

## INTRODUCTION

Forecasting, a risky calling under the best circumstances, is especially hazardous when applied to the People's Republic of China. Since 1949 it has witnessed some of the most dramatic shifts in leadership and policy among major world powers. China is now emerging from its most recent political upheaval under a new leadership of moderate and pragmatic economic persuasion. In order to develop a feel for its future, it is necessary first to analyze economic policy changes and disputes in the context of Chinese economic development strategy.

### Development Strategy

The values and goals of the leadership of the Chinese Communist Party (CCP) are aptly summarized in the aphorism attributed to A. Bergson: "To the Communist Party leadership, bread is only an intermediate product; steel is the final good."<sup>1</sup> Such values are apparent in the aspiration of party leaders, present and past, to turn China into a modern, front-ranking power by the end of the century.

This goal dictates a "maximum-speed selective growth" development strategy and requires a command economic system for implementation. Main emphasis is placed on growth of the modern heavy industrial sector, whose absolute size is the preponderant determinant of power. The command system in important ways allocates key economic resources administratively rather than by markets and prices. A liberal democracy also is apt to embrace a command system in times of crisis, as was done by the United States and the United Kingdom in World War II.

The role of agriculture in such a system is to support priority (selective) industrialization with resource transfers in the form of food (the principal wage good), labor, raw materials, and exportable farm products. When agriculture fails to meet the full resource transfers required by the priority industrial sector for maximum growth, the

agricultural sector becomes a drag on industrialization. Such was the case in the People's Republic even during the relative economic heyday of 1952-58.<sup>2</sup>

With agriculture limiting industrial growth, the two sectors were no longer separable for operational planning. To develop industry it was necessary to develop agriculture. Fostering development in agriculture while extracting the maximum surplus from it proved a difficult policy problem. In passing, we note that Russia, during its comparable development phase under Stalin, faced a much simpler task, thanks to its large initial agricultural surplus.<sup>3</sup> The Chinese problem was dramatized by the slogan "agriculture is the foundation" in the early 1960s following the disastrous Great Leap Forward (1958-60). This was not a complete policy reversal as is often argued by China watchers. The Chinese policy had never been "industry only," and the renewed emphasis on agriculture was not a reordering of priorities in a value-goal context but was concerned with ways to develop the sector. The strenuous development efforts for agriculture in the 1950s were limited primarily to bootstrap operations utilizing the sector's own indigenous resources of low or no opportunity cost. The 1960s saw the beginnings by the state of large-scale commitments of scarce resources to the production and import of modern inputs for agriculture. The current Chinese official view is that both the First Five-Year Plan period (1953-57) and the readjustment period of 1962-65 were comparable periods, noted for their "fairly well-coordinated relations between agriculture, light industry, and heavy industry."<sup>4</sup>

Much has happened in China since then. Books will be written on the Cultural Revolution and the massive leadership shakeup that followed. The radical phase which came to a head with the deaths of Zhou Enlai and Mao Zedong and the Gang of Four episode was followed by the counter-revolution. Deng Xiaoping, who once was sacked for holding the view that "it matters not whether the cat is white or black as long as it catches mice," is now being praised for

it in and outside the country. China analysts have generally been inclined to view the struggle over economic growth between Mao and his associates and those of moderate, pragmatic persuasion as involving value-and-goal disputes. A common notion is that with the start of the Cultural Revolution in 1966 Mao and followers tempered the growth objective with liberal doses of nonmaterial, ideologically appealing values, for example, distributional equity, self-reliance, antielitism, and work ethic for service as opposed to material incentive.<sup>5</sup> The present leadership is seen as returning (selective) economic growth to its earlier position of primacy and as freely adopting pragmatic methods to achieve it.

It seems more plausible that the contending leadership factions have shared common values and goals but have differed over methods. Clearly Deng was not condemned by his detractors for his "cat and mouse" statement because of the end but because of the means he advocated. Moreover, the quarrel over the means was concerned not so much with ideological or nationalistic considerations as with their economic efficacy. If this were not so, how can one explain Mao's unfailing willingness to tolerate (indeed, to insist on) the continuance of Hong Kong and Macao as Western colonies—an anomaly not many other independent nations would be likely to accept without duress. We know that Portugal tried to return Macao to China but was refused. The Chinese attitude can only be explained by the fact that the two colonies earn for Peking more than two billion dollars a year in (hard currency) net foreign exchange earnings. This speaks to the centrality of the economic growth goal and to Peking's inclination to wink at what must be a most unpleasant means to an end.<sup>6</sup>

Consumption was seen by Peking's leaders as an intermediate process rather than as the final act of an economic system. Consequently they tended to think of efficiency in consumption more in relation to workers' productivity than in relation to utility. Here is the clue to much of the policy dispute. It turns on what constitutes the right mix between material incentive and nonmaterial (normative) substitutes. Mao and associates inclined toward the non-material substitutes. Their periodic attempts to impose their view were checked by real world intractability, giving rise to the well-

known policy cycles in China.<sup>7</sup> Each time Mao retreated from his "high tide," material incentive would regain lost ground in the wage-consumption policy debate.

