



**Mao Tse-tung**  
**OUR ECONOMIC POLICY**

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## OUR ECONOMIC POLICY<sup>[1]</sup>

*January 23, 1934*

Only the Kuomintang warlords who have brought the areas under their own rule to the brink of bankruptcy have the utter shamelessness to spread the rumour, day in day out, that the Red areas are in a state of total collapse. The imperialists and the Kuomintang are bent on wrecking the Red areas, the work of economic construction now in progress there, and the welfare of the millions of workers and peasants who have achieved liberation. For this purpose, they have pursued a ruthless policy of economic blockade, in addition to organizing forces for military campaigns of "encirclement and suppression". But, leading the broad masses and the Red Army, we have not only smashed one enemy "encirclement and suppression" campaign after another, but have also been doing all the essential work of economic construction within our power in order to defeat this vicious economic blockade. In this respect, too, we have scored one success after another.

The principle governing our economic policy is to proceed with all the essential work of economic construction within our power and concentrate our economic resources on the war effort, and at the same time to improve the life of the people as much as possible, consolidate the worker-peasant alliance in the economic field, ensure proletarian leadership of the peasantry, and strive to secure leadership by the state sector of the economy over the private sector, thus creating the prerequisites for our future advance to socialism.

The focus of our economic construction is to increase agricultural and industrial production, expand our trade with the outside, and develop the co-operatives.

Agriculture in the Red areas is obviously making progress. As compared with 1932, the 1933 agricultural output was 15 per cent higher

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\* This report was given by Comrade Mao Tse-tung at the Second National Congress of Workers' and Peasants' Representatives held in Juichin, Kiangsi Province in January 1934.

in southern Kiangsi and western Fukien and 20 per cent higher in the Fukien-Chekiang-Kiangsi border area. The Szechuan-Shensi border area has had a good harvest. After a Red area is established, farm output often declines in the first year or two.<sup>[1]</sup> But it picks up again as the peasant masses work with greater enthusiasm after the land is redistributed and ownership is settled, and after we have given encouragement to production. Today in some places farm output has reached and even exceeded the pre-revolution level. In others, not only has land that lay waste during the revolutionary uprisings been reclaimed, but new land has been brought under cultivation. In many places mutual-aid groups and ploughing teams<sup>[2]</sup> have been organized to adjust the use of

labour power in the villages, and co-operatives have been organized to overcome the shortage of draught oxen. Moreover, the women are taking part in production in great numbers. None of this could have happened in the Kuomintang days. With the land in the hands of the landlords, the peasants then were neither willing to improve it nor did they possess the means to do so. Only since we have distributed the land to the peasants and encouraged and rewarded production has their labour enthusiasm blossomed forth and great success in production been achieved. It should be pointed out that in the present conditions agriculture occupies first place in our economic construction; it is by agriculture that we solve both the most important problem of food, and the problem of raw materials such as cotton, hemp, sugar-cane and bamboo, which are needed for the making of clothes, sugar, paper and other necessities. The care of forests and the increase of livestock are also an important part of agriculture. Within the framework of small-scale peasant economy it is permissible and indeed necessary to draw up suitable plans for the output of certain important agricultural products and to mobilize the peasants to strive for their fulfilment. We should pay closer attention and devote greater efforts to this. We must actively lead the peasants in solving such difficult and essential problems in production as labour power, draught oxen, fertilizer, seed and irrigation. In this connection our fundamental task is to adjust the use of labour power in an organized way and to encourage women to do farm work. The necessary measures to solve the problem of labour power are organizing mutual-aid groups and ploughing teams and mobilizing and encouraging the whole rural population to help during the busy spring and summer ploughing seasons. Another big problem is that quite a large proportion (about 25 per cent) of the peasants are short of draught

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oxen. We must attend to organizing draught oxen co-operatives, encouraging the peasants without oxen to buy them for their common use through voluntary subscription to shares. Irrigation, which is the lifeblood of agriculture, also merits close attention. Of course, we cannot as yet bring up the question of state or collective farming, but it is urgently necessary to set up small experimental farms, agricultural research schools and exhibitions of farm produce in various places to stimulate the development of agriculture.

