

# Deng Xiaoping's Early Financial and Economic Construction Thoughts and Its Enlightenment to Contemporary Financial and Economic Work

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**Abstract:** During the Bose Uprising, Deng Xiaoping applied the market economy thoughts formed when he stayed in France and the Soviet Union in the financial and economic construction of the base area. These financial thoughts and practices involve all aspects and show scientific and comprehensive theoretical characteristics, greatly enriching the party's theory of financial and economic construction during the Agrarian Revolutionary War and providing the referenced experience for the party's creation of revolutionary bases in minority areas. It gradually formed Deng's early financial thoughts during this period, which is one of the theoretical sources of economic construction thoughts in Deng Xiaoping Theory. His thought of promoting economic development and fiscal balance of fiscal revenue and expenditures of finance is the enrichment and development of Marxist fiscal economic theory and a specific application in the practice of China's economic construction, accumulating considerable material for thinking about the socialist market economy theory in the future.

During the Bose Uprising and the Longzhou Uprising, due to the rapid development of the Red Army and the revolutionary regime, the amount of funding required greatly increased. Raising funds for various activities has become a major problem facing the former committee of the Red Seventh Army and the Youjiang Soviet government. Comrade Deng Xiaoping, based on proceeding from reality and the basic principles of Marxism with the specific conditions of the Zuojiang and Youjiang areas, summed up the successful experience of the Chinese Communist Party (CCP) and army in building the revolutionary base area. The former committee of the Seventh Red Army and the Zuoyoujiang Soviet government were guided to formulate a series of practical fiscal and economic policies such as the restoration of agricultural production, the development of industry and commerce, and the implementation of special anti-smoking policies to increase financial income. Meanwhile, the strengthening of financial revenue and expenditure management and strict control of financial expenditures provided an economic guarantee for armed struggle and base construction and solved the economic difficulties encountered in the construction of revolutionary base areas at that time. This series of policies and measures formed Deng's early financial and economic construction thoughts.

## 1. Deng Xiaoping's early thoughts on financial construction

### 1.1 Work-study experience in France laying the foundation for financial construction thinking

In October 1920, in the upsurge of studying in France promoted by the "Sino-France Educational Association" founded by the patriots from Chongqing, young Deng Xiaoping went to France for a work-study program. When Deng arrived in France, it happened to be a period of French economic depression. The French government increased currency issuance by a large amount to save the economic crisis, leading to soaring prices. Due to the depreciation of the currency, the students

studying in France could only endure starvation. Deng personally experienced the economic "cold wave" of capitalist countries. He worked at the Schneider Steel Plant in southern France for less than a month and immediately realized "the oppression of the capitalist, the insult of the foreman, the pain of life" and the life of the broad masses of people in extreme misery.

Deng Xiaoping had become a member of the Central Executive Committee of the Chinese Communist Youth League in Europe during his work-study program in France, and he led a demonstration of Chinese workers in France in support of the May Thirtieth Movement in June 1925. His active activities attracted the attention of the French police, and they carried out secret surveillance, which was quite detrimental to Deng's further revolutionary activities. The Central Committee of the CCP decided to transfer their students from Europe to the Soviet Union in batches. Deng went to study in the Soviet Union, the "center of the world revolution", on January 7, 1926. When Deng was studying in the Soviet Union, he learned that the Soviet Union had failed in its "communist policy" during the war and immediately turned to the "new economic policy" recognizing and utilizing commodity-currency relations and market value, which enabled the Soviet economy to develop rapidly. After returning to China, Deng devoted himself to the revolutionary armed struggle at the end of 1926. The formed market economy thoughts were applied when he stayed in France and the Soviet Union in the construction of base areas. From his policies on industrial and agricultural production, rent and interest reduction, unified progressive tax, peasant burden reduction, commercial trade, currency and finance, and economic talent training implemented in the revolutionary base areas, he formed the ideological line of systematic economic construction and his later thinking of the reform of state-owned enterprises and the measures to encourage the implementation of the responsibility system. We can find the impact of the specialized division of labor and collaboration under the market economy on him. The training in this period is the accumulation of the considerable thinking material for Comrade Deng to put forward the socialist market economy theory in the future.