Even so, Mao's dominant power and personality, together with China's thin cushion of agricultural surplus, have largely determined wage-consumption policy during the past 20 years. The level of consumption for the masses was adequate but strictly without frills. Virtually no improvement occurred. Differences among income classes were kept small. To this end, Peking rationed the basic necessities—grains and cooking oil, cotton cloth, and housing, the latter through government allocation. Convenience and luxury goods were priced extremely high to absorb income not spent on necessities. This policy background provides a perspective for viewing the salient features of economic development. As a rough, perhaps generous, statement of magnitude, China's real domestic product may be said to have increased at an average rate of perhaps 5 percent a year between 1952 and 1977, whereas per capita product rose 3 percent. If one takes as plausible an income elasticity of demand for all food of 0.8 for countries like China and a Chinese population growth rate of 2 percent a year, the expected annual increase in demand for food in China would have been on the order of 4.4 percent ( $0.8 \times 3 \text{ percent} + 2 \text{ percent}$ ). Yet the People's Republic managed with a food output growth that did little more than keep pace with population growth, and without massive imports or food crises. It is clear that much of the rise in per capita output was kept by policy from reaching the households, farm and nonfarm, through higher personal incomes.<sup>8</sup> Where some trickling down materialized, continuing rationing helped maintain the basic food balance.

The new leaders in Peking have set out in earnest to "de-Maoify" the Chinese economy. Higher worker incomes are displacing normative appeals and coercive pressures as ways of inducing greater effort and productivity. The first significant wage increase since the 1950s was granted in the fall of 1977 to a broad segment of non-supervisory, noncadre workers.<sup>9</sup> Deng and his followers are certain that this is the surer and quicker way to the power goal set for the year 2000. Note that the worth of the new policy turns on its ability to raise manager and worker productivity enough to more

than offset the increases in wages and salaries. How this evolves depends critically on the new regime's ability to expand consumption opportunities.

While Peking will no doubt continue to rely on high pricing (to soak up purchasing power) of sewing machines, bicycles, watches, cameras, and, most recently, television sets, it is difficult to see how it can avoid providing more agricultural products. Moreover, since direct grain consumption is already adequate, especially in cities and farm areas with relatively high incomes, increased food consumption will consist primarily of meats, fruits, and what the Chinese call subsidiary foods—all of which use much more land than grains for equivalent caloric production. Shigeru Ishikawa estimates that for China the resource cost in terms of scarce land required for equivalent production is 3.3 times higher for meats than for foodgrains and 10 times higher for vegetable oils.<sup>10</sup> Thus the prospects of solving the supply side of the equation under the new economic policy are not reassuring because of the scarcity of land. Furthermore, the collective form of organization and the Chinese system of farming are better suited for grain production. The problem is further aggravated by rural-urban differences in consumption. Urban areas, according to Ishikawa's estimates, consume 20 percent less grain per capita but two to three times more meats and oils. If Deng's liberalization means an end to the coercive "send down" program and a return to city-oriented industrialization and migration, as seems to be the case, further demand pressure will fall on the grain-centered Chinese agriculture.<sup>11</sup>

Peking's new production goals in the Ten-Year Plan (1976-85) unveiled before the Fifth National People's Congress on February 26, 1978 are ambitious in light of China's production record since 1952 when recovery from 1937-49 wartime dislocations was largely completed.<sup>12</sup> Grain output is to reach 400 million tons by 1985 (43 percent above 1977 or a rise of 4.5 percent a year). Gross value of agricultural output (GVAO) is to increase 4 to 5 percent a year between 1978 and 1985. The grain output target would require growth twice the 1952-77 rate and the value output target a rate of growth 45 to 80 percent higher than the historical average. The targeted increases for grain output apparently reflect a large increase in use of grain for livestock feed. Although China will likely

continue to export rice, probably in increasing quantities, in exchange for wheat and coarse grain imports, it is inconceivable that the country will import feedgrain on a scale proportional to Japan or Taiwan during the Plan period. This need not rule out (in absolute terms) large feedgrain imports from the United States in the 1980s.

