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Joint Economic Committee

Mike Mansfield 1903-2001

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Mr. Chairman:

I appreciate being invited to participate in these hearings on the Chinese economy. Your Committee is to be commended for its work on this timely subject. These hearings can make a significant contribution to public knowledge about developments in China’s economy and social system.

I do not profess to be either an economist or an expert on China. What I will say is based on recent personal observations over a period of 16 days in six different Chinese cities and the surrounding countryside, many conversations, and an interest in Asian affairs dating from my service as a PFC in the Marines in China in the 1920’s.

As a preface to my observations, I want to urge that the Committee take with a grain of salt any so-called estimates it may receive about China’s gross national product. On the basis of my observations I would say that our concept of GNP has little, if any, practical application to China. Any general
use of GNP as a gauge of the state of China's economy could add to the already seriously distorted view we have of that country.

There is no effective way to measure the GNP and little meaning in the measurement in a country with a socialized economy that is based largely on human labor. While production is stressed in China, the society does not encourage consumption of goods and services as a stimulant to production.

There is, for example, no advertising of products of any kind in China. How can one equate, in Western value terms, moreover, to the building of dikes, aqueducts, bridges, factories, housing, recreational facilities and on across the spectrum of economic development—all created primarily by human labor, much of it mobilized on a volunteer basis? Where does the volunteer labor of tens of millions in massive public health programs show in the GNP?

No visitor of 16 days can expect to fathom the mysteries of that vast and complicated land. Any outsider who looks at China sees a distorted picture which, at best, can be tempered by perspective. An observer, for example, can see the bottle, which is China, as half full or as half empty.
If China's progress and its system are judged against living standards in this nation--by the number of cars, television sets, telephones, or plumbing fixtures--the bottle will be half empty, if that. But the new China is best measured as the Chinese themselves measure it, on the basis of China's past or against the conditions prevailing in other underdeveloped nations of Asia. I have seen the old China, and I have traveled widely throughout Asia. In my view, China's bottle is filling rapidly.

I would sum up the status of China's social and economic system in three words: It is working. The contrast with the China of the past that I remembered is nothing short of remarkable. Today the people are well fed, well clothed, and, from all outward signs, happy. The farms, or communes, appear to be prolific and well managed; much new land is being brought into cultivation and the ravages of nature controlled; the streets and sidewalks of the cities are clean; the parks meticulously tended; the shops well stocked with food, clothing and other consumer items; policemen are evident only for controlling traffic; military or other armed personnel are conspicuous by their absence; the housing ranges from adequate to marginal all at low rents;
conspicuously absent are the hundreds of thousands of homeless who were to be seen a few decades ago in the streets and waterways of China's cities and can still be seen elsewhere in Asia; there is no visible evidence of begging, drug addiction, alcoholism, or delinquency.

The people appear to be well motivated and give the impression of applying themselves vigorously in whatever tasks they are pursuing. Women and men work side by side in the field and the factories. The disparity between the factory worker and the peasant is closing and the standard of living of both is rising. China's crops have been good for the last several years, due not only to favorable weather but to intensive effort, the increased use of fertilizer and scientific methods, more irrigation, and the bringing of new land into production. China is now a net exporter of foodstuffs.

The wage of the average factory worker in Peking is the equivalent of about $22 a month, that of his wife will be about the same or higher; their children are cared for without charge at a nursery or in public schools; rent takes about 5% or less of income; basic food prices are low; for all practical purposes, medical care and recreational facilities are free, and the family
probably has a savings account in the factory bank. Cooking oils, rice, wheat, and cotton cloth (but not synthetics) are still rationed but the allotments are said to be ample and the system designed more to assure fair distribution than to cope with shortages. In fact, China exports large quantities of all of these items, except wheat. *Nearly everyone rides a bicycle or a bus.*

Industrial progress has carried the Chinese economy a great distance from that of a quarter-of-a-century ago when even bicycles and radios had to be imported. In Shanghai we saw impressive examples of modern heavy industry. Before 1949 Shanghai's smelters produced only two types of ordinary carbon steel; now they turn out more than 1,000 types of steel. The range of production is from everyday household articles to nuclear devices and space rockets.

Factories and communes are generally more than production centers; they are also self-contained social units. At a cotton textile mill which we visited in Sian, in Northwest China, for the 6,330 workers, there were dormitories for the unmarried, apartments for families, dining halls, barber shops, libraries, clubs, outdoor sports facilities, swimming pools, primary and middle schools, and medical clinics.
The organization of the 90% of China's population which lives outside the cities is illustrated by the Ma Lu commune, to the South of Shanghai. This commune, as is the case with others, is more than a farm. It is a key unit in China's new social organization. Ma Lu is a self-contained community over 6,500 families (more than 25,000 people), all having a direct or indirect interest in the commune's output since both their personal income and China's overall progress depend on their efforts. Last year, income was about $336 per household. At the Commune there were 33 primary and secondary schools, a hospital, a clinic for each of the 14 production brigades, and a health worker for every team.

Extensive power equipment and machine cultivation is in use on Ma Lu Commune. Much of what is produced is processed on site and there is also manufacturing both for in-house need and for external distribution. Among the manufactures are gasoline engines for farm machinery, farm tools, spare parts for tractors, insecticides, and some consumer products. These "farm factories" account for 50% of the value of the commune's total output.

