

9 Performance under destruction, 1937–1977

The Japan-controlled regions

Japanese destruction and exploitation

The 1895 colonisation of Taiwan aside, the Japanese attempts to conquer China began with the 1928 assassination of Zhang Zuolin. There followed the full colonisation of Manchuria in 1931 and the full-scale invasion of China Proper in 1937.

Data for the Japanese destruction are plenty. Japan caused 29.7 million Chinese deaths, or 7 per cent of China's standing population.¹ Sixty million potential births may have also been lost.² About 100 million Chinese were dislodged.³ Half of China's provinces, mostly along the 110–120°E line, lost their population.⁴ All the provincial capital cities plus Shanghai and Hong Kong were repeatedly bombed; many, including Chongqing, Changsha and Nanchang, were levelled. In Zhejiang Province, devastation of houses in urban centres was close to 100 per cent.⁵

At the 1945 prices Japan caused US\$ 100–180 billion of damage to China's assets – houses, vehicles, factories, public utilities and transport systems – together with destruction of crops of 600 million *mu* (60 per cent of China's standing total).⁶ Losses in assets alone were equivalent to 70–160 years of China's annual GDP at the pre-1937 peak.⁷ In total, Japan caused colossal damage to China's national economy worth US\$ 600 billion.⁸ Most of China's economic gains from 1800 on were obliterated within a decade by Japan.

Meanwhile, Japan deprived the Nanjing Government of over 90 per cent of its usual tax base.⁹ From 1937 to 1940, the amount of customs' duties that Japan extracted in Chinese territories alone totalled over one billion silver *yuan*.¹⁰ It forced the republican government to run deficits of 88.4 billion silver *yuan* (1937–1944).¹¹ Public debts accounted for 73 per cent of the government revenues (1937–1946).¹² A total of US\$ 935 million (18.7 billion silver *yuan*) had also to be borrowed from the outside world.¹³ The Chinese native banking (*qianzhuang*) was also forced out of business during the Japanese invasion, which made China's financial situation even worse.¹⁴

The Japanese invasion was the very root of the unprecedented soaring retail prices (Table 9.1). Noted, the Japanese colonial rule did not govern any better.

Table 9.1 Inflation in troubled times, 1840–1945

	<i>Rice price index</i>	<i>Retail price index</i>
Qing unrest		
1840	100	100
1870	83	99
Japanese-occupied Beijing		
1939	100	100
1945	–	6,230,770
Effect on the Republican Zone		
1939	100	100
1945	6,321,035	8,071,247
Effect on the Communist Zone		
1937	100	100
1945	–	18,260

Sources: Peng, *Food Prices since the Qing Period* (Shanghai: SPP, 2006), pp. 173–5; Li, *A Monetary History of the Revolutionary Base in the Shaanxi-Gansu-Ningxia Border* (Beijing: China's Finance Press, 2003), p. 64; Xie, *South Manchuria Railway*, pp. 627–8; Zhu, *Life in Yan-an*, p. 20; Zhang, 'Prices in the Sshanxi-Chahaer-Hebei Border Region during the Counter-Japanese War', *ZJY* 3 (2008): 111.¹⁵

Growth under the Japanese rule

Manchuria

According to Chiang, the aim of Japanese imperialism was to create a new order of 'industrial Japan – agricultural Asia' to benefit Japan and to harm every other country in the process.¹⁵ However, there is a romantic notion that Japan not only nurtured rapid industrial growth in its occupied regions but it also contributed to China's aggregate wealth.¹⁶ So far, no one has counted growth in Russian-occupied Siberia, Outer-Mongolia, British Hong Kong or Portuguese Macao as China's own. One has to be consistent.

Manchuria was an organic part of China's national economy since the eighteenth century, the latest. During the 1910s, the two main ports in Manchuria – Yingkou and Dalian – handled 35 per cent of the total value of goods traded among the five sea ports in North China. Until 1931, Manchuria exported 20 per cent of its food to China's interior in exchange for textiles.¹⁷

The four factors – space, food, minerals and railways – made Manchuria extremely attractive to Japan. Japan infiltrated Manchuria immediately after the 1904–1905 Russo-Japanese War and gained the control over the Russian-built railway network over 10,000 km and Port Dalian with 10 million-tonne capacity.¹⁸ The creation of the puppet regime of Manchukuo headed by the abdicated Puyi in 1931 was part of the Japanese expansionist strategy in Asia.

From the very beginning, the Japanese economic policy in Manchuria was clearly stated as Japanese monopoly to serve the Japanese home economy only and by Japanese colonial law, 'each individual branch of industry should not be undertaken by more than one corporation'.¹⁹ In 1945, 135 Japanese chartered companies were present in Manchuria, suggesting that 135 branches of the Manchurian

economy were under the Japanese control. These companies were usually associated with the *zaibatsu*.²⁰ They owned 76 per cent of all industrial capital assets in Manchuria.²¹ Chinese assets were subject to confiscation: ‘The Japanese military immediately confiscated all the properties of those who had fled southward as refugees. . . . The properties of those who openly denounced the Japanese were usually sold, and the proceeds simply vanished into the pockets of the Japanese officer class.’²²

To facilitate their colonial rule Japanese immigrants to Manchuria were more than doubled between 1920 and 1935 to 350,300.²³ The ratio between the ruling Japanese and Chinese was 1 to 77.²⁴ Japanese settlers kept coming until their number totalled 1.6 million in 1945.²⁵ In the 1930s, Japanese immigrants also targeted treaty ports like Shanghai to pave the way for their colonial expansion in the south.²⁶

To serve Japan’s home economy, Manchuria’s traditional connections to China Proper were systematically severed. Between 1931 and 1936, immigrants from China to Manchuria declined by 70 per cent to be replaced by the Japanese settlers.²⁷ Trade with Japan increased at the expense of the traditional trade with China Proper in a zero-sum game (Table 9.2). Other countries, including Japan’s war-time ally Germany, were also pushed out of Manchuria and Japan-controlled China Proper.²⁸

Then, Manchuria was systematically sucked into Japan’s economic orbit. A long list of local products were under the Japanese strict control to serve Japan, ranging from metals, fossil fuel, woollen textiles to artificial rubber, shipbuilding, electrical and telegraphic equipment.²⁹ Japan routinely handed down lists for Manchukuo to fulfil. In 1938, Manchuria was obliged to supply to Japan 470,000 tonnes of iron, 3,380,000 tonnes of coal, 30,000 tonnes of pulp along with lead, zinc, copper, heavy oil, asbestos, wool, hemp, ammonium sulphate and fodder.³⁰ From 1937 to 1941, Japan demanded for an increase in coal output by 149 per cent, gold by 150 per cent, electric power by 219 per cent, spirits by 268 per cent, pig iron and steel by 208 and 247 per cent, respectively, pulp by 333 per cent and coal liquefaction capacity by 340 per cent.³¹ These resources were heading for Japan (Table 9.3).

For less controllable products such as food, the Japanese army moved in: over 60 per cent of food output in Manchuria was collected by the Kwantung Army before shipping to Japan. The remaining 30 per cent or so was left for farmers as seed and food ration.³² Given that Manchuria previously exported only 20 per cent of its food, the forceful extraction by Japan was 300 per cent of the normal amount which the region was willing to sell. In doing so, the local market economy was replaced by the Japanese command economy.

Table 9.2 Trade pattern change in Manchuria (in million yen), the 1930s

	<i>Manchuria’s imports from</i>		<i>Manchuria’s exports to</i>	
	<i>Japan</i>	<i>China</i>	<i>Japan</i>	<i>China</i>
1932	182.8 (100)	61.1 (100)	192.7 (100)	183.2 (100)
1935	456.7 (250)	32.0 (52)	217.3 (113)	65.4 (36)

Sources: Data for 1932 are based on SMR, *Fifth Report*, p. 159. Other data are based on JMYBC, *Year Book*, p. 797.

Table 9.3 Japan's resource dependence on Manchuria (% in total)

	<i>Japan's imports</i>	<i>Of which Manchuria provided</i>
Coal	9.2	53.3
Fossil fuel	72.7	45.4
Pig iron	31.5	27.9
Copper	37.5	7.2
Wheat	21.6	43.0

Source: JMYBC, *Year Book*, pp. 851–2.

The terms of trade were all in favour of Japan: the price level of imports from Japan increased up to 30 per cent while the price level of Manchuria's exports to Japan declined as much as 44 per cent.³³ In the process, Japanese firms yielded super-high profits: 48–110 per cent annually in the mining sector, for example.³⁴ Large sums, worth over a third of Japan's total investment in Manchuria, were remitted to Japan from 1932 to 1944.³⁵ In this extractive context, Japan imposed two 5-year investment plans, including '700 million *yen* for iron and steel; 300 million *yen* for coal; 500 million *yen* for electric power; 1,000 million *yen* for coal liquefaction; 1,300 million *yen* for the mechanical, chemical and other industries; 140 million *yen* for agriculture and stockbreeding; 640 million *yen* for transportation and communication and 220 million *yen* for [Japanese] immigration'.³⁶

These projects were facilitated by large-scale forced labour. Apart from the local labourers, the Japanese colonial authorities recruited 7.9 million workers from North China from 1934 to 1945.³⁷ These workers were forced to work under harsh conditions with no wage, very little food and minimal housing. The fatality rate was over 30 per cent;³⁸ and the life expectancy, 1.3 years.³⁹ The Japanese statistics show that about 3 million of them 'remained' in Manchuria.⁴⁰ The chances were that they all died there.

