated by light industry and the industry and commercial tax were also much easier to collect than the agricultural tax. In short, the leaders of this group supported policies that reduced the amount of funds and grain that had to be extracted.

In contrast to the ex-al coalition, the planning-heavy industry group favored policies that protected its dominant position in the economic realm. Once the Chinese decided to adopt the Soviet model of economic development in the early 1950s, the heavy industrial sector received priority in the allocation of resources. As noted in the last chapter, the planners concentrated on heavy industrial development, devoting little attention to other areas. This coalition approximated a system of ownership. It thus favored high rates of accumulation, priority for heavy industry, allocation of resources through the planning system, and state ownership. Through such policies this group sought to preserve its privileged position in the area of economic policy.

The group concerned primarily with social transformation favored policies that differed, to varying extents, from the other two groups. It favored state ownership and high levels of accumulation, with priority for heavy industry, but with some attention to agriculture; it was ideologically opposed to markets; it favored mass mobilization and reorganization of the units of rural production as key methods for increasing agricultural production.

During the 1954 to 1956 period Chen, as we noted in Chapter 2, favored the policies of the planners. But after his speech on the First Five Year Plan in 1954 (Chen 1954c), his work focused on the nationalization of remaining private industry and commerce, extraction of resources in the countryside, and commercial policy. After the problems of the grain crisis of early 1955 and socialist transformation in early 1956, he began to champion the interests of the financial, commercial, and agricultural bureaucracies. Chen apparently began to identify with this group rather than with the planning-heavy industry group or the interests of the political system as a whole. At first his support for the ex-al group was limited. He was not trying to displace the dominance of heavy industry, but instead was trying to promote a larger role in economic administration for the ex-al coalition.

By January 1957, however, Chen was prepared to advocate a major overhaul of the system of economic planning and control. In other words, Chen shifted from being a policy generalist (or in Anthony Downs' terminology, a statesman) to being an advocate.¹⁵ It was therefore incumbent upon him to transform the ex-al group into a powerbase that would support his initiatives. Unfortunately for Chen, the tangible assets controlled by this group were not as powerful as those of the planning-heavy industry group (control over heavy industrial output) and the Party (promotion). Chen could promise a more efficient commercial network, better harvests, and more consumer goods, but these were not the most valued goals of the political system, which continued to insist on the building of a wealthy and powerful China. Despite this obstacle, Chen persisted in his efforts to restructure the decision-making system.

The available evidence indicates that Chen may have used all of the master strategies of political action discussed above. First, he attempted to consolidate his support in several of the organizations in the ex-al group. Second, he apparently took advantage of the shrinking of the arena of political conflict to attempt to manipulate the terms of debate on economic issues during the period of the Hundred Flowers Campaign in China. Third, he may have tried to link his economic reforms with the new definition of the political situation provided by Mao in his speech on handling contradictions among the people. Fourth, it is clear that he tried to reallocate power by changing the decision-making structure. Finally, he may have violated rules of the political game when he took advantage of Zou Enlai's absence during early 1957 to cut investment in the draft of the Second Five Year Plan.

¹⁵ Anthony Downs, *Inside Bureaucracy* (Boston: Little, Brown, and Co., 1967), chapter 9.

Chen as Advocate

In his attempt to restructure the Chinese economy in 1956 and 1957, Chen Yun did not act alone. The debate on restructuring the economic system started at the time of the Eighth Party Congress in September 1956. Although Mao Zedong gave only a brief speech at this Congress, and did not discuss economic issues,¹⁶ his views on such issues can be inferred from his other speeches in 1956 and, most importantly, from "On the Ten Major Relationships."¹⁷ Mao favored slightly more investment in light industry and agriculture, but heavy industry retained priority. He argued for more investment in coastal areas, but again, priority remained with the development of China's interior region. He favored more investment in construction and less for defense. He called for proper consideration of the interests of the state, the units of production, and the producers. He demanded that a certain amount of economic decentralization take place so that the initiative of the local levels could be brought into play more fully.

While these proposals seem quite "moderate," Mao retained his commitment to mobilization and high targets. By June 1956, the Politburo, meeting without Mao, decided that the High Tide of collectivization and socialization had caused many problems. The Politburo directed *Renmin ribao* (*People's Daily*, the Party newspaper) to write an editorial that would warn against the dangers of rashness, as well as repeat the more common refrain of opposing conservatism. When presented with the draft of the editorial, Mao responded angrily, claiming that he would not read such an editorial because of its criticism of rashness.¹⁸

There was, then, tension in Mao's views on the economy in 1956.¹⁹ He favored reformist policies on allocational issues, a mixture of

¹⁶ See *Eighth National Congress of the Communist Party of China (Documents)* [hereafter 8PC/D] (Beijing: Foreign Languages Press, 1981), pp. 3–8.

¹⁷ In *Selected Works of Mao Tsetung, Vol. V* [hereafter SW-V] (Beijing: Foreign Languages Press, 1977), pp. 284–307.

¹⁸ See Deng Liqun, *Xiang Chen Yun tongzhi xuexi zuo jingji gongzuo* [In doing economic work, learn from Comrade Chen Yun] (Sichuan: Zhonggong zhongyang dangxiao chubanshe, 1981), pp. 11–12; "The Confession of Wu Leng-hsi," *Chinese Law and Government*, Vol. II, No. 4 (Winter 1969–1970), p. 72; MacFarquhar, *supra* note 2, pp. 87–88; Frederick C. Teiwes, *Politics and Purges in China* (White Plains, N.Y.: M.E. Sharpe, Inc., 1979), pp. 215–216; and Parris H. Chang, *Power and Policy in China* (University Park: Pennsylvania State University Press, 1975), pp. 26–27.

¹⁹ On this point, see also Bachman, *supra* note 2, pp. 255–260, and Teiwes, *Leadership*, *supra* note 12, chapter 1.

incentives, and administrative decentralization. At the same time, however, he remained strongly committed to high targets and mobilization to achieve those targets. If, on the one hand, he supported a more balanced approach to development, his actions, on the other, belied such a commitment.

In contrast to Mao, the speeches by other leaders at the Eighth Party Congress were much more extensive and directly revealed points of disagreement between bureaucratic coalitions. Liu Shaoqi made a major report to the Congress on the work of the Central Committee.²⁰ Because this speech was a collective effort, it is unclear how many of Liu's personal views went into this speech (as opposed to the Politburo consensus).²¹ Nonetheless, certain personal nuances do emerge. For example, Liu failed to mention use of the "law of value" in his speech (the law of value in some interpretations justifies a more active use of price policy, incentives, and the market) whereas Zhou Enlai's report on the Second Five Year Plan did.²²

Liu's report does indeed reflect the various opinions of economic officials. His speech also included a number of Mao's Ten Major Relationships. Yet in contrast to Mao, who favored an increase in light industrial development in April 1956, Liu suggested no change in investment in this sector.

Liu stated that China would have to export consumer goods to pay for imports of industrial plants and equipment. The implication of this, given his view that the investment ratio between light and heavy industry should not change, was that material incentives might not be very effective as there would be few consumer goods available.

Liu tried to balance the need for Party control and greater initiative at lower levels. He called for Party committees to lead enterprises. He also favored strengthening local Party control over agriculture, but this was done so that household sideline activities might be protected. Throughout Liu's speech there was an attempt to balance conflicting economic claims. This was probably the result of consensual drafting of the speech, but it was also a reflection of the uncertainty with which Party leaders were approaching economic questions in the early fall of 1956. Liu's speech called for stability and reform, control and initiative, greater emphasis on expertise, and more Party control. In short, Liu's consensual, compromise views reflect lack of a clear direction on how to manage economic issues.

²⁰ Liu's speech is found in 8PC/D, pp. 11–115.

²¹ Teiwes, *Politics*, *supra* note 18, p. 227 and SW-V, *supra* note 17, pp. 312–323.

²² 8PC/D, pp. 323–324.

Zhou Enlai's report on the proposals for the Second Five Year Plan also reflected this lack of consensus.²³ In fact, Zhou seemed to carefully balance the position of the planners with that of the ex-al group. Often a paragraph supporting the planners would be immediately followed by another that echoed the ex-al position. But it seems that Zhou gave slightly more emphasis to the planning-heavy industry position. He hinted that there should be no increase in light industrial development. He also favored a much less extensive decentralization of administrative authority than Liu did and seemed less eager to support a greater role for Party committees in enterprise management.²⁴ The general thrust of Zhou's speech was that of incremental tinkering in the allocation of resources for the Second Five Year Plan (compared to the First Five Year Plan) and cautiousness about any reform of the system of economic management and administration. But other Party leaders were more direct in their suggestions for change.

We have already discussed in chapters 2 and 3 some of Chen Yun's ideas at the Eighth Party Congress (Chen 1956f). In addition to the proposals already discussed, Chen favored giving the former owners of private industry and commerce a major role in managing their now (effectively) state-owned enterprises. He called for utilizing many diverse means, and especially the market, to distribute commodities. The state's role in commerce should be narrowed, he argued. Chen advocated the breaking up of overly large enterprises formed by the blind amalgamation of individual handicraftsmen and traders. Perhaps most controversial of all was his call to unfreeze some prices and to allow them to fluctuate according to market demand.

Chen's proposals marked a departure from the Soviet model and from a mobilizational style of implementation. Moreover, the implications of Chen's remarks were far more radical than were his specific proposals, as we have seen in Chapter 3. But although Chen's views represented many of the positions associated with the ex-al group, he did not address allocational issues. These were discussed by two of his allies, Li Xiannian and Deng Zihui.

Li spoke to the Party Congress on price questions.²⁵ While favoring a number of proposals put forward by Chen Yun, Li backed away from

²³ 8PC/D, pp. 279–348.

²⁴ For further discussion, see Bachman, *supra* note 2, pp. 271–275. It should be noted that Deng Xiaoping also made a major speech to the Party Congress, but did not discuss economic issues.

²⁵ "Speech by Comrade Li Hsien-nien," in *Eighth National Congress of the Communist Party of China, Vol. II: Speeches* [hereafter 8PC/S] (Beijing: Foreign Languages Press, 1956), pp. 206–224.

unfreezing prices. Nonetheless, he favored using price increases and price differentials to promote production, particularly agricultural production.

Li noted that the proposed price changes would cause a loss in state revenue of 1 to 2 billion yuan. While this would ultimately serve to increase production (and hence revenues), the state would have to spend more money for the higher procurement prices immediately. Consequently,

a reduction in revenue would necessitate a *corresponding* reduction in expenditure. Under the *principle of balancing the budget*, there are few ways to get around this.... This will in various ways affect the relations between industry and agriculture, between heavy and light industry, and between the needs of national construction and the people's needs in the way of consumer goods.... The income of the peasants will be increased and their purchasing power raised.... Consequently, the share of total investments in light industry has to be raised and a suitable revision will have to be made in the proportion of investments in heavy industry and in other fields. Under the condition of ensuring a *fairly* high rate of industrial development, it is proper to make necessary changes in keeping with the changing situation [emphasis added].²⁶

Li Xiannian disagreed with Liu Shaoqi and Zhou Enlai on light industry. Li, with obvious concern for balancing the budget, was willing to see a slower rate of growth than others were. His price reforms were designed to provide further incentives for production, particularly in agriculture. While other leaders conceded the need for price reforms, no one (except possibly other members of the ex-al group) subscribed to the budgetary implications of such policies.

Deng Zihui, the head of the CCP's Rural Work Department, endorsed the views of Chen and Li and expanded upon certain aspects of their proposals.²⁷ First, Deng held that "agriculture is the basic factor for the growth of industry." If the CCP wanted industry to expand, agriculture had to grow. He did not shy away from saying how this was to be done. "We [the CCP] must resolutely stand for the fundamental interests of the peasantry and we must know how to meet the *immediate* demands of the peasants' *personal interests*" (emphasis added). In other words, he called for more and better incentives to increase production.

²⁶ 8PC/S, p. 220.

²⁷ 8PC/S, pp. 177-198.

Deng agreed that heavy industry should receive priority, but argued that this should not lead to the neglect of agriculture.

But the development of industry requires a *corresponding* development of agriculture. Should agricultural production fall behind the demands of industrial development, that is, should it fail to meet the requirements of a developing industry in respect to foodstuffs, raw materials, accumulation of funds and an expanding market for manufactures, then the result would be a slowdown in the pace of development, and possibly even give rise to a tension in the relations between the workers and the peasants. . . . Therefore, we must draw up a correct plan, *throw in the necessary investments* and make vigorous efforts to ensure that our relatively backward agriculture will *keep in step* with the development of industry [emphasis added].²⁸

In short, Chen, Li, and Deng favored more attention to agriculture and light industry, a role for the market, and enhanced price incentives. However, their views were contested by the top leaders of the planning-heavy industry group.

Li Fuchun, the Chairman of the State Planning Commission, upheld many of the fundamental tenets of the planning-heavy industry group in his speech.²⁹ He was forced to adopt a fairly self-critical tone in light of recent problems with the planning system, but he did not back away from promoting the interests of this group. In contrast to Chen Yun, who saw little need for planning in light industry, and Chen and Deng Zihui, who saw only a limited role for planning in the countryside, Li argued that the more sectors of the economy under planning, the better. One of his assumptions was that the higher the level of ownership (state control), the easier it was to plan. Again this ran counter to Chen Yun's assertion that it was useless to aggregate individuals into large enterprises so that planning could be carried out. Li did concede that the work of planning and directing agriculture and handicrafts had not been managed by the State Planning Commission (SPC), but by the State Council Staff Offices in charge of those areas.

Li revealed that there were many defects in planning work: the SPC had not grasped objective economic laws well enough and balancing work would have to be done better. But Li's remarks strongly suggested that he was talking solely about material balancing, not financial or other types of balancing. He stated that the SPC had been particularly deficient in addressing the problem of light industry and agriculture. Yet Li's

²⁸ 8PC/S, pp. 187-188.

²⁹ 8PC/S, pp. 288-303.

perception of the situation was that problems were not too serious. He believed that the CCP Central Committee and the State Council had issued directives that had *already* solved the difficulties caused by the upsurge of early 1956. Moreover, his commitment to balance and proportion was relative.