It is reasonable to suppose that the People's Republic, because of its size and development strategy, must depend on domestic production for its basic food balance and can turn to foreign trade for marginal adjustments only. Therefore the production targets for 1985 probably take into account the demand implications of the unfolding wage and consumption policy. In the later sections on projections, these demand implications serve as an alternative set of demand projections.

It has been widely reported that several major readjustments in prices received and paid by farmers have been put into effect by the government since the 1950s. These are said to correct the longstanding imbalance against agriculture. As such it was taken to be an incomes policy. These assumptions were checked by calculating the value added ratio and per-worker figure in current prices, deflating them by a general consumer price index, and comparing them to the constant-price magnitudes. This indicated that the changes of terms of trade made by Peking since the 1950s apparently did little more than to maintain the meager incomes of the farm people in China. These alternative price-value calculations, which are being made for a study of the People's Republic agricultural historical record, are still tentative. However, the falling value-added per farm worker in constant prices is clear from Table 1. The decline would be sharper if noncurrent nonfarm-supplied cost items, such as depreciation of tractors, were deducted in arriving at value-added totals.

The pragmatic appraisal by the present leadership of the role of science, technology, and laws of economics in nation building has been received with widespread approval in and outside China. The new course is seen as foretelling the emergence of a progressive, responsible, and stable China with a clear understanding of the advantages of peaceful, mutually beneficial economic, scientific, and technological interchange with the world community. The road ahead, however, may be neither straight

Table 1 — Value of agricultural output and value added by agriculture, 1952 to 1977

Year	Value of Livestock Pro- duced, Grain, Soybeans, and Cotton <sup>a</sup>	Gross Value of Agricultural Output			Insecticides and Miscellaneous Inputs <sup>e</sup>	Chemical <sup>f</sup> Fertilizers	Cake Fertilizers <sup>g</sup>	Value Added by Agriculture <sup>h</sup>
		Pre-1957 <sup>b</sup> Coverage	Post-1957 <sup>c</sup> Coverage	Adjusted Post-1957 <sup>d</sup> Coverage				
(billion 1952 yuan)								
1952	27.47	48.39	40.05	37.76	0.070	0.169	0.690	36.83
1953	27.78	49.91	41.31	38.93	0.088	0.253	0.719	37.87
1954	27.86	51.57	42.69	40.26	0.191	0.354	0.659	39.06
1955	29.82	55.54	45.97	43.54	0.313	0.519	0.662	42.05
1956	31.37	58.29	48.25	45.71	0.742	0.659	0.741	43.57
1957	33.06	60.35	49.95	47.21	0.695	0.892	0.728	45.07
1958	36.32	67.27	55.68	52.86	1.148	1.041	0.761	49.91
1959	29.82	54.29	44.94	42.32	1.521	1.219	0.833	38.75
1960	25.72	46.11	38.17	35.76	1.890	1.197	0.595	32.08
1961	26.92	48.50	40.14	37.83	1.195	1.288	0.573	34.77
1962	29.62	53.89	44.61	42.21	1.321	1.650	0.558	38.68
1963	32.15	58.94	48.79	46.22	1.456	2.211	0.511	42.04
1964	34.73	64.09	53.05	50.34	1.610	3.043	0.503	45.18
1965	36.72	68.06	56.34	53.42	1.773	3.854	0.496	47.30
1966	38.88	72.38	59.91	56.92	1.960	4.616	0.493	49.85
1967	41.07	76.75	63.53	60.49	2.165	5.206	0.505	52.61
1968	38.83	72.28	59.83	56.82	2.389	5.773	0.471	48.19
1969	39.52	73.65	60.96	57.91	2.637	6.698	0.450	48.17
1970	43.39	81.47	67.44	54.32	2.912	7.742	0.500	53.17
1971	45.55	82.81	68.54	65.27	3.215	8.928	0.573	52.55
1972	46.02	86.63	71.71	68.26	3.551	10.248	0.631	53.83
1973	46.59	91.25	75.53	72.17	4.009	10.942	0.725	56.49
1974	49.55	93.68	77.54	74.04	4.527	11.646	0.688	57.18
1975	50.61	95.79	79.29	75.67	5.110	12.208	0.725	57.63
1976	50.71	95.99	79.45	75.77	5.768	11.895	0.653	57.45
1977	50.33	95.23	78.82	75.09	6.510	15.555	0.690	52.33

Note: Additional notes on this table appear in Appendix 2.

