

Background: (6/20/84, 3 hrs)

The informant was living in Hong Kong in 1949, and went to Canton right before it was liberated. After that he was not able to return to Hong Kong until the end of 1982. He attended a lower middle school for people with good class backgrounds--worker and peasant--and then attended a technical middle school. In the 1950s he was assigned to work as a fitter at a small engine repair factory that employed 200 plus people. He was a worker for some 8 years. After eight years he was promoted to be a union 'helper' (ganshi), which is an office job in the union committee office at the factory level. He says that he was promoted not because he was an activist, but simply because he had an education and could read and write. This was a small factory, and back in the 1950s a lot of army officers were being demobilized and sent to factories to be officials. They were mostly of peasant backgrounds, and not well educated. So they needed to rely on people who could read and write, and who knew how to do things. They needed them to run the factory, because they were basically incapable of doing it on their own.

The job of the union helper was to organize political study, cultural education among workers, technical education classes, visit sick workers and solve their livelihood problems. The office was under the party branch secretary. The branch secretary ran everything in those days; he was even more powerful than the plant director.

After 2½ years as union ganshi, he became a procuring agent. This was during the Great Leap Forward, and they needed a lot of materials because they were trying to increase production, produce steel. He did this work for over ten years, and was eventually promoted to be head of the sales and supply department, which oversaw all of the procurement work, as well as the sales and warehouse operations. He did this for about ten years. From 1959, when he became a procuring agent, to 1978, when he was transferred to another unit, he was involved in sales and supply. In 1978 he changed jobs, was transferred to the baowei ke, or security department, of a construction company. This was easier work. The security department was in charge of guarding the half-finished buildings and preventing theft of construction materials on the construction sites.

Procurement Work

There are three basic kinds of procuring agents. One is to procure "large hardware" (da wujin)--steel, pig iron, coal, pipes, sheet metal, construction materials. Another kind is "small hardware"--spare parts, bearings, drill bits, tools of all kinds. The third is waixie (lit. outside cooperation), or to look for plants outside to subcontract operations for you. This was stressed especially after 1966, and is used even down to today, but especially up to 1978. It was stressed because there was a lack of materials, and because workers didn't have productive activism. They were too slow and couldn't finish things on time (note: one management reaction to slow work pace is to spread work out to smaller firms).

There were two sources for big hardware. First, the above levels supply it to you in the plan--the bureau or company. Even if they put it in your plan, it is still not certain that you will actually get it. In Canton our municipal hardware company had many products but not always to

your specifications. So you had to 'travel around and exchange' (chuan huan). This was very common from the Cultural Revolution to 1979. And the bureaus didn't always have enough steel to give the plants within the plan. The plants took as much steel as they could get, even if they didn't need it, and would use it to exchange with another. For example, they would exchange a 1" pipe for 2½". But there arose another contradiction. If every plant is buying everything they find available, and in larger quantities than they need, their inventory (kucheng liang) is irrational, they are hoarding. But you can't always find someone who needs these things to trade, so sometimes they will sit in the warehouse for 8-10 years. This freezes up liquid capital.

Every factory has its own warehouse. Ours kept 20,000 yuan of material in it when it should have had only 5,000. People went out to procure anything they could. Factories would procure things they didn't even need. I would go to Shanghai and get large batches of tools, even though we didn't need so many. Then after I returned with them to our plant, everybody would come to us seeking to exchange things.

The factory had a production planning department that determined the needs of the factory for production materials. They would raise it at production meetings of the factory committee (made up of all the plant and department level leading cadres). Then they would give it to the head of the gongxiao ke, which is also called the cailiao ke in some factories. If they can't get the materials or parts, in Canton, they will go to Shanghai, where everyone went because it was the best industrial area in China. Sometimes, like in the mid-1970s, the Shanghai authorities didn't want their factories to release materials to other provinces outside the plan, but they still did it anyway, even though it was forbidden.

There was a couple of wuzi jiaoliu hui in Canton each year. Sometimes they were held by the province, sometimes by the city, and sometimes just by a municipal industrial bureau. This was for the purpose of allowing factories to get together, advertise what they needed and what they had to sell. Sometimes at these meetings a factory would simply sell you things without adding any conditions, but sometimes they wanted something sold to them in exchange. If you couldn't get things in time, sometimes the plant had to close down until it got them.

Sometimes one had to use personal relations to get things. If you go to a man in charge of sales of pipe for a hardware company, and ask for 1" steel pipe, he is likely to say "mei you". But he probably still has some. So you offer him a "trial good" (shiyong pin), or "sample", like a T.V. or a coupon to buy one, or you sell him a product of your factory at a big discount (like an electric fan). There is another method of using personal relations. If you get along well with the cadres of another plant, you can request from them a loan of materials to be paid back in kind later on.