## **1.2 Idea that talents are the support of financial construction**

### **1.2.1 Strengthening the training of financial-management talents**

During the Bose Uprising, the economic management cadres in the Zuojiang and Youjiang Revolutionary Base were extremely lacking. In response to this situation, Deng Xiaoping, Lei Jingtian, Wei Baqun, et al. organized cadre-training classes in Donglan, Enlong, and other places to learn the principles of political economy and financial management knowledge. The Soviet government trained a large number of financial talents. Deng believed that "only when a large number of capable cadres are allocated to the economic front can the economic construction be guaranteed."

During the Bose Uprising, Deng Xiaoping and the leaders of the Seventh Red Army set up training courses in the counties of Youjiang to train more than 600 people. They accumulated rich experience in financial management for the army and the government and ensured the smooth progress of the construction of the Zuojiang Revolutionary Base. These financial management talents played an important role during the Bose Uprising, and some comrades also became important management talents in the economic front after the founding of the People's Republic of China.

### **1.2.2 Focusing on economic, cultural, and educational constructions**

Comrade Deng Xiaoping paid great attention to economic and cultural educations. In response to the backwardness of mass cultural education in the hindered economic development of the Zuojiang and Youjiang areas, he strongly advocated "implementing civilian education and developing literacy campaigns" in various regions. Youjiang Soviet Government has opened night schools for farmers in the vast urban and rural areas, enabling a large number of ethnic-minority farmers who have not attended school to receive cultural education and improve their cultural quality. These trained farmers learned revolutionary theory and scientific knowledge, which promoted the economy of the Youjiang base area.

Deng Xiaoping insisted on integrating theory with practice, relying on the broad masses of the people, and increasing fiscal revenue through multiple channels. Based on actual conditions, flexible and feasible fiscal and economic policies have been formulated, with cultural education emphasized and a large number of financial and economic talents trained. These fiscal and economic thoughts and practices involve various aspects with scientific and comprehensive theoretical characteristics, greatly enriching the party's fiscal and economic construction theory during the Agrarian Revolutionary War and providing a useful experience for the CCP to establish revolutionary bases in minority areas. It gradually formed Deng's early financial thoughts in this period, which was one of the theoretical sources of economic construction thoughts in Deng Xiaoping Theory. Meanwhile, these financial thoughts provided the CCP with valuable experience in financial construction during the war years and made important contributions to the formation and development of Mao Zedong's thought of seeking truth from facts.

### **1.3 Reasonable fiscal burden and fiscal balance ideas**

#### **1.3.1 Reasonable financial burden**

During the Anti-Japanese War, Comrade Deng Xiaoping paid great attention to the work in the financial field. In the base areas behind enemy lines, the base areas behind enemy lines were in a very difficult financial situation, and the financial burden was relatively heavy due to the enemy's severe economic blockade. Deng experienced the difficulty of financial work and pointed out that a reasonable fiscal burden policy must take into account the well-being of the broad masses of the people and the requirements of the War of Resistance. A reasonable financial burden could promote production at that time, and the development of production positively affected the increase of fiscal revenue. The idea of reasonable financial burden mainly manifests the following two aspects:

(1) The management of fiscal revenue and expenditure adhering to the principle of keeping expenditures within the limits of income and keeping income within the limits of expenditures

In 1943, Deng Xiaoping stated in Economic Construction of the Taihang District that the state's fiscal burden policy was based on the principle of the government at that time: Pay more when you have more money, and pay less when you have less money. Keeping expenditures within the limits of income and keeping income within the limits of expenditures should be achieved, taking care of the affordability of the people and the needs of the War of Resistance. More importantly, it is to make the burden method suitable for the need to reward the development of production <sup>[1]</sup>. The ultimate goal is to achieve victory in the War of Resistance against Japan.

(2) Financial burden conducive to social and economic development.

Deng Xiaoping believed that "Development of production cannot be an empty slogan, but requires correct policies and meticulous organization. China's policy of reducing rents and interest rates and paying rent and interest has opened up a broad path for the development of production. The enthusiasm of the working people for resistance and production has been greatly enhanced in places where rents are obtained. The policy of rent reduction, interest payment, and rent payment has been adopted to stabilize the relations of all classes and strengthen the unity of all classes. People of all classes are called on to work hard to produce and save from self-sufficiency to the road of adequate food and clothing <sup>[2]</sup>. " Besides, Deng proceeded from the reaction of finance to the economy and believed that "the implementation of financial burden must be conducive to the development of the economy, and the method of fiscal burden should be suitable for the need to reward the development of production <sup>[3]</sup>. "

In the Taihang Mountains area, the base area was tightly blocked, making the financial work into an unprecedented difficult predicament. In addition to consistently advocating the economy, opposing waste, and severely punishing corruption, leaders such as Deng also took other measures in response to the situation at the time. For example, the policy of reducing rent and interest and paying rent and interest has enabled the handicraft industry, especially the home textile industry, to obtain a lot of room for development opportunities.

