

Chinese Economy under Mao Zedong and Deng Xiaoping

Prof. Dr. Khalid Manzoor Butt and Sarah Sajid

Abstract

Economic development aims at building a healthy community which in turn strengthens institutions of a state. Economic Development can also be reflected through soft power, which is not only a diplomatic tool but also a booster for a state's economy. Chinese economic development is a synthesis of two ideologies – one attributed to Mao Zedong and the other to Deng Xiaoping. Mao and Deng have contributed to Chinese economic development by initiating compatible economic policies in their respective eras. Their economic policies are influenced by Karl Marx and Adam Smith respectively. Mao – a staunch supporter of centralization of economy – opted for the theory of Marxism; choosing Marxism enabled him to strengthen the economy of China at the domestic level. On the other hand, Deng Xiaoping is associated with liberalizing of Chinese economy. The ideas of free trade and facilitation of foreign investors is the mainstay of Deng's economic policy. In the process of liberalizing the Chinese economy, Deng initiated a paradigm shift from curtailed to liberal approach; he followed the footsteps of Adam Smith, the pioneer of free market economy. Privatization, establishment of exclusive economic zones, introduction of new flexible economic policies are the reforms introduced by Deng under the theory of free market economy. Hence, the modern China we see today is a product of the economic policies envisioned by these two great Chinese leaders. This descriptive research looks into the contribution and implication of these economic policies on the Chinese economic system.

Keywords: Economic development, globalization, Long March, Great Famine, Open Door Policy, Great Leap Forward, Marxism, Chinese Imperialism, Lysenkoism, Chinese Economic System, Great Sparrow Campaign

Introduction

Imperialism remained an important feature of 18th century, where the power of a state was determined on the basis of its territorial boundaries. For this purpose, different European states started focusing upon establishing their hegemony upon numerous small or big states that were economically fragile or were plagued with internal power struggle. But before discussing imperialism and its effects on Chinese economy, it is pertinent to mention two main theories given by Karl Marx and Adam Smith. Both of these economists came up with economic theories of their own, diametrically opposite from each other. These theories, later on, played a great role in shaping Chinese economy.

*Authors are Chairperson, Department of Political Science and Director, Centre of Excellence China Studies, GC University Lahore and MPhil Scholar, Department of Political Science, GC University Lahore – Pakistan

In Mao's era, Chinese economy was under duress and highly instable. This weak economic condition of China was actually an outcome of variety of factors. The most important of them was an unjust distribution of economic resources among people. Mao, a communist himself, believed that the solution to all the Chinese problems was in Marxism, which is centered on the equal distribution of economic resources in a state. For this purpose, Mao established a centralized economic system, and all efforts were directed towards the development of agriculture sector which was the life line of the Chinese economy - agrarian in those days.

In the Great Leap Forward (1958-1962) major reforms in the agriculture sector were introduced. These reforms were aimed for improving agricultural output. Mao believed that the main source of state's economic development was its agriculture sector, and it was this sector which would eventually bring changes in the lifestyle of the people. Moreover, Mao was of the view that centralized economic system would curb the injudicious distribution of economic resources.

Whereas, after the advent of Globalization in the early seventies, it was observed that states started to congregate on various platforms under the auspicious financial organizations. These financial institutions had an objective of establishing a global economy by integrating different economies. Four Asian countries Taiwan, South Korea, Singapore and Hong Kong showed a remarkable economic growth in the 1970's (Vogel, 1991). This was the era of Deng Xiaoping; he realized the importance of decentralization and free market economy. He also found that these ideals could be useful in modifying the Chinese economy and enable it not only to compete with other regional and international players but also to grow at a good pace. For this purpose, he followed the principles of Adam Smith's theory of "Free Market Economy." Under this policy, Deng established exclusive economic zones, which facilitated not only domestic trade but also encouraged foreign investors to invest in different Chinese sectors. Moreover, Adam Smith's theory, "Theory of Moral sentiments," mainly encompasses four areas, which were applied by Deng for decentralizing the Chinese economy.

