
PERSONAL DATA

Age: 60

Sex: Male

Education: University graduate (Guanghua, pre-1949)

Total Years Relevant Experience: 30

Last Year of Relevant Experience: 1979

Year Left China: 1979

Initial Immigration Status: Legal

Native Place/Overseas Connections: Shanghai native/OS to Hong Kong '49,
return 1950Class Background/Political Designation: unknown

OCCUPATIONAL HISTORY SUMMARY

Positions Held: 1) Staff member, Finance Department, Municipal Metallurgy
Bureau, Shanghai, 1950-59

2) Steel Plant, Shanghai, 1959-79

a) Department head, Finance Dept. 1959-66

b) worker, steel rolling shop, 1967-69

c) Staff member, Production Leadership Group, 1969-74

d) Vice-head, Finance Dept., 1975-79

Administrative Level of Work Unit/(No. of employees):

2) Municipal/(5000+)

Experience in Full-time Manual Labor (for non-worker occupations):

worker in steel rolling shop, 1967-69

APPOINTMENTS: 8

TOTAL HOURS: 16

PAGES TEXT: 22

Occupational History (6/6/80, 2 hrs.)

The informant was born in Shanghai in 1920, and grew up there. He graduated from Guanghai University in Accounting, during the Japanese occupation. After the occupation he got a job with an aviation company, CNAC, and he fled with the company to Hong Kong during the battles around Shanghai between the KMT and CCP in the late 1940s. In 1950, the company moved back to Shanghai, and he went with it. As soon as the company got back in China, it was dispersed and he was assigned to the Municipal Metallurgy Bureau (yejin bu), in the finance department (caiwu chu). The bureau managed over 10 factories and was divided into 2 sections--one handled costs (chengben) and the other handled circulating funds (zijin). His work was to read reports from the factories for requests for circulating funds and to decide whether or not to approve. In 1959 he was sent down to a steel plant in the system. At that time in the middle of the Great Leap Forward they were transferring a lot of personnel down from the bureau to the factories--to go to the front line of production to understand conditions better. So he and many others were sent down. He stayed in this unit until November 1979. He was the head of the finance department of this steel plant for 20 years. The plant had over 5000 workers. For two years at the beginning of the cultural revolution, in 1967-68, he did full time manual labor in a steel smelting shop, but was returned to a leading position in the department later.

Wages

When he first started work in 1950, he got 87¥, the lowest possible wage for a department head (kezhang). In 1956, during the wage reform, he was raised to 106¥. In 1959, when he moved to the factory, he was raised to 116¥. In 1964, he was raised again to 126¥. After that he got no further raises.

He was a middle level cadre, the equivalent of between grades 11-17 on the state administrative scale. But the Shanghai local government did not use this system for industrial administrators. Each job--staff, department heads, plant directors, was divided into a handful of grades and then you moved up or down within these grades. So the department head had 5 grade levels, the lowest 87¥, the highest 136¥. This was for heavy industry in Shanghai.

Wage readjustments: In 1956 was the wage reform. They set people according to what they made before the eight grade system was started. They gave 'retained' (baoliu) wages to those who would have been cut otherwise. But they didn't handle the reform well, they really didn't carry it out in light industry, or in the joint state-private enterprises. So later they had 'readjustments'. The first readjustment was right after the reform, still during 1956, since the original reform had not affected everyone. They just continued to set grades for people.

In 1962, there was another readjustment. Of course, they assessed people in small groups, and politics was a major criteria. But these so-called group assessments were only superficial. The real decisions were made by the plant director in consultation with the party secretary and shop directors. They made the decision, and had a fixed percentage limit. In the small groups it was the 'backbone elements', the activists, who were assessed for raises. The decision is really already set, and everybody in the group knows it. Only four out of 10 can succeed, and the activists will get it, everyone knows. So the 'discussion' is just for show. It included

all employees except leading cadres. The readjustment in 1964 was the same as the one in 1962.

The next readjustment was in 1977. They promoted those with low wages preferentially. They set up year lines and scale levels to which all must be raised. In 1979, they began another readjustment, and this time it was based more on contribution and technical ability and skill than on years of service and politics. Leading cadres have their wages increased at the same time as the rest of the employees, except that the decisions are made at the bureau.

Bonuses

They first had bonuses in 1958, in the Great Leap Forward. They gave one lump sum to workers, completely on their own, at the end of the year, and called it the "Great Leap Forward bonus". Everybody assessed one another in their small groups. The lowest prize was 50-60¥, and the highest over 100¥. This was the complete responsibility of the plant, it was not official policy.

In 1959, they decided on a monthly bonus system. Each month they had a small group assessment. They considered politics, attendance, safety records, work attitude, completion of quantity and quality targets. They had a system called "3 grades, 9 levels" (sandeng jiuji). The lowest was 2¥, the highest 9¥. Then at the end of the year, they would assess again to distribute left over bonus funds. This was called "the 13th bonus". They used the same criteria as the monthly assessments, and the lowest was around 13¥, the highest 25¥. There were very few people who didn't get a bonus of some sort. The only ones who didn't get any were those who caused major accidents.

When the cultural revolution began, they criticized the bonus system saying "yue ping yue jiang", meaning the more they assessed for bonuses, the worse things got. They wanted to abolish the system. But Shanghai never did, they just changed the name, and called the bonuses 'supplementary wages' (fujia gongzi). There were no more assessments, just an equal wage supplement of 5-6¥ for every person in the enterprise every month. This was so people would not lose income after the bonuses were abolished.

They restored the system of assessing for monthly bonuses after Deng Xiaoping came back the second time. The new system was the same as before. When Shanghai switched to the new system they continued to give out the supplementary wages. But beginning in 1979 during the new wage reform they said they would give people raises and these would take the place of the supplement. If you got a raise of 7¥, they would give you an extra 2¥ and consider the supplement abolished and your wage grade one step higher. So they plan gradually to phase out the supplementary wages.

The new bonus system is basically the same as the one they had before the CR. They use the same method for assessing for bonuses, and the same for paying out the money. The money for bonuses comes from profit. If there is no profit, there is no bonus. They take out funds from profit equal to 13% of the total wage fund for permanent workers.

Effectiveness of Bonus Systems (6/9/80, 2 hrs.)

Even you in America know that workers didn't even come to work during the Cultural Revolution, and after they came back to work they didn't really work hard. There was also a lot of sick leave. Now workers don't ask for sick leave as much. If they are absent for over 5 days, there is no bonus, even though those over 8 years seniority get full paid sick leave. Now workers work about the same as they did before the CR.

They criticized bonuses during the CR for causing arguments, destroying worker unity, and creating contradictions among the working class. He says that of course there were contradictions, it would not be objective to say there were none. People who didn't get bonuses naturally were upset, and argued. But the problem wasn't that severe. The Gang of Four just used this contradiction. Now when they assess for bonuses there is very little arguing.

