

# Reforms after 1978

China in the World Economy, autumn 2022

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- When did China attempt to copy the Soviet model with Soviet aid? What happened to their relations then?

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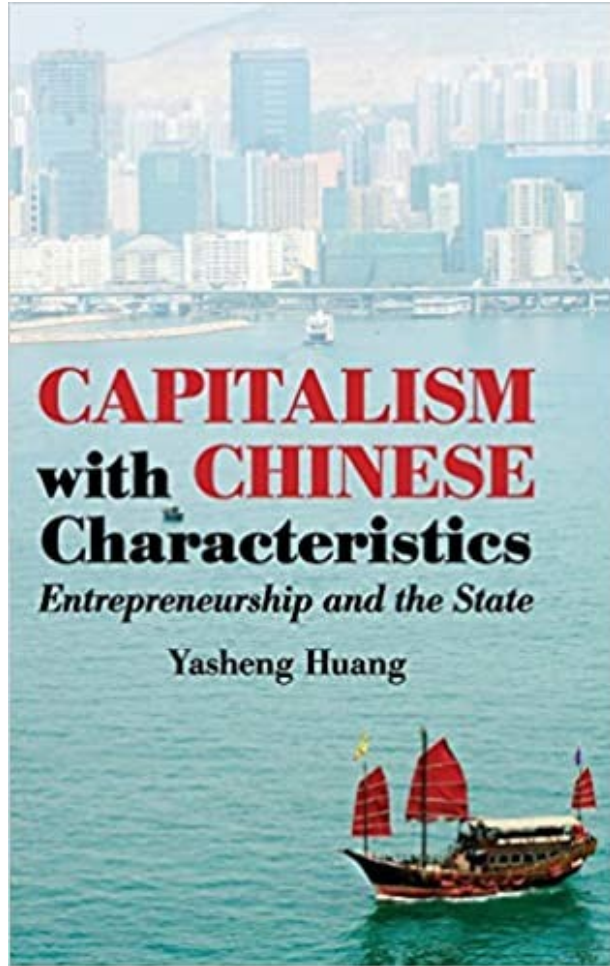
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- Name some reasons why the Communists won the civil war against the Nationalists
- When did China attempt to establish Soviet-style central planning with Soviet aid?
- What was the CCP policy towards peasants until 1958?

# Today

- Maoist social experiments
- Reforms in the late 1970's and 1980's – transition towards a market economy
- The Tiananmen interlude

# Literature

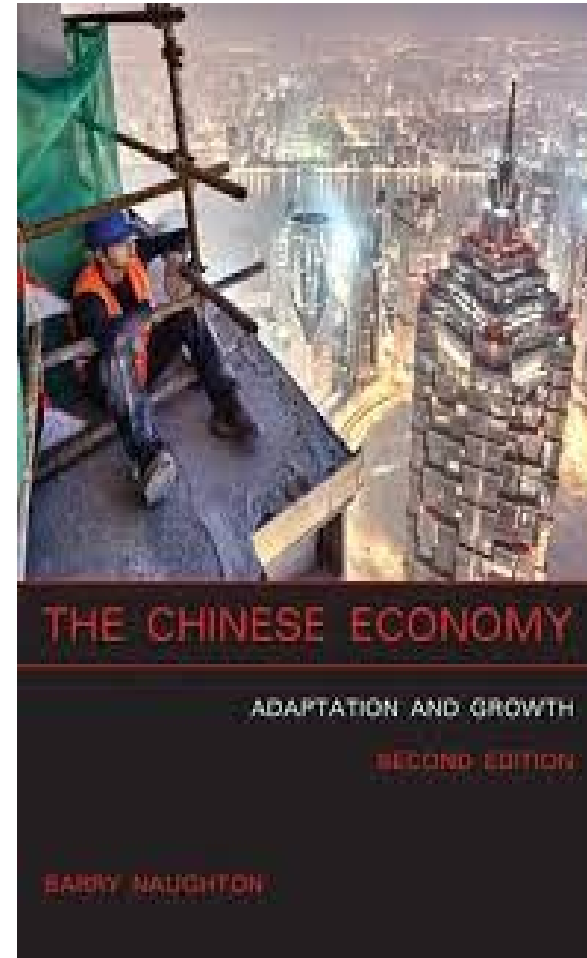
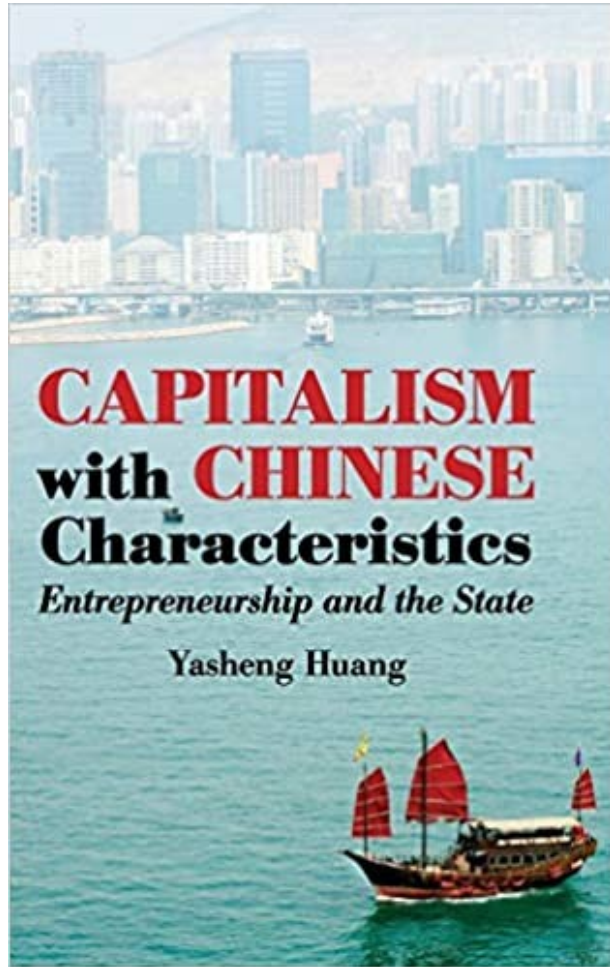