Proportions are governed by their own laws and must be planned in accordance with the specific conditions of our country. But proportions that have been laid down are *not rigid formulae*. . . [W]e must set about the work with a forward looking viewpoint and always bear future developments in mind. *Balance in economic life is relative*. When old imbalances are rectified, new ones emerge. . . . Our responsibility is to proceed from a forward looking viewpoint and take positive measures to continuously detect and eliminate weak links, rectify new imbalances, and thus ensure that the national economy as a whole will advance step by step towards a *new upsurge* [emphasis added].³⁰

Li concluded his remarks by presenting ideas on planning reform, observing that Chinese planners had not learned enough from the Soviet experience. He proposed a level-to-level system of planning. Under such a system, important national products would be planned by the center; important local products would be planned and balanced by the localities and reported to the center; and subsidiary local products would be left to the localities and the “primary units” to manage. In addition, targets in the state plan were to be divided into mandatory targets, targets subject to adjustment, and reference targets.

Li’s planning reforms continued the condition whereby top planning bodies ignored non-heavy industrial sectors of the economy. He was willing to allow price, tax, and commercial policies to control subsidiary production. Li gave lower levels somewhat greater planning responsibilities and essentially allowed non-key sectors to go their own way. In other words, he protected the planning and heavy industry group from claims upon its resources.

In his speech to the Congress, Bo Yibo, Chairman of the State Economic Commission (SEC), put forward several key ratios designed to ensure a smoother development of the national economy.³¹ He argued that not less than 20 percent of national income should be devoted to accumulation. State revenue was to be not less than 30 percent of national income. Finally, capital construction expenditures in the budget

³⁰ 8PC/S, pp. 298–299.

³¹ 8PC/S, pp. 45–62.

were to be not less than 40 percent of the entire budget. These percentages were higher than the average figures for the entire First Five Year Plan, but lower than the projected figures for 1956. Bo thus proposed a check on the pattern of mobilization advocated by Mao. But Bo's ratios also placed the budget in the service of investment. The budget was subordinated to the needs of construction, which, Bo made clear, would focus on industry. Moreover, he may have implied that the budget did not have to be balanced. In the second ratio above, state revenue is a percentage of national income, and in the third ratio, capital construction is a percentage of budgetary expenditure. There is no connection in Bo's ratios of budgetary income and outflow.

That Bo's real purpose was to defend the dominance of the planning-heavy industry group was revealed in several places in his speech. First, in discussing the correct ratio between accumulation and consumption in the national income, Bo noted that in the First Five Year Plan, peasant income per household was increasing 2.6 percent per year in real terms. On a per capita basis, this meant that peasant income was increasing at less than 1 percent per year. He seemed to imply that this rate of advance was satisfactory. Yet one cannot but wonder what sort of agricultural bottleneck would develop if this trend continued. Bo was more concerned that industrial construction was increasing at a rate of 43 percent per year and heavy industry at a rate of 51.5 percent per year.³² Elsewhere in his speech, Bo said: "Our state budget is based on the principle of taking from the people and spending on the people. If we lower the said level, there would be less taken from the people and consequently less spent on the people. In that case, the country's needs...will not be satisfied, and the people's...interests will also be impaired. Therefore...it is necessary to maintain this level."³³ This was certainly counter to what Li Xiannian said.

Bo emphasized the "looseness" of his percentages, noting that as the economy developed, they would change. Moreover, they might be appropriately changed depending on specific conditions, such as the weather. He noted, "In drawing up our annual or long-range plans for the development of the national economy, we *may* take these percentages for reference"³⁴ (emphasis added). In short, the balances Bo put forward remained flexible and not binding.

³² 8PC/S, p. 48.

³³ 8PC/S, pp. 56-57.

³⁴ 8PC/S, p. 61.

Finally, Bo closed with a criticism of the budget balancing of Li Xiannian: "It is clear that no problem can be solved with such a conservative attitude as neglecting the growth of production and opening up new financial resources while attempting to solve financial difficulties by *cutting indispensable construction funds* or retrenching on indispensable living expenses"³⁵ (emphasis added). Bo was repeating the argument made by Mao Zedong in 1942 aimed at budget balancers then, who may have included Chen Yun.

Bo Yibo was trying to guard the prerogatives of the planning-heavy industry group from a two-front attack. His general percentages were an attempt to prevent the sort of upsurges Mao and others favored that disrupted bureaucratic routines. At the same time, Bo was attempting to preempt plans by Li Xiannian, and later Chen Yun, to reduce expenditures and the scope of heavy industrial construction.

These speeches highlight many of the different views that appeared during the economic debates of 1956–1957 and provide the context within which Chen Yun and his allies operated as they attempted to restructure the Chinese economic system.

Chen Yun and his allies attempted to move away from the Soviet model throughout the period from October 1956 to October 1957. Their efforts received an immediate boost in October 1956, when *Caizheng* (Finance), the journal of the Ministry of Finance, was established. Prior to this major articles on finance only appeared in newspapers and journals not controlled by the Ministry of Finance. This new publication gave Chen an additional resource with which to disseminate his views and one that could help him consolidate his position within the Ministry. *Caizheng* would publish some of the most critical articles on the defects of the planning-heavy industry group.

The ex-al group was given a further boost by the continuing deterioration of the economy. As mentioned in Chapter 2, the "small leap forward" of late 1955 and early 1956 led to a serious budget deficit, inflation, a drastic fall in the quality and variety of goods produced, and other problems. These conditions were addressed at the Second Plenum of the Eighth Central Committee in November 1956. This plenum agreed on the need for economic retrenchment in 1957, and the figures for the budget and plan for 1957 adopted at this plenum guided economic activity through most of 1957. Chen made a report to the meeting on grain work and increasing the production of pork and edible oils. Five days after the plenum, the CCP Central Committee and the State Council issued a

³⁵ 8PC/S, p. 62.

directive on grain work, which no doubt reflected Chen's speech. This document repeated Chen Yun, Li Xiannian, and Deng Zihui's concerns for the peasants in its insistence on a decrease in both overall grain extraction and in the rations of urban residents. To Chen, Li, and Deng, unchanged continuation of peasant incentives was important enough to warrant saddling the CCP with the political costs of reducing urban food consumption.³⁶ Chen was also appointed Minister of Commerce at the plenum, a personnel decision that implied Central Committee authorization for him to put into practice the reforms he discussed at the Eighth Party Congress.

Chen immediately convened a discussion meeting of top commercial officials (Chen 1956g, 1956h) to push through his commercial reforms and consolidate his hold over this bureaucracy. Chen's reforms created opposition within the commercial system from those who were comfortable with the old procedures and practices.³⁷ The meeting Chen called was an attempt to diffuse the opposition and win over the staff of the Ministry.

Throughout late 1956 and early 1957, Chen frequently appeared with Mao Zedong. Some of these appearances were for reasons of protocol. Zhou Enlai was abroad, and Chen was acting premier. But there also seems to have been a significant amount of agreement between Chen and Mao on economic issues at this time. For example, Mao deferred to Chen's handling of the problems of former capitalists, and the thrust of Mao's remarks was in keeping with the views Chen advocated throughout 1956.³⁸ Chen and Mao also appeared together on January 18, 1957, when Chen gave his speech on the three balances (Chen 1957a). We shall see that Mao supported Chen at that time. Chen also appeared on the

³⁶ On the Second Plenum, see "Communique of the 2nd Plenary Session of the CCP 8th Central Committee," in *Documents of the Chinese Communist Party Central Committee, September 1956–April 1969*, Volume 1 (Hong Kong: Union Research Institute, 1971), pp. 105–107 [hereafter cited as *Documents*] and SW-V, pp. 332–349. On the targets of this plenum guiding economic activity in 1957, see "A Review of the 1956 Economic Plan and an Explanation of the Draft Plan for 1957," *Jihua jingji* [Planned economy], 1957, No. 4 in *Extracts of China Mainland Magazines* [hereafter ECMM], No. 90 (July 15, 1957), pp. 17–31; see p. 21 and "An Outline of a Speech by Li Xiannian at the National Conference of Finance Directors," *Caizheng* [Finance] 1957, No. 11 in ECMM, No. 117 (February 3, 1958), pp. 10–14; see p. 10. The directive is "Directive of the CCP Central Committee and the State Council on the Present Grain Work" (November 21, 1956), in *Documents*, pp. 437–440.

³⁷ Deng Liqun, *supra* note 18, p. 107. On bureaucratic restructuring provoking internal opposition generally, see Downs, *supra* note 15, pp. 165–166 and 208–210.

³⁸ See *Miscellany of Mao Tse-tung Thought*, Part 1 (Arlington: Joint Publications Research Service No. 61269-1, 1974), p. 36.

rostrum of the Supreme State Conference when Mao delivered his speech on contradictions among the people on February 27, 1957.³⁹ In his contacts with Mao during this period, Chen may have tried to link his economic reform proposals to Mao's ideas on the Hundred Flowers and in this way redefine the issues that structured the debate on economic policy during this period. Apparently there was more agreement between Mao and Chen during this period than there had been in months.

In January 1957, the drive to restructure the economic system began in earnest. The January 1957 issue of *Caizheng* carried an article that criticized the planners in a number of ways. The author (about whom no biographical information is available and who, it can be inferred from the tenor of his remarks, had high-level backing) stated that the financial problems in China in late 1956 and early 1957 were not the result of the failure of the revenue plan but of expenditure mistakes, implicitly the responsibilities of the planners and others. The author stated that 40 percent of budget expenditures for capital construction was too high (this 40 percent figure, it will be recalled, was what Bo Yibo had suggested at the Eighth Party Congress) and suggested the need for a more equal relationship between the plan and the budget. Plan targets should henceforth be based on unified financial activities of the state, as well as on material needs. The budget was also held to be an important tool in supervising *plan* completion. Financial supervision, this writer stated, was not a limit to, but a means to ensure, plan fulfillment.⁴⁰

On January 18, 1957, Chen Yun gave his speech on the three balances (finance, credit, and materials) (Chen 1957a),⁴¹ already discussed in detail in chapters 2 and 3. In addition, Chen noted the ratios that Bo Yibo had presented to the Party Congress and commented that, while Bo's intentions were laudable, his figures were a little off. As a better alternative for controlling the economy, Chen presented the three balances. He also insisted that solving the financial problems of 1957 would require cutting some capital construction projects. These would be major projects, not merely secondary projects. In stating this, Chen

³⁹ MacFarquhar, *supra* note 18, p. 241 and Kenneth G. Lieberthal, *A Research Guide to Central Party and Government Meetings in China, 1949–1975* (White Plains, N. Y.: International Arts and Sciences Press, 1976), pp. 92–93.

⁴⁰ Wang Ziyang, “Yijiuwuliunian guojia yusuan bianzao he zhixing zhong you xie shenma jingyan jiaoshun” [Some lessons and experiences in drawing up and implementing the national budget for 1956], *Caizheng*, 1957, No. 1 (January 1957), pp. 3–7.

⁴¹ Yang Xianzhen, “Shehuizhuyi jingji yao you duoyangxing, linghuoxing” [The socialist economy should be diversified and flexible], *Guangming ribao* [Illumination daily], May 23, 1980, p. 3 gives the precise date.

directly contradicted Bo's closing admonition to the Party Congress. Finally, as noted previously, Chen strongly criticized the SEC for drawing up a preliminary financial plan for 1958 that called for a significant increase in capital construction expenditures (on the order of 25 to 50 percent over 1957). The logic of this increase may have followed from Li Fuchun's call for a new upsurge in the economy at the Eighth Party Congress. Arguing that this range of increase was a terrible idea, Chen did all he could to stop it, attempting to reallocate power by changing institutional structures and procedures.

Mao Zedong seems to have sided with Chen at this time. Mao spoke to a meeting of provincial Party secretaries on January 18 (the same day as Chen) and on January 27. The latter speech dealt extensively with agricultural questions. Mao wanted more resources devoted to agriculture. He stated that "in a sense agriculture is industry. We should persuade the industrial departments to face the countryside and aid agriculture." Mao's proposals for aiding agriculture included utilizing the law of value and strict economic accounting to increase both accumulation in the collectives and the income of the peasants. In unofficial versions of this speech that circulated during the Cultural Revolution, Mao also called for raising the procurement price for grain.⁴² This proposal indicated that Mao was committed to price incentives to increase production at this time; and if the principle of a balanced budget was upheld, resources would have to be taken away from heavy industry.

In early 1957, Chen was successful in cutting targets for 1957 and 1958. As noted in Chapter 2, sometime in 1957, 10 billion yuan was cut from the draft proposals for the Second Five Year Plan, and the State Council passed the proposals for the plan when Chen was acting premier. This incident remains obscure, but it is possible that Chen violated the rules of the political game in an effort to cut capital construction. It is also clear that in the first three months of 1957, targets for construction and production for the remainder of 1957 were further reduced.⁴³ Even if

⁴² See SW-V, pp. 350–383 and *Miscellany*, *supra* note 38, pp. 46–62.

⁴³ On the cut in the five-year plan, see Xue Muqiao, "Guanyu yijiuwubanian—yijiuliunian guomin jingji jianshe de qingkuang he jingyan" [On the conditions and experiences of national economic construction from 1958 to 1966], *Jingji cankao ziliao-1* [Economic reference material] (Beijing: Beijing daxue jingjixi ziliaooshi, 1979), p. 3. Chen and Zhou were accused by Mao in 1958 of being behind this. See Bo Yibo, "Respect and Remembrance—Marking the 60th Anniversary of the Founding of the CCP," *Hongqi* [Red flag], 1981, No. 13, in *Foreign Broadcast Information Service, Daily Report, China* [hereafter FBIS], July 29, 1981, K26–K36; see K33. On further cutbacks in 1957, see Li Qian, "Genju guojia de caili, wuli toudan de anpai 1957 nian jiben jianshe jihua" [Appropriately arrange the capital construction plan for 1957 on the basis of the state's financial and

Chen did not violate rules of the political game, these cuts in investment may indicate Chen's privatization of conflict. Taking advantage of his temporary leadership of the state structure and possible alliance with Mao, Chen appears to have manipulated the decision-making system to serve his policy goals.