The whole package was known as the 'Manchukuo model'. So if anything, growth in Manchuria served the sole purpose of 'sustaining Japan's war through the war itself'.⁴¹ According to Hallett Abend (1884–1955), one of the few Western journalists who remained in China during the Second World War, 'without Manchuria and the raw materials and labour power which they were able to exploit there during the decade before the attack on Pearl Harbour, Japan would never have been able to attack the United States, Britain, and Holland in the South Pacific successfully'.⁴² Indeed, Manchuria benefited Japan so much that Japan made a proposal that if Nanjing recognised Manchukuo Japan would end its invasion and occupation of China Proper.⁴³

Even if one regards the Japanese investment in Manchuria as neutral, Japanese assets did not stay because of its old score with Russia since 1904. Six days before the ending of the Second World War in Asia, Stalin's Red Army moved in and took over Manchuria without much resistance from the Japanese. In the next seven months they systematically stripped it of industrial and financial assets worth US\$ 3 billion (the 1945 prices) and shipped them all back to the Soviet Union, which resulted in the 'February 16 Nation-wide Anti-Soviet Demonstration' in China.⁴⁴

Stalin's men did such a thorough job that after they left the output of electricity in Manchuria decreased by 70 per cent; machinery by 80 per cent; coal by 90 per cent; iron and steel, railway transport and telecommunications all by 100 per cent.⁴⁵

Of course the Soviet looting was not the same as Japanese colonisation. But the very fact that Japan openly made enemies with Russia attracted the Soviet attacks on Manchuria for war booty. So, Japan was ultimately responsible for the Soviet stealing from Manchuria.

Therefore, before 1945 the beneficiary of the growth and development in Manchuria was solely Japan and thereafter the Soviet Union. That growth was not for China and should not be counted so.

North China

The ‘*Manchukuo* model’ was soon systematically duplicated in China Proper after the Japanese Army crossed the Marco Polo Bridge in July 1937. China’s industrial facilities were the main target of the invaders. Part of the mission of the Japanese forces was to confiscate as many Chinese firms as possible, reported as ‘Chinese factories [being] confiscated by the Japanese and placed under military control but managed by Japanese companies such as Kanegafuchi and Toyota’.⁴⁶ Soon, Japan controlled 88 per cent of industrial capital and 94 per cent industrial GDP in North China,⁴⁷ and took over 92 per cent of all factories, 91 per cent of all industrial workforce, including 87 per cent of the Chinese-owned cotton mills and 90 per cent of the Chinese flour-milling capacity.⁴⁸

Like in Manchuria, the trade pattern of North China was aggressively altered. Before 1937 Japan’s trade share there was merely 16 per cent. By 1941, however, Japan’s exports to and imports from North China jumped to 60 and 70 per cent, respectively.⁴⁹ Of the 32 items available for export from North China, Japan had 90–95 per cent shares in 15 of them.⁵⁰ From 1939 on, Japan dominated the shipping services in all six ports in North China with a lion’s share of 78 per cent, leaving Britain with 5 per cent share, Norway 3 per cent and Germany just 1 per cent.⁵¹

This was followed by 5-year and 9-year plans to systematically milk the local economy for food and industrial materials.⁵² By 1942 in Japan-controlled China, the output of coal had increased 240 per cent from the 1938 level; pig iron, 18-fold from the 1936 level.⁵³ About 85 per cent of the iron ore mined from Japan-controlled China was shipped to Japan which accounted for half of all the iron ore that Japan imported.⁵⁴ To facilitate these plans, by 1941, Japan invested 688 million *yen* in coal, iron, cotton and salt. A total of 230,000 Japanese nationals also moved in.⁵⁵

The Japanese extraction impoverished North China. From 1937 to 1940, the peasant income level dropped by 20 per cent.⁵⁶ Japan’s investment and management did not lead to higher productivity. During the first half of the 1940s, labour productivity in coal mines remained unchanged; cotton yarn and wheat flour outputs declined from the 1936 level by 62 per cent and 56 per cent, respectively; and the yield level of cotton and wheat dropped by 46 per cent and 28 per cent, respectively.⁵⁷ Output quotas imposed by Japan were often not reached: coal was 20–30 per cent short of the target; cereals, 50–60 per cent; industrial materials, up to 70 per cent and synthetic petrol, 100 per cent.⁵⁸

Taiwan

Industrial growth was not always pursued by the Japanese colonial administration. In Taiwan where the Japanese rule began in 1895, the official policy was to make the

island a rice bowl, sugar pot and timber depot for Japan.⁵⁹ Apart from limited irrigation projects and export-oriented infrastructure, such as sea ports, railways and coal mines, the Japanese administration made no attempt to industrialise the economy. As a result, Taiwan remained distinctly rural with 85 per cent of the population living on farming until 1945. But the Japanese nationals possessed a quarter of Taiwan's farmland made of the best soil for rice cultivation.⁶⁰ They also owned more than three-quarters of all industrial capital in Taiwan.⁶¹ The alleged promotion of Japanese primary education aimed more at brain-washing than enlightenment.

Most raw materials were monopolised by the colonisers to serve the interest of Japan.⁶² Exporting large quantities of forest products to Japan caused an ecological disaster. Taiwan's indigenous camphor forests disappeared completely under Japanese rule.

When Taiwan was finally returned to China in 1945, the alleged 'Japanese legacy' was systematically removed by the republican government in a persistent campaign of 'de-Japanisation' (*qu ribenhua*) beginning in 1946. All forms of Japanese political, economic and cultural influence were banned. Japan-trained bureaucrats, military personnel and teachers were demobilised. The effort was re-doubled after 1949 when the republican elite retreated from the mainland. By the time Taiwan became modernised, the main source of external political, economic and cultural influence was undoubtedly the United States. To set the record straight, Taiwan's post-war growth owed much to the legacy of the Nanjing Decade but little to the Japanese colonialism.

On the communist mainland, the Japanese associates did not fare any better. They were labelled as traitor (*hanjian*) and had no input in politics.

Republican rule and the 1946–1949 Civil War

Sun's precedent

Sun's republican city state of Guangzhou did little to establish law and order or to promote economic growth. Abend reported: 'The Canton [under the republicans] of those days gave an odd impression of lawlessness and naked force. One *coup d'état* followed another with breath-taking frequency.'⁶³ Sun Yat-sen was responsible for at least two such *coups d'état* in 1917 and 1921.⁶⁴ He also had the reputation of taxing the local economy excessively. The private banking sector was forced to hand over 100 million silver *yuan* (2,385 tonnes) in 1923 alone.⁶⁵ In 1924, his regime collected taxes 6 years in advance.⁶⁶ After that, Guangzhou's capitalists were ruined.⁶⁷ In addition, Sun's government ran opium trade and gambling houses while its army openly counterfeited currency.⁶⁸

Sun's policies triggered two general strikes by shopkeepers in 1924. Sun retaliated by levelling Guangzhou's commercial district with fire and cannon shells.⁶⁹ In 1925, having done so much damage in Guangdong, Sun decided to abandon his base for good and agreed to partake in peace talks with his enemy in Beijing.⁷⁰ He never returned to Guangzhou.

Civil war

During the 1946–1949 Civil War, fighting was geographically confined in three to four provinces; civilian casualties were light: a total of 25,000 people died of

famine.⁷¹ The population on the other hand grew at 5.8 per cent a year from 455.6 million in 1946 to 540.0 million in 1949.⁷² The fundamental reason for the population to grow was the recovery of China's private agricultural economy. Harvests were generally good. People were reasonably fed. Hyper-inflation affected mainly the salaried classes which only constituted a minority (about 10 per cent) in society at this time.⁷³

Maoism, 1949–1977

The pro-Mao school insists that Mao built a new country which was militarily strong, politically equal, economically fair and ideologically pure. The only problem was that Mao's system was too advanced for his time. It also argues that Mao laid the very foundation for China's comprehensive modernisation and fast industrialisation after 1976.⁷⁴ So, China owed much to Mao and Maoism. Was that so?

Given that communism was introduced from Europe to China, to assess Maoist growth performance, one needs revisiting the basics of communism elaborated in *The Manifesto of the Communist Party* and Volume III of *Das Kapital*. Orthodox Marxian communism means the following: (1) rational economic planning for sustainable economic growth and development without any waste, (2) full entitlement and a better material life for all without exploitation, (3) a level of social, political and economic equality, higher than any other society ever known. None of these criteria can be compromised; otherwise, Mao's 'revolution' cannot be justified in a country where a traditional economy worked well even during wars.

Three models and economic planning

All the communist planners are economic narcissists and see their plans as the panaceas for anything and everything. This is not a joke because no economic law is able to punish them in their nirvana of total monopoly. Mao's three models reflect this problem.

First model: Waste in the name of planning

Judging from the persistent hatred and persecution of scientists, technicians, managers, technocrats and teachers, knowledge and technology was actively removed from Mao's production function. Mao could afford it as he faced no internal economic competition. Indeed, technology contribution to Mao's economy was but negative at –1.2 per cent a year.⁷⁵ Mao's modern industrial workforce was at the same time frozen below 70 million when China's population was multiplying.

As technology and labour inputs were both stagnate, 70 per cent of Mao's industrial growth depended on sheer volume of capital inputs.⁷⁶ If so, diminishing returns necessarily kicked in, as Peter Nolan points out, Mao's economy took an increasing amount of capital to produce the same output.⁷⁷ Investment returns in the state sector plummeted (Table 9.4).

Table 9.4 Decline in annual investment returns, 1963–1975

	Annual investment return rate (%)
1963–1965	57 (100)
1971–1975	15 (26)

Sources: Yu, *Socialist Modernization*, p. 458; also Zhang and Su, *Decade of the Cultural Revolution*, vol.1, p.396.

As such irrational practice could not last in a private economy, China was undoubtedly worse off than before.

Part of the reason was ‘productivity degeneration’ in the interior. In 1978 the productivity of state-run firms in the interior was about one-third that of China’s 1952 national level (hence the 1936 level).⁷⁸ Industrial productivity thus went backwards in real terms to the 1910s’ level if not earlier. Yet, more capital was poured into the interior to ask for more decline in returns, a practice which is called ‘blind investment’ (*mangmu touzi*) (Table 9.5).

Another part of the reason was the violation of the law of the economies of scale, China was deliberately divided into 10 self-sufficient blocs (*da er quan*) within which there were also a great many self-sufficient sub-regions (*xiao er quan*).⁷⁹ Large numbers of small factories were established to produce the same products.⁸⁰ By 1975, a third of all counties had iron and steel plants; and 90 per cent of all counties built tractors and water pumps.⁸¹ Their products were shoddy. In the 1970s, a third of China’s tractors were broken down permanently; another third had defects; and only a third worked properly.⁸²

Meanwhile, fully functional factories of the defence industry were re-located to deep mountains (*sanxian*). Factory divisions were spread out miles apart in the most difficult terrains.⁸³ Less than a third of these projects were ever completed; and fewer than 8 per cent of their production targets met.⁸⁴ All this was done in the name of ‘preparing China for the next war’ (*beizhan*). But, by weakening China’s production capacity, this policy only achieved the opposite.