**CAPITALISM**  
**with CHINESE**  
**Characteristics**

*Entrepreneurship and the State*

Yasheng Huang









„Great Leap Forward“ (1958-1962)

- **1957:**
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- **Anti-Rightist Campaign** – another purge; **full one-party state**; led by Deng Xiaoping!

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- **Small industrialization** carried out by these village communes

# „Great Leap Forward“ (1958-1962)

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乘風破浪 各顯神通



chinese posters . net

1955.11.11

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- People fulfilled their quotas by **melting down tools and reforging them** into useless, low-quality iron



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- Biggest famine in China's history – **30 million deaths**

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- The program had to be called off in 1962

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- Less ideology, more management
- Material rewards

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- **Basic economic model until 1978**



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- > opaque system, **it is difficult to say who is in charge of what**

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- Abroad – deconstruction of Stalin's cult of personality, more „boring“ and less bloody rule in the USSR

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- Officially: **attempt to prevent the Communist party from becoming a new elite** – permanent revolution

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- „**Self-criticism**“ – public humiliation and torture





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- **1968 – the army had to move in to rein in the Red Brigades**

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- Mao's final years (1970-76) – **the situation slowly calmed down**

- “Had Mao died in 1956, his achievements would have been immortal. Had he died in 1966, he would still have been a great man but flawed. But he died in **1976**. Alas, what can one say?”



# Mao's final years

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- Both Mao and Zhou died in 1976

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- Public celebrations and manifestations - a start of a trend that continued into the 1980s



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- Overpopulation
- The Party itself was ravaged by years of purges
- > **bad economic data!**
- Some excellent centers of learning and science – but small, isolated, decimated by the Cultural Revolution

# China's situation in 1978

- Unhealthy **focus on heavy industry and military technologies**

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- **Rural areas – somewhat looser rule**, farmers were sometimes allowed to de facto own plots of land
- Most of the land was still collective, though

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- **12 monopoly state trading-enterprises** – bridges between China's regulated prices and the world market

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- Problem – **need for foreign exchange** (dollars, yens, pounds)



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- Oil production didn't work out > **need boost other exports**

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- „averted oil curse“ – lack of oil production **forced China into reforms** that led to far more significant growth than oil could ever deliver



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- **Currency markets** – weakens the currency

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- Huang – the most significant and drastic reform

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- **Local banks and funds** – collection of savings, investment

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- Some successful entrepreneurs moved into the cities

# Reforms – urban areas

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- **> official prices within the plan + market prices**
- **Typical style of reforms** – a university or research center can start an enterprises and commercialize some invention made there
- Far fewer true private enterprises than in the countryside!
- Few privatizations – **the private sector grew next to the state sector**