Punishments, Discipline

If you come late to work there is no punishment, but in his plant no one came in late. They had discussion meetings (pengtou hui) every day one half hour before the shift, so they all had to be there and no one was late. If a worker's work was not good, they call a 'democratic life meeting' (minzhu shenghuo hui) in the small group. This includes criticism and self-criticism, and includes giving of advice by others. If this does not work, the shop director (always a party member) or the branch party secretary will talk with him. Things are usually solved at this stage.

There is basically no expulsion for poor work in China. For stealing, counter-revolutionary activities, large scale corruption, they have the public security bureau. After they take you away for labor reform this is not an expulsion by the factory. For bad work, the treatment is education. No one was ever expelled by the factory leadership for bad work.

Temporary and Contract Workers

They did not hire temporary or contract workers in their steel plant. They did hire seasonal worker (jijie gong) during the summer to add to the high-temperature shops so the regular workers could take rests outside regularly. So they would rotate workers faster in the summer, and used the seasonal workers for this.

These seasonal workers came from the communes in the Shanghai suburbs. If they needed a certain number of workers, they would notify the metallurgy bureau, which would notify the labor bureau. These bureaus are all under the Shanghai municipal government. The seasonal workers live in the plant, and stay in the city during the period they are working. They have a three shift system.

All the wages are given to their communes, and the communes in turn give them work points. But the communes also give them some cash for eating and living in the city, so the method had advantages for the seasonal workers over his friends back in the commune. The money is paid directly to the commune, and comes not from the fixed funds for wages, but from circulating funds, and is added in as costs under the title 'seasonal workers'. They had no temporary workers which came from the residents committees in the cities. This was true from 1957-79 and there was no change, not even during the cultural revolution.

Finance Department of the Metallurgy Bureau

The purpose of the Finance Department of the bureau was to distribute the state's funds to the factories and make sure it is used in the most efficient ways. They want to quicken the rate of turnover of funds (zhou zhuan). That is their main goal. For example, if in one year they gave them 200,000¥ to produce X machines, the next year they would try to get them to produce 2X machines on only 380,000¥. If the plant says they can't do it with the given amount of funds, they would send the informant to investigate in the plant. He would see the plant director

(who doesn't really do any concrete management work anyway), who would introduce him to the vice director who in turn introduces him to the finance director of the plant with whom he has connections. They discuss the situation, how of save costs, increase turnover. For example, if the state supplied liquid funds are too high in one year, the plant will begin to stockpile goods, materials, and the next year if funds are reduced, then they will have to increase capital turnover and use some of the goods in the warehouse. If the finance department head still insists the funds are not enough, then the informant would suggest a bank loan if they really needed more funds, at interest of course. Well the enterprise wants free state funds, not a bank loan with interest, so they usually turn down the loan and go ahead and economize. So generally the job of the finance department of the bureau is to ensure more rapid turnover of liquid funds.

The bureau had over 10 enterprises under them, and one person in the finance department was assigned to each plant to be responsible for costs (chengben) management, and one was also assigned to each enterprise to be responsible for funds (zijin) management. So each person had to be totally responsible for knowing the production situation and financial status of their enterprise. So they spent about two days each week at the enterprises inspecting the warehouses and accounts, making sure they don't stockpile too many goods, and don't have too few of other supplies that might cause a slowdown of production later.

The responsibilities of the funds managers was to see that they used as few funds as possible to complete their production responsibilities. Costs, on the other hand, involved making sure that they used the least possible amount of materials to produce the targeted amounts of output.

The informant also did costs work for a period. The basic method of visiting and investigating plants was the same, but they talked with different people in the plant, although the subject of their conversations was about the same. He would talk with the head of the production department about the use of materials, fuel, and electricity. They would discuss ways to reduce costs--use less raw material, less fuel and power. Their responsibilities were to visit plants, oversee operations, help the plant leaders, especially the production department head, to reduce costs and raise profits. The people in the enterprise needed their assistance because they were busy handling concrete work, but the people in the bureau were handling management work.

The plant departments sent monthly, quarterly, and yearly reports to the Bureau departments. The production department of the bureau received reports on output and quality, the labor and wages department got reports on wage expenditures and use of labor and overtime work, and the finance department got reports on costs, funds, and profit.

Funds and costs are distinguished as follows. Funds represent the situation with expenditures and income based on the money spent for housing, materials, etc., and income from products sold. Costs represent the average figure for each ton of steel produced--and the total cost is based on the power, materials, fuel, labor, and power consumed.

Profit is calculated as follows. You subtract cost per unit steel from the selling price set by the state, and that is your profit. So you spend 1000 dollars to produce X tons of steel, sell it for 1200 dollars, and your profit is 200 dollars. The state-set profit target is a concrete number, not a percentage. The target for costs is set as follows: they have 'constant price products' (kebi jiage chanpin) for the entire nation. The cost target is set as a percentage in reducing the cost of producing

these selected constant price products. Constant price is an accounting figure. When they set these targets for costs they set a percentage for reducing costs in producing the set product. The constant price product is just one of several products that may be produced in a plant. They don't set cost targets for all products, just selected ones. So this is a way of competing with advanced units. The state will select certain constant price products to be the targeted ones and then set targets for costs which is the amount to be reduced.

Funds (zijin)--this is not a target, but just a figure of funds supplied by the state to a plant. It is calculated by the bureau based on the amount of products in the output targets. The bureau has the responsibility for apportioning state funds to the factories under it. It gets a fixed amount each year, through the bank system, and it distributes the money to factories based on the targets of production for each plant. The responsibility for apportioning this money--estimating and calculating needs--was that of his own bureau finance department. While deciding, plant directors are all called to the bureau for a meeting, and then later, if the plant director thinks of something else, he will come back to the bureau and talk with their department head individually. Guanxi does not count here. They have a fixed formula for apportioning the funds, based on output targets. They can use this because the products the factories under their bureau produced are all the same--steel. Once the funds are spent, you don't pay them back--they're gone. But all the plant profit goes back to the bureau.

Funds Management (6/11/80, 2 hrs.)

Funds are divided into two types. Circulating funds, and fixed funds. Both are invested by the state. Fixed funds (guding zijin) are invested in fixed capital and machinery. These funds are dead (si). But circulating funds are live (huo), they move around. Fixed funds include machinery and plant buildings. The circulating funds are used to buy materials, parts, electricity, transport, and labor. At the end of the year the excess funds over the fixed amount for circulating funds is profit, and that is all remitted to the state. If the production targets are raised for the next year, the plant will be given an increment to its stock of circulating funds. If the quota decreases, they take away from plant funds. Circulating funds are constantly circulating through the M-C-M (money-commodities-money) chain.

Losing money (kuiben). There are two ways to operate at a loss. The first is 'planned loss' (jihua kuiben). Articles will be produced at a cost above their state-set selling price, because it is decided to keep the price of that article low for the next step in the production process, meaning the next set of enterprises in the product chain. So each year the state will make up the planned deficit in funds. This is planned such that a bureau loses money in one plant but makes it in another, and overall it should balance out.

