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## Yenan, 1945

BY PACIFICUS

AMERICAN newspapers virtually ignored the two-week session of the Second People's Congress held at the beginning of December in the bustling terraced city of Yenan, nerve center of the Communist-led Border Regions of North China. Their boycott, maintained in the face of daily broadcasts by the Yenan transmitter, recalled their earlier silence on Marshal Tito's Yugoslav Partisans.

There can be little doubt that the actions stemming from the congress will make a deep imprint upon political and military developments in 1945, even beyond the Border Regions with their, at present, 90,000,000 inhabitants. It is not too rash to predict that before the year is out Yenan, and not Chungking, will be the center of military and political power in China. It will gain this position through the superior ability of the Yenan forces, which have fought an anti-fascist war in an anti-fascist manner, to exploit the opportunities offered by the changed military situation.

The Generalissimo's recent house-cleaning is a sign that he recognizes how fundamentally the situation has changed. Previously he had believed that he would be rescued from his military and political predicament when the Americans landed somewhere along the southern coast to drive the Japanese out of China as a prelude to an attack on Japan proper. This, he thought, would enable him to deal simultaneously with the Communist-led Eighth Route and New Fourth Route armies. His hopes were deflated when the Japanese, influenced by their severe shipping and naval losses, launched a major campaign in South China to open a north-south railroad and were so successful that a landing on the China coast appeared less inviting to the Americans.

Additional Japanese naval losses off the Philippines changed the whole strategic concept of the Pacific war. Early in 1944 Admiral Nimitz had stated that he intended to strike for a Chinese port in order to attack Japan in China. After the Philippine naval battles Admiral King told Forrest Davis of the *Saturday Evening Post* that we could now attack Japan directly. This change in strategy means that the ejection of Japanese troops from China will probably follow rather than precede an invasion of Japan proper. In consequence, a weakened Chungking will have to depend for a longer time on its own resources, plus the small amount flown "over the Hump."

Japan's fighting power will inevitably diminish during 1945. The comparative ability of Chungking and Yenan to exploit the opportunities thus opened will be a test of their strength—of their popular support, their military resources, and their administrative and organizational ability.

That Yenan recognized the immediate possibilities was made clear at the congress. Lin Tsu-han, chairman of the Shensi-Kansu-Ninghsia Border Region, formerly a colleague of Sun Yat-sen and recently one of the negotiators with Chungking, told the delegates, "Fascism is at the point of

collapse; victory for the democracies is already in sight." With that perspective the Congress devoted its self-critical efforts to mobilizing the people's strength for the final liberation of China.

Behind the entire discussion was the conviction that an improvement in living standards was basic to the solution of all other questions. The keystone of such improvement was held to be agrarian reform, which as put through in the Border Regions has increased production and decreased tenant-landlord strife. Rents have been reduced, in stages, from 50 or 60 per cent of the crop to 35 or 40 per cent, but at the same time the landlord has been guaranteed his rent. And since taxes have also been reduced, his position has not been worsened. Furthermore, his lessened income from tenantry has tended to push the landlord into becoming an agricultural producer himself or investing in the small local industries which the government encourages by keeping them tax free and guaranteeing a minimum profit.

The government's intention to improve the lot of the tenant and small peasant and at the same time to retain the support of the landlord was evident in the remarks of Mao Tse-tung, chairman of the Central Committee of the Communist Party, at the opening session: "Rents have been reduced," he said, "in every area, but in certain places less has been achieved than in others. Cases still occur of nominal but not real reductions. On the other hand, in some cases rents have been reduced too much, and no attention is paid to the payment of rent after reduction. Both tendencies must be corrected." Nan Han-chen, head of the Finance Department of the Border Government, revealed that less than half of the expenses of the government is met by taxes. The rest is contributed by agricultural and industrial production carried on by the army and the government. In order to ease the tax burden further a progressive agricultural tax is being tried in three counties as a prelude to wider application.

The Communists reiterated their resolve to limit themselves to one-third of the places on administrative bodies. The only known exception to the rule is the Yenan Municipal Council, seventeen of whose forty-seven members are Communists. One of the seventeen is the Japanese Communist Shisuo Koji, who is active in the Japanese People's Emancipation League headed by Susumu Okano. Among the non-Communist members twenty-one are non-partisan, five are Kuomintang members, two are Protestants, and one is a Catholic.

Speaking to the congress on the subject of political collaboration, Mao Tse-tung said:

The basis of anti-Japanese national salvation is the national united front. In liberated areas this expresses itself first of all in the "one-to-three system," under which all classes and all parties and groups cooperate. Some

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have done good work in this field, but some of the experiences of every area should be appraised.

Communists must frequently deliberate and hold meetings with other parties and non-party groups. The aim is to break down barriers, clear away misunderstandings, and correct any bad relations, so that all will cooperate in administration and public work. Anyone who takes part in the representative council's work or performs other public duties, will be respected and hold the post with authority, no matter what party or group he belongs to.