On the other hand, without the market, ‘production for inventories’ prevailed.⁸⁵ In 1971, China’s total steel inventory amounted to 52 per cent of China’s annual domestic output and imported quantity put together.⁸⁶ These inventories were routinely counted towards GDP.

Loss-making was common even in the official statistics (Table 9.6). The sheer scale and scope of the Maoist waste finally came to light in the 1980s when all the state-run firms were tested for the first time for their market fitness. It turned

Table 9.5 Geographical distribution of state investment (index), 1952–1978

	1952	1978
Coastal investment	100	1,380
Hinterland investment	100	4,270

Source: Cui, ‘Urban-rural Relationship’, p. 19.

Table 9.6 Loss-making in Mao's state sector (in billion RMB yuan, constant prices), 1962–1975

	<i>Losses (A)</i>	<i>Total assets (B)</i>	<i>A/B (%)</i>
1962	9.3	120.9	8
1965	5.5	144.6	4
1970	5.8	196.8	3
1975	13.0	341.4	4

Source: MoF, *ZCN*, 1997, pp. 479–82.

out that a third of them chronically lost money; another third barely broke even; and only the last third stayed in the black.⁸⁷ At the end of the 1980s, annual subsidies for the failing state-owned enterprises cost about 20 per cent of the state budget;⁸⁸ one-third of all state workforces had to be laid off.⁸⁹

All these measures did not help much. In the 1992 survey of 50,000 state-owned firms, only 15 per cent of them still held the full value of their capital stock, 62 per cent had lost capital value and 23 per cent held negative equity.⁹⁰ One study of a group of 479 state-owned loss-making firms shows that they have negative equity of 117 per cent; and another study of 54 firms, 222 per cent.⁹¹ By 2000, after repeated rescue attempts for two decades, the state sector had remained the least efficient in the economy: it possessed half of China's fixed capital but produced less than a third of its industrial GDP.⁹² This means that Mao's industry wasted 40 per cent its inputs.

The real problem was that under Mao's rule no one was able to correct this mess, described as 'each official's career depends on the favour of higher level officials, and thus for every official there is an overriding need to look 'up' rather than 'down' ... in favour of responding to the wishes of higher level officials who control one's fate'.⁹³

Mao's state-owned industry has remained a colossal challenge for the post-Mao reformers. From 1978 on, China's state-owned banks replaced the state treasury as the life-supporting machine for the failing state sector, which led immediately to large-scale non-performing loans and bad debts. In 1991, the national aggregate debt to capital asset ratio in all state-owned enterprises was 0.6. It quickly increased to 0.9 in 1997.⁹⁴ In 2002, the accumulated bad debts were equivalent to 40 per cent of China's total GDP.⁹⁵ Nationally, the loan repayment rate among the state-owned enterprises was 3.3 per cent.⁹⁶ So, the prospect of any sizeable repayment is extremely remote.

A solution for the reformers was to sell these enterprises at bargain basement prices. In Hunan Province, all state-owned factories were sold with a 40 per cent discount.⁹⁷ Even so, it was difficult to find buyers, described in the late 1990s as: 'A great many state-owned businesses could not be sold no matter how low the prices offered'.⁹⁸ Clearly, much of the Maoist capital stock was junk.

Second model: Exploitation of the peasantry

On paper however the Maoist state-owned industry was fully self-sufficient in its capital accumulation which contradicts all we know about Mao's investment performance. Also, we have been told that the best business sector was heavy industry

Table 9.7 Unbalanced investment under Mao (% of new investment in value), 1953–1975

	Heavy industry (A)	Light industry (B)	A/B
1953–1957	36.2	6.4	5.7
1963–1965	45.9	3.9	11.8
1971–1975	49.6	5.8	8.6

Source: NBS, *ZJN*, 1992, pp. 149, 158.

where the investment efficiency in capital goods was 53 per cent higher than investment in light industry for consumer goods.⁹⁹ Heavy industry hence ‘legitimately’ received investment up to 11 times that of light industry (Table 9.7).

The ridiculous coexistence of low efficiency and high profit in Mao’s industry can only be understood with a hidden unlimited supply of economic rent from outside to feed the wasteful practice in the industrial sector. That rent came from unfair terms of trade between the rural and urban sectors and between light and heavy industries through the artificial ‘scissors price differentiation’.¹⁰⁰ From 1952 to 1978, the net increase in China’s state-owned capital stock was 424 billion RMB *yuan* (constant price, excluding the pre-1952 capital of about 24 billion *yuan*).¹⁰¹ This figure matches the net payout of 447.1 billion *yuan* by the rural population to Mao’s state.¹⁰² This included the aggregate agricultural taxes from 1952 to 1986 amounted to 104 billion *yuan*.¹⁰³ The rest 343.1 billion *yuan* must have come from the scissors pricing. Several studies indicate that the real amount from scissors pricing was likely to be 582.4–949.5 billion *yuan*.¹⁰⁴ In contrast to industry, agricultural capital formation and investment was almost entirely made by the peasantry itself. Conceptually, with absence of foreign trade and foreign investment, all the growth in China’s industrial capital stock came from the agricultural sector, à la *Tableau Économique* of François Quesnay (1694–1774). This was Mao’s second model.

According to the official statistics, from 1953 to 1985 the total investment in agriculture-related industries (i.e. chemical fertilisers, insecticides and farming machinery) was only 6.5 per cent of the state investment in the industrial sector,¹⁰⁵ not to mention that these products were sold above the market price to the rural sector under the scissors pricing regime to complete Quesnay’s loop.

Mao’s economic planners justified this policy as ‘socialist primitive accumulation of capital’ which bears the hallmark of exploitation. That was the very root of rural poverty, described thus: ‘During the first 30 years of the People’s Republic, the peasantry provided initial capital worth some 600 billion *yuan* but did not benefit from the industrial enlightenment or progress. They remained as poor, backward and ignorant as in the past.’¹⁰⁶ So, the peasantry were certainly worse off under Mao’s ‘forced industrialisation’. Exploitation, even for the ‘best cause’, is still exploitation.

Third model: Politics overruling the economy

To Mao, his political power remained the over-arching priority any time and everywhere. Mao’s third model overruled his other models.

Simon Kuznets (1901–1985) demonstrated that the capacity to invest, the engine of growth, is in the hands of just 10 per cent of the population.¹⁰⁷ Mao's third model targeted precisely this 10 per cent in the name of class struggle. Recent research has revealed a great pressure from the party leadership to inflate the number of landlords after 1949: any land-owner who was able to be free from agricultural production for four months a year was classified as a landlord whose land was subject to confiscation.¹⁰⁸ In 1952, about 4.8 per cent of the Chinese population were officially registered as landlords (21 million), 60–140 per cent higher than the usual 2–3 per cent agreed by various surveyors.¹⁰⁹ Meanwhile, in the industrial and service sectors, some 700,000 people were classified as capitalists.¹¹⁰ Again, the threshold for a capitalist was low: he who hired more than three workers (not seven as Marx said) was made a capitalist whose assets were subject to nationalisation.¹¹¹ Later, a 'wrong' attitude was enough to condemn an individual as a landlord-bourgeoisie. Their properties were also subject to confiscation. Mao's real objective was to obtain maximum private properties. Neither economic growth nor people's material well-being was on his agenda.

The spirit of the third model was reflected in openly promoted slogans during the Cultural Revolution that 'we only need a political balance sheet, not an economic one';¹¹² 'as long as we keep sharply focused on class struggle, it doesn't matter if our fields lie completely idle';¹¹³ 'political struggle overrules everything else';¹¹⁴ and 'we prefer socialist weeds to capitalist seedlings in our fields, socialist delay to capitalist punctuality in our train services, socialist low speed growth to capitalist high speed growth in our economy, socialist poverty to capitalist affluence in our society'.¹¹⁵

Mao's first two models were merely incompetent and distortive; his third was simply anti-growth.

Planning and plan execution

Mao's economic planning was crudely made and poorly executed. Mao even abandoned the entire economic planning for years and dismissed the planners.¹¹⁶ According to the post-Mao official assessment, Mao's planning did not bring about sustained fast growth.¹¹⁷ To put aside the direct damage to the economy by Mao's purges, from 1952 to 1978 growth in China's capital productivity and total factor productivity were both negative (Chapter 7).¹¹⁸

Mao's growth also had many boom-burst cycles to make Marx turn in his grave (Table 9.8).

Table 9.8 Growth cycles under Mao (current prices, % change), 1950–1976

	<i>Peak in the cycle</i>	<i>Trough in the cycle</i>
1950–1955	19.0	5.3
1956–1957	11.9	2.9
1958–1961	23.1	–18.4
1963–1967	8.2	–0.5
1969–1976	12.4	–1.8

Sources: Data for 1950–1963, see NBS, *ZJN*, 1983, pp. 13–14, 22–3. Data for 1967–1976, see NBS, *ZJN*, 2002, p. 51.

*Motives and disasters**Mao's motives for growth*

When Mao faced Chiang's competition, he appeared reasonably behaved. Before 1949, there was little difference in economic policies between communists and republicans. To be fair, in 1947 things looked rosy for many Chinese. Mao's 'General Guideline of Land Law' (*Tudifa Dagang*) allowed tillers to own private land.¹¹⁹ Mao even talked about 'co-existence of all types of economies', 'a new democracy of the people' and 'inter-party mutual watch'.¹²⁰ This is understandable because Mao tactically aimed to neutralise resistance to his take-over.

The economy recovered quickly thanks to private incentives. In 1952, it bounced back to its 1936 pre-war peak.¹²¹ Well-to-do peasants became the majority (85 per cent in 1953) of the rural population, known as 'expansion of the middle-class peasants' (*zhongnong hua*).¹²² But China's good fortune soon ended due to Mao's obsession to match with Stalin.