Throughout 1957, and even into 1958, Chen's three balances received support from units in and spokesmen of the ex-al group. The Ministry of Finance, in particular, strongly and repeatedly endorsed the three balances. Clearly, Chen's remarks had struck a responsive chord with this institution.⁴⁴ But, in what may have been a terribly unfortunate mistake, Chen failed to publicize his position adequately. Having won a temporary and partial victory, he did not consolidate these initial successes. He appeared only infrequently in public and may not have provided enough exposure for his ideas, denying people outside the ex-al opportunity to evaluate and be convinced of the soundness of the three balances.

Chen continued his assault on the planners at the Third Session of the Second Chinese People's Political Consultative Conference (Chen 1957b), arguing that construction projects should be arranged solely on the basis of the state's financial strength. Pessimistic about how long it would take to modernize China, Chen strongly implied that the supply of commodities would be tight for a long time. He had little to offer the populace in exchange for their sacrifices.

Chen made no more systematic expositions on China's economic conditions until September 1957. However, through more focused discussions at that time, he also attempted to promote his policy preferences. In talking about price increases, Chen told people not to worry because prices would go down after the market was given enough time to work (Chen 1957c). At the National Vegetable Conference, Chen

material strength], *Jihua jingji*, 1957, No. 3 (March 1957), pp. 4–5, 13.

⁴⁴ In addition to Li Xiannian's support, to be discussed below, other endorsements of Chen's views are found in Wang Wen, "Lixing zengchan jiyue chongfen fahui guojia caizheng de jian du zuoyong" [Carry out increasing production and practicing economy by thoroughly developing the state's financial supervision function], *Caizheng*, 1957, No. 3, pp. 1–3; Rong Zhihe [Vice-minister of Finance], "The Question of Equilibrium for the State Budget, State Credit Plan, and the Supply and Demand for Materials," in *Caizheng*, 1957, No. 6, in ECMM, No. 90 (July 15, 1957), pp. 11–14; *Caizheng* editorial, "Wei wanmande shixing 1957 nian guojia yusuan er nuli" [Strive to carry out completely the state budget for 1957], *Caizheng*, 1957, No. 7, pp. 14–15; and Ge Zhida, "Guanyu yusuan, xindai, wuzi de pingheng he xianghu jiehe wenti" [On the question of budget, credit, and material balances and their mutual integration], *Jingji yanjiu* [Economic research], 1958, No. 1 (January 17, 1958), pp. 8–17.

argued that the production and distribution of vegetables and other subsidiary products was no less important than industrial capital construction (1957d). While dealing with the specific problems of vegetable production and supply, he reinforced the point he made in January 1957 on meeting basic consumption needs first, the needs of current production second, and the needs of capital construction last.

Li Xiannian had not been idle either. He undoubtedly convened the National Finance Directors Conference in February–March 1957. This meeting devoted attention to the three balances and to using financial supervision to control economic activity. In a reversal of the standard formula, the leading financial cadres held that relying on balanced finances and bank loans would place the budget on a *sound* and *active* basis.⁴⁵

At the Fourth Session of the First National People's Congress (NPC), Li Xiannian gave a very long exegesis on the three balances. He argued that "in handling financial problems, not only must we consider revenue, but also the relationship between finance and economy." To any who misunderstood this point, he went on to explain that the economic problems of 1957 were much more severe than the 1956 budget deficit might lead one to believe. Li stated that China was a socialist country, with national planning. Consequently,

it is *possible* for us to pay attention to the connection between one year and another in a planned way, and to regulate the range of the year to year fluctuations, so as to avoid, as best we can, excessive fluctuations. . . . Had we been a bit more *conservative* last year and thus saved some raw materials and commodities, it would be helpful for working out the plan for 1957. . . . We should gradually expand our material reserves. . . . and thus ensure the *even, smooth* progress of our national construction, thereby further exploiting the superiority of a planned economy [emphasis added].⁴⁶

For Li Xiannian, the superior aspects of a planned economy appear to be quite different from those singled out by Li Fuchun and Bo Yibo at the Eighth Party Congress. Certainly evenness and smoothness were not major themes of their speeches. Li Xiannian's remarks strongly imply that he was holding the planners and Mao responsible for the economic mess created by the High Tide of 1956. While they could have avoided the dislocations of 1956, they did not, and they thereby complicated

⁴⁵ "Quanguo caizheng tingjuzhang huiyi" [National finance directors conference], *Xinhua banyuekan* [New China semimonthly], 1957, No. 8, pp. 98–99. Conventional practice was to place "active" first, and then "sound" or "reliable."

⁴⁶ Li Xiannian, "Financial Accounts for 1956 and the 1957 State Budget," *Current Background*, No. 464 (July 5, 1957), p. 11.

planning and budgeting in 1957. A better system was needed: the three balances.

Li spoke to another meeting of finance directors in early September 1957⁴⁷ and once again asserted the primacy of the three balances. Moreover, he went even further, arguing in favor of a balance between producer goods and consumer goods. He stated that because of a failure of consumer goods to meet market demands, currency was not being recovered fully by the treasury. This raised the specter of inflation, though he asserted that the supply of consumer goods in 1957 was better than in 1956. Thus, Li argued in September 1957 for a substantial increase in light industrial production.

Also in September, Chen Yun addressed the Third Plenum of the Eighth Central Committee on economic reform questions. While only a brief excerpt of his speech is available (Chen 1957f), the thrust of Chen's argument was that overall balance had to be strengthened by the decentralization measures then under consideration. Moreover, he made it clear that the reform (decentralization) of industry, commerce, and finance should be very gradual and controlled. As the Party's leading economic official, he was responsible for the drafting of the reform documents (Chen 1957g and h),⁴⁸ and they clearly reflected his biases. These documents were Chen's last major contributions to the policy debates of 1956–1957—he was about to be outflanked by the planners and the Party. By early 1958, Chen and Zhou Enlai were being criticized by Mao for their conservatism.⁴⁹

Predictably, Chen Yun and Li Xiannian were able to generate substantial support from within the ex-al group, and subsequent criticisms show that Zhou Enlai subscribed to some of their ideas. They were able to maintain and possibly even slightly expand their base of support, but they were unable to mobilize a decisive coalition to ensure that the three balances and other aspects of the ex-al program became entrenched policies. Chen did employ all of the macrostrategies of political maneuver discussed above, but ultimately he was defeated. Part of the reason for Chen's failure lies in the alternative programs presented by the planners and the social transformation group.

⁴⁷ "An Outline of a Speech . . .," *supra* note 36.

⁴⁸ Red Guards attribute the financial decentralization to Chen also. See *Shoudu hongweibing* [Capital Red Guard], January 25, 1967, in ZW, 1979, No. 2 (January 16, 1979), p. 25; ZW, 1979, No. 3 (February 1, 1979), p. 22 (reprint of a wall poster); and *Caimao zhanshi*, *supra* note 1.

⁴⁹ See Bo Yibo, *supra* note 43.

Chen's Adversaries

The leaders of the planning-heavy industry group began early 1957 in a very conciliatory mood, possibly because Mao Zedong sided with Chen Yun at that time. Nevertheless, differences between the planning group and the ex-al group emerged throughout the first half of 1957, and by the second half of 1957 the groups were at loggerheads.

When Bo Yibo spoke to the National Model Agricultural Workers Conference in late February 1957, he echoed Chen and Mao on the importance of agriculture in the entire economy.⁵⁰ He even came close to endorsing the three balances. Bo said that capital construction in 1957 had to proceed on the basis of the state's financial and material strength and that there had to be a balance of production materials, livelihood materials, finances, and foreign exchange. This was about as close as any member of the planning-heavy industry coalition would come in 1956-1957 to accepting the three balances.

Yet several phrases in Bo's speech suggested continued differences with Chen Yun and Li Xiannian. Bo denounced a one-sided financial and technical viewpoint in carrying out the then current campaign to increase production and practice economy. He attempted to show that the growth of income in the countryside was keeping pace with income growth in urban areas. Hence, Bo denied the need for a redistribution of budgetary expenditures and a cut in capital construction to aid the peasants.

Bo's terms of discourse were much more political than were Chen Yun's in his contemporaneous speech to the Chinese Political Consultative Conference (Chen 1957b), perhaps because Bo was talking to a more "politically conscious" audience than Chen, who was addressing a largely non-CCP group. Still, Bo argued that the campaign to increase production and practice economy was an effective measure taken by the working class to ensure the defeat of capitalism and that the campaign was a "form of a great rectification movement to oppose bureaucratism and subjectivism." In this regard, Bo was well ahead of most other members of the Politburo in calling for a rectification campaign and focusing on the bureaucracy as the primary target.⁵¹ Elsewhere in the speech, Bo often praised the CCP and Mao. Chen made minimal references to the Party.

At the National Planning Conference in February-March 1957 the planners hit upon what was to become one of the most distinctive features

⁵⁰ "Guowuyuan fuzongli Bo Yibo de baogao" [Report of vice-premier of the state council Bo Yibo], *Xinhua banyuekan*, 1957, No. 6, pp. 57-59.

⁵¹ See MacFarquhar, *supra* note 2, pp. 177-249 and Teiwes, *Politics, supra* note 18, pp. 116-152, for different views on Politburo attitudes towards rectification.

of the “Chinese model” of development. In order to overcome production and transportation bottlenecks, the Conference decided to increase investment in several small-scale or local industries. These were local collieries, small iron mines, and small blast furnaces.⁵² This policy had two major effects. First, it helped alleviate some production shortages. More importantly, the development of local industry increased local self-reliance, thus decreasing demands on heavy industrial plants to devote their production to local needs. In short, a policy of stressing local industry preserved heavy industry’s hegemony in economic affairs.

By May, Bo and Li Fuchun took their policies several steps further. After inspecting Xi’an, Chengdu, and Chongqing, Bo and Li presented a model of development that may sound familiar.⁵³ Bo argued that if surveying, designing, and processing work were done well, about 25 percent of total investment in capital construction could be saved. The key to “using less money to do more” was to grasp the rectification campaign and sum up experiences in capital construction. He stated that a number of deviations and mistakes had appeared in capital construction work. First among these was the feeling that the larger the enterprise, the better. He showed that provincial and county coal mines produced coal more cheaply than large, nationally controlled mines. Bo also argued that construction standards could be lowered without causing any harm, while simultaneously saving time and money. He then outlined ten measures to alleviate the problems in capital construction. These measures included lowering construction standards; self-reliance (*zili gengsheng*)—making in China all products that could possibly be made domestically; lowering the level of mechanization (this would make self-reliance more likely); combining big, medium, and small enterprises, taking medium and small as the most important; and handing these small enterprises over to the localities to manage. Several days later, Li Fuchun strongly endorsed Bo’s proposals and noted that China could supply 70–80 percent of the equipment necessary for mines and factories domestically.

⁵² “Disici quanguo sheng, qu, shi jihua huiyi guanche zengchan jieyue jingshen tuoshan anpai jinian de difang jihua” [The Fourth National Conference of Provincial, Regional, and Municipal Planners on using the spirit of increasing production and practicing economy to arrange properly this year’s local plans], *Xinhua banyuekan*, 1957, No. 8, p. 43.

⁵³ “Bo Yibo fuzongli tan zai jiben jianshe gongzuo zhong ruhe jinxing zhengfeng” [Vice-premier Bo Yibo talks about how to carry out rectification in capital construction work], *Xinhua banyuekan*, 1957, No. 11, pp. 90–91 and “Li Fuchun, Bo Yibo zai Chongqing tan guanche qinjian jianguo fangzhen zhong de wenti” [Li Fuchun and Bo Yibo in Chongqing discuss problems of carrying out the policy of building the country with diligence and thrift], *Xinhua banyuekan*, 1957, No. 12, pp. 104–105.

Thus, by May 1957, China's two top planners were calling for building many more medium and small enterprises, allowing the lower levels to run those enterprises, and self-reliance. Significantly, these were three of the fundamental economic policies of the Great Leap Forward. These rather innovative policies met two sets of concerns. One was that the localities were running short of energy resources, industrial raw materials, and heavy industrial products. Bo and Li designed measures to deal with this problem. Localities would be responsible for coping with these shortages by themselves, by developing local industries. The other concern was protecting the interests of the planning-heavy industry coalition. Their policies were designed to save money in capital construction. It would seem that both Bo and Li hoped to plough these savings back into new capital construction projects. Moreover local self-reliance would limit the demands placed on the heavy industrial sector to supply its products to the lower levels and non-industrial sectors. As an economic strategy, Bo and Li's plan was suited to China's needs and an interesting new departure; as a political strategy, it was brilliant. Their plan not only seemed to limit Chen Yun's attack on the planning system, it even increased the autonomy of the planning-heavy industry group.

Bo and Li kept the pressure up throughout mid-1957. At the National Design Conference in early June,⁵⁴ Li Fuchun argued that in the Second Five Year Plan, the cost of building a project of similar capacity would be 20–30 percent lower than it was in the First Five Year Plan, and for non-productive construction (housing, for example) the figure would be at least 30 percent. At the same conference, Bo stated that there were many conflicts between the center and the localities, and among the ministries themselves, often over trifles. He suggested that a specialized agency be set up, with a vice-premier in charge to handle these problems. No doubt Bo was nominating himself for the position.

In his report on planning work to the Fourth Session of the First NPC, Bo added an additional element to the plan he and Li Fuchun put forward in May 1957. Stating that the development of agriculture lagged far behind the needs of the people's livelihood and the needs of light industry, he called for the continued implementation of the Draft National Plan for Agriculture⁵⁵ and for "special care [to] be taken to develop the

⁵⁴ "Quanguo sheji huiyi" [National Design Conference], *Xinhua banyuekan*, 1957, No. 13, pp. 134–135 and "Comrade Li Fuchun's Report to the National Design Conference," *Jianshe yuekan* [Construction monthly], 1957, No. 8, translated in *Union Research Service*, Vol. 8, No. 25 (September 24, 1957), pp. 433–455.

