

***Evaluate the developments in China under the leadership of Deng Xiaoping between 1976 and 1997.***

**Agricultural developments**

- The government introduced incentives to increase productivity
  - Why was agriculture the main focus of Deng's Four Modernisations (i.e. the aim of agricultural policy)?
    - The Four Modernisations focused on the commitment to agriculture, industry, science and technology and national defence
    - Its avowed goal was to turn China into a leading modern state by the year 2000
    - There was an aim to develop productive forces, shake off poverty, build a strong and prosperous country and to improve the people's living conditions
    - Agriculture became the main focus of this because 80% of the population lived in the countryside
    - Thus invigorating the rural economy and raising farm income and the peasants' standards of living became the first order of business
  - Why did agricultural policy need to be reformed in the Dengist era?
    - Because of the problems raised by the Maoist agricultural policies
    - The commune system was the most serious obstacle to the reinvigoration of the rural economy
    - It was instituted during the Great Leap forward, starting from 1958, was partly dismantled in the cooling down policies after the Great Leap, but was reinstated again during the Cultural Revolution
    - There was a need to institute policies that introduced incentives to motivate the peasants, and to reach the goals set out in the Four Modernisations
  - Thus, policy: the household responsibility system
    - Peasants were given a plot of land where they could sell anything as long as they met their quotas to the government
    - The farming household assumed full responsibility for the entire process of production – from the selection of seeds, choice of fertiliser, labour allocation, work schedule and preparation of soil, all the way to the final product
    - They were allowed to engage in side occupations like pig rearing and silk cultivation
      - This contrasted with Mao's heavy emphasis on grain production and prohibition of side occupations
  - Thus, policy: the gradual move away from communes, towards privatisation of agriculture (akin to the gradual move towards collectivisation that occurred before the Great Leap)
    - In the responsibility system, land was not given to the peasants in the sense that they could not sell, rent or transfer it
    - In 1984, there was a further move towards peasant private ownership of the land, with the issuance of Document Number One
    - This stipulated that the peasants could rent out land and that they could hire wage labourers
- There was greater incentive to work and produce more ➡ greater productivity

- Both yield and productivity rose sharply - In 1987, rice and wheat yields had risen 50% over those obtained under the commune system
- With this, a greater income and richer peasants ⑦ improved rural standard of living
  - The farmer spent only an average of 60 days a year on the crops, compared with 250 to 300 days in a year in the field in the days of the commune
  - The time saved was spent on side occupations which aimed at profit
  - Cash income quadrupled and standard of living vastly improved
  - Per capita farm income increased from Y134 in 1978 to Y310 in 1983 and Y463 in 1987
  - This newfound prosperity was soon reflected in new brick houses, new televisions and furniture, and new, more colourful clothes for the participating households of the responsibility system
- Also, the policies changed the political structure in the rural areas
  - The dismantling of the commune was not abrupt but took place over a period of five years
  - Now a new type of township-collective-household rural structure emerged
- Furthermore, there was agricultural growth which meant a more prosperous China nationally
  - The growth rate in annual grain production rose from 2.1% to 4.9% during the period
  - The advance in agriculture output changed China from being a net importer to an exporter of grains, soyabeans and raw cotton
    - This was a contrast to Mao's period, where grain had to be imported instead of exported
  - China received a trade surplus of \$4 billion in agricultural products between 1980 and 1984, the largest gain in 35 years
- However...
  - There was a progressive neglect of large projects formerly serviced by the commune
    - E.g. mechanised pumping of the irrigation system and the use of heavy tractors for the preparation of land
    - E.g. investment in water control and irrigation fell
    - E.g. now that the fields were subdivided into smaller parcels such machinery was useless and were left to rust
  - The state incurred a heavier burden
    - There was a decline in grain production after 1984 because farmers switched production to cash crops (crops whose prices were not so rigidly controlled) + continued growth of the employment of peasants into the local collective industry
      - i.e. from 1984 to 1988 there was a -1% growth in grain production
    - Thus, in some coastal areas where there were many nearby city markets, and where township and village enterprise were most developed, local authorities even in the early 1980s were actually forced to subsidise grain-growing in order to meet State obligations
    - Also, by 1985 most of China had been permitted to abolish the grain procurement system but it soon had to be re-imposed
  - After 1985 agricultural output could not keep up with the population growth
    - To check the population from getting out of control, the government initiated a "one-child policy" supported by material rewards like job security