<sup>a</sup> Includes items for which complete series have been estimated. The values of livestock products are from Appendix 1, Table 15. The values for grains, soybeans, and cotton are from Table 3.

<sup>b</sup> These estimates were made by adjusting China figures to single price scales and uniform coverage, determining the relationship between the adjusted figures and the figures in column 1, then using this relationship to obtain missing values.

<sup>c</sup> These are the pre-1957 coverage figures multiplied by the 1957-52 link index to convert them to 1957 prices and post-1957 coverage, then divided by a price ratio of 1.075 to convert them to 1952 prices.

<sup>d</sup> These figures were calculated by subtracting the value of feed and seed from the post-1957 coverage figures.

<sup>e</sup> These figures are based on estimates in Ta-Chung Liu and Kung-Chia Yeh, *The Economy of the Chinese Mainland: National Income and Economic Development, 1933-59* (Princeton: Princeton University Press, 1965).

<sup>f</sup> These figures are the quantity series from Appendix 1, Table 12 multiplied by prices taken from Alexander Eckstein, *The National Income of Communist China* (New York: Free Press, 1962).

<sup>g</sup> These figures were obtained by multiplying the oilcake quantity series from Appendix 1, Table 17 by a price from Eckstein, *The National Income of Communist China*.

<sup>h</sup> These figures are the adjusted gross value of agricultural output minus the sum value of insecticides and other inputs, chemical fertilizers, and cake fertilizers.

nor smooth. The cost of a crash, outward-oriented modernization program may turn out to be higher than Deng has allowed. And the results may not meet the high expectations. Such a combination of outcomes could again set in motion the familiar pattern of policy reversal and leadership

change. Derek Davies of the Hong Kong-based *Far Eastern Economic Review* characterized Deng's "New Deal" as "a gamble of enormous proportions."<sup>13</sup>

There are many reasons for uncertainty about Deng's approach, particularly in agriculture. The targets of the Ten-Year Plan for

1985 (until recently revised downward) are 400 million metric tons of grain and 60 million metric tons of steel. Although the agricultural target calls for a smaller percentage growth, official Peking considers it the more difficult.<sup>14</sup> Under Mao's policy, China was effectively shielded from comparison with the accomplishments of other countries or from competing ideas and thoughts that might have cast doubt on the CCP's design for nation building. Considering those circumstances, it is not surprising that the past accomplishments, now seen as slow and disappointing, generated a strong sense of pride and dignity among the Chinese people. When the author visited China in January 1973, after an absence of 30 years, he found an insular, self-satisfied, proud, and confident people. The new open policy will call these attitudes into question. It will bring hordes of foreign visitors and residents and send thousands of Chinese abroad on missions and for training. These changes cannot but benefit China and the world in the long term, but in the shorter term the story may be quite different, particularly in relation to the specific goals of Peking.

Modernization, the centerpiece of the new policy, is in itself destabilizing. If recklessly carried out at the expense of the old policy of "walking on two legs," it may slow rather than hasten growth. Thoughtlessly implemented, it may become equated with change for the sake of change. The elementary fact that the technology that makes economic sense in other countries may not be suitable for China could be overlooked. This is all the more likely since decisions to adopt technology in China are not based on local profitability tests but tend to be made administratively from the center.

The material-incentive component of the new economic policy also will add to Deng's burden. The raises in income beginning in late 1977 without commensurate increases in consumer goods supply have increased inflationary pressure. Use of the material incentive to induce greater productivity inevitably means increased economic disparity in income and consumption because of the unequal capacity of people to respond. The presence of an affluent class and the desire to join it will weaken the inhibitions against corruption and crimes fostered by the egalitarianism and pervasive social control of the recent past.

To the student of economic development,

the opening up of an insular society, the demonstration effects, modernization, and the play of new economic incentives are all positive and necessary ingredients for change and progress. Although the process is not costless, no one has seriously argued against it. But the Chinese leaders are primarily interested in making China a superpower no later than the year 2000. As Derek Davies's assessment clearly implies, the verdict is far from being in as to the efficacy of the new policy in this regard. It is also useful to remember that in a command economy the question of corruption and ossification of a massive bureaucracy looms much larger than in more decentralized systems. And an unresponsive, self-centered bureaucracy can make the best-laid plans go astray.