⁵⁵ The Draft National Plan for Agriculture was a plan for increasing agricultural output largely through mass mobilization. References to the program were few and far between from September 1956 until the mid-summer of 1957. Bo's calls on behalf of the plan marks

chemical fertilizer industry” so that yields could be raised. Yet despite this pressing need for agricultural development, central investment in agriculture was cut by about 20 percent in 1957 when compared to 1956. Bo claimed that local investment would largely ensure that total agricultural funds would be stabilized.

He also stated that investment in light industry should be cut too. Even though social purchasing power still exceeded commodity sales by more than a billion yuan, and light industrial production was to grow by only 1.1 percent in 1957 (the figure for heavy industry was 8.8 percent), Bo felt that there was excessive capacity in light industry. The savings from these cuts in agriculture and light industry would be channeled into new investments in coal, electrical generating, metallurgical, chemical, and forestry projects.⁵⁶

Thus, by early July 1957, Bo had stated that the way to develop agriculture was through peasant mobilization and investment in the fertilizer industry (heavy industry). Added to the other elements presented in May, Bo and Li had now truly arrived at the key points of the economic policies associated with the Great Leap Forward. Moreover, they did this while successfully fighting a rear guard action against Chen Yun, Li Xiannian, and, at times, even Mao Zedong. Bo’s plan for 1957 directly contradicted Chen, Li, and Mao’s demands for more attention to investment in agriculture. It was also opposed to Chen and Li’s call for more light industry. Given the poor economic conditions of 1957, Bo and Li had more than held their own in defending the interests of the planning–heavy industry group. Theirs was a remarkable victory.

Bo did not rest on his success, however. At the National Planning Conference in July–August 1957, and in a speech to one thousand cadres in Tianjin on August 9, he kept the pressure on. Bo now argued that “the major contradiction [in the economy was] the development of consumer materials and production could not catch up with the needs of the development of producers’ materials and production.”⁵⁷ In particular, agriculture could not meet the needs of the overall economy. Nonetheless,

a major change in agricultural strategy. On the history and implications of this plan, see Chang, *supra* note 18, pp. 9–46.

⁵⁶ Bo Yibo, “Working of the National Economic Plan for 1956 and Draft National Economic Plan for 1957,” in *Current Background*, No. 465 (July 9, 1957), particularly pp. 10–13.

⁵⁷ “Bo Yibo xiang Tianjin ganbu baogao bianzhi 1958 nian jihua kongzhi shuzi wenti” [Bo Yibo reports to Tianjin cadres on problems of drawing up control figures for the 1958 plan], *Xinhua banyuekan*, 1957, No. 17, pp. 206–208 (quotation on p. 206) and “Quanguo jihua huiyi” [National planning conference], *Xinhua banyuekan*, 1957, No. 18, pp. 206–207.

he insisted that a cut in light industry was appropriate, and restated his program on how to develop agriculture. At this time, Bo called for the simultaneous development of industry and agriculture. Once again, he was among the first to adopt and promote this slogan.

The promised results of Bo and Li's policies were to increase production (more), increase quality and efficiency (better), and do more with less money (faster and more economical). In other words, by the mid-summer of 1957, Bo and Li were promising what the Great Leap Forward promised in 1958—"to go all out, aim high, and achieve more, faster, better and more economical results." While they did not use this slogan of "more, faster, better, more economical" these ideas were clearly at the heart of their program. Thus it was at the Third Plenum of the Eighth Central Committee in September–October 1957 that Mao Zedong, largely coopting Bo and Li's program for his own, *could* explicitly call for more, faster, better, more economical. Bo and Li had shown Mao how this was possible. Moreover, they did this in such a way that the interests of their basic constituencies, heavy industry and the planning apparatus, were largely insulated from at least the initial waves of the storm that was about to rage. Bo and Li presented a package of programs that appeared to meet the current problems facing China, were appealing to the Chinese Communist Party, and preserved the interests of their own political base. In addition, they did this while advocating policies that contradicted ideas put forward by Chen Yun, Li Xiannian, and Mao Zedong, to name just a few. This truly impressive feat of political leadership led to one of the greatest disasters in the history of the People's Republic. In presenting policies that responded to such conflicting pressures (current conditions, the CCP's prerogatives, and the interests of their own group), Bo and Li had hit upon a common denominator that satisfied the needs of both the planning–heavy industry group and the social transformation group. It was this alliance that created the Great Leap Forward and the subsequent catastrophe. There was nothing metaphysical about the policies of the Great Leap Forward. They were the result of the struggle between the ex-al group and the planning–heavy industry group to define the economic agenda in China. Unfortunately, Chen Yun and his allies lost and the planners won.

A third coalition, the social transformation group, largely made up of elements of the CCP, also played an important role in economic decision making. But 1956–1957 was an unusual period because the CCP and the social transformation group were almost totally caught up in the unfolding of the Hundred Flowers Campaign, Mao's attempt to introduce pluralist elements into the Chinese political system. Mao had to struggle mightily

to push through his ideas, and they provoked widespread opposition from within the CCP.⁵⁸

Mao was so busy with the Hundred Flowers that he said nothing on economic questions from March 1957 to October 1957 (with a short exception in July). In late February, he supported Chen Yun's position. By October, he supported the planners. But there are no data on Mao's relationship with the planners during this intervening period. He appears either to have been busy promoting the Hundred Flowers, participating in the Anti-Rightist Campaign that followed the criticisms of the Party unleashed by the Hundred Flowers, or in seclusion. In short, he was not a major player in the economic debate of 1957 until he decided to adopt the planners' program.

Evidence of Liu Shaoqi's activities in the economic realm is scarcer, and there are no data whatsoever about Deng Xiaoping's role in economic policy. Liu appeared to interpret Mao's speech on handling contradictions among the people to mean that the Party did not handle distribution very well. He perceived that the regime's failure to produce enough consumer goods, housing, and other desired goods was the reason for contradictions among the people.⁵⁹ If this position accurately reflects Liu's ideas in early 1957, it suggests that he may have favored Chen Yun's ideas. Further evidence that Liu was influenced by Chen comes from the former head of the Higher Party School. That leader, Yang Xianzhen, reveals that he met with Liu on May 7, 1957. Liu was strongly influenced by Chen's speeches to the Eighth Party Congress and on January 18, 1957 (Chen 1956f and 1957a), and he directed the head of the school to begin to have Chen's ideas studied and incorporated into the school's curriculum.⁶⁰ But the return to class struggle following the failure of the Hundred Flowers seems to have stopped these activities in the Higher Party School.

By November, when we next have evidence of Liu's activities, his views were identical to Mao's.⁶¹ If anything, Liu was even more

⁵⁸ This is MacFarquhar's major argument, *supra* note 2.

⁵⁹ A recent discussion of Liu's views on contradictions among the people in 1957 is found in *Jiefang ribao* [Liberation daily (published in Shanghai)] editorial department, "Zhengque chuli renmin neibu maodun de hao jiaocai" [Good teaching materials on how to handle contradictions among the people correctly], *Jiefang ribao*, May 12, 1980, pp. 1, 3. Red Guard accounts of this and other speeches of Liu's in 1957 are discussed in MacFarquhar, *supra* note 2, pp. 196–199 and Lowell Dittmer, *Liu Shao-ch'i and the Chinese Cultural Revolution* (Berkeley and Los Angeles: University of California Press, 1974), pp. 33–39. Teiwes, *Politics*, *supra* note 18 disagrees with MacFarquhar and Dittmer.

⁶⁰ Yang Xianzhen, *supra* note 41.

⁶¹ See *Collected Works of Liu Shao-ch'i, 1945–1957* (Hong Kong: Union Research Institute, 1969), pp. 445–458.

determined to develop China quickly than Mao was. (Liu explicitly called for higher rates of investment.) In short, political developments and Liu's organizational role (he spearheaded the counterattack on the Party's critics⁶²) in the second half of 1957 pushed him from support for Chen Yun's position to active support for the emerging synthesis of the views of the planning-heavy industry group and the social transformation group.

In the earlier discussion of political strategy, we mentioned that how an actor responded to the actions of opponents was an important element of that actor's political strategy. Yet it appears that Chen Yun did not respond at all to the actions of Li Fuchun and Bo Yibo; and the changed political environment and more successful advocacy on the part of the planners ultimately convinced the Party and its top leaders that Chen's line was not appropriate.

Chen Yun as Leader of a Bureaucratic Coalition: An Evaluation

In the previous two sections, we have tried to show how Chen Yun fared as a political actor, particularly as the leader of one of the five major bureaucratic groupings of the Chinese state, in one of the most decisive years in the history of the People's Republic of China. We have shown what Chen and his allies argued for, what they did, and how their opponents responded. In exploring Chen Yun's role, we have also been able to examine the origins of the Great Leap Forward in a new light. Policies central to the Great Leap emerged from the day-to-day concerns of top leaders with protecting and extending the interests of their bureaucratic coalitions. We have seen that many of the economic policies associated with the Leap were not the product of a radically inspired Mao Zedong, but instead the creations of China's two top planners.⁶³ Bo Yibo and Li Fuchun formulated an economic program that spoke to many of the needs of economy and society in 1957, that was to win the endorsement of top Party leaders, and that preserved and protected the prerogatives of the coalition Bo and Li led. As noted, this was a brilliant piece of leadership.

This analysis has demonstrated that the leadership of each coalition had a different style. Chen Yun and Li Xiannian must be seen as conservative leaders. While presenting new and almost revolutionary ideas on the way the Chinese economic system should be run, they were not particularly active in propagating their views. Chen in particular did not follow up on his January speech (Chen 1957a) and lobby for further support. It

⁶² MacFarquhar, *supra* note 2, part 4.

⁶³ This whole process is discussed in much greater detail in Bachman, *supra* note 2.

might be argued that there is insufficient evidence to support this conclusion.⁶⁴ But there is negative evidence to show that Chen was not an ardent advocate. While Red Guards criticize Chen for advocating the three balances in his January speech, there are no criticisms of Chen speaking on this subject on other occasions. Similarly, there are no other items in Chen's *Selected Works* for this period on the three balances. Since the three balances were very much in favor at the time this volume was compiled, why would additional comments on them be excluded? Nor is there any evidence that Chen carried out inspection trips around the country, trying to build support for his ideas. If he made trips, they were not publicized. Chen's failure to publicize his activities shows that he was not very ardent about promoting his ideas. Neither Chen nor Li was particularly comfortable in an "advocate" role. Chen and Li, apparently believing that their position was the only correct and defensible one, concluded that other leaders in the Chinese political system would share their views. Thus, their leadership style can only be called conservative or passive.

Bo Yibo and Li Fuchun demonstrated an antithetical style of leadership. Bo and Li Fuchun traveled around China trying to build support for their programs, using every possible opportunity to publicize their views. Moreover, they phrased their policies in terms that emphasized the political correctness of their position, thus appealing to the Chinese Communist Party as well as to the interests of their own group. In the end, the activist style of Bo and Li helped them win a truly impressive political victory.

Finally, Mao Zedong and Liu Shaoqi appear to have had an "Olympian" style of leadership in 1957, at least on economic issues. Both refrained from decisively expressing preferences. Both partially accepted Chen Yun's views in early 1957, but ended up strongly backing Bo Yibo in late 1957. Mao and Liu stood above the conflict between the ex-al group and the planning-heavy industry coalition until they felt that choices and policies had been sufficiently narrowed. When it seemed that the planning position was becoming increasingly powerful, Mao and Liu coopted that program and injected additional political elements. While not oblivious to the disagreements on economic issues in 1957, Mao and Liu basically stayed out of the arguments.

In the course of the debate in 1957, Chen Yun generated considerable support from his bureaucratic coalition. He also gained the

⁶⁴ Kenneth Lieberthal made this point in a personal communication.

interest of Mao Zedong and Liu Shaoqi. Moreover, Chen probably had the support of Zhou Enlai; both were criticized by Mao in early 1958 for being too conservative in 1957. But Chen's ideas failed to take root. Why?

Chen's deficiencies as a leader provide part of the reason. Another part of the explanation for Chen's failure is the strength of his opponents. It is easy to see why planners and heavy industry officials were opposed to Chen's political economy. If financial indicators were to be two of the three key planning variables in Chen's three balances, planning would be removed from the exclusive jurisdiction of planning bodies using material balances. And if the order of priority for the allocation of materials (the third of the three balances) was to be reversed—the needs of current consumption coming first, current production second, and capital construction third—more relative importance would accrue to light industry and agriculture and less investment would be allocated to heavy industry. Thus, the planners and heavy industrial officials perceived Chen's ideas to be a direct threat to their political, economic, and organizational interests.

However, it was not just the nature of Chen's leadership or the strength of his bureaucratic opposition that explained why his ideas were seldom implemented for very long (although the strength of heavy industrial interests in the Chinese political system should not be discounted). Given the constellation of views within the Chinese political system from 1956 to 1962, Chen's political economy contained fatal flaws.

According to Chen, agriculture supplied, directly or indirectly, a large portion of government revenues. Chen and others recognized, however, that agriculture could not grow quickly. Indeed, some thought that the modest average increase in agricultural production of slightly more than 4 percent per year in the First Five Year Plan could not be duplicated in the Second Five Year Plan.⁶⁵ In Chen's view, a lower rate of agricultural growth meant a declining rate of increase in government receipts, and hence, expenditures. It also meant that living standards could not increase quickly either. Chen believed in the efficacy of material incentives; but he felt that these incentives could motivate only if there were goods available to exchange for bonuses, increased wages, and increased purchase prices for crops. Therefore, material production of consumer

⁶⁵ Edgar Faure, *The Serpent and the Tortoise* (New York: St. Martin's Press, 1958), pp. 181–183. Faure states that the rate of growth of production (of consumer goods and agriculture) and the standard of living was slowing down. "This has been confirmed to me by the Minister of Agriculture [Liao Luyan, an ally of Chen Yun's]." See p. 183. Faure was in China, speaking with the highest-level leaders in April–May 1957. See also Xue Muqiao, *supra* note 43.

goods had to approximate social purchasing power. But once again, since agriculture could only increase output minimally, living standards could rise only slowly. Thus material incentives could not be used to greatest effect because the goods to back them up were in short supply.

