L.5.2

RFD 352

BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM

Division of International Finance

REVIEW OF FOREIGN DEVELOPMENTS

November 15, 1960

Phantom Food in Communist China

4 pages

Reed J. Irvine

This article was prepared primarily for internal circulation, and should not be cited or quoted. The views expressed do not necessarily represent the view of the Board of Governors of the Federal Reserve System.

"New China's victory over the eternal plague of hunger is as startling an event as the conquest of interplanetary space." So wrote Dr. Josue de Castro, former president of the Food and Agriculture Organization of the United Nations in the fall of 1959. Dr. de Castro's extravagant admiration for communist Chinese accomplishments in the agricultural field was based on the assumption that production of food crops had been almost doubled from 1950 to 1957 and had been doubled again in the single year 1958, the year of the "great leap forward." There is no evidence that the Chinese communists had claimed that food output had increased by more than half between 1950 and 1957, but they did at one time claim to have doubled output in the single year 1958, when production was said to have risen from 185 million tons to 375 million tons.

The startling claim that output doubled in 1958 was radically amended in August 1959, when it was officially admitted that production in the previous year had not exceeded 250 million tons. There is good reason to believe that the revised figure still considerably overstated actual production. In the first place, it is highly doubtful that the Chinese officials themselves have a very good idea of what production actually amounted to in 1958. The gross overestimation of the 1958 crop was not a deliberate propaganda stunt on the part of the regime. The Government was clearly misled by imaginative statistics supplied from below. It would not have exaggerated production to the degree that it did deliberately, since it would have known that a lie of this magnitude would soon be exposed. This supposition is supported by subsequent statements and actions directed at the reform and improvement of the statistical work in agriculture.

It is impossible for anyone, even the Chinese, to say what actual food production came to in 1958 with any great assurance. The revision of the distorted grain statistics was officially stated to have been based on studies made in the first half of 1959, by which time much of the grain had already been consumed. It would be physically impossible to arrive at any reliable estimate of production under these conditions, and the Government's revised figures may be assumed to represent a heavily biased guess. The bias is presumed since it would naturally be the Government's desire to save as much face as possible. To admit an error of 125 million tons was doubtless painful enough, and it would be natural for the Government to lean in the direction of minimizing the size of the correction.

Chang Nai-chi, a member of the Chinese Communist Party National Committee, in a speech in the spring of 1960 clearly hinted that the claim of a 35 per cent gain in food production in 1958 was out of line with reality. He quoted Chou En-lai as having stated that "even an annual increase of 10-12 per cent in production may

be regarded as a leap forward", and he noted that these words gave a pointer to the necessity for revising the statistical figures of agriculture for 1958. 1/ A 12 per cent increase over 1957 would put 1958 production at about 208 million tons.

Further confirmation of the belief that the revised official figures overstated 1958 production was provided by Dr. Arao Itano, a Japanese agricultural bacteriologist who was repatriated from China early in 1960. Dr. Itano had spent the previous 20 years in China and had been working on technical agriuchtural problems at the Academia Sinica in Peking since 1957. He is of the opinion that food production in China has exceeded the rate of population increase, but not by very much. He states that 1957 was a bad year for agriculture, 1958 a considerably better year, and 1959 another bad year.

Evidence that Dr. Itano is correct in saying that Chinese food production has not increased much faster than population, which grows about 2 per cent a year, is found in the serious food shortages that have emerged in 1959 and 1960. A food austerity program was initiated in July 1959, and extremely tight controls were exercised over grain consumption. It was clearly recognized in mid-year that a very serious mistake had been made in reducing the grain acreage by 11 per cent and diverting more land to the production of fiber and oilseed crops. This was apparently done in the belief that the 1958 production statistics were realistic and that a tremendous breakthrough had been achieved on the food front. When the Government belatedly realized that it had been deceived by its own statistics it made desperate efforts to stave off a food crisis by imposing austerity and encouraging a great effort to grow vegetables. It was, of course, too late to plant more grain. Despite the evidence of food shortages in 1959, the regime boldly announced that food output had risen 8 per cent over the revised 1958 figure, to a total of 270 million tons.