The second kind is 'unplanned loss' (fei jihua kuiben). This most often happens when the state has a plant which it recognizes will not make much money and gives low profit targets to. If the plant misses by a little, they lose money. This is the fault of the plant management. This influences their stock of circulating capital, reduces it and it is not enough to produce the same quota of products the next year. They have no other recourse but to borrow from the bank. There is interest on these loans. But first a work team will be dispatched to inspect the plant, usually quality problems are the cause of losses, because the plant can't sell its products. If a

plant contracts to buy goods, and they are not up to quality standards, they can be refused. Management methods is also another cause of losses. After investigating they will find out what is wrong, then tell the plant to remedy in three months. If they don't turn the situation around in 3 months, they will tell them to stop production. While they stop they study business and politics both. After 1-2 weeks, they start to produce again. After this period of education then production should be handled better and they will not lose money. If the problem persists, they transfer in a new plant director. China does not have premiums or bonuses for plant directors. If the problem persists over a long period, the plant might be changed into a planned-loss unit.

Reasons for losses--lack of worker activism, waste articles too high (rejected articles), use too much raw materials, bad quality of finished articles causing the contracted buyer to refuse them. Losses did not become more prevalent in the steel industry in the 1970s because steel is used in everything and there is an unlimited market for it.

Temporarily, the bank will pay out a loan, at interest, to bail out a plant in a funds shortage. The length of time for repayment depends on the agreement with the bank. Under special conditions a plant can borrow funds from the bank on a short-term basis to buy a large batch of raw materials all at once to fill an especially large order. These are very short term.

If funds are lent to a plant because they lost money during a year, and if the plant does not turn the situation around in the next year and can't repay the debt, then the bank will not lend any more money to it in the future. It happens that is a plant doesn't pay back their loan for a long time and never turns its situation around, then the debt is eventually cancelled.

Distribution of Profits

There is profit retention. The plant director retains 17-18% of profit for the "plant director's fund" (changzhang jijin). This is the Soviet term. They also called it "profit retention" (lirun ticheng). The plant director keeps this in an account for his discretionary use. He can use it for welfare expenditures for workers, or he can use it for minor repairs and renovation of machinery and fixed capital stock. It is up to his discretion. Of this amount, 13% is set aside for workers' welfare.

There was also profit retention for overfulfilling planned profit. You could retain 20% of all profit over the planned amount. This money goes into the plant director's fund. Five percent of this is set aside for workers' welfare. This money does not get mixed in with the plant's regular circulating funds, which is the money the state supplies. It is money you earn yourself. This method has been used as long as he worked in China. The entire system has never changed in any basic way.

He has heard of the experiments with enterprise autonomy, and says this is Zhao Ziyang's method. This is a method modeled after Yugoslavia. They have workers' councils, they elect plant directors. But at the same time plant directors have more power, and can hire and fire workers. As far as financial matters go, they are increasing the amount of money a plant retains from profits, and they don't place restrictions on how to use it. Up until the end of 1979 they had not used this method in Shanghai. He does not understand much in detail about the content of enterprise autonomy.

This enterprise autonomy concept took hold in Sichuan because plants there had been disrupted for years since the cultural revolution. They had sold off capital stock to pay wages, workers had destroyed things. So when Deng came back in power, he and Zhao Ziyang started a reform of the economic system. They went to Yugoslavia and Romania to study their methods, then they gave powers to the enterprises which were formerly concentrated in the state. But this method had not spread to Shanghai by the time he left, late last year. Sichuan is still an experimental plot.

A clarification on the relation of bonus funds to profits--the money for bonuses is a set part of the wage bill, and is a fixed portion of circulating funds. It does not vary by amount of profit. If there are to be special bonuses for advanced workers or models, the plant directors fund is used. This fund does vary by profit. They used this method both before and after the cultural revolution.

The bonuses recently used in Sichuan, by the Zhao Ziyang method, come from retained excess profits from overfulfilling profit targets. This money goes to the director's fund and then into the 'overfulfillment of norm bonus' (chao e jiang). This is an alternative to the earlier method. The Zhao Ziyang method is to give the plant a greater share of its own profits, and to fix the amount of bonus to the amount of profit. So the form is the same, but the method is new. They have not used this in Shanghai.

Accounting Categories

When calculating costs, they figure in wages for both permanent and non permanent workers, expenditures for raw materials, and all other expenses, which includes water, electricity, repairs, maintenance, oil, coal, gas.

Fixed capital depreciation. If the state buys a machine at 300,000¥ and gives it 30 years as a depreciation period, then each year the plant must figure in 10,000¥ under the 'expenses' category. This is entered in the accounts when figuring costs.

A plant has three accounts. Capital (chengben), cash (xianjin), and depreciation funds. Cash is real money. Depreciation funds are accounting figures. On capital accounts, each year the expenditures for labor, raw materials, and expenses (including depreciation funds of the year) are placed on the 'credit' side of the capital account. But the amount for the depreciation fund is placed on the 'debit' side of the depreciation fund account. At the same time, the amount for labor, raw materials, power, is placed in the 'debit' side of the cash account. But the amount for depreciation is placed only on the debit side of the depreciation funds account. So when a plant buys a new machine, its value is entered into the credit side of the depreciation fund account, and as the capital depreciates each year at a fixed percentage, that figure is added into costs and put into the 'debit' side of the depreciation fund account. At the end of the fixed depreciation period, the depreciation is no longer added into costs, and the original amount paid for the machine is cleared from the books on the depreciation fund account (see diagram).

Profit and Financial Situation over 30 Years

Profit reflects production. The financial situation during the first five-year plan was excellent, each year better than the one before, right up to the beginning of the Great Leap Forward. During the Great Leap,

ENTERPRISE ACCOUNTS

Db.	成本科目	Cr.
人工		成品
原料		
折旧		

Db.	折旧基金	Cr.
Depreciation Charge		Original Value of New Machinery

Db.	现金	Cr.
		人工
		原料

production and profit increased at first, although it decreased after 1958. From 1960-65 things were not excellent, and not as good as during the Great Leap Forward. But for 10 years after 1966 the state just didn't have any funds. During the cultural revolution quality went down, workers didn't go to work, but wages were still paid. They lost money. And for 10 years after that the financial situation was very poor. During the Great Leap Forward, the Finance Department of the bureau was not disrupted. It is true that many were transferred to factories, like the informant, but an equal number were sent up to the bureau department from the factories. So they did continue their work without disruption.

But the Cultural Revolution was different. All the staff went down for manual labor. His bureau department normally had over 30 people working in it, but during the cultural revolution they only had 4-5 left in the office. Then there was a gradual growth in the number of people working in the department starting at the end of 1977. From 1966-77 there were only 4-5 people. The rest went to May 7 Cadre Schools. Now the department is at its former size.