Chen's views imply that China faced an equilibrium trap in the late 1950s.⁶⁶ His ideas required plentiful consumer goods to serve as incentives for peasants and workers to increase production. But agricultural surplus was insufficient to produce enough consumer goods to provide adequate incentives. Additionally, agricultural growth required industrial inputs that the industrial sector could not provide. Chen's views implied a cycle of slow growth that would be very hard to break.

If Chen did not explicitly state this, or mean this, it was likely that his bureaucratic opponents portrayed Chen's ideas in these terms. Chen's emphasis on overall balance and dovetailing of yearly plans also suggests that he may have lacked a clear idea of just how to escape this trap. Coupled with the strength of his bureaucratic opponents and his own failings as a policy advocate, this lack of a vision on how to escape the equilibrium trap may be critical to understanding Chen's various rises and falls from power. When implemented, his ideas could bring balance out of imbalance, order out of chaos; yet they contained little that was positive and compelling. They did not tap the deep desire of the Chinese people for rapid development. Nor was it likely that Chen's ideas appealed to the Chinese Communist Party, which had concluded in September 1956 that the contradiction between a backward economy and an advanced superstructure was the principal contradiction in Chinese society.⁶⁷

Chen provided no vision of how this contradiction could be resolved quickly. Nothing in his ideas could seize the minds or mobilize the enthusiasm of either the Party or the people. The heavy industrial and planning interests undoubtedly pointed this out. Moreover, it was less than clear that top Party leaders found Chen's ideas any more palatable. Under Chen's scheme, China's emergence as a powerful socialist state would be postponed indefinitely. Could the state or the leadership afford to wait? Would the economy functioning under Chen's guidelines produce enough benefits to ameliorate the contradictions sure to arise in the course of economic development and the consolidation of Party rule? Party leaders probably decided that Chen's program would not satisfy the

⁶⁶ On the "high level equilibrium trap" in late imperial China, see Mark Elvin, *The Pattern of the Chinese Past* (Stanford: Stanford University Press, 1973), especially pp. 298–316.

⁶⁷ "Resolution of the Eighth Party Congress of the Communist party of China," in 8PC/D, pp. 117–139. See pp. 120–121.

rising expectations of the populace. Instead, the leadership seemed convinced that only imbalance and a Great Leap Forward could possibly do so.

Chen as Troubleshooter

Being the leader of a bureaucratic group was only one of Chen's roles. He proved to be superbly adept as a "troubleshooter" in the early 1950s, 1957, 1959, and 1961–1962. As we noted in Chapter 2, in the early 1950s, Chen was responsible for ending hyperinflation in China, restoring order to markets, and laying the foundations for economic recovery. Under his stewardship, the Chinese economy reached and exceeded most prewar production records. Chen also played a major troubleshooting role in 1957, as Chinese leaders attempted to cool down the overheated economy of 1956 (Chen 1957a); in early to mid-1959, as Chen was called on to bring steel production planning and capital construction work back to reality (Chen 1959b, c, d, e); and from late 1960 to early 1962, when Chen was at the forefront of efforts to design policies that would mitigate, and ultimately reverse, the disastrous consequences of the Great Leap (Chen 1961f, g, h, k, l, m; 1962b, c). In addition, Chen was also closely involved in efforts to make handicrafts and joint public-private enterprises more efficient and productive (Chen 1955d; 1956a, b, c, d, e, and f), and he was made Minister of Commerce in November 1956 in an attempt to improve the functioning of that bureaucracy (Chen 1956f, g, h). He also played a troubleshooting role in the late 1970s, readjusting the Chinese economy (Chen 1979c, d, e; 1980c).

We have already discussed Chen's January 1957 speech (Chen 1957a). While the long-term guidelines Chen proposed were never implemented, particularly the three balances, several of the remedial policies he proposed were immediately accepted. Thus, measures to balance the budget, control loans, and limit inflation were implemented. Before the beginnings of the Great Leap Forward in late summer–early fall 1957, financial conditions had been restored, and by the summer of 1957, the economy was roughly in balance.⁶⁸ During the initial retreat from the Great Leap Forward in the first half of 1959, Chen was called on to help restore a modicum of control over economic activities. Installed as Chairman of the State Capital Construction Commission in late 1958, Chen, in a lengthy article in the Party theoretical journal *Hongqi*, called for a strict

⁶⁸ The improved conditions are discussed in Li Xiannian, "Final Accounts...", *supra* note 46, pp. 12–21 and Li Xiannian, "The Implementation of the State Budget for 1957 and the Draft State Budget for 1958," *Current Background*, No. 493 (February 17, 1958), pp. 1–6.

recentralization of capital construction activity (Chen 1959b).

Later in the spring of 1959, the Party Secretariat, headed by Deng Xiaoping, directed Chen to arrive at a more realistic production plan for perhaps the most politically sensitive industrial sector during the Great Leap: steel. Mao Zedong was closely involved in the surge of steel production in 1958. But by late spring of 1959, it was clear to Mao and other Chinese leaders that steel targets had to be lowered. Chen was made head of a committee, which included leading planners and heavy industrial officials, that was to take charge of this. Chen advocated a significant reduction in steel production plans, and appeared to have created a bureaucratic consensus about those targets (Chen 1959d, e). Whether Chen's views would have carried the day became a moot point after the Lushan meetings of July and August 1959. There, Peng Dehuai, the Minister of National Defense, challenged the Great Leap. Although Peng publicly held Mao personally accountable, whereas Chen did not, Peng's ideas were similar to Chen's.⁶⁹ As is well known, Mao rebutted Peng and the Great Leap was reintensified. Chen was not at the center of the decision-making system from June 1959 until late 1960 or early 1961.

Chen returned with a vengeance in early 1961. From the spring of 1961 to the end of that year, he chaired a number of ad hoc committees established to deal with the worst problems caused by the Great Leap Forward. In May he formulated a plan to develop China's fertilizer industry (Chen 1961f). Mass mobilization and small-scale fertilizer plants had proven unsuccessful in developing agricultural production in the Leap; technical measures and large plants were now necessary. Chemical fertilizers were the centerpiece of these technical inputs. Yet Chen was aware that it would take years before new fertilizer plants would begin production. In the meantime, extraordinary measures had to be taken to deal with the situation.

In a second meeting in May 1961, Chen outlined measures that would enable China to pay for grain imports (Chen 1961g), necessary to lessen the impact of the famine. But grain imports alone were not a sufficient response to the famine. In another meeting in May, this time a Party Central Work Conference, Chen argued for the forced return to the countryside of most of the 20 million urban residents who had migrated to the cities during the Leap. This population shift would decrease the amount of grain that would have to be extracted from the countryside to feed the cities and would enable grain imports to be stretched further

⁶⁹ Compare *Peng Dehuai zishu* [Peng Dehuai's account] (Beijing: Renmin chubanshe, 1981), pp. 265–287 and Chen 1959b, c, d, e.

(Chen 1961h).

In October 1961, Chen chaired a meeting on coal work. At that time, coal was China's only major energy source, and production was falling dramatically. Deng Liqun stated that before Chen took charge of this area, two other senior leaders (who we speculated in Chapter 2 were Li Fuchun and Bo Yibo) had tried to deal with problems in the coal industry, but failed to achieve satisfactory results.⁷⁰ Chen stabilized the situation (Chen 1961o).

Finally, Xue Muqiao stated that Chen convened a conference on steel production that lasted a month.⁷¹ While no text of Chen's speech(es) to this meeting is available, it is known that steel targets were greatly reduced and that backyard steel furnaces were shut down around the time Xue said this meeting took place.⁷²

Thus, in 1961, Chen was in the forefront of efforts to restore conditions in most of the crucial economic problem areas. His problem-solving activities spanned such diverse sectors as fertilizer, foreign trade, grain distribution, coal, and steel. In short, Chen Yun was a leading, and probably *the* leading, economic troubleshooter in 1961.

It is likely that Chen's success as a problem solver kept his ideas on political economy alive. After Chen helped to revise steel targets in 1959, Mao Zedong on the eve of the Lushan Conference conceded the correctness of Chen's ideas. Acknowledging that many disagreed with the views put forward by Chen in 1957 on first arranging for consumption and then allocating materials for investment, Mao said these people were wrong and Chen was correct. In the same paragraph, Mao first suggested that the order of priority for economic development should be changed from heavy industry, light industry, agriculture to agriculture, light industry, heavy industry. In another instruction issued at the same time, and once again reflecting agreement with Chen's views, Mao said, "In the entire economy, comprehensive balance is a basic problem. Only when we have comprehensive balance can we have the mass line."⁷³ In June–July 1959, Mao had come to accept the basic tenets of Chen's political economy.

⁷⁰ Deng Liqun, *supra* note 18, p. 118.

⁷¹ Xue, *supra* note 43, p. 10.

⁷² See Carl Riskin, "China's Rural Industries: Self-Reliant Systems or Independent Kingdoms?" *China Quarterly*, No. 73 (March 1978), pp. 77–98, especially 78–83 and M. Gardner Clark, *Development of China's Steel Industry and Soviet Technical Aid* (Ithaca: Cornell University Press, 1973), chapters VII and VIII.

⁷³ *Mao Zedong sixiang wansui!* [Long live the thought of Mao Zedong] (n.p.: 1967), pp. 63–64.

But Mao's conversion to Chen's ideas must have caused the Chairman a great deal of psychic distress. Clearly, when Peng Dehuai challenged Mao,⁷⁴ Mao reverted to a more mobilizational, utopian model of economic development. A revival of the fortunes of the ex-al group at this time was therefore premature.

In early 1962, after Chen had carried out so many crucial missions to help restore the collapsing economy, he reasserted many of the ideas he first put forward in 1957 (Chen 1962b and c). His views were received much more warmly by top Party leaders in 1962 than they had been in 1957. But as we have seen, Chen's physical and political health failed. While the ideas associated with the ex-al group received a better hearing until 1966, this was not due to Chen's leadership or activities. And despite the best efforts of Chen's allies, the alliance between the planning-heavy industry group and the Party reappeared, albeit in different forms, from 1966 to 1978. Once again, Chen's ideas were discarded.

Chen and the Leadership

An additional element of a leader's effectiveness in China, where personal relationships are critical to getting along and ahead, are the leader's contacts with his cohorts. Unfortunately, the evidence to assess Chen's relations with his Politburo Standing Committee colleagues is neither very reliable nor very extensive.⁷⁵ Chen was the fifth-ranking member of the Party from 1954 to 1962 or so. His colleagues at the pinnacle of the Chinese political system were Mao Zedong, Liu Shaoqi, Zhu De, Zhou Enlai, Deng Xiaoping, and Lin Biao (after 1958). There are no data from which to analyze Chen's relations with Zhu De and only indirect data on Lin Biao. Chen and Lin had worked together closely in the military campaigns in Manchuria during the Chinese Civil War. Whether there was a warm and friendly relationship is not clear. Moreover, each man worked in a different functional area; and given the crisis of the early 1960s, there seems to have been little interaction between the two prior to Chen's semiretirement in late 1962. Finally, like Chen, Lin was frequently ill. As noted in Chapter 2, Lin is reported to have exiled Chen to South China in 1969, but whether this was due to poor personal contacts stemming from the late 1950s and early 1960s or the radicalism

⁷⁴ Again, see Peng, *supra* note 69.

⁷⁵ Deng Liqun, *supra* note 18, pp. 1-17 discusses Chen's relations with Mao, Liu Shaoqi, Zhou Enlai, and Deng Xiaoping. Deng Liqun's account is not objective, and there are big chronological gaps in his discussion.

of the Cultural Revolution is not clear.

Chen's relationships with Mao and Liu were complicated. We have seen that on several occasions Mao and Chen reached similar conclusions on economic questions. But on other occasions, such as late 1957, August 1959, and September 1962, they drew diametrically opposed conclusions. The two had worked closely together since the late 1930s, when Chen apparently created a reservoir of good will with the Chairman. Mao probably looked favorably on Chen's ability to work hard and tackle crucial problems and his never blaming Mao for economic problems and (apparently) not criticizing Mao (when the Chairman was alive). Chen and Mao's parting of the ways in 1962 was not irrevocable (Chen was rehabilitated in the early 1970s) and not terribly acrimonious. Conceivably, Mao wished that other members of the Politburo would be as deferential to him as Chen was.

Information on the nature of the relationship between Chen and Liu Shaoqi in the 1950s is surprisingly sparse. Part of the reason for this may be Liu's apparent lack of activity in economic affairs in the early and mid-1950s. One source suggests that Liu did not seriously begin to focus on economic questions until late 1959.⁷⁶ But after Mao retired to the "second line" in 1959, Liu was responsible for running the country. In the crisis that followed the Great Leap, he quickly turned to Chen to help restore the economy and encouraged Chen to make a comprehensive assessment of economic conditions at a Politburo meeting in February 1962. After the Leap, Chen and Liu appear to have had a good working relationship, but seem to have lacked a close personal relationship.

Of Chen's contacts with his senior colleagues, his relationship with Zhou Enlai was probably the best. They had worked closely together since 1949, with Zhou allowing Chen extensive freedom of action on economic questions. Zhou was a more able politician than Chen; since Zhou often felt it necessary to make strategic compromises, his views were not identical to Chen's. But the evidence does suggest that Chen influenced Zhou's economic ideas rather strongly. Moreover, Zhou tried to protect Chen during the Cultural Revolution (Chen 1979a, p. 47) and Chen was part of Zhou's "kitchen cabinet" in the early 1970s.⁷⁷ Thus, Chen and Zhou worked closely for long periods of time. Whether the two were close personal friends cannot be determined, but it appears likely.

⁷⁶ Xue Muqiao, quoted in Roderick MacFarquhar, *The Origins of the Cultural Revolution 2: The Great Leap Forward, 1958-1960* (New York: Columbia University Press, 1983), p. 295.