- and promotion for those who observed it and by penalties like demotion and monetary fines for those who did not
- The emergence of rural income inequality
  - When collective assets were redistributed, those with influence and connections were able to buy, at massive discounts, equipment
  - This led to a widening income gap in rural areas
  - The richer peasants were able to hire labour and diversify into trade and commerce
  - This led to the rise of a rural bourgeoisie
- Other impacts
  - The change in the relationship between the government and the peasants
    - There was the end of the commune system, which was assumed to reduce state control
    - However often the commune cadres had provided protection but their removal meant that the peasants became more vulnerable to an impersonal state bureaucracy

## Industrial policies

- Deng wanted to decrease state control of the economy (why the need?)
  - State control had worked at first e.g. the First Five Year Plan, which began in 1955, because the momentum of patriotism, revolution and personal dedication to the building of a new society had triumphed (Maoist era context of early economic growth)
  - However, as time passed, industries and workers lost the incentive to work hard; after all, under Mao's command economy, enterprises received state support regardless of their performance records, and the workers received their standard wages regardless of their work
  - If Deng was to rekindle work enthusiasm, unleash the full potential of the workers, and to raise the living standard of the people, state control had to be reduced, and material incentives, so despised during the Maoist period, had to be introduced
  - E.g. by 1984, only 30 to 40% of industrial production could be attributed to central planning measures, 20% to the market economy and 40 to 50% to locally planned or guidance-planned output
- Thus industries were given more autonomy and responsibility for their activities under the Industrial Responsibility System
  - Industrial enterprises were made responsible for all their economic decisions, as well as their return for profit and loss
  - Plant managers could hire and fire employees, determine wages and bonuses and set prices within a state-approved price range
  - Managers were no longer given lifelong tenure
  - The progression to this system was relatively gradual:
    - Beginning in the period 1978-1979, various profit retention schemes were experimented with in Szechuan and other selected areas
    - In the period 1981-82, the profit retention system was refined to allow a larger share above the quota for the enterprises and also partial retention of budgetary savings through reduced losses
    - This developed into the adoption of the Responsibility System

- By the end of 1982 all industries had come under the Responsibility System
- By implication the reduction in state control of industries meant that the revenue gained from such industries by the government was severely reduced, which also meant that the government was involved in deficit spending (double the problems) ⑦ introduction of the income tax in 1983
  - Large and medium-sized enterprises were required to pay 55% of their profits as tax and small enterprises paid progressive taxes
- Reduction in state control of the economy led to increased entrepreneurship/privatisation in the economy
  - There was the mushrooming of private businesses and free markets in both rural and urban areas
  - Private businesses grew in number from 100,000 in 1978 to 5.8 million in 1983 and 17 million by 1985
- Deng and the CCP also adopted an open door policy to increase foreign trade:
  - Significance? A reversal of Maoist policy of seclusion starting from the Great Leap in 1958
  - Reasons for the need for more foreign trade:
    - China must import foreign science, technology, capital and management skills to support modernisation
  - China managed to open new markets in the Middle East, Latin America, Eastern Europe and the Soviet Union
  - Japan, Hong Kong, the USA and West Germany became China's largest trading partners
  - The open door policy and the increase in foreign trade made China more competitive economically on the international stage
    - To improve their competitive edge against the foreigners, the Chinese diversified their products, raised quality levels, devalued the yuan and eagerly learned international business practices
    - China adopted a number of measures to improve the investment climate to attract foreign capital and investment
      - The opening of the Special Economic Zones
        - In 1979, created in Shantou, Xiamen, Shenzhen and Zhuhai; later opened to the whole coast
        - Most successful was Shenzhen in Guangdong due to its proximity to Hong Kong
        - By 1990 Guangdong accounted for 1/5 of China's exports and 2/5 of its growth came from export industries
        - Foreign investors were given special privileges, tax breaks and subsidies to attract foreign investment, technology and expertise in these SEZs
- Ways in which industrial policies were effective:
  - Industrial production increased
    - The gross output value of agriculture and industry increased at an annual rate of 10% between 1978 and 1986
  - National income grew
    - Between 1978 and 1986, national income grew at a rate of 8.7% annually
- Ways in which industrial policies were not effective:

- There seemed to be little improvement in industrial efficiency in the earlier stages of reform
  - In 1982 some 30% of enterprises still operated in the red with a loss of ¥4 billion
- It is debatable how crucial the SEZs were to China's economic growth
  - Revisionists have pointed out that Shenzhen's growth was less impressive than usually thought
  - The claims of foreign investments were just statements of intent and did not usually materialise; the money that did come in went into trade and real estate
  - Less than 10 of the Shenzhen industries were high-tech ones; most were small and labour intensive
- In general, there were limitations to the success of China attracting foreign investors
  - Endless negotiations and long bureaucratic delays strained patience, and business and residential facilities were substandard
  - Were hindered by a relatively less skilled Chinese workforce, red tape and poor quality standards
- Growing national debt
  - The government's deficit kept rising due to the need for capital investments and large subsidies
  - By 1979 China was seeking large loans from foreign banks and international lending organisations
  - Debt rose to US\$35 billion in 1988 where much was owed to the Japanese
- In some sense, Deng's industrial and economic policies in general, increased the tensions and divisions within Chinese society:
  - There was the loss of job security
    - Previously under state control, state workers were ensured job security no matter how well they did
    - Now, the end of state subsidies meant that the employee was paid according to performance and would only retain his job if he contributed to the enterprise
    - Now, employment based on contract
    - Now, their salaries were not pegged to inflation; suffered greatly due to rising prices
    - There was a sharp rise in unemployment: by 1979 20% of the urban labour force was unemployed due to the closing of inefficient factories
  - There was a fall in the quality of working conditions
    - There was growing labour unrest due to this
    - As wages slowed down and workers were laid off, many strikes broke out
  - There was the growing intensity of corruption (possibly the result of a potent mix of authoritarianism and capitalism ⑦ the rise of bureaucratic capitalism)
    - Deng's son Deng Pufang was involved in the Kanghua Development Corporation
    - Zhao's son Dajun was involved with the Shenzhen City New Technology Development Company and another son Sanjun was with Huai Hai Trading Company
    - The PLA was involved with over 20,000 businesses; arms export was its biggest

- Corruption soared with large-scale smuggling, speculation and currency manipulation especially in the SEZs
- There developed a growing urban rural divide
  - By the 1990s urban dwellers were earning double the income compared to their rural counterparts
  - Inland regions were highly populated but poor; lacked electricity, elementary schools and healthcare
- Other impacts:
  - Growth of materialism
    - Mao's period had seen the four musts: a bicycle, a radio, a watch and a sewing machine
    - Then, in the 1980s there were the eight bigs: colour television, a refrigerator, a stereo, a camera, a motorcycle, furniture, a washing machine and an electric fan
    - Then there were the three highs: a wife, a high salary, and an advanced education
  - Growing environmental problems
    - Rapid deforestation occurred after 1978
    - Made worse by the rise in the number of vehicles
    - Led to serious desertification of north and north-west China
    - Human faeces along with common fertilisers and other chemicals were dumped into many water bodies