The claim that output in 1959 was over 45 per cent above 1957 is simply not credible in view of the admitted shortages. Had food production done no more than keep abreast of population growth, no more than 194 million tons would have been required to prevent a deterioration. There was no great increase in net exports of food grains, and so this does not help explain the appearance of shortages in the face of a supposed tremendous rise in output. The Chinese explain this paradox in terms of a rise in consumption standards, but this does not seem to be borne out by reports of short rations and refugee accounts of consumption patterns.

Probably the best explanation is that the official revised food production figures for 1958 overstated output by 40 to 50 million tons and that the 1959 figure is inflated by 70 to 80 million tons. This would put production in 1959 at between 190 and 200 million tons, rather than the 270 million tons officially claimed.

July 22, 1960. April 16, 1960 translated in Current Background #628,

The situation in 1960 may be even worse than 1959, though the mistake of keeping grain acreage low was not repeated. The summer crop acreage was 20 per cent above 1959, but the regime has reported that natural disasters have seriously hurt output, and only a 10 per cent increase in the summer crop is being claimed. At one stage, it was being said that it would be a great victory for communist agriculture if the crop were no larger, or even a little smaller, than that of 1959.

A sense of crisis has been created by the repeated references in the press to the floods and drought, occasional mention of famine, and by the campaign to increase the growing of vegetables and divert labor from the cities to the farms on a large scale. Jen-Min Jih-pao stated on August 25, 1960 that millions of people from all trades and professions had joined to aid agriculture, and the New China News Agency reported on September 28, 1960 that 2 to 3 million cadres were working with the peasants to increase agricultural production.

These cold statistics reveal nothing about the cost in human suffering of the great reshuffling of labor that is going on. There is little pretense that it is on a voluntary basis. Two young refugees who fled China by swimming to Macau in September revealed that they took this desperate course on hearing of a plan to transfer to farm work 30 per cent of the cadres and apprentice workers in the shipyard where they worked. 2/ Some of the discussions in the Chinese press display a brutal attitude, treating the workers subject to transfer as if they were horseflesh or inanimate machines. For example, the following is from Jen-min Jih-pao of Sept. 9, 1960.

Shihping hsien, Yunnan, has resolutely transferred strong laborers to agricultural production jobs.... The hsien has not only taken quick action in the transfer of laborers but also paid attention to quality. At first, some units were reluctant to transfer their strong laborers to the agricultural front. Thereupon the CCP Shihping hsien committee carried out political and ideological work to drive home among the masses the idea of promoting vigorously agriculture and grain production. In addition, it formulated concrete regulations underlining the necessity of transferring more young and strong laborers to the agricultural front. Owing to the serious attitude of the party hsien committee, the laborers transferred are of a comparatively good quality.... Of the 4,967 persons transferred back to the production teams, men make up 63.5 per cent and women 36.5 per cent; 92.2 per cent have full labor power, 6.3 per cent half labor power and 1.45 per cent auxiliary labor power. An investigation shows they have basically met the needs on the agricultural front. 3/

^{2/} Review of Hong Kong Chinese Press, Hong Kong, Sept. 17-18, 1960, Hong Kong Shih Pao, Sept. 17, 1960.

Survey of China Mainland Press, #2342, September 21, 1960, p. 3.

The official line now is that agriculture is the foundation for national economic development and that the mobilization of the whole party and all people to promote agricultural, and especially grain production, is going to be necessary for some time to come. There is now much more emphasis than was formerly seen on the need to invest more in agriculture. This does not mean that agriculture has clearly won out in the struggle for priority, but the uncomfortable food situation of the past two years, which could not be concealed by exaggerated statistics, has tipped the scales a bit in agriculture's favor. One thing that is perfectly clear is that the victory over hunger in communist China is still a long way off. Mr. de Castro's glorious vision was naught but a mirage.