⁷⁷ See Carol Lee Hamrin, "Competing 'Policy Packages' in Post-Mao China," *Asian Survey*, Vol. XXIV, No. 5 (May 1984), pp. 487-518. See pp. 504-505, n. 33.

Chen's relationship with Deng Xiaoping also appears to have been fairly good. Deng was briefly Chen's subordinate, when Deng was Minister of Finance from late 1953 to mid-1954, and they seemed to have worked well together. After Deng became General Secretary of the Party, their interactions are less clear. Deng shared the utopian enthusiasm for the Leap, but sided with Chen during the rehabilitation period of the early 1960s. But Chen apparently was not one of Deng's close advisors in the mid-1970s, when Deng supervised three major documents on overhauling the Party, industry, and science and technology. The two have shared many of the same opinions on policy developments in the post-Mao era, as discussed in Chapter 2, and they have also disagreed. All in all, Chen and Deng seem to maintain mutual respect and general support for each other, although the relationship does not appear to be particularly close.

Much of the above analysis on Chen's relationship with Politburo Standing Committee members is informed speculation. Because Chen did not live at Zhongnanhai, the usual residence for Chinese leaders, his contacts with other leaders was less frequent and less intense than were contacts between those who did live there. Moreover, Chen's career and leadership style seem task oriented, as opposed to people oriented. Chen would engage in thorough investigation and hard work in trying to solve problems, but he seems a retiring, shy person. This has led one noted scholar to call Chen the least assertive of China's major leaders.⁷⁸ Chen appears to have good working relationships with his colleagues, but with the exception of his contacts with Zhou, none of these provided Chen with a sure political ally or source of additional strength to add to his political resources.

An informant suggests a slightly different picture of Chen's relationship with other members of the Politburo Standing Committee. He is portrayed as having been forthright in speaking his mind when he disagreed with his colleagues, but if his views did not prevail, Chen did not attempt to mobilize forces to resist or reconsider policy decisions. As such, Chen is seen as a model follower of the principles of democratic centralism—modest in his activities, speaking his views freely behind closed doors, obeying Party decisions with which he did not agree, and not carrying out illegitimate activities to reverse Party decisions.

⁷⁸ MacFarquhar, *supra* note 76, p. 163.

Chen Yun's Rules of Political Action

We will conclude this chapter on Chen's role as a leader in the Chinese political system by deriving what appear to be the hallmarks of Chen's political style. We lack the data to attempt a more psychological interpretation of Chen's career and his interpersonal relationships. Nonetheless, the following rules may be the stepping stones for others to attempt such an exercise. The list that follows may not be complete, and the ordering of points does not necessarily reflect their relative importance or hierarchy.

1. Do not argue with Mao. Try to win him over behind the scenes and defer to his wishes once he has made up his mind. Retire from political activity rather than be forced into a situation where conflict with the Chairman is inevitable.

2. Appear in public as infrequently as possible. Avoid meeting foreigners, especially Westerners.

3. Exert influence behind closed doors. Do not make critical remarks in public; save them for small, closed-door meetings. Try not to confront opponents directly.

4. Work quietly and effectively behind the scenes. Try to transform individual competence into an acknowledgment by peers of expertise and acceptance of preferred policies. In other words, use expertise and competence in economic issues to carve out a sphere of decisional autonomy or expanded influence on economic questions.

5. Because politics is a rational process, use logical arguments to persuade people to support policies. Provide a moral example and demonstrate individual rectitude.

Chen's political personality is nicely summed up by a report from a Hong Kong magazine.

Deng Xiaoping had recommended Chen Yun to be state chairman. However, Chen Yun "declined." Chen Yun is very old and is physically weak. He should not overwork. It seems that Chen Yun will not become state chairman.

In my opinion, judging from Chen Yun's character, he will not take up this post. Chen Yun is a person who likes to immerse himself in hard work and does not like to expose himself in public; neither will he enjoy playing a role that has nothing to do with concrete matters relating to work.⁷⁹

⁷⁹ Luo Bing, "New Cabinet Supports Deng as State Chairman," *Zhengming* [Contend], 1982, No. 6, in JPRS, No. 81260, Political, Sociological and Military Affairs, No. 317, January 13, 1982, pp. 59-65. See p. 63.

Thus, Red Guards and Hong Kong observers alike recognize the same basic elements of Chen's political character: his penchant for steady hard work behind the scenes and his dislike of appearing in public.

V

Chen Yun, Deng Xiaoping, and Zhao Ziyang on China's Economic Future

Chinese politics, which are extremely complex, demand...deepest attention.¹

Since the Third Plenary Session of the Eleventh Central Committee of the Chinese Communist Party (CCP) in December 1978, Chen Yun has been one of the leaders—along with Deng Xiaoping and Zhao Ziyang—most responsible for the formulation of economic policy in the People's Republic of China (PRC). After being China's leading economic policy maker throughout most of the 1950s and the early 1960s, Chen was out of political favor until this Third Plenum. At that conclave he was made a member of the Standing Committee of the CCP Politburo, a vice-premier of the State Council, and head of the Finance and Economy Commission of the State Council. Chen's views of how to run the economy in the late 1970s and early 1980s were remarkably consistent with his ideas on how to manage economic affairs in the mid-1950s.² At the same conclave Deng, who had usually held generalist positions that included overseeing economic affairs, consolidated his position as China's most powerful politician.³ In the years following the plenum Zhao, who

¹ *Selected Works of Mao Tse-tung, Volume II* (Beijing: Foreign Languages Press, 1967), p. 464.

² A full political biography of Chen Yun is found in the first two chapters of this monograph.

³ Biographic information on Deng Xiaoping can be found in Donald W. Klein and Anne B. Clark, *Biographic Dictionary of Chinese Communism, 1921-1965* (Cambridge: Harvard University Press, 1971) and Wolfgang Bartke, *Who's Who in the People's Republic of China* (Armonk, N. Y.: M. E. Sharpe, Inc., 1981). Deng's role in Chinese politics in the 1950s is discussed in Roderick MacFarquhar, *The Origins of the Cultural Revolution, 1: Contradictions among the People, 1956-1957* (New York: Columbia University Press, 1974) and idem, *The Origins of the Cultural Revolution, 2: The Great Leap Forward, 1958-1960* (New York: Columbia University Press, 1983).

had had a long career as a provincial official, particularly in Guangdong province, and had spent much of that time involved in economic, particularly agricultural, affairs, was named to the Politburo Standing Committee (February 1980) and later elevated to the post of Premier of the State Council.⁴ These three major figures have held differing views on the nature of economic policy and on desirable economic changes in China.

In trying to examine these views we confront a number of methodological problems. First is the data on which this analysis is based. The material on Chen Yun comes largely from the two-volume set of internal study materials issued in China and released in the West by Taiwan sources. We have attempted to assess the veracity of the Taiwan edition and are fairly confident that it is a copy of the Chinese original.⁵ This volume is designed for cadre study and putting across the "correct" message. Articles have no doubt been edited so that a more unified picture of elite ideas comes across than was in fact the case.

Related to the question of the reliability of this volume is the question of what the leaders have chosen to include and what they have decided not to include. (The same question applies to the major source used to develop Deng's views, his selected writings.) Obviously, we do not have a complete record of what these leaders said. Can we assume that what has been made available is the most representative?

A second problem concerns the role of these three officials. Chen, Deng, and Zhao did not enjoy the luxury of sitting down and trying to describe or develop an optimal economic system for China. All are top leaders responding to changing, and sometimes difficult, economic conditions. Often they had little choice but to deal directly with the pressure of events. In other words, they often lacked the initiative, and may consequently not have put forward their most ambitious ideas. Furthermore, Chen, Deng, and Zhao are politicians. The positions they took were affected by the activities of other leaders and their perception of how key elements of the Chinese polity would respond to their words. They may have deliberately compromised to win political support, or

⁴ On Zhao, see Klein and Clark, and Bartke, *supra* note 3 and David L. Shambaugh, *The Making of a Premier: Zhao Ziyang's Provincial Career* (Boulder: Westview Press, 1984).

⁵ The volume is entitled *San zhong quanhui yilai zhongyao wenxian xuanbian* [Selected important documents since the Third Plenum (hereafter *San zhong*)] (Changchun: Renmin chubanshe, 1982), reprinted in Taiwan by Zhonggong yanjiu zazhi chubanshe in 1983. The CCP theoretical journal *Hongqi* [Red flag] ran a series of articles on this book in 1983. See 1983, No. 3, pp. 39-44; No. 4, pp. 41-47; No. 5, pp. 40-45; No. 6, pp. 41-48; and No. 7, pp. 42-46.

fudged an issue in an effort not to antagonize an important sector of the political system. In short, their roles as Chinese politicians meant that Chen et al. may not have spoken completely freely or openly about what they truly felt should be done.

Another problem is that a number of the speeches used as data here were made at formal meetings. This is particularly the case with Zhao Ziyang and his reports on the work of the government to the National People's Congress. Such reports are routinely discussed and cleared by the Politburo. Zhao and his speechwriters no doubt play the major role in formulating these documents, but it would be a mistake to say that every word in Zhao's reports reflects views he favors.

The final problem we confront is that some of the views of these leaders change over time. Which statements reflect the true aspirations of that leader? How can we determine his vision of the post-Mao future when his ideas seem to change substantially?

We have tried to compensate for some of these problems as best we could, but nothing offered here is beyond reproach. With these warnings in mind, let us turn to the ideas of Chen Yun, Deng Xiaoping, and Zhao Ziyang.

Chen Yun

Of the three leaders under consideration, by far the least amount of material is from Chen Yun. From early 1979 to late 1982, there are only eight items on economic affairs by Chen, none longer than six pages (Chen 1979b,c,d, 1980c, 1981d, 1982a, 1982l). A major reason for this relative lack of material by Chen is his reported poor health.⁶ Another is political style—Chen prefers to work quietly behind the scenes and rarely appears in public. Despite this relative lack of data, what information is available suggests a remarkable degree of continuity between Chen's ideas on how to run the economy in the 1950s and 1960s and his views on the economy today.⁷

⁶ Chen's poor health is suggested in a number of places. Chen himself said that his health was not up to allowing him to head the Finance and Economy Commission. See *San zhong*, p. 79. Fox Butterfield's informants told him that Chen spends much of his time in hospitals. See Fox Butterfield, *China: Alive in the Bitter Sea* (New York: Times Books, 1982), p. 219. A Democracy Wall source states that Chen's doctor told him to speak at meetings for no more than half an hour. See James D. Seymour, ed., *The Fifth Modernization* (Stanfordville: Human Rights Publishing Group, 1980), p. 191.

⁷ The Chinese themselves have made this point by publishing two volumes of internal materials on Chen's economic speeches from the 1950s. See *Chen Yun tongzhi wengao xuanbian (1956–1962)* [Selected manuscripts of Comrade Chen Yun] (Sichuan: Renmin chubanshe, 1981); and *Chen Yun wengao xuanbian (1949–1956)* [Selected manuscripts of Chen

Perhaps foremost among Chen's concerns was combining planning with market adjustment. While he has been vague on just how large a role the market should play (as are all other Chinese leaders), he has upheld the indispensability of supply and demand in determining the production of many goods. While the planned sector of the economy was primary, the market sector was also essential. Chen's conception of the market seemed to imply a market that Western economists might understand (it would be "blind" and "anarchistic" and reflect the "law of value" [commodities are exchanged at equal values]). In 1979, the problem was that planning was overly rigid and excessive. Chen concluded an outline for a major speech on the plan and the market by saying, "It is not necessarily the case [that as socialism is developed] the planned economy will become larger and larger, and market adjustment will be reduced. Perhaps it is market adjustment that will increase" (Chen 1979b).

By late 1981 and 1982, Chen devoted more attention to the planned economy. He declared that the relationship between the planned economy and the active economy (i.e., the market) was like a bird and a cage. The plan was the cage and the bird was the market. If the cage was too small, the bird would suffocate. If there was no cage, the bird would fly away. He stressed that planning must continue to govern many parts of the economy, including agriculture. In case others thought that Chen was being too conservative in this, he pointed out that Zhao Ziyang and Wan Li, the two most prominent agricultural reformers, had recently said the same thing. But in the increased scope of planning Chen has included such things as determining if there are markets for a factory's products, where the factory will obtain its raw materials, etc. In fact, Chen notes that capitalist enterprises engage in a similar sort of planning. He thus suggested a rationalization of China's planning procedures, and not just a return to the old style of Chinese planning, which almost exclusively emphasized gross output. Nonetheless, the specifics of Chen's call to strengthen planning remain vague (Chen 1981d, 1982a, 1982i).

Chen's other major area of concern was readjusting the economy. Chen is credited with being the person behind the suggestion to carry out the "readjustment, restructuring, consolidation, and improvement" of the Chinese economy over a three-year period.⁸ This was not the first time

Yun (Beijing: Renmin chubanshe, 1982). The first volume has been translated in *Chinese Economic Studies*, XV, No. 3-4 (Spring-Summer 1982). Study materials written by Deng Liqun, currently member of the Party Secretariat and head of the Propaganda Department, explicitly link Chen's former ideas with his current views. See Deng Liqun, *Xiang Chen Yun tongzhi xuexi zuo jingji gongzuo* [In doing economic work, learn from Comrade Chen Yun] (Sichuan: Zhonggong zhongyang dangxiao chubanshe, 1981). See also Chapter 3 of this volume.

⁸ Deng Liqun, *supra* note 7, pp. 9-10.

that Chen had advocated the readjustment of the Chinese economy. His views in the late 1970s and early 1980s echoed earlier speeches he made in 1956–1957 and 1961–1962.

In Chen's mind, readjustment involved an integrated set of policies, which included an expanded role for financial control in state planning, a reduction of planning targets, reduced capital construction, particularly in heavy industry, and a bias against heavy industry. Often readjustment was also associated with the establishment of a Finance and Economy Commission to oversee the work of planning, financial, and production bureaucracies. Not coincidentally, Chen was the head of these commissions.