### **1.3.2 Fiscal balance of income and expenditure ideas**

In the early days of liberation, when Deng Xiaoping was the director of the Finance and Economics Committee of the Great Southwest Region, he put forward many important and guiding principles of financial work. A series of fiscal policies have been formulated and practiced, and a fiscal idea of balancing fiscal revenues and expenditures has been formed.

Deng Xiaoping believed that the effect of reducing domestic fiscal expenditures to solve fiscal problems is very limited. The key approach is to consider income and to further strengthen the taxation of public food. Without taxation, the balance of revenue and expenditure will not be achieved, and the imbalance of revenue and expenditure will cause price instability, which affects the lives of the people. He said that in the past few years, the Communist Party of us did not collect taxes, thinking that tax collection was a very shameful thing; however, this kind of thinking and consideration is incorrect. Our fiscal expenditures can only rely on agricultural and industrial taxes, and must not be based on printing more paper money. If more tickets are printed, prices will inevitably rise and prices will become unstable. For a long period in the past, China only relied on printing paper money, which ultimately harmed the interests of the people. A better solution to this problem is to rely on taxation <sup>[4]</sup>.

The practice of Deng Xiaoping's fiscal thought beneficially ensured the balance of fiscal revenue and expenditure at that time and stabilized prices. In the early days of liberation, Deng paid close attention to domestic fiscal revenue and expenditure, especially in dealing with currency struggles. The deviations of relevant cadres in their practical work were timely corrected to change the disadvantaged situation of backward domestic taxation. His thoughts of promoting economy and fiscal balance by finance are the enrichment of Marxist fiscal economic theory, and it is a concrete application in the practice of China's economic construction.

## **2. Enlightenment of Deng Xiaoping's early financial construction thoughts on contemporary financial work**

### **2.1 Reflections on the great leap forward**

Soon after the founding of New China, Deng Xiaoping was appointed as the Executive Vice Premier of the State Council. China has entered the first year of the first five-year plan for large-scale economic construction. At this time, the central government has begun to experience a crisis. Before April, the total budget for the whole year was spent, and there was a deficit of 21 trillion yuan. Deng faced unprecedented pressure.

From September 1953, Deng Xiaoping concurrently served as the first deputy director of the Central Finance and Economics Commission and Minister of Finance. In response to the problems that emerged in 1953, the enthusiasm of all parties was mobilized to consolidate the results achieved in the recovery period of the national economy. Deng proposed the Six Guidelines for Financial and Economic Work in January 1954, and the main contents are as follows: 1) centralized budget management; 2) expenditure by contract; 3) self-retained reserve expenses, with the surplus not handed in; 4) control staffing; 5) use of total reserve expenses approved by the central government; 6) strengthening fiscal supervision. This is China's first reform measure to impact the highly centralized and unified planned economic system.

All expenditures that can be cut and overcome waste should be cut to put the state's finances on a stable foundation and ensuring the construction of socialist industry. Deng Xiaoping believed that "without the six principles, it would be impossible to achieve; that is, it would be impossible to promote enthusiasm and let everyone handle finances. Today's problems are very complicated, and the solutions must be adapted to local conditions instead of relying on a few regulations, a few laws, and a few methods. Only when everyone manages finances and everyone is enthusiastic about finances can things be easy to handle. Saving must also have enthusiasm. If there is no local enthusiasm, it is impossible to save and waste will occur <sup>[5]</sup>."

With the deepened economic work practice, Deng Xiaoping's views on the issue of the great leap forward have continued to be more in line with objective reality. Judging from the content disclosed

in *The Chronicle of Deng Xiaoping*, Deng's thinking on economic construction has become more and more calm and practical from the end of 1958, especially after the second quarter of 1959.