The enemy blockade has made it difficult for us to market goods outside our areas. There has been a decline in production in many handicraft industries in the Red areas, notably tobacco-curing and paper-making. But the difficulties of sending goods out are not entirely insurmountable. We have an extensive market of our own because of the mass demand in our areas. We should systematically restore and develop handicrafts and also certain industries, firstly to supply our own needs and secondly for trade with the outside. In the last two years, and especially since the first half of 1933, many handicrafts and a few industries have begun to look up because of the attention we have begun to devote to them and the gradual development of producers' co-operatives by the people. The most significant fields are tobacco, paper, wolfram, camphor, farm implements and fertilizers (such as lime). Moreover, in our present circumstances we should not neglect the manufacture of our own cotton cloth, medicines and sugar. In the Fukien-Chekiang-Kiangsi border area, some industries have been set up which were previously non-existent, such as paper-making, cloth-making and sugar-refining, and they are doing well. To relieve the shortage of salt, people have begun to extract it from nitre. It requires proper planning to keep industry going. With a scattered handicraft industry, detailed and comprehensive planning is of course impossible. But fairly detailed production plans are

absolutely essential for certain important enterprises, and first and foremost for state and co-operative enterprises. Every one of our state and co-operative industrial enterprises must pay attention from the very beginning to making accurate estimates of raw material output and marketing prospects in both the enemy areas and our own.

At the present time, it is particularly necessary for us to organize private external trading according to plan and for the state to handle certain essential commodities directly, for instance, the import of salt and cotton cloth, the export of grain and wolfram, and the adjustment of grain supply within our own areas. Such work was first undertaken

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in the Fukien-Chekiang-Kiangsi border area and was started in the Central Area in the spring of 1933. With the establishment of the Bureau of External Trade and other agencies, initial successes have been achieved in this connection.

Our economy is made up of three sectors, state enterprise, co-operative enterprise and private enterprise.

At present, state enterprise is limited to what is possible and essential. State-operated industry and commerce have begun to grow and they have boundless prospects.

As regards the private sector of the economy, we shall not hamper it, indeed we shall promote and encourage it, so long as it does not transgress the legal limits set by our government. For the development of private enterprise is essential to the interests of the state and the people at the present stage. Needless to say, private enterprise is now preponderant and will inevitably continue to occupy a dominant position for a considerable time. Today, private undertakings in the Red areas are small in scale.

Co-operative enterprise is growing rapidly. There are altogether 1,423 co-operatives of various kinds, with a total capital of over 300,000 yuan, according to the September 1933 figures for seventeen counties in Kiangsi and Pukien. Consumers' co-operatives and grain co-operatives head the list, with producers' co-operatives coming next. Credit co-operatives have just started functioning. When the co-operative and the state enterprises become co-ordinated and grow over a long period of time, they will become a tremendous force in our economy and will gradually prevail and assume leadership over the private sector. Therefore, the greatest possible development of state enterprise and the extensive development of co-operative enterprise must go hand in hand with encouraging the development of private enterprise.

With the support of the masses, we have issued economic construction bonds to the value of three million yuan in order to develop state enterprise and assist the co-operatives. Such reliance on the strength of the masses is the only possible way to solve the problem of funds for economic construction at this time.

To increase our revenue by developing the economy is a basic principle of our financial policy; it has already brought tangible results in the Fukien-Chekiang-Kiangsi border area and is beginning to do so in the Central Area, too. It is the duty of our financial and economic organizations to apply this principle conscientiously. In this connection, we should make quite sure that the issuing of notes by the state

bank is based primarily on the needs of economic development, and only secondarily on purely fiscal needs.

Thrift should be the guiding principle in our government expenditure. It should be made clear to all government workers that corruption and waste are very great crimes. Our campaigns against corruption and waste have already achieved some results, but further efforts are required. Our system of accounting must be guided by the principle of saving every copper for the war effort, for the revolutionary cause and for our economic construction. Our methods of spending state revenue must be strictly different from those of the Kuomintang.

At a time when the country is plunged in economic disaster, when hundreds of millions of people are suffering the terrible hardships of hunger and cold, the people's government in our areas is staunchly pressing ahead with economic construction for the sake of the revolutionary war and in the interests of the nation, regardless of all the difficulties. The situation is perfectly clear—only by defeating imperialism and the Kuomintang and by undertaking planned, organized economic construction can we deliver the people of the whole of China from unprecedented disaster.

## NOTES

[1] There was usually a decline in farm output in the first year or two after the establishment of a Red area, chiefly because landownership was not yet settled and the new economic order was not fully established during land redistribution, so that the peasants could not yet set their minds fully on production. [p. 142]

[2] Mutual-aid groups and ploughing teams, based on individual farming, were formed by peasants in the Red areas to facilitate production through a better organization of labour power. On the principle of voluntary participation and mutual benefit, the members did an equal amount of work for each other, or if one could not give another as much help as he received he made up the difference in cash. Apart from helping each other, the teams gave preferential treatment to the families of Red Army soldiers and worked for bereaved old folk without any pay except for meals during the work. As these measures of mutual aid were of great help to production and were carried out on a reasonable basis they won the warm support of the masses. [p. 142]