All the forms were simplified during the cultural revolution period, and reports were shortened. Many things were just left undone. Work just wasn't completed. Funds, costs, all these things were in disorder. The financial discipline system was completely destroyed. There were no rules. Plants would spend money they didn't have permission to spend. They would sell off machines for cash. This was also a period when there began a lot of large scale back door exchanges of materials and goods and purchases of parts. These sorts of things are in violation of state financial discipline.

This was also a period when a lot of firms lost money. All systems were destroyed. If they lost money, the state didn't make it up. The plant would find ways of its own to solve its money situation through back door sales of raw materials, machinery. The state just didn't manage them. They had to find their own way to complete plans.

During this period few plants remitted profits to the state because they were unprofitable. Their accounts were in disarray. Basically production did not grow unless the state invested and built new factories or workshops, and the state had less money for this than they did before, also.

After 1976, they made a strong effort to restore and adhere to each and every system in the financial and production sphere. For example-- have workers work a full 8 hours every day, come in on time and work the entire shift. This was no problem for the older workers because they were used to this, but the younger workers were not, they were used to a lot of freedom. They closed the back door and cracked down on non-legal purchases also.

During this period they sent work teams to plants to inspect accounts, the production situation, and they transferred plant directors to different plants. They reorganized factories thoroughly, and tried to put them back onto the path of following regulations and financial discipline. This reorganization work was led by the bureau, and the work teams were made up of people taken from the bureau staff. They did not stop production in the plant to reorganize things. They reorganized things as they went along. Reorganization (zhengdun) includes a) increasing labor discipline, b) practicing economy in materials usage, c) increasing product quality and thus decreasing the number of waste articles, and d) taking power away from leaders of the cultural revolution era, those from the rebel factions, and giving it back to the old cadres.

When they took power away from the younger plant leaders, they didn't demote them or kick them out, and didn't make them return to the shops. They just took away their powers. They had position but no power. They have not yet come to the point of kicking them out. The Communist Party has a habit of letting cadres go up, but not down. So the proportion of cadres has increased over the years, and there are more of them than there is work to do.

There are three kinds of cadres. First, those who always were cadres and never stepped aside. Second, those who were knocked down during the cultural revolution, and who came back. Third, those who were promoted to positions during the CR. When 1977 came, they took category 3 and made them 'vice heads', and made category two the 'heads' above them.

Restrictions on the Use of Plant Funds (6/13/80, 2 hrs.)

There are basically few restrictions on the use of circulating funds. You could use them for materials, labor, repairs, whatever you wanted. The bureau didn't care. But if you wanted to buy new capital equipment, you could not exceed a 10,000¥ limit on any single purchase without the bureau finance department permission. Over that you needed permission, and have to convince the bureau of your need.

But the use of funds is not entirely unrestricted. The bank exercises currency management and holds onto money in a single enterprise account. Each time you need cash to make a payment you need to explain its use. The amount you can spend on labor in a given year (permanent labor) is fixed and you can't withdraw over a certain amount, you need special permission from the bureau finance department. Payments for materials and other expenses are not made in cash but by check (zhipiao). But since wages are withdrawn in cash, they are subject to currency management regulations. When contracts are fulfilled, checks are used as payment.

The banks generally act as fiscal representatives of the state. They are there to make sure that proper use is made of funds. It is, of course, possible to use the state's money for your own purposes--for corruption. But this requires several people to cooperate. The only way a financial official can get at this money is to write a check for another unit--especially a commune, preferably someplace elsewhere. Then you have that official in the unit 'kick back' part of that money after the sale of the raw materials. These sorts of things cannot be detected at the time. Usually neighbors will see your standard of living suddenly rise and then suspicions and investigations might start. People don't make that much money so spending illegal money is hard to do without being detected.

The bank does not ask for explanations of money use when you write checks. They only ask for the use when you go to withdraw cash from your account. The only cash there is in the plant is petty cash (lingyong jin), a small cash reserve in the finance department. The plant director's fund is kept in a separate account in the bank. So transactions are generally not in cash and you can't get cash except for wages.

The plant director can use his discretionary funds for whatever he wants for the plant's purposes without approval from above. But this goes through the financial department just like other expenditures, and it is not possible for the plant director to use this fund for his own livelihood.

Major Machinery Repairs and Overhauls

If you want to make major repairs or overhauls of fixed capital equipment, you need to submit an application to the bureau one year in advance and specify time period of shutdown, the extent of repairs and amount of

money needed. If approved, the bureau releases the money. Generally speaking, it is permitted to have only one major overhaul per 3 years. A major repair is defined by whether or not you have to shut down a furnace and disassemble the brick kiln underneath. To make enlargements in the plant, or build new shops--basic construction--you must apply to the bureau and if they approve the plans, the state invests all the money for this activity. They are permitted one major overhaul every three years.

The money for major repairs and overhauls comes from the "major repairs fund", a separate bank account in the plant's name which they cannot touch without bureau permission. The amount of money in this account is based on the original cost of the fixed capital in the plant, and the expected years of productive use. The amount is fixed by complex regulations. When a new piece of equipment is bought by the state, they calculate expected use, divide by 3 years to derive the number of overhauls, estimate the money, and put it in the major repairs account.

Finance Department of the Steel Plant

Before 1966, they had 9 people in the finance department. One department head (the informant), one assistant department head. The assistant head helped him, and took his place during the many meetings which he had to attend. There was one cashier, 2 people who worked on costs, two who worked on funds, and one who worked on wages. The wage person did the part of wage work not done by the labor and wages department. He deducted from wages an amount for living quarters (rent). There was also one person who worked on fixed capital. They all worked in the office all day long.

The cashier's work was simple. He paid out petty cash, wrote checks. Checks had to be signed and chopped by the department head and the vice-director in charge of finance.

The two who work on costs cooperate with the 'costs personnel' (chengben yuan) in the shop offices. Each shop has one. The two in the department collect together all the material from all four shops. These are reports on materials use, labor, products completed. These are the original records of each small group which have been made into a summary report at the shop level. The reports from the shops come up each day and these two people add them all together. Then they straighten them up and make an all plant daily report and sends copies to the plant director and to the finance department of the bureau.

The funds people work with the production and sales and supply departments. If payments need to be made by the sales and supply department, they notify these two in advance and they arrange it. They also have to figure up the accounts, enter these purchases into the accounts. Also at the end of the month they fill out a financial report on the plant. They specify expenditures on materials, parts, and income from sales. They figure up the profit for the month.

The wage person calculates the wages for each worker each month on the basis of material sent over by the labor and wages department which gives attendance figures. The main job of this person is to figure how much should be deducted from each person's pay packet. Afterwards, he goes with the cashier to get the cash for the wages. Then the shop's labor and wages person comes to the department to pick up the worker's salaries.

The fixed capital manager keeps cards on each piece of equipment in the

plant: machines, furnaces, lathes, tools, desks, cabinets, lamps. He enters the date bought, price, source, when the equipment was repaired, at what cost, what parts were used, when the piece was transferred to another shop or sold to another factory. He has several file cabinets full of cards. The capital represented in all of this physical material is much higher than the circulating capital.