The people's perception of the system will be a key to the success or failure of the new policy. Their perception in turn will depend on the relationship of performance to expectations. The new announced goals for 1985 and for the end of the century, the new openness, the "four modernization" campaign, and the reintroduction of material incentive all tend to raise the expectations of the people and to lower their estimate of China's achievements. This may be compounded by cynicism resulting from past reversals in government policy of which Deng Xiaoping, the twice-resurrected new architect is a living reminder. In time, prudence, skepticism, and formal compliance (known as simulation in the Soviet Union and Eastern Europe) could replace enthusiasm and commitment as dominant attitudes.

## Recent Developments

Since this study was first drafted, several major developments have occurred. To accommodate the modernization plan, China adopted measures never before attempted: tourism, direct foreign investment and joint ventures, and symbolic acts such as the return of Coca Cola, banned since 1949. To provide incentive for increased productivity, plans were made to resume payment of bonuses to workers and managers, to return confiscated personal properties, and to resume payment of equity earnings (or lump-sum compensation) to former owners (or their families) of shares in enterprises that have been long nationalized. There also was

a renaissance of the "one hundred flowers" and "democracy wall" for posters expressing opinions. Other developments tended to discredit or to sidetrack the modernization scheme and the decision to open up the country to the West; for example, the military incursion into Vietnam which has escalated military demands on the budget and the incongruous fashion show staged in Peking by Parisian designer Pierre Cardin.

The future course of the post-Mao Chinese leadership was still not clear in the spring of 1979. However, events since then suggest that Deng is proceeding with renewed confidence. Recent appointments of close associates to positions of power attest to this. More telling still is the just-announced appointment of Rong Yiren, a 63-year-old former Shanghai capitalist, as chairman of the new China International Trust and Investment Corporation, an agency that reports directly to the State Council. Two other former Shanghai capitalists assist as vice-presidents, whereas industrialists and businessmen from Hong Kong and Macao serve as directors. The corporation, with a capital of 200 million yuan, has broad authority in administering direct foreign investment, joint ventures, and transfer of Western technologies.<sup>15</sup> Indications are that the new path will bear many more of Deng's marks than of Mao's.

To many observers the Ten-Year Plan targets for 1985 and the power goals for 2000 now seem to err on the ambitious side. However, the power of a country depends more on the absolute size of its modern heavy industrial sector than on its level of living. This suggests that the power goal for 2000 may not be beyond China's reach.

Greater awareness of China's structural bottlenecks has forced retreat from some Plan targets. Two of these were described in a Peking article last summer on transport and energy.<sup>16</sup> "Owing to the shortage of electric power, about 20 per cent of the nation's productive capacity has not been

tapped....In communications and transportation, the capacity in some weak sectors on the trunk railway lines can only meet 50 to 70 percent requirements; loading capacity at the harbors is highly inadequate." Theodore W. Schultz has reminded us that these bottlenecks will reduce the availability of modern nonfarm inputs that are critical if agriculture is to move forward at a vigorous and sustained pace.<sup>17</sup>

Modernization and liberalization for agriculture need not mean an end to scarcity if the Soviet experience is any guide. Despite local reorganization, liberalization, and decentralization, the major decisions affecting agriculture are centrally conceived and directed by a vast bureaucracy. Thus the efficacy of price will depend on decisions of central planners.

The values and goals that have served the CCP since the framing of its First Five-Year Plan are not likely to undergo major changes in the years ahead. Consequently agriculture will remain in difficult circumstances. Its role will resemble that exhibited by the familiar two-sector model of the Lewis-Fei-Ranis type, but exacerbated by the CCP's commitment to the "Principle of Maximum-Speed Selective Growth under Austerity."<sup>18</sup>

If the material incentive provided by the new economic policy is to be effective, supplies of consumer goods must be increased. Otherwise higher wages and salaries can only lead to inflation and the frustration of queues and depleted ration coupon books. Since much of the increase in supplies must be filled by agriculture, it is reassuring that the new agricultural growth targets were both prominent and explicit in the Party's economic message to the Fifth National People's Congress in February 1978. As was suggested earlier, the 1985 targets may be plausibly taken to indicate the food demand implications of the new economic policy that the new Ten-Year Plan (1976-85) is to satisfy.