The first turning point came with the Korean War (1950–1953). Mao acted as Stalin's equal partner even if he had to send 3 million Chinese troops to Korea of whom 400,000 never returned.¹²³ The gamble paid off. A military draw with the United Nations forces boosted Mao's position in the International Communist Movement. The post-Korean War embargo by the West suited Mao perfectly, giving him the opportunity to demonstrate his 'self reliance' (*zili gengsheng*) which boosted Mao's position even further.

The second turning point came with Stalin's death in 1953. Mao saw himself a real contender for Stalin's position in the world.¹²⁴ To prove himself, Mao had to match Stalin's 'achievements'. His 1956 'General Guideline' (*Zongluxian*) for the party was specified as 'more, faster, and better growth with less input [than the Soviets]' (*duo kuai hao sheng*).¹²⁵ From 1956 on, growth speed and scale meant everything to Mao. This was where the real trouble began domestically. Within the first decade of Mao's rule, the Chinese economy was pushed into twin bubbles simultaneously in agriculture and industry.

Twin bubbles, 1956–1962

BUBBLE OF COLLECTIVISATION

Mao targeted the peasantry first. About 90 per cent of them were hit in 1956 when 1.5 billion *mu* of private land (100 million ha, 1949) was taken away from their lawful owners. No compensation was ever paid for an inch of the collectivised land until 1961 in the form of 'family plots' (*ziliudi*).¹²⁶ In addition, rural private houses, tools and domestic animals worth a total of 200–300 million silver *yuan* were transferred to rural cooperatives, again without compensation.¹²⁷ It was so thorough that in some places 'apart from a pair of chopsticks and a rice bowl, everything else was collectivised'.¹²⁸ Disillusioned peasants began to destroy assets. At least 4.5 million working animals were slaughtered in a rush in 1956–1957 to avoid confiscation.¹²⁹

By comparison, Mao's regime treated the 700,000 'national capitalists' better. It paid compensation, called the 'fixed dividends' (*dingxi*), to the nationalised capital assets (worth 1.7 billion silver *yuan*, or US\$ 700 million, 1955 prices).¹³⁰ The payment was set at 5 per cent of the value of the nationalised assets for 10 years.¹³¹ Even so, Mao's nationalisation caused 60–90 per cent of Chinese-owned factories and workshops to close down and urban unemployment to rise by 150 per cent.¹³² Other capitalist owners – foreigners and republican officials – were not so lucky. Their assets, ten times the national capitalists' (17.4 billion *yuan*, or US\$ 7 billion, 1955 prices), were taken gratis.¹³³

It is important to know that after 1956 each Maoist purge was accompanied by a new round of confiscation of victims' personal possessions including bank deposits, jewellery and art works. Within the first month of the Red Guards' Movement in 1966, in Beijing alone 33,700 households were attacked, and 103,000 *taels* of gold, 345,200 *taels* of silver, 5.5 million RMB *yuan* cash and 613,600 antique pieces were looted.¹³⁴

By mid-1956, a total of 106.7 million rural households joined one million production cooperatives (*hezuoshe*).¹³⁵ Most were forced in. In Guangdong, only 30 per cent joined cooperatives at their free will; in Yunnan, 20 per cent.¹³⁶ Consequently, most cooperative performed poorly. China-wide, 20 per cent cooperative households lost their income.¹³⁷ The extent of income decline was over 50 per cent in Hunan.¹³⁸ Soon, a spontaneous quitting campaign emerged. In Guangdong, 130,000 households quit within a year after collectivisation.¹³⁹ Another 127,000 households intended to quit.¹⁴⁰ In Xiangzhong (Hunan) 30 per cent of the cooperatives were disbanded after the first harvest; in Xianshu (Zhejiang) 81 per cent of the households quit in the same year.¹⁴¹ In 1958, Zunhua County (Hebei) had a village in which only the three poorest peasants remained in a cooperative.¹⁴² Later under Deng Xiaoping, when quitting collective farming was again allowed, close to 100 per cent of all the farmers did so.¹⁴³ Collectivisation was clearly imposed by a tiny minority against majority's will. It could have never happen under a democracy.

Resistance was much stronger in frontier regions where people had other choices. One official investigator wrote on Yunnan: 'After hills, forestry, land, water buffalos and personal belongings were collectivised, peasants were alarmed and began to resist furiously. . . . They cut down so many trees that large areas were deforested. They also rushed to kill water buffalos and pigs. After that they escaped to Burma with 20,000–30,000 villagers at one go. Some villages were completely evacuated.'¹⁴⁴ In 1958, 100,000 villagers of Menglian and Ruili (Yunnan) escaped to Burma.¹⁴⁵ In Guangdong, peasants continued to flee to Hong Kong until the 1970s.¹⁴⁶ According to a recently declassified official number, the total number of Guangdong escapees was 565,000 of whom many were Mao's party members.¹⁴⁷

When quitting was not permitted, peasants stopped producing. By 1959, 7.5 million rural households had ceased raising pigs to boycott collectivisation.¹⁴⁸ China-wide, the 1957 yield level of main cash crops retrograded, even though the weather was not particularly bad (Table 9.9).

Table 9.9 Sharp decline in agricultural outputs (kg/mu, 1955 = 100), 1957

	<i>Oil-seed</i>	<i>Beet</i>	<i>Tobacco</i>
1957	86	68	61

Source: CAHSG, *Agricultural Reforms and Development*, p. 88.

Food production was immediately affected. After the collectivisation, North China stopped exporting food. At the end of the Cultural Revolution, South China did that, too (Table 9.10).

Mao's collectivisation soon attracted criticism inside his party. Liu Shaoqi warned in 1951 that to weaken private farming was dangerous.¹⁴⁹ Mao actually acknowledged Stalin's failure in collectivisation: 'It has alienated the producers, which is the root of their rural crisis'.¹⁵⁰ But Mao went ahead anyway simply because he had to beat Stalin's record even if that record was associated with mistakes.

Mao's new trick was to form 'People's Communes' with free meals for life for everyone.¹⁵¹ In 1958, about 23,400 such communes were established,¹⁵² each gulping down 43 village cooperatives on average. He told his party in 1958: 'Free meals in communal canteens mean communism';¹⁵³ 'with free meals we have now begun the second transition [to 'each according to his need']'.¹⁵⁴

This was a simple and audacious idea which captured the public imagination. As Mao predicted, the spread of people's communes went hand in hand with free meals. By the end of 1958, over 99 per cent of rural households were on free meals.¹⁵⁵ According to the 1959 data, there were 3.9 million canteens across China to serve 400 million diners.¹⁵⁶ There was however the dark side. Private meals outside the communal dining hall were outlawed; private kitchens, dismantled; and private cooking utensils, confiscated. The membership of the commune was no longer voluntary. But after all these troubles, Mao's campaign managed only to break even with Stalin's record in 1929–1933.

It is worth noting that this 'free meal communism' was copied from the Taoist 'Five-litre Grain Sect' (*Wudoumi Jiao*) during the Eastern Han Period (25–220 AD). No penny was ever paid to the communal canteens from the state coffers. The peasantry was outwitted.¹⁵⁷ The system was unsustainable simply because all the food came from peasants themselves. Within a year, by April 1959, 15 out of 28

Table 9.10 Food availability seen from food exports under Mao (in 10,000 tonnes)

	<i>South China</i>	<i>North China</i>
1953–1955	688.5	204.3
1956–1965	2,620.0	–2,485.5
1966–1975	1,894.5	–1,955.5
1976–1978	–22.8	–1,106.4

Source: Based on CAHSG, *A Study of Agricultural Reforms and Development in Contemporary China* (Beijing: China's Agriculture Press, 1998), p. 251.

Note: Negative value means food imports due to food deficits.

provinces had food deficits and 25.2 million villagers were hungry.¹⁵⁸ As a government minister recalled, ‘The food served in the public canteen was thin rice porridge or vegetable soups. Everyone was hungry and short of energy even for walking. . . . The market which could have provided a way to make a living was closed down. Rural people were not permitted to enter cities to beg for food. Their only choice was to die of starvation inside their villages.’¹⁵⁹ Also, ‘due to widespread food shortages, . . . oedema cases were reported in a great many places’.¹⁶⁰ Oedema soon spread to cities and became a national pandemic.¹⁶¹ Finally, between 1960 and 1962, 30–40 million communal diners paid the ultimate price for Mao’s ‘experiment’.¹⁶² The total losses were likely to be 63–73 million if 33 million short in potential births are included.¹⁶³ That was over 10 per cent of China’s standing population of the time. Regions that were hit the hardest, such as Henan, Anhui and Sichuan, were where public canteens had the highest participation rates.

Mao’s collectivisation bubble burst. Mao’s apologists routinely dispute the number of Mao’s famine victims. The bottom line is that in a modern society, regardless of ‘-isms’, one famine death is already too many, let alone millions.

Considering that China was fully capable of feeding its population even during the 1946–1949 Civil War, one faces the tough question of why and how China ran out food so quickly. The answer lies in Mao’s other hidden agenda. Ultimately, Mao wanted to produce more iron and steel to match Stalin’s record, although admittedly he knew little about industry.¹⁶⁴

BUBBLE OF THE IRON AND STEEL DRIVE

It was documented that ‘On 7th May [1958], Chairman Mao delivered a speech again on how to surpass the Soviet Union. He said that it took the Soviets twenty-and-a-half years to increase their steel output from 4 million tonnes to 51 million tonnes’. ‘In my view’, Mao said ‘it won’t take us so long to get 51 million tonnes’.¹⁶⁵ At that time China produced barely 5 million tonnes of iron and steel annually and thus at the same starting line as Stalin a few decades before. To cover up this true intention, the official media only mentioned the Great Britain and the United States as China’s targets.¹⁶⁶ Other than for Mao’s ego, no one knows the purpose of this much iron and steel in the 1950s:¹⁶⁷ the economy was still rural; exporting was not an option after the Korean War.

Mao knew that ‘Unless we mobilise peasants it is impossible to construct communism, faster, better and with less input [than the Soviet Union].’¹⁶⁸ As a prologue, 100 million rural labourers were drafted in the slack season from October 1957 to April 1958 to work on water-control systems in a dry run. The scale was 25 times Mao’s largest military campaign in 1948–1949. It was a success. The remaining problem was how to obtain the amount of surplus food for so many rural workers for iron and steel production.