The department head attends meetings convened by the plant director every day. In this plant, everything is decided in meetings, and the finance department is at the core of any economic decision. So meetings for production, planning, capital renovation, all require the attendance of the finance department head. All morning, every morning, there was a meeting of some sort. The department head also attends meetings outside the plant, at the finance department of the bureau, at the finance (caizheng) bureau, or at the bank. At those meetings held inside the plant, all the department heads would attend. He had to comment on any decision from the standpoint of financial considerations.

On the fifth day of every month, the finance department leads an 'economic activity analysis meeting'. He gave a talk about the economic situation--costs are high or low, in which shops, in which small groups, in what areas are costs too high. This was the costs part of the presentation. He did the same for funds--he talked about the liquidity situation. This includes whether or not they are fulfilling contracts fast enough and getting payments, in which case the production department has to answer. If too many materials and parts are being bought too fast, the sales and supply department is told to slow down.

Economic accounting--we've already talked about this from the standpoint of the finance department and the shop accounting personnel. But all of these figures rest on reports from small groups. At the small group level in their plant, they also had group accountants. His job was simply to pick up all the cards of each worker. In their steel plant, these basic level accounting records were mainly about the running of the furnace which workers tended. How much fuel did they use, how much of which materials, how much product came out. 'Original records' (yuanshi jilu) is the same thing as 'basic level accounting'.

Economic Targets and the Calculation of Profit (6/16/80, 2 hrs.)

The main economic targets for an enterprise are: 1) output, measured in numbers of items or quantities of items, 2) quality, expressed as a percentage of goods up to standard (hege lu), 3) costs, expressed as a percentage reduction from the previous period for selected constant price products, 4) profits, expressed as a total amount of money, based on plant performance in the previous year and on several previous years running, 5) labor norm, which sets the number of workers to be permanently hired and engaged in productive labor, 6) staff norm, a limit of non-production workers as a percentage of productive workers (between 5-7% (this proportion went up greatly during the period after the cultural revolution)).

Profit calculation. This figure depends on costs, and output. They figure the total costs for the year, then multiply the number of items produced by the state-set price for up to standard items which have been sold. Then the amount left after subtracting costs from total income is profit. If there is a problem with quality standards being met and a buyer refuses to accept delivery (which is within his rights), then the plant will just lower the price a bit and sell to another buyer. They will not remelt the steel. In this way they can recoup some of their costs, reduce their losses. The state-set price only refers to up to standard products,

not to the rejected articles or waste products (feipin). The waste articles can be sold to other buyers for less. The same is also true for the machinery industry. The calculation of profit has nothing to do with the amount of capital invested in the plant

It happens that some plants fulfill their output targets but not their profit targets--this represents a situation of waste. There can be many contributing factors. The materials may have been bought at too high a price, or too many may have been used. Before the cultural revolution, as soon as a problem occurred with profit--they would send a work team that very month from the bureau finance department. They controlled the profit plan fulfillment very strictly. But during 1966-76 it was not merely a question of profit targets not being met or controlled--a whole number of them weren't controlled by the bureau. During this period no work teams were sent down for non-fulfillment of profit plan. Also, it was easier to fulfill output targets then because they got smaller--for both output and profit--during these ten years. They did not increase year by year as they should have. So all this time and the economy did not expand rapidly at all. The worse production became, the lower the targets would be in adjustment.

There has never been any system of figuring profit as a percentage of capital invested, as they do in capitalist countries. Anyway, he insists, this is really one in the same economic measure, since all of this money belongs to the state anyway, and it's not a question of one person expecting a return on his investment from a laoban. In 30 years of experience he never heard of such a proposal for changing the calculation of profit.

Yes, it does happen that enterprises borrow money before remitting targetted monthly profits to the finance bureau. This obligation to the bureau comes first, regardless of loans with banks. If the enterprise has bought too many materials in the early months and hasn't yet sold the finished goods, they can't make remittance payments, and have to get a loan. But this is not the way it should work. If they want to stockpile goods at the beginning of the year they should first apply for a short-term bank loan, then their remittances to the state finance bureau will not be influenced.

After the people's congress in 1979, they changed the old relationship between the finance bureau and the banks. Before the banks were under the bureau. Now they are parallel, separate organs. The bank handles all the money, the finance bureau does not. Profits are remitted each month. They usually have to be estimated and part of the figure transferred from their account to the treasury. All of the profit must be remitted monthly (or close to it), but at the end of the year it all must be paid in. Only after the end of the year will the finance bureau order the bank to remit some of this amount back to the plant as profit retention.

Taxes

Taxes are part of the remittance to the state, really the same thing. In steel, there are no taxes, because this is a raw material for making other products. Only after further processing is the material taxed. The higher the tax, the lower the profit, and therefore the lower the percentage of retained profits for the director's fund. There are taxes in the manufacturing industries, but not in metallurgy. They never worked with taxes in his finance department. Profits tend generally to be higher in manufacturing before taxes. His enterprise did have one kind of tax, but not a business tax on profits. If they sold off scrap iron and steel left over after cutting and sizing, the state levied a 3% tax on the proceeds of

these sales. This was their only tax. It was called 'getting rid of leftover materials(xia jiaoliao).

Great Leap Forward (6/18/80, 2 hrs.)

During the Great Leap, they had a system where the staff studied all Saturday morning, and where seven of the nine staff members went on a rotating basis to do manual labor in the shops each Thursday.

The biggest problem during the Great Leap Forward was that the banks were more lax about rules for payment. When buying materials, before the Great Leap they would get a materials receipt (shouliiao dan) and the Sales and Supply Department would give it to the Finance Department. Then the buyer would notify the bank and request payment. Then the bank would require three days to notify the Finance Department to check and see if it was all right to pay out the funds before releasing the money from the factory's account. But under the policy of 'more, better, faster, more economical' (duokuai hao sheng), they decided to simplify procedures, and abolished the 3 day waiting period. The bank just paid out the money without telling the Finance Department or checking with them. This led to a number of mistakes, sometimes bills were credited to the wrong accounts. Also the Finance Department lost control over expenditures from its account, and didn't know what was going on. They raised objections to this practice many times, but the bank just argued back, saying that it didn't matter where they took the money from, since they were all state enterprises anyway, and speeding the process would help build up the nation faster. This was the biggest problem in the Great Leap for the Finance Department. It took them several months of wasted time in 1960 to straighten out their plant accounts, and after the Great Leap Forward many plants shut down. Funds management was in disorder.

There were problems during the Great Leap in cost management also. They raised mass enthusiasm, increased production, but violated rules and regulations, making it difficult for them to control materials consumption rates. Also, they included what normally would be considered waste products in the 'finished' category. There were not any waste products during the Great Leap. If they were producing #54 steel and it wasn't up to standard, they would call it #35 steel and include it in the completed category. The Great Leap made it impossible for the finance department to manage costs. They changed regulations so that workers could get raw materials and fuel directly out of stores and use them without recording it. So it was impossible to know how much was in the stores. Also, they were using material very quickly, and using too much relative to output, so there was some waste. But the biggest problem was that they used materials up fast and it was impossible to measure the rate of use.