The restoration of nature's past ravages, and the conservation of natural resources, have been given great emphasis by the Chinese government.
As contrasted with the former parched look of that landscape, the sight of miles upon miles of trees is very impressive and the plantings are said to have altered the local weather for the better. Throughout China arable land is being created out of wasteland and massive water-control projects are being built to control destructive floods and droughts. Human waste is recycled, a system which helps to explain why the Chinese, with a population four times ours, have unpolluted rivers and streams and an enormous output of fresh water fish. This system of recycling also returns to the soil, as organic fertilizer, most of what has been taken from it in the growing cycle, thus serving to maintain a natural fertility.

A word should also be said about Chinese medical care. Only a few years ago little, if any, health care was available to the vast majority of the people. Now medical care is free for all workers in the cities. On the communes each family pays about 4 cents per month for treatment by medical personnel attached to the commune. The ancient practice of acupuncture has been updated and is now used widely as both a treatment for various types of ailments and as a highly effective anesthetic for operations. The public has been effectively motivated to help stamp out public health problems, to eradicate snails, flies, mosquitoes and other disease carriers.
As for trade, the Chinese regard their needs, from abroad, as limited. The emphasis is on the use of inner resources for economic building blocks in order to develop an independent capacity to meet the people's needs. Locomotives, tractors, cars, sewing machines, clothes—across the industrial spectrum—a whole range of products are now made exclusively on that basis. Most of this capacity has been developed, largely in isolation, during the past decade and a half.

China's foreign trade is governed by two principles: (1) equality and mutual benefit, and (2) the exchange of what exists in surplus for what is lacking. With trade, the few gaps left by domestic supplies of raw materials are filled and the sophisticated machinery and capital goods that are not yet built within China are obtained.

In addition to this frugal standard for external needs, China has a conservative policy of trade finance. Foreign trade is kept in rough balance and there is no external debt (internal either, for that matter). Much of China's best quality consumer goods—bicycles, radios, textiles and so on—are produced for export. Rice is sold abroad to help pay for imports, including wheat.

China's foreign trade is quite small relative to population. In 1971 it is estimated that exports were $2.3 billion and imports $2.2 billion.
However, the growth of the semi-annual Canton Trade Fair since its beginning in 1957 illustrates the increased interest in China's interest in the world market. The goods for sale at the first Fair were exhibited in a building of 12,000 square feet with 1,200 people in attendance. The Fair now occupies three buildings totaling 50,000 square feet and more than 30,000 different items for sale are displayed or represented. Twenty thousand people attended last Fall's Fair and for the first ten days of the last Fair, which ended on May 15, attendance was 10,000.

There was vast variety at the Fair, especially of consumer goods such as clothing, foodstuffs, textiles, clocks, radios, musical instruments, and, of course, the traditional Chinese arts and crafts. Goods are priced to be competitive on the world market. A well-made bicycle which would cost the equivalent of $70 retail inside China sold for about $23 wholesale for export. There were also several types of trucks, tractors and many items of farm equipment and machinery for sale, illustrating how China sometimes puts foreign trade above internal requirements. All in all, the Fair was a remarkable display of China's great and diversified productive capacity.

The United States purchased only a few million dollars worth of Chinese goods last year, mostly through Hong Kong. But Chinese goods appear to be an "in" thing today, and substantial increases in imports of Chinese consumer goods are likely this year.
Solid trade relations, however, cannot be based on fads—the sale of chop-sticks, Mao buttons or rice wine. It is not clear at this point what we have that the Chinese want that they cannot obtain cheaper elsewhere, or what Americans will want and need from China over an extended period. Nevertheless, it seems to me that the Administration would be well-advised to pursue trade prospects vigorously, not only because there may be profits to be made, but also because good mutual trade relations can be an important factor in breaching in peace the great wall of separation which has stood between the two nations for almost a quarter of a century. Good trade relations tend to equal good foreign relations.

From my observations, it seems to me that China’s society is strong, dynamic and unified perhaps as never before in modern history. "Serve the People" is Chairman Mao’s mandate and there seems to be a great dedication among the Chinese in pursuing it. The Chinese are extending the traditional concept of reliance on the family unit as basic to the social structure, to the commune or factory and to the nation as a whole. China is becoming a national family, based on a "one for all and all for one" concept of social and economic development. What the people of China have achieved in the last two decades is, I believe,
truly remarkable. Like it or not, the system of the People's Republic seems to be working very well for them and they for it.

We are a young nation relative to China, 200 years compared with thousands of years. There is much we can learn from this ancient and rich culture and there is much China can learn from us. The mutual educational process has begun again. This time it is not one-sided—teacher-pupil or missionary-brother as in the past. This time it is on a basis of equality and it had best be kept that way for there is no other way which is likely to be acceptable to the Chinese or to our own people. As Premier Chou En-lai said, when our conversations were coming to a close, it took "100 years since the Opium Wars for the Chinese people to stand up." Indeed, they are standing up and they have every right to look with satisfaction on what they have created with their own energy and resources in scarcely two decades. When one who remembers the old China, the change which has been wrought is nothing less than extraordinary.