Mao’s men began to search for the magic bullet. In June 1958, Qian Xuesen (1911–2009), an MIT-educated physicist, evangelically asserted in an official newspaper that ‘Our annual rice yield will not be just 2,000 to 3,000 *catties* per *mu* [15–22.5 tonnes/ha] but 20 times 2,000 *catties*!’¹⁶⁹ Not everyone was convinced,

though. In the same year, a group of serious biologists of the Chinese Academy of Sciences experimented on wheat yield with artificial lighting, artificial ventilation, maximum seed and maximum fertilizer. The best output was merely 900 *catties* per *mu* (6.8 tonnes/ha.).¹⁷⁰ But the results were blacked out.

Qian's red-herring was badly needed. It triggered a heated competition among data fraudsters. Soon, a slogan from Party Secretariat took China by storm: 'the sky is the limit for our crop yields as long as we dare to declare them' (*ren you duoda dan, di you duo da chan*).¹⁷¹ Hubei Province first reported 37,000 *catties* per *mu* (277.5 tonnes/ha.).¹⁷² The 'record' was then tripled to 130,000 *catties* per *mu* (975 tonnes/ha.).¹⁷³ In fact, such practice was common in Yan-an in the early 1940s throughout the 1970s.¹⁷⁴ Mao's model commune, called Dazhai, permanently inflated its output by at least a quarter.¹⁷⁵ Under Mao, 'he who makes figures gets promotion' (*ganbu chu shuzi, shuzi chu ganbu*).¹⁷⁶

The Emperor's New Clothes were well received at the highest level. It was the consensus in Mao's circle that China's food output was to double the 1957 level.¹⁷⁷ On paper, half of the rural workforce was now available for making iron and steel. So, in August 1958, Mao set the target to double China's iron and steel output to 10.7 million tonnes within a year. He warned that officials were to be severely disciplined if they did not perform.¹⁷⁸ A total of 90 million rural labourers, about half the rural worker force, were mobilised in a rush before the 1958 harvests were completed. Other resources were taken out of farming, too. In Manchuria, 34 per cent of working animals and 50 per cent of tractors joined the campaign.¹⁷⁹ Harvesting was abandoned and crops were left in the fields to rot.¹⁸⁰

The Maoist state did not pay for the food of the rural workers. Neither did it invest in new modern plants. Instead, one million backyard furnaces were hastily built.¹⁸¹ City office workers and students were also asked to partake. Although these furnaces consumed 5–6 times more coal than modern ones, 'many regions had to support them by cutting the coal for modern furnaces, because Chairman Mao promoted backyard furnaces'.¹⁸²

Like grain, reported outputs from backyard furnaces went through the roof. A ministerial inspector recalled that 'the party leader of Henan Province announced a victory to the Party Centre in Beijing and to the media that they produced 30,000 tons of iron per day'.¹⁸³ At this level, Henan Province would have fulfilled Mao's target single-handedly for the whole country.

On the ground, no metallurgic standard was observed and corners were cut. One journalist observed that 'My wife collected some old iron pots, kitchen knives, a stove and a sewing machine and sent them to a site to melt. No one knew what would come out of such a mix'.¹⁸⁴ Unnecessary destruction was common. Even working capital like looms was melted down.¹⁸⁵ It was witnessed by an inspector of the State Planning Committee: 'I inspected the University of Nanjing and Nanjing Industrial College where students melted down their iron bed frames and campus iron fences into piles of slag with no value'.¹⁸⁶

When the dust settled in 1959, a total of 7.2 million tonnes was produced; but over a half were rejects.¹⁸⁷ Even so, it was 33 per cent short of Mao's target. In real terms, China only produced 3.6 million tonnes of proper iron and steel, which represented a 30 per cent decline in output from the pre-1958 level. The whole

campaign ended with a budget deficit of 17 billion *yuan* together with 16.2 per cent inflation.¹⁸⁸ Mao's second bubble burst, too.

Ironically, it was the Soviet Union that warned Mao in 1958 of the foreseeable disaster: 'Our party saw that [the Great Leap Forward] was a road of dangerous experiments, a road of disregard for economic laws and for the experience of other socialist states.'¹⁸⁹ That fell on deaf ears.

The campaign over-drafted the economy for years to recover. In 1961, Manchuria's outputs of coal and electricity fell by 35 per cent, outputs of construction, machinery, chemicals and textiles dropped by 60–80 per cent from the pre-campaign level.¹⁹⁰ In Anshan Iron and Steel Company, a key player in Mao's campaign, only 54 per cent of its open hearth furnaces, 40 per cent of blast furnaces, 37 per cent of vehicles and 24 per cent of coke ovens were in good order. Manchuria-wide, only half of all industrial equipment was in good condition; 30 per cent of large firms and 66 per cent small and medium ones were forced to close down.¹⁹¹ China-wide, iron and steel dropped 60 per cent; coal, 45 per cent;¹⁹² industrial workforce, 17 per cent and urban population, 15 per cent.¹⁹³ China's GDP shrank by 30 billion RMB *yuan*.¹⁹⁴

Mao's dream to surpass Stalin was once again shuttered. His only recourse was an ideological attack on Khrushchev. But Mao's rift with Khrushchev backfired: in 1960, the Soviet Union terminated all its 156 aid projects for China.¹⁹⁵ Mao was left completely empty-handed. The Sino-Soviet political and economic relationship remained frozen until 1984.

In 2000, China was indeed ranked World Number One in outputs of crude steel (no less), coal, concrete and chemical fertilizers.¹⁹⁶ But before that happened, Maoism had to go.

Famine and post-famine recession

Despite all the shocks, China's agriculture seemed functioning. The weather conditions from 1958 to 1961 were more favourable than the 1930s.¹⁹⁷ The 1959 grain harvest totalled 170 million tonnes (340 billion *catties*), while 123 million tonnes were enough to feed China's 672 million people (as in 1959).¹⁹⁸

However, the inflated output for 1959 was the 'mandatory output' due to the *de jure* state ownership over land and capital. Anything short of the mandatory output was viewed as hoarding according to the Maoist ratchet mentality. In the summer of 1958, Mao warned: 'This year, peasants have already claimed that they have not had enough food. . . . They do not want to give us grain. They want capitalism.'¹⁹⁹ Mao repeated his warning in 1959 in the middle of the famine: 'Peasants have built deep cellars to hide grain from us.'²⁰⁰

Modelled after Lenin's 'food dictatorship' in the 1920s and the Japanese anti-hoarding policy in North China in the 1930s and 1940s,²⁰¹ Mao's police staged a 'Great Leap Forward in Public Security' in 1958–1960.²⁰² Food in suspicion of hoarding was confiscated; information of hunger and starvation was strictly censored.²⁰³ Resistance was subject to violent suppression.²⁰⁴ Officials who dared to rescue starving people were promptly punished.²⁰⁵ Evidently, regions where anti-hoarding was most thoroughly implemented were the regions where population losses were the heaviest, including Anhui, Qinghai and Guizhou. Complaints did

exist and some did reach the centre, including that by Field Marshal Peng Dehuai, but they were all silenced by Mao's swift purges. In Anhui, after complaints were gagged, a third population died of starvation.²⁰⁶ In doing so, Mao contravened all the moral and legal bottom lines.

Mao's anti-hoarding barked at the wrong tree. The real problem was the gap between the officially expected outputs and the actual outputs on the ground (Table 9.11). Now, with the aforementioned ratchet effect and heavy-handed anti-hoarding, the danger of taxation-*cum*-famine loomed large. In fact, taxation-*cum*-famines already occurred in Zhejiang and Guangxi in 1954–1955.²⁰⁷ Even so, Mao's state ruthlessly taxed away 27 per cent of China's total food output in 1958, 40 per cent in 1959 and 36 per cent in 1960.²⁰⁸ Under these circumstances, grass, tree barks and human corpses – free from the state control – became food sources; and widespread cannibalism became inevitable.²⁰⁹

Conceptually, tax payment only changed the owner of output; China still had enough food for everyone in the system. A genuine redistributive state must ensure that ordinary people's basic needs are met. Mao's state behaved very differently. Once food was in the state possession, it stayed with the state. So, instead of redistributing food for the needy, the state exported, hoarded and wasted food. Firstly, during the famine, China remained a net food exporter (Table 9.12). The amount of food exported in 1958–1960 was sufficient to feed 52 million people for a year. Not only that, foreign aid was turned down. It has been revealed recently that in 1961 Khrushchev offered China one million tonnes of food and 500,000 tonnes of sugar for famine relief. Mao's government accepted the sugar but declined the food (enough to feed 5.5 million people for a year) to deny the famine to the outside world.²¹⁰

Secondly, less known, the state granary had 20.2 million tonnes of grain stock in 1960, enough to feed another 110 million adults for a year.²¹¹ But the order from the centre was to hoard it (no less).

Thirdly, the least known is the amount of food wasted by the state. A good example was the production of the Maotai Spirits in Renhai Country (Guizhou). In 1959–1961, the county's end-year food stock was on average 31 million *catties*,

Table 9.11 Food outputs, mandatory vs. actual (in billion *catties*), 1958–1960

	1958	1959	1960
Mandatory output (<i>A</i>)	750	1,050	600
Actual output (<i>B</i>)	400	340	287
<i>B/A</i> gap (%)	53	32	48

Source: Su and Wan, 'Historical Changes in Agricultural Taxes since 1949', *DZY* 1 (2007): 85.