As far as the management of fixed capital went, the record keeping system just broke down. They didn't report changes in machinery, moving it to other shops without notifying the finance department. So the cards on fixed capital equipment did not record this, for all the changes of 2-3 years, and it was a mess. Things were not cleared up until the 3 years of readjustment that followed. He had to start the investigation to recomplete these cards from scratch.

Also, the statistical reporting system up from the shops and small groups on materials use broke down. Original records were in a mess. They used materials at a fast rate, but didn't carefully monitor their use. Then when the time came to fill out reports, sometimes they would have to prod the lower levels to fill them out. Then they would just estimate and put down a few numbers, and give it to the finance department. Then when

the finance department sent the reports up to the bureau, they were usually right as far as the calculations went, but the original records they were based on were inaccurate.

So as a result of all this, output soared but profits shrunk. They almost doubled their yearly output of steel, but since costs went up profits went down. It took them years to clear up their accounts and inventories after the Great Leap. It took half a year to completely redo the records on the capital equipment, and they had to do an all-plant inventory from the beginning. They started all over again in funds management. So during the next 3 years of readjustment in the plant, 1961-63, they restored the rules and regulations pertaining to finance. They could not do it just within one year.

In the latter period of the GLF, serious imbalances developed, mostly in material supplies. Especially serious was the pig iron, most of which was coming from the backyard furnaces. They called it 'indigenous iron' (tutie), not pig iron (shengtie). The sulphur content in it was too high, and they had to remelt it, raising costs. Also there were shortages of coal and lime. Production never stopped in this period, but it got to the point where the stocks were all used up and they didn't know whether tomorrow's supplies would come in on time.

This meant that a lot of irregular practices took place with the purchasing agents and cadres in sales and supply departments. They bought material at higher prices, above the state-set prices, and engaged in bribery and corruption. What mattered then was not the money, or the method, but success. If you got the job done, that was what counted.

After the end of the GLF, several of the smaller steel plants in the system closed, and the workers and staff were dispersed temporarily to other plants in the system. This is because the material supply situation was still tight, just as tight as before. Also the GLF stopped in the coals mines, and pig iron was no longer produced in the villages. Also they still had the old pig iron left over which was no good--they could only use so much. So they closed some plants so material for bigger plants would be sufficient, and they could begin to build up stores again. Only later did they reopen the smaller plants when the materials situation became better. This took about one year, in 1962 things finally recovered and smaller plants reopened. This was faster in their system because it was an important one.

The main method they had used to increase production was not adding workers--they already had 3 shifts, so no one worked overtime either. But during the 8 hour shift everyone just worked harder. The shortened the time for a heat of metal, largely by throwing fuel and materials in (this is all by hand) at a much faster rate. They would make the temperature rise much faster and much higher. In this way they could fit more heats of steel into a shift. But this also meant equipment wore out quicker, and that it sometimes was damaged. They did use some extra workers--temporary workers from the families of employees, but this was not a major factor. The major factor was an increase in labor intensity and a quickening of the heating time by using gang-busting methods to throw materials and fuel on all at once.

When the GLF ended, the plant's production naturally decreased from the Great Leap levels. The plant itself returned to the pre-GLF production levels. Only gradually thereafter did production increase. As a whole, the bureau's steel output was less than before the GLF, because some plants had closed. Not until 1964-65 did production get back onto track and

start to increase again. And then before long the cultural revolution came, and production fell again. During the Great Leap the cadres in the offices worked overtime late into the night, and sometimes the party secretary would get the staff to help out in the shops on the second shift, in addition to their rotating participation in manual labor. But during 1961-65 they had none of this.

Four Cleans Movement

At the end of 1965, a four cleans work team came to the plant. They held meetings after work. Every night, for three hours. These were meetings with the departments' personnel attending, each department having their own separate meeting. They usually would take turns confessing their problems in the four areas that were to be clean--economics, politics, thought, and organization.

The movement did not affect the department's work, and never really reached the point of criticizing people. In August 1966 the name was changed to the "Cultural Revolution Work Team". Their activities changed then, and they started to organize criticism meetings of people. They got all the people that had overseas relations, people who participated in the KMT youth organization, and who came from the 'old society'. So almost every staff worker who was not young was put on a platform, bowed his head, and was repudiated and criticized. These criticisms were based on materials collected and the critical wallposters put up earlier. The wallposters were coordinated by the work team, which would turn materials over to the masses. The informant was criticized at one of these meetings because of his overseas relatives and Hong Kong past. But these criticisms were not as severe as during the CR, especially the later 'cleaning of the class ranks'. These four cleans criticism meetings were still polite, and were still small, since they only included department members. They talked to you, you could talk back, and object to things they said about you. They did not beat you, unlike later on. But during the CR they could beat you, and you had to confess and had no other choice. Only a few workers were criticized at the time--those who had participated in the KMT or in secret societies before 1949, and there were a lot of them then.

The work team came in waves over different periods, but altogether there were 30. The teams were withdrawn in October after the Central Party meeting where Mao took power and criticized Liu Shaoqi. They gave out a lot of labels during this movement, but this was kou maozi, not dai maozi. When they say kou maozi, they accuse you and put a label on you, you make a self-criticism, and the self-criticism is put in your file (dang'an). But dai maozi is an official determination that you have these historical problems, and this designation is officially recorded in your file.

Cultural Revolution (6/20/80, 2 hrs.)

While the work team was still in the plant, they had the beginnings of the rebel faction organized in the plant. The rebels opposed the work team and said it was suppressing the masses, while the work team opposed the rebels and put its leaders through criticism.

The rebels were made up of young party members with low status, and also of non-party members who had some sort of mistake on their records. They both wanted to use this opportunity to better themselves--the Party members to climb up in the administration, the non-party members to overturn the bad marks on their records. These bad marks were historical problems, bad class backgrounds, political mistakes in the past. They used Mao Zedong's

banner to oppose the work teams, which were under Liu's banner. They all knew this at the time based on what they read in the papers. The group organized to oppose the work team because it had the support from above and connections with groups of rebels outside the plant. Wang Hongwen was one of them--he in fact had problems before the cultural revolution--male-female relations, and he also stole plant materials. He was an ordinary cadre, no status, in the security department of the #17 Cotton Mill in Shanghai.

The 'conservative' faction also grew up at about the same time. But they were still called rebels. For a while they were called 'Scarlet Guards' (chiwei dui), but near the end of 1966 they changed it because of its reputation for being 'royalist'. This group was made up mainly of older workers, and they had a good impression of the leadership, so they opposed the more 'radical' rebels, saying they were incorrect.

The leadership of the plant crumbled quickly after the work teams left. The top leadership and all the department heads and shop directors all stood aside one by one, as wallposters went up demanding that they go to the shops for manual labor. They just went--they knew they had no power. The whole structure of leadership melted. The staff workers still stayed on at first.