# Reforms – urban areas

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- **Significant corruption** – typical result of intermingling of private and public resources and interests

# Reforms – foreign trade

- **Special economic zones (SEZs)**

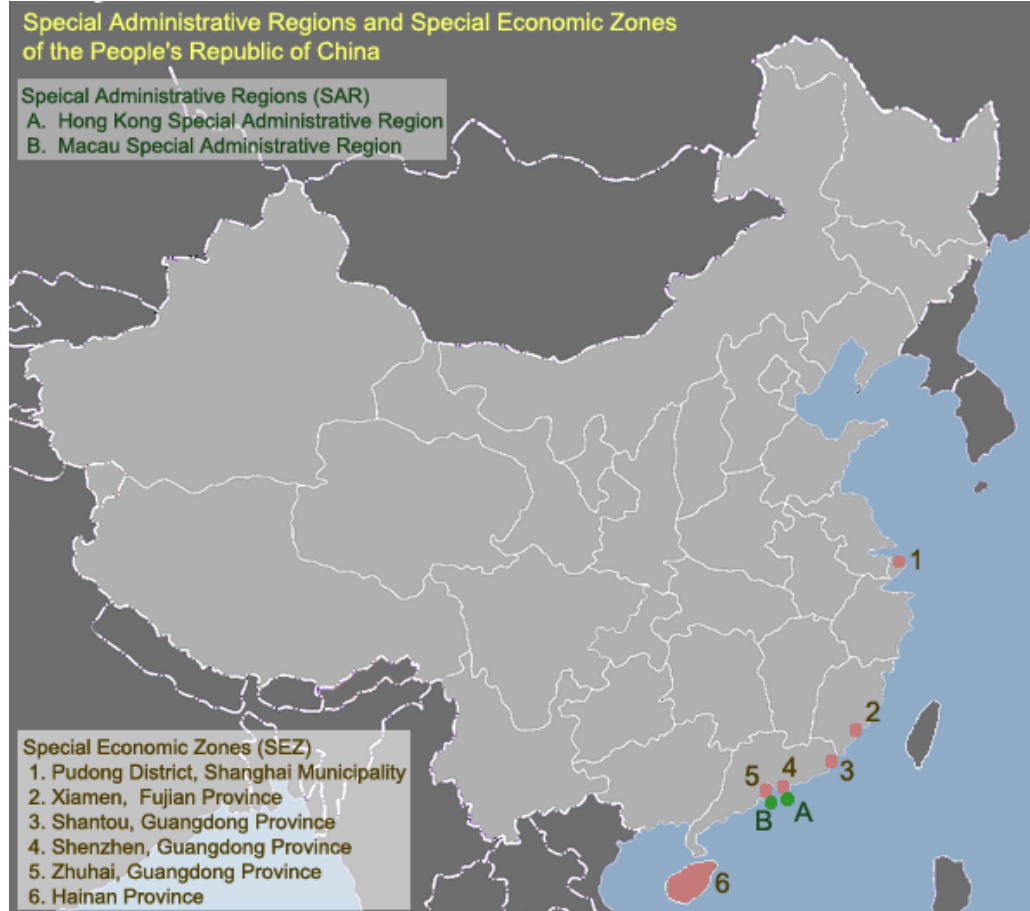
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Special Administrative Regions and Special Economic Zones  
of the People's Republic of China

Special Administrative Regions (SAR)  
A. Hong Kong Special Administrative Region  
B. Macau Special Administrative Region

Special Economic Zones (SEZ)  
1. Pudong District, Shanghai Municipality  
2. Xiamen, Fujian Province  
3. Shantou, Guangdong Province  
4. Shenzhen, Guangdong Province  
5. Zhuhai, Guangdong Province  
6. Hainan Province



# Reforms – foreign trade

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- HK had bigger exports than all of China in 1978 (!)