Chen argued that the "three balances" had to be achieved for the economy to be run well. This meant that the budget had to be in balance, bank loans and repayment of loans had to be balanced, and there had to be a balance between supply and demand. (Since 1979 a fourth balance—between foreign exchange earnings and expenditures—has been added.) The three balances strengthened the hand of the finance and trade *xitong* (or bureaucratic system) in China, undercut the hegemony of the planning bodies in economic decision making, and weakened the hold of heavy industrial priorities on planning.⁹ In the post-Mao period, Chen wanted to rehabilitate the names of the financial, banking, and commercial authorities which had been subject to severe criticism during the Cultural Revolution. More than any other units, these bodies quickly grasped the nature of the overall economic situation (Chen 1979c, d, 1980d).

Chen abhorred budget deficits and demanded strict financial centralization. In this he took a much more serious view of Chinese budget deficits than Deng Xiaoping and, to a lesser extent, Zhao Ziyang did. His demand for financial centralization was a criticism of the financial decentralization announced in early 1980.¹⁰ Chen was an extreme financial conservative in regard to budget deficits (Chen 1979e, 1980c).

Another major element in Chen's ideas on readjustment was his demand that capital construction, particularly in heavy industry, be cut. He declared in early 1979 that the plans mentioned by Hua Guofeng in

⁹ A previous attempt by Chen to undercut the hegemony of the planners is discussed in Chapter 4, and in greater detail in David M. Bachman, "To Leap Forward: Chinese Policy-making, 1956–1957" (Ph.D. dissertation, Stanford University, 1984).

¹⁰ See "Guanyu shixing 'Huafen shouzhi, fenji baogan' caizheng guanli tizhi de zanxing guiding" [Provisional regulations on implementing the financial management system of apportioning revenues and expenditures and holding each level responsible for its own profits and losses], in *Zhonghua renmin gongheguo guowuyuan gongbao* [Gazette of the State Council of the People's Republic of China], 1980, No. 1 (March 8, 1980), pp. 3–6.

early 1978 to achieve the Four Modernizations were frankly impossible. Instead of producing 60 million tons of steel by 1985, it would be fine if China produced 45 million tons at that time and 80 million tons by the year 2000. Indeed, Chen thought that the year 2000 was a more realistic date for achieving many of the goals Hua set for 1985. With regard to the Ministry of Metallurgical Industries' desire to develop China's steel capacity rapidly, he said:

The Ministry of Metallurgical Industries has brought up the idea of importing advanced technology and equipment. I have read all their documents. They are good hearted, and they want to produce more. This is understandable. What Communist Party member does not think of producing more steel? Formerly I was practically the only one who advocated producing less steel, moreover, I was practically the only one who argued the less steel produced the better. What kind of thing is this! I am a Communist Party member, and also hope to produce some more steel. The question is: can steel production be increased or can't it. The present conditions are: 1. The Ministry of Metallurgical Industries sees this [overly] simplistically and 2. sees this in isolation [from all other aspects of the economy]. In the final analysis is to borrow so much money from foreigners [to continue to expand steel production] a reliable method or not? (Chen 1979d, p. 76).

Chen's answer was that this was an absolutely unreliable basis for increasing steel production.

Chen asserted the principle that it was necessary first to feed the people, then build up the country. This meant that production must first ensure that living standards met minimal standards, and in fact improved gradually. Only after this level of consumption was met should new construction projects be undertaken. Implicitly, this meant that consumer goods should be more important than heavy industry.¹¹

For Chen industrial modernization was to be based on technical transformation, not new construction. During a five-year plan, he advocated that no more than one huge capital construction project, such as the Baoshan Iron and Steel Mill, should be constructed (Chen 1979e, p. 174). But he avoided discussing the specific microeconomic policies that might bring about the technical transformation of existing industries. In fact, in Chen's post-Mao speeches, he did not discuss microeconomic management at all.

¹¹ Chen frequently spoke of feeding the people and building the country. This view has become official policy and is repeated by numerous officials.

Above all, Chen upheld the primacy of overall interests, or, in other words, the interests of the center, over the interests of the localities. At the close of a speech to provincial officials, where Chen's demands for centralization were particularly outspoken, he said:

The words that I have spoken are all in Beijing dialect [*Beijing hua*]. Comrades from the localities say people from Beijing [i.e., central officials] speak Beijing dialect. I am from Shanghai, but my words are all Beijing dialect. Some comrades say after Comrade [Zhao] Ziyang arrived in Beijing, he spoke Beijing dialect. I think this is correct because Comrade Ziyang is in charge of managing state affairs (Chen 1981d, p. 1060).

One other area has concerned Chen Yun repeatedly since 1978—the question of China's involvement in the international economy. While not denying that China should open its doors somewhat, Chen argued that China's international borrowing should be strictly controlled and that the experiences of the Special Economic Zones should be carefully evaluated. Chen had no objection to greatly expanding exports so long as different units did not compete against each other and lower the price that China would obtain for its exports. He repeatedly warned that Chinese borrowers had to consider how they would repay their loans. He noted that foreign lenders were still capitalists and that they lent China money so that they could make money. Cadres had to be alert to the fact that capitalists were not doing China a favor, but trying to make the most money possible from the Chinese. He asserted that he was not advising against borrowing from capitalists, but that China had to clearly think through the implications of borrowing. He wanted to ensure that the Chinese government retained full control over China's interaction with international corporations and banks. Chen saw foreign borrowing as something of an escape device for heavy industry to evade readjustment at home by borrowing money to continue capital construction projects. This may have colored his views on foreign loans. He favored borrowing from the World Bank and the International Monetary Fund much more warmly than loans from foreign banks (Chen 1980c, pp. 601–602).

Chen was also concerned about special economic zones (SEZ). According to a recent article in a Hong Kong left-wing journal, Chen is the only member of the Politburo who has never visited any of the SEZ. (It should be noted that his son and his staff have visited Shenzhen, suggesting that Chen's failure to make an inspection tour may be at least partially due to his ill health.)¹² He repeatedly stated that the experience

¹² "Cheng Ming Article Views Deng's Guangdong Trip," in *Foreign Broadcast Information Service, Daily Report, China* [hereafter FBIS], March 2, 1984, W 1–7; see W 3–4.

of the SEZ had to be evaluated carefully. Despite desires by all provinces to set up SEZ, no other SEZ should be developed. In particular, Chen explicitly ruled out the formation of a special economic zone in Jiangsu Province (Chen 1981d, p. 1059). Chen, we can say, was somewhat ambivalent about SEZ in particular and about the process of opening up China to the international economy in general.

Chen Yun's economic views in the post-Mao period might be summarized as follows: The market is an integral part of the socialist economy, though the scope of market regulation may vary. Chen is silent about the important question of just how much price fluctuation he is willing to tolerate when the market operates. He is in favor of the strict readjustment of the Chinese economy. Capital construction, particularly in heavy industry, is to be strictly controlled. The three balances serve as a check on state planning to ensure that capital construction is not excessive and that the needs of the people are met first before new construction is undertaken. A balanced budget is extremely important to Chen, and financial centralization is critical. Finally, Chen has ambivalent feelings about China's opening to the West. Borrowing and experiments such as SEZ could be undertaken, but the leadership should be ever watchful to see that China never loses control of the terms of its engagement with the international political economy. In short, Chen appears to emphasize readjustment and control more than he does reform.

Deng Xiaoping

Unlike Chen Yun's, Deng Xiaoping's position on economic issues seems to be quite flexible. More exactly, he appears not to speak on economic affairs very often or in detail; there is remarkably little discussion in Deng's *Selected Works* on economic affairs,¹³ and what comments there are are fairly abstract. Because his ideas are more diffuse than Chen Yun's, approaching them chronologically seems most useful.

Beginning in 1975 Deng has consistently advocated rectification of leading bodies in factories,¹⁴ has stood firmly in favor of opening up China

¹³ *Deng Xiaoping wenxuan* (n.p.: Renmin chubanshe, 1983). Hereafter, this source will be cited as Deng. A poor translation has been provided in Joint Publications Research Service (hereafter JPRS), No. 84651, *China Report—Political, Sociological, and Military Affairs*, No. 465, October 31, 1983.

¹⁴ Deng, pp. 4–7, 8–11, 28–31; and "Some Problems in Accelerating Industrial Development," in Chi Hsin, *The Case of the Gang of Four* (Hong Kong: Cosmos Books, 1977), pp. 239–272.

to foreign trade and technology flows,¹⁵ and has wholeheartedly supported rapid economic development.¹⁶ After Deng's rehabilitation in 1977 he set to work carrying out many of the programs he developed in 1975, personally volunteering to take charge of scientific and education work. In March 1978 Deng supported wage reform in China. He began to discuss the principle of distribution according to work. He favored wage readjustments and increases and, most importantly, the restoration of bonus systems.¹⁷ He was not, however, forthcoming with specifics about how the wage system should be improved and how bonuses were to be instituted.

In September 1978, while meeting with leaders from Jilin Province, Deng advocated China's opening to the West. He explained that "international conditions [were] much better than formerly" and that China was "able to absorb advanced international technology and administrative and managerial experiences and absorb their funds."¹⁸ This statement no doubt was a major impetus in the acceleration of the many letters of intent China signed with foreign companies in late 1978. Deng took a benign view of Sino-Western economic cooperation and implied that agreements could be reached easily.

In his summing up speech to the Central Work Conference which preceded the landmark Third Plenum, Deng's remarks were as important for what he did not say as for what he said. For example, through the end of 1978 Deng never mentioned expanding the role of the market in reforming the economy. He failed to use the phrase "economic laws" or speak of running the economy according to economic laws; and at a plenum that discussed two major agricultural documents he all but failed to mention the peasantry. What he chose to mention was decentralization, both to the locality and the production unit. He favored the strengthening of responsibility systems in industry (but not agriculture). Reform based on the market was not one of the amalgam of proposals in Deng's speech to the Work Conference. His favored strategy at this point included rationalization of enterprise authority relations, decentralization of decision making to lower levels and production units, importation of technology and skills from abroad, and strengthening

¹⁵ Deng, p. 29 and "Some Problems . . .," *supra* note 14, p. 264.

¹⁶ On Deng's political strategy and ideas in 1975, see Ann Fenwick, "The Gang of Four and the Politics of Opposition: China, 1971-1976" (Ph.D. dissertation, Stanford University, 1984), chapter 5.

¹⁷ Deng, pp. 98-99.

¹⁸ Deng, p. 122.

economic legislation.

Deng quickly endorsed Chen Yun's proposed three-year period of readjustment, admitting that there were fairly severe problems in the economy. Seeming to reverse his call at the Third Plenum for decentralization, Deng in late March of 1979 called for a "powerful, centralized leadership and strict organizational discipline" to carry out readjustment, which would be led by Chen Yun and the Central Finance and Economy Commission. He toned down his enthusiasm for major products from the West and upheld the primacy of the CCP in managing all aspects of social, political, and economic life in China. In other words, Deng seems to have quickly disassociated himself from many of the things he had said barely three months earlier.¹⁹

Not until the following year, apparently, did Deng discuss economic affairs in any depth. In a speech made that year he indicated that he wanted readjustment and reform to continue. For the first time he mentioned the market supplementing planned production. Enterprise autonomy was to continue, and to be expanded. Principles to reform the economic system were to be developed based on the faster and better "summarization of old experience." Yet Deng chose not to talk about the serious problems facing the economy. He failed to note, in a speech summarizing the general situation and the tasks of the CCP, that China had recorded the worst budget deficit in its history in 1979. In fact, he barely mentioned financial affairs at all.²⁰ Chen Yun had warned about financial problems four months earlier (Chen 1979e).

In the one article in his works that concerns agriculture, Deng seemed to argue the somewhat contradictory position that policy changes in the countryside should be implemented more thoroughly but that the collective, or production team, should remain at the heart of the agricultural system.²¹ Regarding reform and readjustment, Deng suggested that he put rather more emphasis on reform than Chen Yun did, remarking that although "the pace of reform should be slowed down a bit... we must not go back on those reform measures that have already been proven effective in all aspects."²² Among the reforms Deng most wished to see preserved were the special economic zones and the open door policy generally. It seems that although Deng conceded the need for readjustment, he may have seen the time as only a brief interregnum

¹⁹ Deng, pp. 144–170.

²⁰ Deng, pp. 203–237.

²¹ Deng, pp. 275–277.

²² Deng, pp. 321–322. See generally pp. 313–333.

before reform again became the top priority. Moreover, he may have only grudgingly supported strict readjustment.

Thus we see that Deng has supported all three major policy lines for developing the Chinese economy (the heavy industry big push, reform, and readjustment) at different times. He devoted relatively greater emphasis to enlivening the economy than to the others, however. He was probably the outspoken champion of opening up China to the international economy through loans, technology transfer, the special economic zones, and joint ventures. He also strongly supported decentralization as a strategy for enlivening the economy and pushed for the restoration of the principle of remuneration according to labor and the revival of bonuses. In the speeches available to us, he has not been an outspoken supporter of market-oriented reforms. Nor has the observance of objective economic laws been particularly prominent in his speeches. He seemed to have less fear of financial imbalance than Chen Yun did.

Another element in his thought separated him from both Chen Yun and Zhao Ziyang. The CCP is a major actor in the restructuring of the Chinese economy. Deng is constantly exhorting the Party to go out and "grasp" the Four Modernizations. This is a much more interventionist and activist view of the role of the Party and the economy than either Chen or Zhao expresses. To be sure, the Party Deng is mobilizing to transform the Chinese economy is itself supposed to be transformed. But this mobilizational view in Deng's thought can probably be traced back to his days as a political commissar and in political orientations he expressed in the 1950s. In this sense, he is the most Maoist of China's major leaders today.²³

Zhao Ziyang

The policy perspectives of Zhao Ziyang, like those of Deng Xiaoping and unlike those of Chen Yun, changed over the course of the post-Mao years. Unlike Deng's, however, there were distinct stages in the evolution of Zhao's policy prescriptions. There is no shortage of lengthy documents by Zhao Ziyang from which to attempt to summarize his economic views. Moreover, Zhao's speeches are much more specific than both Chen Yun's and Deng Xiaoping's are, suggesting that Zhao is more involved in the details of the Chinese economy than either of the other two. The

²³ Harry Harding, *Organizing China* (Stanford: Stanford University Press, 1981), p. 343, suggests Deng was closest to Mao's views on organizational issues among major leaders before the Cultural Revolution. In my dissertation, *supra* note 9, pp. 267–271, I argue that Deng shared Mao's populist orientation.

problem is that Zhao's major reports are collectively approved and reflect a general leadership consensus. It is therefore difficult to try to separate out what represents Zhao's views and what represents the current line of the top leadership.

