

Book Review

The Chinese Economic Model

S D Punekar

Economic Planning and Organization in Mainland China: A Documentary Study (1949-1957); Volume I by Chao Kuo-chun. Center for East Asian Studies, Harvard University, Cambridge, Mass (USA). 1959. Pp 273 (cyclostyled). Price not mentioned.

THE recent Chinese incursions into our borders have brought to light the expansionist motive of our neighbour. However, so far the threat is being considered only from the military or political angle. It has not been sufficiently realised that the real threat lies in China's economic power, achieved during the last ten years. When India became politically free in 1947 and China went communist in 1949, both the countries were approximately at the same economic level. Both countries suffered from the stigmas of underdevelopment, such as mass poverty, a sub-standard level of living, a subsistence peasant economy, stagnant industry and agriculture, inadequate transport facilities, wide-spread unemployment and under-employment, serious economic inequalities, disparity in urban and rural standards of living, a high rate of illiteracy, dearth of medical facilities, and lack of social welfare services. Both the countries decided to travel fast on the path of economic development with the means of planning.

During the last decade, both have made considerable progress, but on all accounts China's progress is phenomenal in contrast to that of India. Dr Chao, in his book under review, quotes Professor Wilfred Malenbaum to the effect that the annual growth rate of China's economy between 1950 and 1957 was roughly three times as high as that of India, which was estimated at 3.5 per cent per annum. "In their five-year-plan periods (1953-57 for China and 1952-56 for India), the gross national product in China increased by 50 per cent, and that of India 20 per cent in monetary terms, 203.8 billion rupees for China and 122.5 billion for India in 1957). Equally significant is the fact that the incremental gross capital output ratio for China and India during 1950-57 is estimated at 2.08:1 and 4.05:1 respectively. The two countries had essentially the same per capita income in 1952, but by 1957 there was a 20 per

cent margin in China's favour" (p xiii). The progress in production of certain major items in China and India is shown in the accompanying table. In respect of certain basic industries like steel, cement and electric power, China was behind India in 1950, but went ahead in 1957. In respect of other industries, China has increased the gap between the two countries.

THE ECONOMIC THREAT

This phenomenal progress achieved by China in economic development has set the non-communist world thinking. Walter Lippmann, the noted American columnist, has recently published in a little book, entitled *The Communist World and Ours* (1959), an account of his interview with Khrushchev, who led him to believe that with the success of the Soviet Seven Year Plan (1959-65), the Soviet economy will surpass the American economy in productivity per capita and that this achievement would cause the poor countries of the world to turn to communism as an example and for material help. People of underdeveloped countries would 'be convinced -by their stomachs" that communism is the only way of salvation. China follows Soviet Russia in the demonstration for propaganda for communism. As Lippmann observes,

"The communists are expanding in Asia because they are demonstrating a way, at present the only obviously effective way, of raising quickly the power and the standard of living of a backward people. The only convincing answer to that must be a demon-

stration by the non-Communist nations that there is another and more humane way of over-coming the immemorial poverty and weakness of the Asian peoples."

Lippmann suggests that such a counter-demonstration should be held in India, whose development if successful could convince the people that material progress can be had with civil liberty.

If India is to accept this economic challenge, a critical examination of the tools and techniques used by China in her economic planning becomes necessary to see whether we could profitably use them for speeding our development* Unfortunately, objective and reliable data on China are scarce and serious students of Chinese economy are handicapped because of the lack of basic material.

A DOCUMENTARY STUDY

Dr Chao Kuo-chun, who is familiar to the readers of *Economic Weekly*, has successfully tried to fill the gap. Two years ago, he published a documentary study (1949-1956) in respect of China's agrarian policies. Now he comes out with a similar study about the economic planning and organization in Mainland China (1949-1957). For this study, he has extensively surveyed the documents emanating from Peking, judiciously selected the key ones relating to economic planning and organization, arranged them chronologically under eight topical headings (overall economic planning and programmes; industrial and state enterprises; agriculture; financial and fiscal programmes; trade and co-operatives; labour; communications

	C h i n a		I n d i a	
	1950	1957	1950	1957
Foodgrains (million metric tons)	108	185	53.5	72
Cotton (" " ")	0.68	1.64	0.51	0.91
Steel (" " ")	0.40	5.24	1.01	1.30
Coal (" " ")	40.9	128.6	32.5	43.2
Cement (" " ")	1.41	6.70	2.68	5.70
Fertilizers (" " ")	0.075	0.5	0.048	0.37
Electric power (million Kw)	4,580	19,030	5,112	10,725

and transportation; and statistical work); faithfully translated them from the original Chinese; and prefaced each group with critical introductory comments. Such a task means a thorough understanding of both the languages, mastery over the social sciences, particularly economics, politics and sociology and a completely objective outlook. The book under review reveals that Dr Chao possesses these skills in abundance.

The field of 'economic planning and organization' according to the author covers broadly the following five areas : (i) planning mechanisms and procedures, both in the broad economic sectors and in specific industries; (ii) the structural and operational aspects of important economic organisations in China, such as the government organs in charge of economic affairs, banking institutions, co-operatives, labour unions, and collective farms; (iii) administrative measures to carry out the planned resource allocations, investment distributions and market controls; (iv) specific goals for planned economic development, such as the First and Second Five Year Plans

(1953-57, 1958-62); and (v) efforts and regulations designed to accelerate the attainment of goals in specific economic sectors, such as measures to enhance productivity and to reduce cost. These are the problems which face the Indian plan-framers also and they must be grateful to Dr Chao for providing the Chinese material on these problems,

Planning has become an accepted fact in all civilized nations, particularly in the underdeveloped countries which desire to catch up with the industrially advanced countries. Both India and China are conducting gigantic economic experiments among one-third of mankind and their planned efforts are regarded as competitive for fostering economic growth in underdeveloped areas. China's experiment, which has so far proved highly successful, makes it essential for the world, and particularly for India, to learn what are her specific economic goals, through what means she is trying to achieve these goals and to what degree she has succeeded. Before 1973, Peking aims to catch up with or surpass Britain industrially. An underdeveloped nation would thus turn into a highly

advanced nation;

China's guiding principle of 'socialist construction,' her recent trend towards decentralization, her latest campaign to mobilise and transfer surplus government employees and students to work in the rural areas in general and in agricultural co-operatives in particular, her shift of emphasis from heavy industry to agriculture, her desire to bring in technological and cultural revolutions, and her realistic and flexible approaches to policy, under an effective, albeit often stern, leadership — all these factors provide useful study for us. Dr Chao has placed before us very clearly a large mass of raw material on all such important topics, and has also given his studied comments. Students of economics and planning are thus highly indebted to Dr Chao and also to the Harvard University's Centre for East Asian Studies, which has sponsored these Chinese Economic and Political Studies. It is hoped that similar objective and informative studies will follow and these will result in mutual international goodwill and understanding.

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