Table 9.12 China's net food exports (in million tonnes), 1950–1960

1950–1953	6.5 (100)
1954–1957	8.2 (126)
1958–1960	9.5 (146)

Sources: NBS, *ZTN*, 1982, pp. 393, 422; *ZTN*, 1983, pp. 422, 438; Qu 'China's Foreign Trade with Grain and Its Nature', *ZJY* 3 (2006): 20–1.

enough to feed 85,000 adults for a year. Yet, several thousand locals died of starvation. The government food stock in that county was earmarked for 10,000 tonnes of the top quality spirits each year, endorsed by Mao himself.²¹² Such behaviour contrasts sharply the Qing law of temperance to secure food supply for the people.²¹³

Evidently, the authorities were aware of the famine of the time.²¹⁴ They simply asked people to put up with it. In 1960, CCPCC issued a decree to ‘lower the calorie rationing and use alternative food sources’ (*dibiaozhun guacaidai*).²¹⁵ Mao shamelessly instructed people to eat less: ‘one should eat more in the busy season, eat less in the sluggish season, eat solid food in the busy season, and eat half solid and half gruel in the sluggish season’.²¹⁶ A role model Lei Feng (1940–1962) was timely created, a soldier of Mao’s army who slaved at Mao’s enterprise, living on a shoe string. It was during this period that sweet potatoes and many other Giffen goods became an important food source in China.²¹⁷

Consequently, a record number of people died completely unnecessarily, simply because they were voiceless and powerless under Mao’s anti-state.²¹⁸ Fundamentally, they had no voice because they had no properties, as J. M. Buchanan has argued.²¹⁹ According to A. K. Sen (1933–), peacetime famines are resulted from the denial of people’s entitlement by an irresponsible state.²²⁰ Mao’s food dictatorship was the true cause of the famine.²²¹ Whichever way one looks at the famine, Mao was not on the people’s side.

The impact of the Great Leap Famine was profound. China’s agriculture slid into a two-decade long recession (Table 9.13), as officially admitted that ‘[under Mao] for more than 20 years, there was virtually no progress in labour productivity’.²²² The year 1960 marked a sharp downturn. From the 1957 level, China’s grain harvest declined by 26 per cent, cotton by 35 per cent, oil seeds by 50 per cent, pigs by 56 per cent and draught animals by 13 per cent.²²³ In the following period of 1965–1976, agricultural output shrank another 30 per cent.²²⁴ By 1976, China’s agricultural labour productivity had declined by about 12 per cent from the 1957 level.²²⁵ From 1961 on China became a net food importer. Not until 1997 did China become a net food exporter again.²²⁶

This recession affected even the best farming regions. During the 1960s in Guangdong, where rice can grow three crops a year, a third of all communes

Table 9.13 Agricultural output in value (in 10⁹ RMB yuan) under Mao

	Current price	Index (I)	1952 price ^a	Index (II)
1957	53.7	100	48.3	100
1977	80.7	150	29.0	60
Gross annual change (%)		2.0		–2.6
Net annual change ^b (%)		0.0		–4.6

Source: Based on NBS, *ZN*, 1985, p. 239.

Note

a Conversion is based on the average inflation rate of 2.0 per cent a year for the period of 1950–1978; see Li, ‘Macro Control over the Process of Switching China’s Economic System’, *XW* 4 (1997): 49–51.

b By discounting population growth at a rate of 2.0 per cent per year from 1949 to 1977.

produced less than 300 *catties* (150 kg) of unhusked rice per head.²²⁷ After husking, it provided mere 950 kcal per day, one-third of the energy needed to sustain an adult male.

Ironically, the agricultural retrogression occurred with an allegedly 7-fold input in insecticides, 70-fold in chemical fertilisers and 464-fold in farming machines, all under the nose of an army of 60 million local bureaucrats and party functionaries.²²⁸

The decline happened in the communist farming but not in the ‘family plots’ which were reluctantly allowed after 1961 as the *de facto* compensation for private land taken by the state. According to a survey in Inner-Mongolia, the yield level of these plots was 10 times their communist counterparts. Such a huge difference embarrassed party officials. They collectivised those plots and allocated barren parcels of saline-alkali soil to peasant families to strike a new balance between the two economies. To their amusement, peasants soon converted barren land into high yielding plots while the newly collectivised ex-family plots simply went barren after the swap.²²⁹

China-wide, family plots took only 5–7 per cent of a village’s farmland, but produced about 50 per cent of the food and 80 per cent of the vegetables to sustain the rural population.²³⁰ Croll estimates 200 kg of grain a year from family plots for each family member, or 1,300 kcal per person per day.²³¹ In another account, these plots provided peasants with at least 50 per cent of their annual family incomes.²³² If so, about 40 per cent of the rural GDP was generated outside Mao’s communes (counting crops as 80 per cent of the rural GDP). With the efficiency of the family plot, it would take just 14 per cent of China’s farmland to feed the nation.

The post-Mao verdict is thus that “People’s Communes performed worse than rural co-operatives; . . . co-operatives performed worse than mutual aid groups; and mutual aid groups performed worse than private farmers.”²³³ Collective farming was a fiasco.

Poverty and inequality

Institutionalised mass poverty

Students of modern Chinese history face a paradox: ‘China’s national income growing slower than China’s GDP, while people’s living standards growing even slower than China’s national income.’²³⁴ This was the work of Mao’s rationing. Contrast to the degree of affluence that Marx expected from communism, in Mao’s view, communism meant strict sumptuary control.²³⁵

Immediately after the 1949 takeover, Mao’s government issued a decree on grain-rationing calculated on the subsistence level.²³⁶ Soon, the state effectively controlled 90 per cent of all recorded surplus grain in the name of ration.²³⁷ In 1950, there were 230 items, mainly staple foods, under state monopsony; the number of items had increased to 2,100 by 1977.²³⁸ But the ration declined over time (Table 9.14).²³⁹

For the rural sector, the official annual food ration standard for an adult was set at 360 *catties* for the north (180 kg, in wheat, millet, maize, and sorghum) and

Table 9.14 Annual consumption *per capita* under Mao

	Kg				M ²	
	Grain ^a	Oil ^a	Meat ^a	Fish ^a	Housing (U)	Housing (R)
1957	203.1 (100)	2.4 (100)	1.6 (100)	4.3 (100)	4.5 (100)	11.3 (100)
1978	195.5 (96)	1.6 (67)	1.2 (75)	3.4 (79)	3.6 (80)	8.1 (72)

Sources: Yu, *China's Socialist Modernization* (Beijing: Foreign Language Press, 1984), p. 12; Zhao, 'Path, Stages and Main Lessons from the 50-year Long Growth of the Chinese Economy', *ZJY* 1 (2000): 77. Data for 1965 are based on Cao, *Demographic History*, vol. 6, p. 561 and World Bank, *China, Socialist Economic Development* (W.D.C.: WB, 1983), vol. 1, p. 108. For housing, see Zhong, *Assessment of Unequal Entitlement amongst Citizens* (Beijing: China's Workers' Press, 2002), p. 169.

Note

a Annual total amount. U – urban and R – rural.

400 *catties* for the south (200 kg, in rice).²⁴⁰ These figures are lower than food intake in Fei's village in the 1930s: 238–317 kg for an adult.²⁴¹ It was less than half of China's best record of 500 kg per head.²⁴² Clearly, the commonly used grain output *per capita* as a welfare indicator for Maoism is utterly meaningless.

It is worth noting that rural ration was in raw grain. Wheat loses 20 per cent and rice loses 30 per cent to milling and husking.²⁴³ So, in real terms, an adult peasant received 140–144 kg a year, or 1,300 kcal per day, only half the energy needed to maintain an adult male. This was a famine diet. In this situation, family plots were the life line for the peasantry. If crops failed there, peasants were doomed.

Rationing in the urban sector began in 1955 with a coupon system which was reinforced by resident registration (*hukou*). The ration was frozen for two decades during Mao's rule (Table 9.15). In 1978, China's urban benchmark daily food intake was 2,009 kcal per adult,²⁴⁴ lower than the current World Bank's famine relief benchmark of 2,185 kcal,²⁴⁵ or the Qing disaster relief *per diem* during the eighteenth century at 2,800 kcal.²⁴⁶ Unmistakably, the Chinese fared better in the 1930s (Table 9.16). Deng Xiaoping's criteria for 'a reasonably comfortable life' (*xiaokang*) included 2,600 kcal which was in fact the republican benchmark.²⁴⁷

Other foods were also rationed (Table 9.17). The meagre quantities were not always guaranteed. In 1961, the urban ration of pork dropped by 60 per cent to 100 g per month per head.²⁴⁸ Queuing as urban daily ritual proved that same point.

Table 9.15 Urban food rations (cereals, in kg per month), 1955–1979

	Shanghai		Beijing	
	1955	1979	1955	1979
University students	16.0	16.0	17.5	17.0
Clerks	14.0	14.0	15.1	15.0
Physical workers	20.0	20.0	22.0	22.5
Average	16.7	16.7	18.2	18.2

Sources: Croll, *Rice Bowl*, pp. 118, 211; also Liu and Yeh, *Chinese Mainland*, pp. 48–50.

Note: Here, heavy physical worker's daily intake = 2,625 kcal.

Table 9.16 Daily calorie intake, pre-Mao vs. Mao's rule

	1930	%, 2,009 kcal under Mao = 100
National average	2,537	126
Rural average	3,295	164
Shanghai workers	3,008	150
Wuhan workers	3,500	174

Sources: Buck, *Statistics*, p. 407; Liu and Yeh, *Chinese Mainland*, p. 31; Li *et al.*, *Social Surveys*, vol.1, pp. 35, 47, 276, 386; vol. 2 p. 829.

Table 9.17 Non-cereal food rations (monthly *per capita*, in g), 1978

Eggs	Pork	Sugar	Bean-curd	Bean noodles
300	250	100	300	50

Source: Ling, *No More Hesitation*, p. 101.

During the 1930s the average Chinese male bodyweight was 70 kg which requires 3,000–3,270 kcal a day to sustain it.²⁴⁹ Mao's 2,009 kcal only sustain a bodyweight of 47 kg. As the urban population had no access to family plots, 2,009 kcal were their food ceiling.

The impact of this famine diet was highly visible: in the 1970s, 99 per cent of army hopefuls in rural Guangdong were under-weight.²⁵⁰ According to John Pomfret, all the young Chinese he met in the early 1980s were skinny and always hungry due to undernourishment since birth.²⁵¹ By 1978, 60 per cent of the Chinese population had been on Mao's famine diet from birth.²⁵² That diet thus made a large proportion of the population shorter and thinner, which inevitably lowered China's labour productivity.

