

The People's Republic of China Under Chairman Mao Zedong

Historical Background:

- ❑ Longest continuous civilization: at least 4000 years of good history.
- ❑ Empire unified in 221 BC from warring states
- ❑ Dynastic Cycle: stable imperial autocracy divided by periods of chaos. Internal power struggles before Song, foreign invasion: Mongolians, Manchus (Qing Dynasty).
- ❑ China was the world's most advanced economy for much of human history. Also cheap labor, premodern agricultural technologies, gentry-supported backward-looking imperial state, Malthusian tensions.
- ❑ The Opium Wars (1840-42, 1862) coincided with decline of Qing power (Taiping Rebellion).
 - Century of Humiliation: unequal treaties, indemnities.
 - Slicing the Melon: missionaries, foreign concessions.

Revolutionary China

- ❑ Scholar Protests (1898): Kang Youwei, Liang Qichao, the Guangwu emperor, and the Hundred Days (put down by Ci Xi).
- ❑ 1911 Wuhan Uprising (1911), abdication of boy emperor: 2nd, 3rd revolutions; Nationalist Party (Guomindang, or KMT). Sun Yatsen, Chiang Kaishek.
- ❑ May 4th Movement (1919), disillusion with western democracy, CCP founded.
- ❑ Warlord Period: CCP-KMT alliance, 1927 Northern Expedition, CCP-KMT split, Nationalist Nanjing government.
- ❑ CCP: Jiangxi Soviet, Long March, Zunyi summit, Yan'an redoubt; kidnapping of Generalissimo, alliance with KMT.
- ❑ Japanese encroachment: War over Taiwan, Korea (1895), War with Russia (1905), Manchuguo, invasion (1937); Rape of Nanjing, retreat to Chongqing.
- ❑ Civil War (1945-49). KMT better armed, but morale low, corruption and hyperinflation rampant.

The "High Tide of Socialism"

- ❑ October 1, 1949: Chairman Mao announced that "The Chinese people have stood up." PRC founded.
- ❑ Common Program (1949) – very inclusive approach.
- ❑ Land Reform (1950-53) – brutal, political.
- ❑ Mutual Assistance Treaty (1950)
- ❑ Korean War (1950-53) – confidence, status, radicalization
- ❑ First FYP (1952-57):
 - Nationalization, gradual collectivization – big push to complete both in 1955-57.
 - Soviet advisors, loans, turnkey factories, etc.
 - Soviet-style planning, heavy industrialization – difficult, "learning by ruining," still successful. Plan not actually completed until 1955.
 - Hundred Flowers (1957) followed by Anti-Rightist Campaign.
 - Agricultural production reached 1937 levels, economy growing.

Mao Zedong Thought



- Peasants, not workers, the Chinese revolutionary class: landlords, not capitalists, are the exploiters.
- People's War: guerrilla warfare techniques
- Mass Line rather than reliance on Party: Emphasis on Campaigns to educate, arouse the masses; Anti-intellectualism (vs. Chinese traditional respect for the scholar).
- Continual Struggle (not harmony), even after revolution; inherent contradictions.
- Self-Reliance: denies comparative advantage, division of labor, need for central planning.
- Egalitarianism.
- Need to adapt Socialism to Chinese circumstances.

The Great Leap Forward (1958-61)

Following Announcement of 2nd FYP, Mao announced switch to "Da Yue Jin." Turned Marx on his head.

- Plan for "three years of bitter struggle" to overtake UK in steel production, rapid industrialization.
- Agriculture: giant communes, mass production methods, direction from top, communal kitchens consumed surplus.
- Rural industrialization: backyard steel furnaces, push for "appropriate technology."
- Urbanization: rural workers, agricultural surplus taken to cities.
- Politics in Command: little planning, pressure on cadres to overstate success, feedback loop.
- **Break with the Soviet Union** (1960): Khrushchev's denunciation of Stalin, Mao's rejection of Soviet methods.
- **Initial news very good, truth was awful**: 30 million starved in famines (first rural, then urban), estimated 50 million fewer Chinese by 1961.
- Lushan Conference: ouster of Peng Dehuai, Mao admitted some errors. Policies slow to change.

The Cultural Revolution

- Recovery (1962-65) under Liu Shaoqi, Zhou Enlai, Deng Xiaoping: return to central planning, party control, agricultural decentralization.
- Socialist Education Movement (1965), development of Mao's personality cult (little red book).
- Great Proletarian Cultural Revolution: red guards, attacks on "four olds;" elimination of Mao's competitors; breakdown of education, public order, and planning; near civil war in 1967, order then re-established by PLA.
- Continuation of radical policies until Mao died (1976):
 - "Gang of Four" radicals, extreme uniformity.
 - Conflict with USSR, rapprochement with USA (Shanghai Communiqué, 1972), triangulation.
- After Mao's death, Hua Guofeng new chairman: two whatevers, arrest of Gang of Four, Great Leap Outward.