On December 3, 1958, during the Sixth Plenary Session of the Eighth Central Committee of the Communist Party of China, when Deng attended a meeting convened by Zhou Enlai to discuss industrial issues, he pointed out, "the party has insufficient experience in grasping industry, and a more complete experience is needed for several years. In short, we must seek truth from facts <sup>[6]</sup>." By 1959, Deng had a clearer understanding of this issue, a deeper experience, and more emphasis. For example, on February 1, 1959, he made a concluding speech at the meeting of the first secretaries of the party committees of provinces, cities, and autonomous regions. When talking about work in 1958, he said, "there are two shortcomings, one is inevitable, the other is not paying attention to some problems. Do not ignore this aspect, but sum up the experience in this aspect."<sup>[7]</sup>

On June 4 and 5, 1959, he pointed out at a meeting of the Secretariat of the CPC Central Committee, "in terms of construction, we'd better admit that we have no experience and be humble. Exaggeration is the biggest loss in the CCP in this period. Our leadership Responsibility is also a matter of experience. In the final analysis, we have to be humble and study the problem <sup>[8]</sup>." In response to issues such as exaggeration and blind command in economic construction, Deng also quoted Mao Zedong's words at the opening ceremony of the Shanghai Municipal Party Committee Industrial Conference on February 20 to emphasize: "Chairman Mao said at the Eighth National Congress that humility makes people progress, and pride makes people lag. We must always remember this teaching <sup>[9]</sup>."

Some scholars believe that the failure of the great leap forward has made Deng Xiaoping and other and leaders of the CCP realize that planned economy, as an economic system or institutional arrangement, cannot avoid the economic crisis brought about by the anarchy of production in the capitalist society. On the contrary, it can also tolerate the great leap forward such a utopian plan that completely violates common sense and laws. The planned economy is determined by the subjective will and can be implemented smoothly, but there is no system's corrective mechanism, which shows that the institutional arrangement is fatally flawed.

Deng Xiaoping's unique style of using market viewpoints and methods to understand and deal with economic problems can be found in the Southwest Bureau to formulate and adjust industrial and commercial policies, solving the problem of budget balance when he served as Minister of Finance or reflecting on the "Left-deviation" risk in the great leap forward, the national economic adjustments in the early 1960s, and the support for the household contract of production after the founding of the People's Republic of China.

## **2.2 Proposed theory of socialist market economy**

Before the Third Plenary Session of the Eleventh Central Committee of the Communist Party of China, Comrade Deng Xiaoping raised the issue of the socialist market economy. After the Third Plenary Session of the Eleventh Central Committee of the Communist Party, China has begun to gradually transform from a planned economy to a socialist market economy. The scientific proposition of a socialist market economy was formed after comparative thinking, constant practice, and gradual formation after the Third Plenary Session of the Eleventh Central Committee. In this transition process, the core problem encountered was how to understand and deal with the relationship between the plan and the market.

Comrade Deng Xiaoping believed that planning and the market are methods of resource allocation, rather than a basic economic system and a fundamental social system. Therefore, the planned economy should not be equated with the socialist economy, and the market economy should not be equated with the capitalist economy. He said, "why do we talk about the market as capitalism and planning as socialism? Both planning and the market are methods. As long as they are good for developing productive forces, they can be used. It is socialism when serving socialism; it is capitalism when serving capitalism."<sup>[10]</sup> He also said, "do not think that the planned economy is socialism and the market economy is capitalism. It is not the case. Both are means, and the market can also serve socialism."<sup>[11]</sup>

During his visit to the South in 1992, Deng Xiaoping emphasized again: "A little more planning or a little more market is not the essential difference between socialism and capitalism. A planned economy is not equal to socialism, and capitalism has plans; a market economy is not equal to capitalism, and socialism also has a market. Both planning and the market are economic means."

On November 26, 1979, when Deng Xiaoping met with guests from the United States and Canada, he said, "we are based on a planned economy, and we also integrate a market economy. However, this is a socialist market economy, and a market economy cannot be said to be just capitalist. Socialism can also engage in a market economy, which is how socialism uses this method to develop social productive forces. Taking this as a method will not affect socialism as a whole and will not return to capitalism." This is the first time that a leader of a socialist country has proposed the concept of a socialist market economy.

Deng Xiaoping's thoughts on the socialist market economy have fundamentally resolved the ideological constraints that antagonize socialism and market economies. They have greatly promoted China's economic reform and have become the basic theoretical basis for the CCP to formulate reform directions and goals.

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