One should not forget that the Chinese physical stature was once comparable to the Europeans. In the mid-nineteenth century, a sample of 13,000 labourers in South that of China had the same heights as Southern Europeans.²⁵³ In 1900, the German Field Marshal Alfred Graf von Waldersee (1832–1904), who led the invading forces against the Boxers, carried out a survey in Beijing and found that 95 per cent of the local males from 18 to 60 years old passed the German army recruitment standard.²⁵⁴ During the 1920s, the Chinese still had a mean height of 166–168 cm.²⁵⁵ Under Mao, Chinese heights were stagnant (1956–1978); they took off only after 1980.²⁵⁶

Beyond foods, housing and consumer manufactures were all rationed. From the early 1960s, over 50 categories of wage goods were controlled by 'purchase-permits' (*gongye quan*). The number was doubled in the 1970s. Prices of these goods were artificially high to tax consumers. The cost of items for a young man to prepare for a marriage are given in Table 9.18.

Like food, housing and wage goods rations were in decline. In 1978, half of all urban families were officially categorised as 'families short of housing' (*que fang hu*).²⁵⁷ In 1961, the cloth ration was cut by 35 per cent from the 1956 level for cities, and 17 per cent for rural regions.²⁵⁸ It never fully recovered until the end of Mao's rule.²⁵⁹

To discourage consumption, on the supply side, the number of shops and restaurants dropped over 80 per cent from 1957 to 1976.²⁶⁰ Most rural fairs stopped

Table 9.18 Excessively high prices for consumer goods

	Retail prices (yuan)	= Post-apprenticeship pay (months)
'Phoenix' bicycle	156	5.2
'Shanghai' wrist watch	120	4.0
'Butterfly' sewing machine	187	6.2
Total	463	15.4
= Savings after food bills ^a		51.3

Source: Ling, *No More Hesitation*, p. 99.

Note

a Based on China's urban Engel's coefficient of 0.7; see He, "Twenty Weak Points in China's Targets for the Year 2000", *XW* 5 (1994): 8.

trading, too.²⁶¹ On the demand side, the policy was to pay people as little as possible. According to Deng, 'From 1957 to 1978 our peasants each received on average 60 *yuan* per year. . . . Their income level did not change for those 20 years. They all lived under our official poverty line.'²⁶² In a 1978 national survey, 97 per cent of rural workers received 0.1–0.2 *yuan* per day, enough for a pack of no frill cigarettes or a candle.²⁶³ The rural income was fixed even with bumper harvests, known as 'no income increase after any output increase' (*zengchan bu zengshou*).²⁶⁴ The Chinese were no fools. As the Maoist regime only pretended to pay its people, the people just pretended to work for it. This led to a negative spiral across the economy: 'The peasantry in turn did not want to produce. . . . Hunger soon became China's Number One political problem.'²⁶⁵

In the urban sector, Mao openly condemned the 'eight wage bands' (*baji gongzi*) as the 'bourgeois right'.²⁶⁶ From 1961 to 1976, the urban real wage was halved (Table 9.19). The dependent-supporting capacity of an urban worker dropped by over a third (Table 9.20).

Thanks to such hand to mouth existence, private savings were pitiful. In 1978–1979, China-wide private savings were 40.4 *yuan per capita*, or 6.4 weeks' pay at the post-apprenticeship level,²⁶⁷ rural *per capita* savings barely equalled a

Table 9.19 Decline in real wages, 1957–1976

	Real wage (1957 price)	Index
1957	637	100
1976	327	51

Sources: Lippit, *The Economic Development of China* (New York: MESP, 1987), p. 150. Price conversion (2.0% annual inflation), see Li, 'Macro Control over the Process of Switching Chinitic Economic System', *XW* 4 (1997): 49–51.

Table 9.20 Decline in average wage's dependent-supporting capacity, 1957–1977

	Average family (persons)	Dependents (persons)
1957	4.5	3.3 (100)
1977	4.5	2.1 (64)

Sources: NBS, *ZTN*, 2003, pp. 341, 345; Cui, 'Urban-rural Relationship', pp. 17–18.

week's post-apprenticeship wage.²⁶⁸ Here, the urban-rural income gap was 25.5:1 (population weighted).

On the other side of the same coin, under Mao, China's national Engel's coefficient stubbornly stayed at 0.7.²⁶⁹ This was a huge retrogradation, as during the 1920s and 1930s, Engel's coefficient in Shanghai, Tianjin, Wuhan and 6 northern provinces was about 0.5,²⁷⁰ comparable to Britain, Japan and India at the time.²⁷¹ In Fei's village, it was as low as 0.4 in the 1930s.²⁷² Consequently, under Mao, 'ordinary citizens possess little more than basic furniture, clothing, bedding and cooking utensils'.²⁷³ Here is the evidence: Data for 1981 show that every 1,000 rural residents owned just 1 tape recorder, 3 televisions, 60 sewing machines, 92 radios, 94 bicycles and 125 wrist watches.²⁷⁴

Not surprisingly, an extensive field work by four journalists indicates that rural living standards in Northwest China in 1980 were noticeably lower than under Chiang or even during the Second World War.²⁷⁵ The degree of poverty in Mao's China dwarfed the Soviet Union and India in the comparable period (Table 9.21).

The situation was radically changed after Mao: In 2000, only 3 per cent of China's population remained under the official poverty line.²⁷⁶ This shows that China was fully capable of eradicating poverty even when the population was increasing fast. To attribute Mao's poverty to the size or growth of the Chinese population is a complete nonsense.

In China studies, there is a major misconception to associate poverty with equality. There is even a greater misconception to rationalise poverty by sameness or uniformity. In the viewpoint of the Pareto optimum and welfare economics, no social or private gain is to be made from 'getting poorer but more equal'. Poverty, even if distributed perfectly equally, is still poverty.²⁷⁷ Thus, communism with poverty is not any superior over capitalism with inequality. Chinese intellectuals have long been questioning Mao's true intention. They asked: 'Who wants a communism which pays less than 0.1 *yuan* a day?'²⁷⁸ 'How come after decades of revolution we have only built a country of starvation?'²⁷⁹ 'How can we explain the fact that there are still many beggars 30 years after we established this new regime?'²⁸⁰ 'People do not have enough food or warm clothes. They live in slums. . . . Does all this qualify our system as socialist?'²⁸¹ 'If ordinary people had to sacrifice endlessly for growth only symbolic to them, what was the point of having such growth?'²⁸² Outsiders raised a similar question: Should Mao's China be proud of being 'a nuclear-armed power whose people lived in unheated hovels'?²⁸³

Table 9.21 Poverty rates, Mao's China compared with the USSR and India

	Date	Pursuit for 'industrialisation' (years)	Households in poverty (% in total)
China-wide	1978	25	49.3
Rural China	1978	25	65.1
USSR	1967	40	33.0
India	1968	15	24.2

Sources: Chaudhuri, *The Indian Economy, Poverty and Development* (New York: SMP, 1979) p. 205; Gregory and Stuart, *Structure and Performance*, p. 257; Chen, *Income Differentiation, Poverty and Unemployment* (Tianjin: Nankai University Press, 2000), pp. 132–3.

After all, who benefited from this inhumane system of poverty-making? The answer has to be Mao's state, as shown from the official data of bank deposits in Table 9.22. Mao's state possessed three times deposits as the entire population put together, excluding all the other state assets. It is known that the state deposits were equivalent to a third of China's total GDP.²⁸⁴ So, in real terms, the state almost certainly raked in a lot more. The view that Mao made his state rich but his people poor is fully justified (*guofu minqiong*).²⁸⁵

Here, to state that Mao's priority was heavy industry for China's long-term interest is a lousy defence. In post-war capitalist Germany, Singapore, South Korea and Japan, rapid growth in heavy industry and steady improvement in ordinary people's material life went hand in hand. Heavy industry and people's material well-being are not mutually exclusive.

Institutionalised inequality in society

Regarding equality *per se*, Maoism performed poorly, too. To begin with, Mao's China was not known for political equality. In Peter Nolan's phrase, 'Maoist China was characterized by extreme political inequalities and greatly restricted individual freedom'.²⁸⁶

How about the commonly notion of gender equality under Mao? A recent study of Mao's rural communes reveals that female workers were not only persistently paid 20 per cent lower but also had 50 per cent less employment opportunities than their male counterparts.²⁸⁷ Given that the rural population claimed the lion's share of China's labour market, this gender inequality was China's national norm.

Economy-wide, income inequality peaked during the Great Leap Famine and the Cultural Revolution.²⁸⁸ The Gini coefficient was also worsened by 25 per cent from 0.25 in 1952 to 0.31 in 1977. Similarly, the urban–rural average income gap was widened from 2.2 in 1949 to 8.7 in 1975 by a factor of 4.²⁸⁹ Mao's officials were the least equal in pay compared with other periods (Table 9.23).²⁹⁰

Table 9.22 Patterns of wealth distribution seen from bank deposits (% in total value), 1979 and 1995

	<i>State's deposits</i>	<i>Citizens' deposits</i>
Under Mao (as 1979)	77.0 (100)	23.0 (100)
Post-Mao (1995)	30.0 (39)	70.0 (304)

Source: Chen, *State Assets*, p. 92.

Table 9.23 Salary gaps among government officials, 1935, 1956 and 1983

	<i>Ratio between the top and bottom ranks</i>
1935 (under Chiang)	14.5 (100)
1956 (under Mao)	28.0 (193)
1983 (post-Mao)	15.1 (104)

Sources: Li, *Chinese Social Stratification*, pp. 49, 61–2, 107–8; CASS and the Central Archives, *Selected Archival Materials of the People's Republic of China, 1953–1957* (Beijing: China's Price Press, 1998), pp. 425–30.

There was also consumption inequality. According to Mark Selden, ‘city over countryside, metropolitan cities over smaller cities and towns; suburban areas over the rural hinterland, and so forth down to determination of access to fine or coarse grain in one’s diet’.²⁹¹ High ranking officials and their families were exempted from rationing.²⁹² Those inside Mao’s circle were hypocrites: ‘They did their best to advocate asceticism, while they themselves revelled in luxury.’²⁹³ Photos do not lie. After 1949, Mao himself was *always* overweight, smartly dressed, living in a Qing imperial palace. During the 1961 Famine, Mao’s monthly food bill was 740 *yuan*, equivalent to two years’ wage for a post-apprenticeship worker.²⁹⁴ Mao was far more equal than anyone else.