People's Republic of China After Chairman Mao

- ❑ In 1972, Mao Zedong met with Nixon and relations with the rest of the world began to normalize.
- ❑ Mao Zedong, Zhu De, and Zhou Enlai died in 1976. Hua Guofeng was new Chairman, and arrested "Gang of Four."
- ❑ Deng Xiaoping – a small, intelligent, pragmatic, and popular figure within the CCP – was admitted back into circles of power after being purged twice.
- ❑ In Dec. 1978, Deng Xiaoping emerged as "paramount leader" after his proteges (Hu Yaobang, Zhao Ziyang) were elected to highest formal positions.

Deng Xiaoping



- ❑ End of "Politics in Command" -- managers promoted on the basis of skills, rehabilitation of rightists, end of class labels.
- ❑ Political restructuring to end personality cults: no more CCP Chairman, term limits on highest positions of General Secretary, Premier, et cetera.
- ❑ Party legitimacy still depended on Mao's reputation, so party repudiated most of his policies with repudiating him.
- ❑ Pragmatic "black cat, white cat" approach.

China's Economic Reforms

- ❑ Open Door Policy (by 1980): Joint-Ventures, Special Economic Zones, foreign exchange retention, tourism, et cetera. China granted "MFN Status" by U.S. and other developed countries, but still subject to textile and other quotas along with annual MFN Review.
- ❑ Rural Reform (by 1980): Household Responsibility System, decollectivization, rural and urban markets, new rural enterprises (TVEs), and the eventual release of surplus labor.
- ❑ Industrial Reform (by mid-1980s): Decentralization, SOE autonomy, profit retention, two-tier pricing system, banking reforms, *getihu* system, et cetera. SOEs improved productivity in 1980s but also started to borrow heavily from state banks, and by late 1980s competition, rising productivity from other sectors, and SOE inefficiency was leading to falling profits and falling market shares.

Chinese Policy after 1989

- By late 1980s, inflation was rising and many inside and outside the CCP were becoming dissatisfied.
- Zhao Ziyang pushed for tolerance of private sector and wholly-owned foreign firms, but was blamed by CCP conservatives for reform problems.
- Student protests in 1987 led to ouster of Hu Yaobang, and large Tian'anmen protests after death of Hu led to a crackdown in June 1989, ouster of Zhao, and worsening of international relations. New leadership included Jiang Zemin and Li Peng.
- Retreat from reform in 1989-1991 did not help SOEs but did lead to millions of rural job-seekers coming to the cities.
- Deng Xiaoping pushed for return to reform with his trip to SEZ in Shenzhen.
- In 1992, the CCP announced that China would seek to create a "Socialist Market Economy" (*Shehuizhuyi Shichang Jingji*), effectively renouncing traditional communist objective. Prior attitude was that reform was temporary.

The Socialist Market Economy

- Initial reforms included:
 - Efforts to improve SOE management through limited liability incorporatization and creation of stock markets, but state retained controlling share.
 - Tax and fiscal reform to prevent rising deficits.
 - Simplification of exchange rates and devaluation to black market rate, full convertibility of current account by 1996.
 - Separation of state banks into commercial banks and policy banks.
- SOEs were to be the "cornerstone" of the SME, but their profits, shares, and performance plummeted.
- NPL problem in state-owned banks 25-50% of loans, but state banks continued to lend to SOEs.
- Inflation accelerated in mid-1990s, wiping out real effect of devaluation. Zhu Rongji named vice-premier (later premier) and began to tighten money and credit growth and tried to reduce NPL problems.

China After 1997

- Deng died in 1997, just before HK was returned to China.
- Asian financial crisis of 1997 did not happen in China because foreign exchange transactions were limited to exports and imports (foreigners were in segmented "B shares" market). But export growth did slow after other Asian economies devalued their currencies, and government has used fiscal policy to keep demand high.
- After Deng died, CCP General Secretary (and President) Jiang Zemin announced new "release the small, retain the large" policy for SOEs, and pushed to allow private entrepreneurs into the CCP.
- In 1990s, China became the largest less-developed recipient of FDI, and this funded China's growing export sector.
 - Many of these exports are in labor-intensive products that used to be produced by other Asian countries, though China is making signs of moving into higher-tech areas.
 - Export sector relied upon to deal with urban unemployment problem.
 - China now accounts for 10% of U.S. imports, and blamed by some in U.S. for loss of manufacturing jobs. The U.S. has lost 2 million manufacturing jobs since 1995, while China has lost 16 million. China runs a large current account surplus with the U.S. but a deficit with the rest of the world.