They used guanxi all the time, but almost never used the terms ganqing or yiqi in this regard. Sure, some people did, but it was not very widespread. The guanxi involved mainly giving gifts and setting conditions for sales. Lychees, bananas, and so forth often helped to create guanxi where there was none before, but we rarely brought up ganqing and yiqi. Some people did try to rely on this, of course, but it was rare, and wasn't really a very effective method. Sending gifts was more effective if you needed something

for the plant. We sent gifts and carried things with us to Shanghai to create guanxi and make sure things were sent to us on time and to be sure that we will be helped out.

Outside cooperation (waixie) is different. You have the materials but you need another unit to process it and help finish the work, to do a step of the production work. We did not sign contracts, so there was nothing we could do legally if they didn't finish on time. But you could gao guanxi with the leader of the other factory--take him out to eat, give them small gifts. That's how you make sure your things will be done on time. Otherwise you might get a lot of excuses, but no finished work.

During the Cultural Revolution years this was very common because of the lack of raw materials and workers were slow. So work was put out to other factories. During the cultural revolution they didn't worry about costs, didn't really calculate them. One plant would pay the other for the service. Sometimes they didn't finish on time. You had to send someone over to control (guan) them, keep after them to finish on time. You had to keep bothering their leaders with questions: "So where is our work you promised? Done yet? When will it be ready? We really need it soon." We put out work to all kinds of enterprises; state, urban collective, and rural collective. But you had to be careful with the collectives, especially the rural ones, because quality was often poor and sometimes they could be very slow.

#### Union Work

The union had the following responsibilities (in the 1950s). First, organize cultural and technical study classes for workers, usually in the evenings or on Saturday and Sunday. Second, political study. This was important then. They had 2, sometimes 3 nights a week. It was organized by the union small group head in the production group. Third, solve workers' material problems, resolve marital disputes and family arguments; and fourth, write slogans and posters during campaigns.

He was promoted to do this, he says, mainly because he could write. Back in the 1950s most factory leaders were very poorly educated, so he was promoted because he had gone to school and could write. He was not promoted in grade and pay, he still got grade 6 worker's pay. This was called 'using workers as cadres' (yi gong dai gan). This became even more prevalent beginning in the 1960s. Why did they do this instead of formally promoting people? Because the upper levels said that no more than 17.5% (he's not sure of the precise figure) of the employees could be cadres. The calculation of costs was very lax (suibian) in China, so they sent a lot of workers to do cadre work. They did all the political work--writing slogans, posters, decorations, etc. They were called "black market cadres" (heishi ganbu).

In fact, he was a worker and worked without pay for that position the whole time, even when he was a vice director of the plant in charge of procurement. This was because he was promoted to vice director during the Cultural Revolution, and in that period they didn't readjust wages for a long time. Not until he was transferred to the baowei ke of the construction company did he get an administrative grade. At workers grade 6 he made 86 yuan a month.

It wasn't so bad being a union cadre back then. They still had good relations with workers. Political thought was good. Nowadays nobody wants to do this work. Workers just aren't interested in politics. Back then the union still had some status in the workers' eyes; not any more. Now it is just a formality.

Fringe Benefits

There were hardship subsidies, given out according to a set formula; health supplements for sick and hospitalized workers; and subsidies for the funerals of relatives. The factory had no housing, it was too small. They did not pass out liang piao, this was handled by the neighborhood. They used to pass out industrial coupons for bicycles, sewing machines, watches, and so forth. But since 1978 the supplies of commodities increased so much that the industrial coupon system was basically cancelled. If you wanted to travel, the factory had to give you a certificate and if you were going to visit your relatives, you got some travel money.

More on the Sales and Supply Department (6/25/84, 3 hrs)

How is it that the factory can increase its inventories (kucheng liang) without the upper levels detecting this? Originally when they used to manage turnover of liquid capital very tightly they could control the inventories because the liquid capital would begin to disappear if you held inventories that were too large. If that happened (meaning is the 1950s, which this informant appears to view as the golden years), there would be an inventory carried out at the behest of the upper levels. Usually twice a year they had a qing cang cha ku, or inventory, to check on each factory. The above levels notified you and the factory carried out the inventory itself. There were two uses for doing this: to get funds moving again, and to put materials into circulation that another factory might need. They want you to go to a materials exchange meeting.

The contradiction is that if you have stockpiles of things that everyone wants but is much more than you need, you will still want to hold onto it because it helps you get what you really need. But the upper levels want you to report it, and if they know what you have they will want you to move it out. So you underreport. This is benwei zhuyi. It is not really considered false reporting (xu bao), just benwei zhuyi. It is a self-reporting system.

It is very hard for the above levels to investigate this. They can't check everyone all the time. They will only send people down in very large cases of underreporting. They never sent people down to do investigation of our stores very carefully. They would just bring down forms that we filled out ourselves.