This policy of encouraging the emergence of non-Communist—but not anti-Communist—leadership, together with the policy of conciliating landlords, has tremendously broadened the base of the Yen-an régime. While the Communist Party remains the régime's hard core, an increasing number of other interests are coalescing around it, and the Communists have had to modify their sectarian character.

One of the most important decisions of the congress was to increase the numerical strength of the regular forces of the Eighth Route and New Fourth Route armies—as distinguished from the irregular or partisan forces—from 475,000 to 650,000, and to plan a further increase as the Border Regions are able to support it and arms can be obtained. Mao Tse-tung called also for other improvements, though the fighting qualities of the Yen-an troops long since aroused the enthusiasm of foreign observers, among them Colonel Evans F. Carlson of the Makin Raiders:

Old areas must replenish the losses of their original armies. New areas should expand the number of troops furnished as economic conditions permit. But whether expanding or replenishing, areas must not increase the financial burden of the people. This point must be carefully kept in mind. Otherwise, we shall fail.

The internal unity of the army is very important. Our Eighth Route and New Fourth armies have always relied on the solidarity of officers and soldiers to win our glorious victories. But some of the military habits of the Chinese war lords still persist among our troops. Bad relations between officers and soldiers, such as betting, cursing, neglecting food supply or soldiers' diseases, not using patient education and persuasion in correcting the mistakes of soldiers, punishing freely, and even such wrong attitudes as insulting and shooting deserters, etc., must be thoroughly rooted out in 1945.

As a result of basing its military strength on a rising standard of living and the people's increasing participation in the government, the Yen-an régime has been able to retake from the Japanese areas inhabited by 88,000,000 Chinese—about one-fifth the population of pre-war China. During the last year it recaptured parts of the strategic peninsula of Shantung containing 5,000,000 people. In contrast, Chungking has not only lost territory but has seen tens of thousands of its soldiers—150,000 in North China alone—go over to the Japanese.

The growing strength of Yen-an plus the changed military situation in the Pacific presents Chungking with very difficult alternatives. Shall it grant the Communist demand for a genuine coalition government based on agrarian reform and political democracy, or shall it look among the collaborationist followers of Wang Ching-wei for support against the Communists? Needless to say, the latter course would almost certainly bring on a civil war which would indefinitely delay China's progress toward prosperity and independence.

## Inflation in Europe

BY FRITZ STERNBERG

THE economic reconstruction of Europe after the military collapse of Nazi Germany will be at best extremely difficult; if Britain and America continue the policies they have followed thus far, the results may be disastrous. One of the worst dangers facing every European country after the war is inflation; and Anglo-American policy in the liberated regions has encouraged its start and its growth.

Concerning the situation in Italy, Marcello Soleri, Minister of Finance in the first Bonomi government, declared, "Everything is scarce in Italy but paper money." The condition of the currency is a nightmare; it worries responsible people in the Allied Commission and the Italian government even more, if possible, than the shortage of food. The Anglo-American administration, however, is largely to blame. The value of the lira in relation to the dollar has been set far too low—100 lire to \$1. Under the Germans the purchasing power of the lira was a great deal higher.

Anne O'Hare McCormick wrote in the *New York Times*:

Italy is obliged to accept an imposed rate, which has had the same effect as if the American government suddenly reduced the value of a dollar to 20 cents. Prices immediately soared to meet the new rate and are rising steadily beyond it, so that they are exorbitant even for an American with his one-cent lira. The Italian with an income of 1,500 to 3,000 lire, which represents a fair average for the lower middle classes, might just as well be unemployed as try to exist on his earnings.

In other words, the growing inflation has already reduced a large part of the Italian middle class to indigence; they can no longer live on their salaries, and their savings have been almost wiped out.

The rise in prices has been incomparably greater than the rise in wages. George Baldanzi of the C. I. O., who recently spent some time in Italy, has reported cases of Italian workers who were paid \$6 a month. This, he said, was less than they got under the Nazis or the Fascists. The inflation, however, is a good thing for the rich landowners, who by means of the black market have boosted the prices of the necessities of life. Enrichment of the upper classes, impoverishment of the urban middle class, destitution of the workers, sharpening of social antagonisms, intensification of the class struggle—all these developments are reported by experienced observers of the Italian scene.

One might think that the Allies would have learned something from their experience in Italy, but all the evidence indicates that they have not. The press reports that in the occupied part of Germany the value of the Reichsmark has been set at 10 cents. England and America did not at first agree on this rate. The London *Economist* comments—not in its political section, significantly enough, but under Business Notes:

It is now known that there was a distinct difference of opinion between the British and American governments on the issue. The British Treasury would have preferred rates of about 25 marks to the pound or about 6 marks to the dollar, which would probably have represented an un-