With all the inequalities, three new institutionalised castes emerged: (1) the aristocracy of cadres/officials, (2) the urban factory workers and (3) the rural untouchables.²⁹⁵ For an ordinary worker or peasant to climb to the cadre rank was always an exception rather than a rule.²⁹⁶ But Mao needed the lower classes in order to ostracize intellectual and party officials in his purges. Institutionalised inequality served that purpose.

Mao failed all the orthodox Marxian criteria miserably. P. B. Trescott is right: there was nothing remarkable about Maoism; Mao’s triumph was that of ‘pre-capitalist primitivism’.²⁹⁷

Myths about Mao’s achievements

Myths about Mao’s ‘achievements’ are still in circulation. The story goes like this: Mao’s state provided China with a welfare system and good basic healthcare and education; as a result, life expectancies in China doubled and so on. Really?

Public goods provision

The much cited Mao’s ‘iron rice-bowl’ social welfare system (*tie fanwan*) from cradle to grave was to a great extent a fairy tale. The bowl was small with little rice in it, and was not for all. The total spending of the Maoist state on social welfare was less than 3 per cent of the government budget.²⁹⁸ And, it always excluded the entire rural sector called ‘one country, two treatments’.²⁹⁹ Xue Muqiao (1904–2005), the top economic planner of Mao’s government, revealed that only 20 per cent of China’s population were eligible.³⁰⁰ Among the eligible, the bowl was highly fragmented, depending on one’s ranks (*jibie*) and affiliations (*danwei*).

The only welfare entitlement that rural sector was entitled for, free of charge, was disaster relief. But disaster relief took a symbolic 0.6–0.7 per cent of the government total expenditure from 1952 to 1975.³⁰¹ It did not even work during the Great Leap Famine. Beyond disaster relief, rural social welfare was run by individual communes. The showcase system of ‘special households with five guarantees’ (*wubao hu*), which covered the beneficiary’s food, clothes, fuel, health care and funeral, applied to no more than 5 per cent of the rural population. For the vast majority, the system simply did not exist.³⁰²

Overall, Mao’s China had 2 million hospital beds and 1.2 million registered medical doctors (as in 1981).³⁰³ On average, there were 20 hospital beds and 12 doctors for every 10,000 population. These figures put Mao’s China on a par with

countries like the Dominican Republic and Tunisia, not recognised for high performance (as in the 1990s), not to mention that during the Cultural Revolution professionals, including medical personnel, were persecuted and hospital services broken down on a massive scale.³⁰⁴

Even so, such public health care was unavailable to rural China, as peasants were charged full costs in government-run hospitals, a fact that was used by Mao himself to attack technocrats on the eve of the Cultural Revolution: ‘The Ministry of Health serves only 15 per cent of China’s population. . . . All the peasants are not served.’³⁰⁵ Mao’s solution was to train primary school graduates to be doctors.³⁰⁶ But, this was done on condition that rural communes paid the costs. This began the short-lived era of ‘bare-foot doctors’ and a wide range of other make-shift ‘professionals’ of low quality. Among them, health workers were the least trained (Table 9.24). The quality of their services must have been low.

Moreover, under Mao, funding for education was below two per cent of China’s GDP. It declined 28–32 per cent in *per capita* terms over time (Table 9.25). The lack of funding was revealed by a government survey in the 1980s. A great many rural schools operated with earth tables in dark classrooms without electricity; and teachers’ salaries barely made ends meet.³⁰⁷ These schools affected China’s vast student population.

Mao’s best profile was 1964 when 0.6 per cent of the population had tertiary education but 34 per cent of the population remained illiterate. Only after 2000, were over 90 per cent of the rural Chinese finally able to read and write.³⁰⁸ Mao’s achievements in 1964 were soon cancelled by the decade-long Cultural Revolution. Not only were all universities, polytechnic colleges and senior high schools shut down, professional associations in subject areas such as law, mathematics, physics, chemistry, health science, agriculture, and energy were closed for a decade,³⁰⁹ not to mention the 16 million urban students who were forced to be de-educated in rural China.

Furthermore, the provision of law and order was not always guaranteed. The Ministry of Public Security, Ministry of Justice and the Procuratorate were all closed down for years after 1966. As a result, the registered law cases (criminal,

Table 9.24 Under-qualified professionals under Mao (1984 survey)

	<i>University-educated</i>	<i>Polytechnics or lower</i>
Engineering	49.1	50.8
Agriculture	34.3	65.7
Health	27.8	72.2

Source: Ma, *China’s Science and Technology in 2000* (Beijing: Social Science Press, 1988), p. 5.

Table 9.25 Decline in state investment in education *per capita*, 1952–1977

	<i>Expenditure as % state budget</i>	<i>Expenditure as % total GDP</i>
1952	100	100
1977	68	72

Source: NBS, *ZTN*, 2005, pp. 350–3.

civil and corporate) dropped to a few thousand in 1969 in comparison with the norm of 2 million cases in the early 1950s and 5 million after 2000.³¹⁰ In addition, the service of China's National Bureau of Statistics was closed down after 1966. No credible data were produced in real time, something a modern society does not do.

Life expectancies

China's base-line life expectancy is often set at 35 years for 1949 immediately after 12-year long wars (1937–1949).³¹¹ Then, the reading of life expectancy is said to have improved one year per calendar year to reach 64 in 1975, with an 84 per cent improvement,³¹² all at the odds of political chaos, universal poverty and inequality, high illiteracy, low health care and so forth.³¹³

To begin with, an increase in life expectancy was a global phenomenon after the Second World War.³¹⁴ So, to view improvement as a unique Mao's achievement is unfair. From 1950 to 1975 in Hong Kong, South Korea and Singapore life expectancies from birth increased 32 per cent, 18 per cent and 15 per cent, respectively. In Asian communist countries – Outer Mongolia, North Korea and Vietnam – the improvement was respectively 27 per cent, 28 per cent and 25 per cent.³¹⁵ Doubts come from the fact that no Asian country managed to generate an over 80 per cent increase in life expectancy, even when their decline in infant mortality rates equalled China's.³¹⁶

The key to our re-assessment is infant mortality. There is no credible data for infant mortality during the Great Leap Famine. However, it is known that in 1960 China's gross mortality (including infants) was 27.5 per cent higher than 1949.³¹⁷ It is reasonable therefore to assume that China's infant mortality in 1960 was at least as high as 1949 (i.e. 200‰), simply because infants are among the most vulnerable in a famine. China's life expectancy for 1960 should thus be 35 years. In 1965, China's infant mortality rate was 165 per 1,000 births, not too far from 155 per 1,000 births in the 1920s.³¹⁸ This is hardly better than the poorest countries on earth today like Afghanistan, Sierra Leone and Somalia whose life expectancies are around 40 years.³¹⁹ In this context, D. H. Perkins' figure of 44 years for pre-Cultural Revolution China is credible.³²⁰ In 1970, China's infant mortality rate was 85 per 1,000 births.³²¹ This rate correlates to life expectancies of 51–56 in countries like Benin, Gambia, Kenya, Togo, Mauritania and Myanmar (as in 2004),³²² or at best 57 years as shown in Southeast Asia and Eastern Mediterranean (as in 2010).³²³ A large sample from the World Health Organization reveals that to reach life expectancies over 60 years, the infant mortality has to be below 60 per 1,000 births.³²⁴ China's infant mortality rate sharply declined only after 1977.³²⁵

Now, the United Nations has re-figured a 55 per cent increase in life expectancy under Mao.³²⁶ The resulting life expectancy is around 54, 10 years shorter than what Mao's state told us.

Population growth

China's population increased 73 per cent from 1949 to 1976. The common-sense reasoning is that unless people have enough food, shelter and health care, the

population will not grow so fast. This is generally true. But Mao's China was not a normal society. Its population growth pattern was highly distorted by extremely limited entitlement for ordinary people, including the lack of food, shelter and health care.³²⁷

What made the Chinese demography tick was the fact that under Mao's rule children formed the only private property legally allowed and raising them was the only personal freedom legally granted. There was no trade off between having more children and having more land, housing, education, consumer durables or bank deposits. On the other hand, with the Maoist rations, more children meant more food to be legally retained by parents. Under Mao's rule, over 60 per cent of food ration for a rural household was determined purely by the number of mouths.³²⁸ Hence, 'to have more babies pays better than to grow more crops'.³²⁹ The old practice of voluntary fertility control under the Qing was abandoned.³³⁰ To have more children became a quiet but effective rebellion against Mao's consumption control, a rebellion with human reproduction. The lack of education, health-care and social security under Mao also stimulated population growth, so common in many developing countries.

With this rebellion, China's population growth outpaced China's long-term demographic benchmark (Chapter 7). The annual growth accelerated by 47 per cent from 1.7 per cent (1949–1958) to 2.5 per cent (1963–1974). The low births caused by the Great Leap Famine were over-compensated.³³¹ Predictably, Mao's state was alarmed and a family planning policy was announced in 1970 to deprive the ordinary citizens of the very last property and freedom. Can the leopard change his spots?

Final remarks

It is obvious that from 1937 to 1977 some growth was engineered. But the question is for whom. Before 1937, no one was forced to pay for a wasteful industrial programme, let alone die for it in a contrived famine.

The true legacy of the Japanese colonialism was its disintegration of China's functional national economy to feed growth in Japan. It did little for China.

The conventional debate on Maoism has so far been whether it was a half bottle full or a half bottle empty. Few have ever questioned whether Mao had a bottle in credit at all. Our evidence indicates that Mao had a different bottle – a bottle in debt to his people. Apart from the excessive exploitation, bubbles, cycles and setbacks, the true legacy of Mao's was the retardation of China's 'critical minimum effort' for growth and development to take place.³³² It led to a 'low-level equilibrium trap'.³³³ In this context, to describe Mao as 'mismanaging the economy' is a gross understatement.

Bear in mind, the alleged sources of social evils were all eliminated under Mao, including exploitive foreign imperialism, parasitic landlords, greedy capitalists, conservative Confucian values, together with market uncertainties. To keep China's population in institutionalised, ever-worsening poverty and inequality, Maoism must be deeply flawed in both theory and practice.