Money and Procurement. When they bartered goods they didn't bother with money. In China money is of little consequence. The prices are set centrally and they don't mean very much. They can't give you a higher price for your goods because that is illegal. So they just swap things. They don't fill out any forms. All procuring agents need is the permission of the department head and they go ahead with the trade.

If you go to the materials exchange meetings organized by the bureau, city, province, or national ministry, things are done differently. They sign regular contracts. I give you x amount of y commodity, and will deliver it at z date. The prices of goods are fixed by the state, so the contract specifies what the other factory gives in return. The contract goes to the bank which transfers money between the two accounts. Sometimes there are conditions, like the factory demands certain goods in exchange that you don't have. If you can't meet them but very badly need the goods, you can ask officials of the organ sponsoring the meeting to help you. They will talk with them and try to convince them. Usually they can't refuse because these are their bosses. This is called 'good communist spirit'.

At the materials exchange meetings the procuring agents have basically no way to get any money for themselves. Money is managed very carefully so there is very little corruption. It is hard to pull off. The procuring agents do give things to cadres to get the goods. But not much--mostly food to eat, a dinner, yan jiu, etc. Sometimes they will get these things from the factory itself, waste articles. Some factories will have the sales and supply department give them a little bit of money for this. But mostly the procuring agents will use a little of their own money for this.

#### Records and Finances

Every time materials come, there is a form to fill out. The warehouse head signs the form specifying what has arrived in what amount. It is sent to the finance department. The check is then issued to the originating company.

When buying goods, the finance department gives you money for anything under 30 yuan, for over that amount a check will be given if they know the total amount in advance. Sometimes if they don't know the amount, they will send a blank check with the amount to be filled in later. But this is dangerous if you lose it so they control them very tightly. So instead they usually use a tuoshou dan (voucher?). This form has the units name, the bank's chop, and a chop of the unit's finance dept. The buying unit can take this to the bank to get funds later. There is a fapiao (receipt) attached to it for the purpose of specifying the amount spent. It has a regular form with the following blanks to fill in: Name of the item sold; specifications; amount of item; unit price; total price, and at the bottom line the total amount for all purchases. At the bottom they have a space for the name of the people getting the goods, and his signature. At the top it has the name of the unit. After the bank gets this, they transfer money between accounts. There is a problem with this. For a while people used these indiscriminately despite the amount of money in their accounts. If it happens that the bank has a voucher not covered by factory funds they notify you. You tell them when you'll have the money. If you won't have it for a long time they won't pay it. Then the other factory is out of luck and they suffer a loss. They started to be very strict about this after the beginning of the 1980s. The finance department strictly limited the amounts. before sending out the voucher. They put a chop on it that guaranteed that they had the money in the account. During the cultural revolution they just gave more money to the unit if they ran into permanent difficulty meeting their bills, but now they are more strict.

Usually factories don't care that much if they don't get paid as long as their own financial situation is not tight. But if it is they might report to the upper levels for help. Usually this only means that they are paid late, not never paid, because of the turnover of cash. Money will eventually arrive in the account of the factory because its sales will bring income.

The situation after the beginning of the recent factory reforms: by 1980 steel began to get to a situation of oversupply. Rolled steel from 6 to 26mm in thickness was in abundance, and some companies had to lower their prices to get rid of it. To 1981, early, it became tight again, very tight. But during those few years nobody had to go to a materials exchange meeting to get rolled steel in those specifications. Tools: drill

bits, cutting tools, saws, measuring tools, bearings, etc., these were very scarce in the beginning of the 1960s, but in 1979-80 they also were in full supply. Why did these things get better then? I think it is because they tightened up on the liquid capital funds of factories so they couldn't buy more than they needed. They began to control plant funds and expenditures more tightly then. The bank did this. One example of this was the regulation that the finance dept. had to control the vouchers more tightly. There is also a better variety of products available now. So now people are more likely to buy just what they need; that helps make the supply situation better for everybody. The better the selection, the better the situation with regard to hoarding. The main reason is that things are not in disorder now as in the cultural revolution. Under the Gang of Four they didn't want to talk about money, only politics. So they didn't manage money very tightly. Now things are better. The main reason is the readjustment of the industrial system. Closing down factories whose products are not needed, and putting them into the production of scarce items. So the procurement situation improved for many goods. Many factories changed their product lines. For example, the provincial tractor factory changed over to the production of sewing machines.

As we prepare to close the interview, the informant begins a long and rather apologetic explanation of how it is difficult for citizens of China to talk freely with foreigners about many things, even after they leave the country. The psychological barriers still remain, he says, even after the threat of severe punishment is no longer there. He also explains that he has two children still in China, and repeats his desire for total confidentiality. He obviously knows a great deal more than he has said, and in fact appeared quite guarded throughout the interview. He reveals before leaving what I suspected given the positions he held as vice director and in the security department: that he was a party member for over 20 years. But he appears petrified at the prospect of talking directly about enterprise party affairs, and again apologizes before leaving.