#### FOOTNOTES

<sup>1</sup> Bergson referred to the Stalinist strategy of economic development that was embraced by Peking's leaders. For a fuller development of the model, see my earlier writings: "Policy and Performance in Agriculture," in Walter Galenson, Ta-Chung Liu, and Alexander Eckstein eds., *Economic Trends in Communist China* (Chicago: Aldine, 1968), pp. 459-509; "Agriculture in the Industrialization of Communist China and the Soviet Union," *Journal of Farm Economics* (December 1967): 1118-34; and "Organization and Performance in Chinese Agriculture," a paper presented at the joint session of the AEA, AAEA, and ACES on the Economic Organization of Socialist Agriculture at the annual meetings of Allied Social Science Associations, Dallas, Texas, December 29, 1975, pp. 1-21.

<sup>2</sup> See Tang, "Policy and Performance in Agriculture," pp. 459-509. For a Chinese statement on the agricultural bottleneck, see "Second Shanghai Talk on Mao's Major Relationships," February 25, 1977, Foreign Broadcast Information Service, *People's Republic of China: Daily Report*, p. E6. Recent statements from Peking remind us how dependent China's industrialization is on agriculture. In a special feature article in *Beijing Review*, June 29, 1979, p. 15 on disproportions in the national economy, Shi Zhengwen pointed out that agriculture contributes about 85 percent of the people's means of subsistence, 70 percent of the raw materials needed by the light industry, 40 percent of raw materials needed by all industry, and "a considerably large part of our financial revenue."

<sup>3</sup> Tang, "Policy and Performance in Agriculture," pp. 466-80.

<sup>4</sup> *Beijing Review*, August 3, 1979, p. 10.

<sup>5</sup> A more radical but perhaps the best articulated version is by John G. Gurley. See his *China's Economy and the Maoist Strategy* (New York: Monthly Review Press, 1976).

<sup>6</sup> See Tang, "Policy and Performance in Agriculture," pp. 466-80; Tang, "Agriculture in the Industrialization"; and Tang, "Organization and Performance."

<sup>7</sup> For seminal writings on the Chinese policy cycle, see G. William Skinner and Edwin A. Winckler, "Compliance Succession in Rural Communist China: A Cyclical Theory," in *A Sociological Reader on Complex Organizations*, 2nd ed., ed. Amitai Etzioni (New York: Holt, Rinehart and Winston, 1969), pp. 410-38; and Alexander Eckstein, *China's Economic Development* (Ann Arbor: University of Michigan Press, 1975), pp. 311-22 and 332-38. Eckstein's excellent work on China is particularly sensitive to the clashes between planner and household, between resource mobilization and economic efficiency (incentive) and, in his language, between the Communist Man and the Economic Man. These clashes create policy dilemmas and policy cycles.

<sup>8</sup> See below for Peking's 1979 release of per capita income.

<sup>9</sup> This is being followed by other income adjustments, planned or already implemented, through further wage-price reform and reinstatement of bonus payment. Vice-Premier Yu Qiuli revealed (*Beijing Review*, June 29, 1979, p. 11) that the average annual wages of workers and staff in state enterprises rose from 602 yuan in 1977 to 644 yuan last year, while peasant collective income rose 13.7 percent. Planned increases in wages and incomes for 1979 are 7 billion yuan for urban families and 13 billion for rural families (the latter amount reflecting not only an improved price relationship but anticipated increases in farm output).

<sup>10</sup> See Shigeru Ishikawa, "China's Food and Agriculture: A Turning Point," *Food Policy* 2 (May 1977): 94.

<sup>11</sup> *Ibid.*

<sup>12</sup> Pre-1937 norms suggest that in 1952, output and the stocks of the means of production were still 6 percent lower than they would have been had the war not hampered development.

<sup>13</sup> See Derek Davies, "Putting People in the Picture," *Far Eastern Economic Review*, July 6, 1979, p. 13. Also see his fuller analysis in "China: Rebirth of the Individual," *Far Eastern Economic Review*, August 17, 1979, pp. 51-6.

<sup>14</sup> *Peking Review*, October 20, 1978, p. 8.

<sup>15</sup> *Beijing Review*, October 19, 1979, pp. 4-5.

<sup>16</sup> Shi Zhengwen, "Readjusting the National Economy: Why and How?" Special Feature, *Beijing Review*, June 29, 1979, p. 14.

<sup>17</sup> Comments at a seminar on this study.

<sup>18</sup> For a theoretical exposition of the general principle of maximum-speed development (without selectivity which was our adaptation to fit the Chinese strategy), see John C. H. Fei and Alpha C. Chiang, "Maximum-Speed Development Through Austerity," and Anthony M. Tang, "Comment," in *The Theory and Design of Economic Development*, ed. Irma Adelman and Erik Thorbecke (Baltimore: The Johns Hopkins University Press, 1966), pp. 67-99.