Originally Zhao was a supporter of the domestic policies associated with Hua Guofeng's Great Leap Outward. He also called for the principle of distribution according to work and ensuring that peasants actually benefited economically from their labors. While anxious for a new leap forward, then, Zhao also was hinting that there should be some changes in the way production in the countryside was organized. While Zhao's precise views on changes in the countryside were not clear, he strongly supported increased incentives, and increased benefits for the peasantry (note that peasant income was to grow faster than overall grain production was supposed to).²⁴

By mid-1978 Zhao equated anything that developed the productive forces with socialism.²⁵ He also firmly supported greatly increasing imports of technology.²⁶ At the provincial agricultural conference in September–October 1978, Zhao continued to push for the agricultural policies he endorsed, and he hinted at the need for industrial reforms by calling for structural reforms in industry. He concluded that any methods that increased output and aided the people were “correct and tallied with Marxism-Leninism-Mao Zedong Thought; they were by no means revisionist or capitalist.”²⁷ This would justify the expansion of market allocation.

At the Sichuan Provincial Party Congress in January 1979, Zhao was finally unleashed. He continued to say that “racing against time and quickening our speed to build our nation into a powerful, modernized state is where the basic interest of the people...lies.” The new leap forward had to be continued. However, economic development was to be guided through the observance of “objective economic laws”.²⁸

²⁴ Zhao, “Raise Ourselves to an All Out Effort to Speed up the Construction of Sichuan in Order to Make More Contributions to the State and the People,” originally in *Hongqi* [Red flag], 1978, No. 1, translated in *Chinese Law and Government* [hereafter CLG], Vol. XV, No. 1 (Spring 1982), pp. 14–34. This issue also contains four other articles by Zhao in 1978 and 1979.

²⁵ “Speech at the Sichuan Provincial Science Conference,” CLG, p. 41.

²⁶ CLG, pp. 35–69.

²⁷ “Speed up the Development of Agriculture in an Effort to Wrest a Still Greater Harvest Next Year,” CLG, pp. 79–92.

²⁸ “Speed up Socialist Modernization in Sichuan,” CLG, pp. 93–126. See p. 102.

Zhao noted that the Chinese economy was in a shambles and that serious disproportions existed. Readjustment was necessary, as were a series of reforms to be launched to improve economic management so that "economic devices" were the key managerial tools. He introduced his conception of industrial reform and informed the nation of the profit retention system then being developed in Sichuan. Technical transformation was the key to industrial modernization. Light industry had to receive more attention.²⁹ Since becoming premier Zhao has spoken on the economy many times and at great length. In all these speeches Zhao has recognized the continuing need for readjustment and the need to intensify reform, while realizing that reform will be difficult to bring about.

Zhao Ziyang has gone from provincial politician and policy innovator to ardent champion and promoter of reform to the more careful and methodical architect of economic change in China. His policy views have changed significantly. He is confronting the old dilemma in Chinese economic administration "Once centralized, rigidity sets in; once decentralized, chaos ensues."³⁰ Zhao is attempting to formulate a synthesis that avoids this problem, increases productivity, and allows China to achieve the Four Modernizations. He must develop a system that allows for strict control over finances and investment and that stimulates enterprises to adopt new technology and improve productivity at the same time. His prospects for success in this mighty endeavor would not appear to be very great. If he can bring it about successfully, however, he will truly be one of the great reformers in Chinese history.

Evaluation

Students of Chinese politics will often accentuate the differences in the policy positions of top Chinese leaders in an effort to predict future leadership struggles. This has its uses, but it is often just as useful to point out the areas of agreement among leaders. Before discussing their differences, then, let us briefly consider the areas where Chen Yun, Deng Xiaoping, and Zhao Ziyang agree.

Chen, Deng, and Zhao all agree that the Chinese economy must be modernized. The major impetus for this modernization must come from the technological upgrading of existing enterprises rather than new construction. Improvement in the quality of output is critical. The

²⁹ CLG, pp. 112-113.

³⁰ Hu Qiaomu, "Observe Economic Laws, Speed up the Four Modernizations," *Beijing Review*, 1978, No. 46 (November 17, 1978), p. 20.

planning system must be changed to move away from a system where the only criteria is the gross value of output. The market should supplement the plan in the allocation of commodities. All agree that productivity must be increased, and that workers should be rewarded according to their labor. Responsibility systems should exist in factories and the countryside. The state budget should be in balance, and the inflation rate should be low. Agriculture and light industry should receive higher priority. Capital construction must be controlled. Energy and transportation are the key targets for new investment. China should open itself to the international economy. Scientists, engineers, and technical experts should play a larger role in helping China to modernize. Finally, they all agree that the Chinese economy should be readjusted, reformed, rectified, and improved.

Many, but not all, of their differences concern the degree to which one or more of the above measures are implemented. Chen Yun appears to be more cautious about opening China to the West than are Deng and Zhao. He may also place more relative emphasis on planning than on the market. Financial balance holds the primary position in Chen's economic thought, and his concern seems to be with macroeconomic issues rather than microeconomics. He favors centralized control over economic processes somewhat more strongly than Deng and Zhao do. In short, Chen supports relatively more emphasis on readjustment policies and relatively less on reform policies.

Both Chen and Zhao agree that there should be both readjustment and reform. But Zhao stresses the microeconomic aspects of the economy. He is less cautious on involving China in the international economy and perhaps willing to tolerate budget deficits and some inflation in the process of pushing the economy forward. The differences between Chen and Zhao might be summed up by suggesting that Zhao may be a bigger risk taker than Chen is. Zhao is more willing to absorb the negative consequences that will undoubtedly ensue as real change is brought about in the economy. Chen Yun's policies are ones that avoid disaster, or can pull the economy out of crisis. They may not be ones that fundamentally change the way economic organizations relate to each other and to consumers, as Zhao's might be.

Deng Xiaoping's policy positions are more obscure. Even more than Zhao, and certainly more than Chen, Deng favors opening China up to foreign investment. Also unlike Chen, he appears to favor reform more than he does readjustment. But lurking in the background is the hint that Deng sees modernization as associated with building new, large, and modern enterprises. His views are more mobilizational than either Zhao's

or Chen's. His greatest difference with Zhao and Chen is that he sees the Party playing a much larger role in bringing about economic changes in China. Whereas Chen would rely on the three balances to guide the economy and Zhao on economic devices and the self-interests of producers and consumers, Deng sees the Party playing a key, if vaguely defined, role as the promoter of economic change in China.

It is ironic that China at its current stage of development needs to incorporate the perspectives of all three of these leaders if fundamental change is to come about. Deng's views are essential because someone has to convince the Party that economic modernization does not mean that the Party has no role to play in this effort. Without active Party involvement in this process (one could say the cooptation of the Party by the forces of economic change), the Party could easily sabotage all reform and modernization efforts. It is Deng who is struggling to convince the Party that it does in fact have an indispensable role to play in the Four Modernizations. Zhao Ziyang's contribution is to provide the reform elements of the PRC's modernization strategy. He will be the architect of real changes in the economy (if anyone is). He more than anyone else will be the formulator of new initiatives that are the key planks in the restructuring of the economic system. Finally, Chen Yun serves as the guardian against the reassertion of the traditional tendency of the economy to overheat, launch new leaps forward, and invest tremendous amounts of money in heavy industry, at the expense of the consumer and light industry and agriculture. He will try to ensure that economic dislocations will not be very serious and that, most importantly, balance is maintained.

Thus, while Chen, Deng, and Zhao may differ on critical economic issues, there would appear to be a complementarity to their positions, even a division of labor. They no doubt have had significant disagreements. But their differences have not outweighed their ability to work together to try to change the economic system of the PRC. Moreover, it would appear that over time, the differences among these three have narrowed rather than sharpened.³¹ In short, China's economic modernization and reform needs the combined contributions of Deng Xiaoping, Zhao Ziyang, and Chen Yun.

³¹ This is not the view of the Hong Kong journal *Zhengming* [Contend]. See Luo Bing, "Chen Yun he Deng Xiaoping de fenqi" [Differences between Chen Yun and Deng Xiaoping], *Zhengming*, 1984, No. 6 (June 1984), pp. 26-28. As noted in the text of Chapter 2, this article overstates the differences between Deng and Chen. Their differences are differences of degree, not of kind.

This study of Chen Yun has examined his life, his economic ideas, and his role in the Chinese political system. We found that Chen's career and background were different from many other top Party leaders. Chen has been a specialist in economic affairs, whereas other top CCP leaders have been generalists. Also in contrast to many other Party figures, Chen has held relatively unchanging views on economic questions. His statements in 1956–1957, 1961–1962, and since 1978 have been remarkably consistent. However, we found that Chen had difficulty convincing broad segments of the Chinese political system to support his views on economic questions. This was due in part to Chen's modest and retiring political style. More importantly, it was due to his challenging some of the basic interests and institutions in the political system.

Chen Yun will leave an ambiguous legacy when he dies. He will be praised for his efforts to use the market as a supplement to the plan and for his attempts to restore economic balance after the "leaps" that have punctuated recent Chinese economic history with such severe economic consequences. But Chen was never able to win enough support to ensure that his policies to maintain balance were institutionalized. We cannot say whether a more forceful political leader might have had a greater and more lasting impact on economic developments. Clearly, however, the fact that Chen's ideas were never institutionalized does not augur well for the prospects of economic reform in China. Chen's ideas, while sharply critical of traditional state planning, were, in many respects, not terribly reformist. He wanted to make the state run the economy more effectively, rather than remove the state from economic activity. If the changes Chen proposed generated so much opposition, what can be said of the more sweeping changes envisioned by reformers today? Thus, the life of Chen Yun is perhaps symbolic of one of the most important issues facing China today—that is, can the Chinese economy be moved in a fundamentally different and much more efficient direction? This account of Chen Yun's life and times cannot leave us very confident about the prospects for Chinese reform efforts.

Chen Yun was one of the giants of the Chinese Communist movement, but ultimately, he was not one of the pivotal figures in the history of the People's Republic of China. His political heirs face many of the same entrenched ideas and institutions he struggled against for so many years. They must grasp the lessons of Chen's life if they are to transform China fundamentally.

Appendix

Chen Yun: A Preliminary Bibliography

The following list represents an attempt to compile all the known writings and speeches of Chen Yun for which texts are available as of June 15, 1984. The titles of all speeches and writings are given in English. Where translations are available, they are listed. Additional information is sometimes provided with an entry. The following abbreviations are used in this listing:

- | | |
|-----------------|---|
| CB | American Consulate-General, Hong Kong, <i>Current Background</i> |
| CYPT | <i>Chen Yun tongzhi guanyu pingtan de tanhua he tongxin</i> [Comrade Chen Yun's speeches and letters on pingtan (Suzhou-style opera)], Beijing: Zhongguo quyì chubanshe, 1983 |
| CYTZWGXB | <i>Chen Yun tongzhi wengao xuanbian</i> [Selected manuscripts of Comrade Chen Yun, 1956–1962], Sichuan: Renmin chubanshe, 1981 |
| CYWGXB | <i>Chen Yun wengao xuanbian</i> [Selected manuscripts of Chen Yun, 1949–1956], Hubei: Renmin chubanshe, 1982 |
| CYWX | <i>Chen Yun wenxuan</i> [Selected works of Chen Yun, 1926–1949], Beijing: Renmin chubanshe, 1984 |
| FBIS | <i>Foreign Broadcast Information Service, Daily Report China</i> |
| GMRB | <i>Guangming ribao</i> [Illumination daily] |
| JPRS | <i>Joint Publications Research Service, China Report</i> |
| L & L | Nicholas Lardy and Kenneth Lieberthal, eds., <i>Chen Yun's Strategy for China's Development</i> , Armonk, N.Y.: M.E. Sharpe, 1983 (this is a translation of CYTZWGXB) |
| New China | <i>New China's Economic Achievements, 1949–1952</i> , Beijing: Foreign Languages Press, 1952 (translation of <i>San nian</i> , below) |
| RMRB | <i>Renmin ribao</i> [People's daily] |
| <i>San nian</i> | <i>San nian lai xin Zhongguo jingji de chengjue</i> [New China's economic achievements over the last three years], Beijing: Renmin Chubanshe, 1953. |

- San zhong* *San zhong quanhui yilai zhongyao wenxian xuanbian* [Selected important documents since the Third Plenum], Changchun: Renmin chubanshe, 1982 (reprinted in Taiwan by Zhonggong yanjiu zazhi chubanshe in 1983)
- SCMP American Consulate-General, Hong Kong, *Survey of China Mainland Press*
- XHBYK *Xinhua banyuekan* [New China semimonthly]
- XHYB *Xinhua yuebao* [New China monthly]
- 1926a. July. The Past and Future of the Chinese National Movement. CYWX, pp. 1–3. Chen used the pseudonum Huai Min.
- 1929a. November 24. The Trend and Future Struggle of the Peasant Movement in Jiangsu. CYWX, pp. 4–7.
- 1933a. April 25. On the Economic Struggle of Workers in the Soviet Areas. Original version in *Douzheng* [Struggle], No. 9, pp. 4–8. Other version in CYWX, pp. 8–12.
- 1933b. July 2. How to Conclude Labor Contracts. Original in *Douzheng*, No. 18, pp. 8–13. Other version in CYWX, pp. 13–19.
- 1933c. July 5. Is the Leadership Style of this Inspector Good or Bad? CYWX, pp. 20–24.
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