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- FDI, export

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- **„Export processing“** – all the stuff Taiwanese companies make in China has to be exported – **so it does not compete with Chinese companies**

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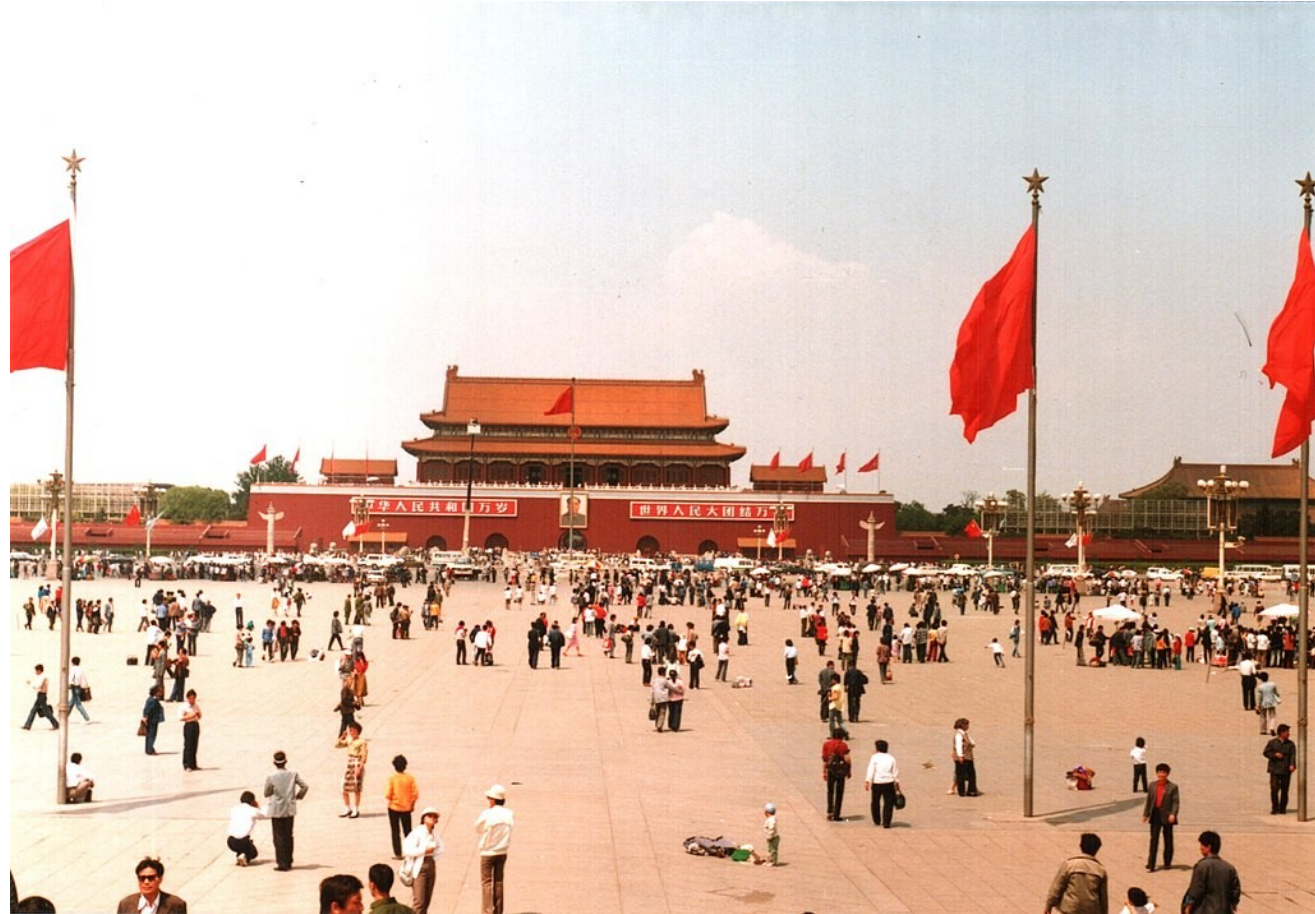
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- Desire to separate the Party and the state, introduce term-limits for officials
- **Feud between reformists and „conservatives“** – unreconstructed Maoists over both economic and political reforms
- General Secretary – **Hu Yaobang**, followed by **Zhao Ziyang** – **both favored some form of political liberalization**



# The Tiananmen interlude

- Hu – dismissed because of pressure of conservatives in 1987
- Died in early 1989
- **Demonstrations in large Chinese cities** – calls for more political reforms (also economic demands – lower inequality etc.)



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- „**June the 4th incident**“ – massacre of protesters
- Followed by (less violent) **crackdowns in other cities**

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- Party conservatives led by Li Peng seized power, Zhao dismissed – spent the rest of his life under house arrest
- **Attempt to overturn the economic reforms – central planning briefly reinstated!**



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- Meanwhile – demoralized Communist regimes in Eastern Europe collapsed with barely a whimper...

# Next time

- Continuing reforms in the 1990s
- The early 2000s – China's most capitalist moment
- The fallout from the 2008 Financial Crisis
- Xi Jinping, China's technological ambitions