When the leaders went down, members of the rebel faction took their place. The Scarlet Guards were small in their plant, and were dissolved before long, with their members mostly joining the rebels. There were few unaligned people. Most people joined. They "watched the direction of the wind" and joined the rebels. Why? They wanted to protect themselves, go with the tide. Of course there were still some older people who didn't want to participate at all.

The "wind of economism" (jingji feng) occurred when the rebel workers demanded large wage raises and also money to go to Peking and elsewhere on exchanges on experience. They would get the plant director in his office and not allow him to leave until he let them have the money. This was in the last half of December. They actually did pay large sums of money to the workers. They could pay out the money because in the banks there were also rebels on the staff, and they did not observe regulations about currency. Normally this would be disallowed by the bank staff--these payments were illegal. There were all kinds of separate rebel organizations, of temporary and contract laborers also. They were all looking for fringe benefits and material gain. Some were people who didn't get a raise in the last readjustment, and were trying to settle scores with 'those in power'. All the groups were raising these kinds of demands.

At this time I was already in the shop doing manual labor. He had gone near the end of November. They did not struggle any cadres at this time--this came later. They all were simply working in the shops. At this time the staff members of the finance department, as was typical of other departments, were all members of the rebel organization. They all wanted to survive and move up if possible, too. After the head and vice-head of the department went to the shop floor, the staff members stayed and one was appointed by the rebel leadership to be the department head, but he was not called a department head.

Formation of Revolutionary Committee

This situation continued until sometime after February 1967, when they started a cleaning of the class ranks campaign. Then many of the staff members who also had background and political problems were sent to manual labor too. At that time they combined all the departments into 2 groups--

a production group and logistics group. Also, right after the seizure of power in January or February of 1967, they formed a revolutionary committee with the head being the rebel organization leader. They already had de facto power, but they hadn't declared it and didn't have the director's chop.

No PLA representatives came to their plant to assist. There was no need. There was really only one faction in the plant at that time. Other plants, like the huge Shanghai Diesel Engine Factory, also had another rebel faction called the "East Wind" and they fought, making it necessary for the PLA to come. But in their plant there were no soldiers. It was the Rebel Headquarters in command.

The revolutionary committee was at first made up only of members of the rebel Headquarters. There were both staff members and workers on the RC. The head was a former staff cadre from the planning department, a young party member in his 30s. Only after the end of the 'cleaning of the class ranks' in the last half of 1967 did 'liberated' old leading cadres enter the RC, and even then they didn't have any real leadership role.

The cleaning of the class ranks involved self-examinations by each leading cadre who was sent down for labor, and then a comparison with the personal file (dang'an). Then if they were not satisfied, they interrogated and demanded a further confession of wrongdoing. If they still were not satisfied, they would struggle at mass meetings, curse and beat you. This happened to a lot of cadres. They also formed special investigation groups (zhuan an zu) to investigate the cases outside the plant. So the process was called neicha waidiao. This process went on for a long time, right up until early 1971. Whenever more incriminating material came from outside, they would struggle and investigate the person all over again.

They also had 'cowsheds', but this was just a nice room where you stayed to write your self-criticism. If your self-criticism was not good enough, you would be sent to the shops. In fact they only liberated one or two cadres in mid 1967, and only because the upper levels demanded more 'liberated cadres' on the revolutionary committee.

In 1967-68 they had another movement called "anti may 16 elements", where they grabbed and struggled a number of young rebel faction members who refused to accept orders from the organization. Few of them were leaders, and most of them were 'ultra-leftists' among the masses.

Administration after the Cultural Revolution

The informant worked in a rolling mill shop until 1969. But his case was not cleared officially until 1972. So he was not liberated, but rehabilitated when the Party implemented its cadre policy. He was personally struggled many times, because of his Hong Kong experience and because of the fact that his entire family was still in Hong Kong.

In 1969 he was assigned to work in the 'production leadership group' (shengchan zhihui bu) to do concrete work related to finance. There were no leadership meetings for him. This was the same office that he earlier referred to as 'production group' (shengchan zu). It was also called the 'production office' (shengchan bangongshi). The names all meant the same thing, and this was also true for the logistics department. The group was very large, and got progressively bigger as the old cadres returned to the offices. They all just worked together in one big group. They did not have a lot of leaders. They divided labor but there were not a lot of leading cadres. Just one person, the vice-head of the revolutionary

committee, led the group. He had no special qualifications apart from being a leader of the Rebel Headquarters. They just all did planning, finance, and technical work. The logistics group handled administration and supplies.

Production during these three years was bad. There was no profit at all, but they hadn't reached the point of losing money. They still had output targets, but they were lower than before the CR, and were not always met. If they were not met, it didn't really matter, they just told the bureau they couldn't finish, and the bureau said fine, just send whatever you have. The situation did not turn around until after the Gang of 4 fell. Deng's policies during 1974-76 had not been in power long enough to have any effect. They did not reach pre-CR output levels until after 1976. There was no investment in the plant during these 10 years, no enlargements, no increase in the number of permanent employees. But there was an increase in the proportion of employees who were non-production personnel, for the reasons stated above. There were no major overhauls of machinery during this period either. This system just stopped. If they couldn't do with small repairs, they just stopped using a piece of equipment. If they could still operate a piece of equipment, they kept on running it until they couldn't use it anymore. So as time went on the number of broken machines piled up in warehouses, and all this capital was wasted. It was not until 1977-78 that they made a big effort to overhaul and renovate this equipment and put it back in production.

It was not until the People's Congress in 1975, and the new constitution and order by Zhou Enlai to restore organizations, that they once again restored the departments and called them ke. When they did this, a typical pattern was what happened in his finance department. They had a young party member and former rebel leader (transferred in a few years earlier) who was made the department head. He had earlier been an ordinary staff member in a finance department in another factory. The informant was made a vice-head, and the vice-head from before the CR was also made a vice-head. So the leadership of the department was increased by one. The original 7 staff workers also were in the newly re-established department.

The new department head was in charge of political affairs. The informant and other vice-head were in charge of business work. The informant's work was the same as before the CR except the new department head attended all the plant meetings now. His job inside the department was to keep an eye on all the staff members' political thinking, and feel out their ideas during political study meetings. What was considered good or bad political thought? This is hard to say, but generally this just boiled down to whether or not you listened to him. This was the nature of party political work--attend meetings and feel out people's thought, and keep a close watch over them.

When they re-established the Party Committee in 1974 they reorganized the revolutionary committee. At this time they had the policy of 'party building' (jian dang). When they did this, they transferred in a new party secretary who had been a party secretary in another steel plant before the CR. He was 'liberated', but still could not work in his old plant. He became head of the RC and also party secretary, and the earlier head of the RC became vice-head. At this time the party took over. Before this time the rebel headquarters rules in the name of the revolutionary committee.

The original party secretaries and plant directors had been in limbo for about 6 years. Then when they re-established the party committee, they were all transferred. It was like trading off leading cadres. Before that they either sat on the RC with nothing to do, or had been ordinary

staff members after a period of manual labor. Naturally, all the old plant directors had been party members. They couldn't attain such a high position otherwise. These were all old party leaders, not professionals (neihang). The only men who could be considered professionals before the CR were usually vice-directors in charge of production who had been workers, in the party before liberation or activists who became party members shortly thereafter..

There were only 3 people in the earlier production leadership group that handled finance work. One for cashier work, one for costs management, and one for funds management. No one handled fixed capital. They basically did nothing more than do the accounting work, collating reports and filling out reports for the directors and the bureau. They did not additionally exercise management over financial operations. First, they didn't have the time or manpower. Second, they couldn't because no one would listen to them anyway. They did not have authority, despite the fact that they had positions. People above them did not support them. People below would not listen. So how could they lead financial work as they did before the CR?

It was not clear, further, that the original records they were working with were accurate. They no longer had any way of verifying these reports, as they did before. So they just had to calculate things as best they could and send the reports up. There was some exaggeration of output by shops. If a shop or a group wanted materials from stores, they still had the materials ordering form (lingliao dan), but they did not adhere to it very closely. Sometimes they would send up the order form first, then take the materials. Sometimes they would just show up at stores and take things first, saying "hurry up! hurry up!" And then they would fill in the form later. Other times they would just forget the forms. So the statistics for costs were not very accurate.

When the informant worked in the production leadership group, he was not doing financial work. This situation continued until 1975. He just did small things, or nothing at all, or went down for labor. He was back in an office, but had little concrete work to do. After the finance department was rebuilt things got better, but only gradually. Not until the beginning of 1978 was the department entirely restored and doing its old work. By this time it was back on its previous, pre-CR track.

After cadres were returned to offices, they did not have any fixed work. The new cadres would ask their advice whenever there was a problem they couldn't solve, but this did not mean they would follow this advice. Who wanted to listen to old cadres? So old cadres just sat around, ignored most administrative matters.

Generally, old cadres were afraid to make errors, so they were unwilling to accept responsibility and do a lot of administrative work. That is why in 1977-78 they had to raise the slogan "old cadres, stand up!" They were afraid of taking responsibility, and afraid of making mistakes. The old cadres had an attitude toward the new ones which can be summed up in three characters--"quan, bang, dai". This means that all (quan) the work was given to the old cadres, they had to help (bang) the new ones, and carry (dai) them along. None of the old cadres were criticized from 1973-77, but when they criticized Deng Xiaoping, all the old cadres felt bad because they had sympathies with him. Also they knew that their fate was tied to his.

Changes after the Gang of Four (6/23/80, 2 hrs.)

They criticized and demoted every one of the new leading cadres in the departments and on the revolutionary committee. They were all criticized in

meetings, but they varied in intensity. Some meetings were not too serious. Others were real struggle meetings. But in the end they all went back to their pre-cultural revolution jobs in staff positions or in workshops. There were over 10 of these people in the plant. All of them were former workers and were sent back to production posts. Very few rebels were staff members before the CR.

The old cadres looked down on the newer cadres, because the new ones had in the past looked down on them. But in fact the new cadres did not really understand things. So the old cadres just ignored them.

They abolished the revolutionary committee in 1979. Afterwards the leading group was the same. The old director became the plant director and vice-party secretary, while a new party secretary was transferred in from elsewhere. This new plant director was the pre-CR plant director, who had been put on the revolutionary committee afterwards. The new party secretary came from a different plant. Before the RC was abolished there was a 1/3 overlap in the revolutionary committee and party committee, but most of this overlap was in key leading positions.

When the Gang of Four fell in 1976, the old rebel headquarters leader was still the head of the RC. But in 1977 he went back to be a worker, and the old plant director became the head. This RC head had been the head of the RC and a vice-party secretary. No party secretary existed until the new one came in after the Gang of Four, and as soon as he came they criticized the old rebel leader as a 'rotten leader' (huai toutou). All this time he had led both the RC and party committee, but the party still only had a party leading core, they did not have a formal party committee and party secretary for many years. After he fell, this old rebel leader, who was a party member, continued to be a party member but was not on the party committee.

Up until the time the informant left, they had not yet held any democratic elections. This was only an experimental policy, and they had it in the newspapers. But although they want this in Peking, the cadres in power in the bureaus and factories don't welcome this. They want people below them who will listen to their orders. And shop directors who are elected by workers may not have these qualities. So this policy will not be implemented very smoothly in units.

In the finance department, the department head transferred in earlier was still in charge when he left, and the informant was still only the vice-head. Generally speaking, some rebels who had been department heads, if they were familiar with the work of the department and had not made mistakes while being leaders, would just become vice-heads. Otherwise they would be sent back to the shop floor.

After the leadership group was reorganized after the Gang of Four, the production situation improved. This is because the old cadres were back in charge, and because they were being supported by the top leaders in the factory and also by people in the corresponding departments in the bureau. The bureau departments were also recently restored. So now they have the authority to strengthen and enforce systems of rules and regulations.

They had lost money every year in the plant from 1967-76 (this conflicts with an earlier statement). They still lost a little in 1977, made a small profit in 1978, and made more in 1979. In each of those years they had no choice but to borrow from the banks, loans which they never repaid. They could get away with this because the leadership situation in the banks was the same as in the factory. Old rebels were in power, and they were not adhering to regulations carefully. The bank leadership also changed when the Gang fell.

They spent much of 1977 repairing and renovating all the machinery that had worn down over the years. The bureau gave them supplementary funds for

this. So in 1977 production still hadn't returned to a fully normal state. In the past three years they finished the output targets. The problem had been in profits. Quality also improved, largely because they began to enforce regulations relating to this, and had means for enforcing them. Before this, if quality was bad and the other plant wouldn't accept the goods, they would just put the bad steel in the stores, and use it for bartering with other factories. The contract would then be unfulfilled, and would take several more months for them to make the delivery of the good steel specified in the contract. Now, largely because the quality standards are being met, they are meeting contracts on time more often. If contracts aren't met on time, inspection teams are sent down from the bureau. If you have met output quotas but not completed all contracts by delivering all goods by December 31, then your output target is not considered complete. There are no penalties for failing to live up to contracts now, but it does reflect badly on the top leadership and is embarrassing to them.

They had tests for both cadres and workers after the Gang of Four fell. They tested for skills, foreign language ability, engineering skills. These were for reference purposes in assessing people for raises. But so many people tested so low, it didn't get taken much into account. This method will work better once the four modernizations have proceeded further. These tests were not used to determine people's qualifications for being a cadre. There were no business classes for cadres, although there were classes for foreign language.

Factions

He stresses a final point made earlier about factions. They have always had factions, before the cultural revolution and even today. But since the CR they have had to do with relations between people, and had no special political content. It all has to do with how fast you have risen, whether you were lower in the past than another person, whether you look down on another because they don't have the qualifications to do the job, in your opinion. This happened because of cultural revolution changes, but was not limited to that and they still have this problem.