1. State and individual life
2. Economics
3. Private rights
4. Ethics and virtue

The roots of Mao Zedong's Long March resided within the roots of imperial legacy. Chinese imperialism is comprised of different dynasties, but among all of them, Qing dynasty (the last Chinese imperial dynasty) remained very important in terms of solidifying Chinese economic condition. So, in order to understand the circumstances and events which stimulated Mao to bring a change in Chinese economic system can be traced to the Qing Dynasty and to the economic condition of China at that time. Talking about the economic solidification in China, the Qing dynasty focused on two sectors: Agriculture and Industry. In the agricultural sector, they improved the methods of manufacturing fertilizers, achieved high productivity, and allocated small fields for the cultivation of rice. In the industrial sector, though

Chinese Economy under Mao Zedong and Deng Xiaoping

little heed was given to technical innovation under Qing dynasty, but several areas were allocated for the purpose of flourishing the Chinese industrial sector. Like for pottery porcelain, from kilns including those of the imperial porcelain town Jingdezhen, the teapot specialist of Yixing, silk from Suzhou and iron ware from the town of Foshan in Guangdong province, which also produced pottery were allocated (Zeyi, 1957). All of these areas were specialized in their production of different items, so this technique further improved the progress of Chinese industrial sector in Qing Dynasty.

The Qing dynasty not only focused on the industrial and agriculture sector, but they also paid attention to commercial activities. For this purpose, several attractions were introduced in various states for the buyers not only from China but also other countries. This was the very first step which was taken by the Qing dynasty to promote trade outside the Chinese boundaries. This step of facilitation of trade activities paved the way for China to establish its position in foreign markets under Mao and Deng.

Though economic development remained a consonant feature of the Qing dynasty, but the very era also saw several mismanaged policies, and few areas which required the attention and focus of the Chinese authorities were ignored for various reasons remained as the core economic issues of that era (Ross, 2003, p.16). These issues eventually became the reason for the demise of Qing dynasty. The facilitation of foreign trade encouraged the foreigners to establish their footholds in China. Such circumstances gave birth to the Chinese domestic instability. Sino-Japanese war (1894-1895), Sino-French war (1884-1885), and Opium wars were the events, which were the result of the extensive foreign intervention in Chinese domestic affairs. These wars not only destabilized China domestically but also contributed in shattering the Chinese economic condition. Furthermore, Qing dynasty could not give adequate and proper training to Chinese military. Along with the poor military training, Chinese military's armaments were also outdated. It was perceived that Western modernization was required to update the Chinese army for matching the military capabilities and armaments with foreign invaders in future. All these along with variety of other reasons contributed to the demise of Qing dynasty in 1912.

The drastic circumstances and decentralization of power among different provinces made the Chinese to overthrow the Qing dynasty and to establish the Republic of China (1912-1916) under the Ming dynasty. Republic system was thought to be the best solution keeping in mind the prevailing situation of China which required preservation of harmony among different Chinese provinces. Though, this era is associated with the political and economic turbulence, but efforts were made by the Chinese administration for achieving economic prosperity; thus, different economic reforms were introduced. The main focus of the Chinese authorities was to develop the rail road system of China because in those days rail roads were considered to be the most advanced and swift mode of transportation of goods from one place to another. The rail road development policies empowered merchants, land lords, and foreigners as they supervised the development of the rail road system (Chen and

Haynes, 2015, p.2). The efforts were not limited to the development of rail road system only, actions were taken to boost and flourish the industrial sector as well. This era is known as "Nanjing Decade" □ a period of peace and prosperity. In this era, the Chinese goods gained popularity overseas, and the demand of Chinese products encouraged the indigenous industrial output. China learned, from Japan and Britain, the tactics of running industries and paid special attention to the honing of technical skills. Resultantly, the demand of Chinese products increased in the European markets. This enabled China to compete with the existing economic giants such as Britain, France, and Japan. This trend turned China not only into an emerging economic power, but also Chinese dependence on Japan for purchasing spare parts was increased at the same time period.

Mao (1893- 1976), the father of Cultural Revolution and Great Leap Forward (1958-1962), played an important role in the Chinese economic development. He got inspired by Karl Marx during his first job as assistant in a Chinese library. In his spare time, he used to read communist literature, which shaped his views and also played a great role in shaping up his future course of action. At that time, Chinese economy was in shatters. Mao observed that the concentration of wealth in China was in few hands while the major chunk of society was deprived of the economic resources and benefits. All these injustices in the Chinese economic system contributed in shaping Mao's belief that the communism was the only solution to China's economic problems.

It goes without saying that the instable condition of China stimulated Mao to initiate a revolution in China. The revolution aimed to get rid of the Chinese economic system from all such irritants that were until now impeding the collective progress and development. For consolidation of Chinese economy, he solely focused on agrarian reforms. Agrarian reforms such as the five years plan (1953-57) and the agrarian reforms of 1959 were the main steps which were initially taken by Mao. Moreover, by establishing cadres system and mutual aid team, he further aided and developed the agricultural output. There were still some remnants of feudalism in the Chinese societies which were leftovers of the Chinese imperial legacy. Mao knew that it was important to eradicate it from the Chinese society, so he introduced such agrarian reforms which jolted feudalism in the country. Further, he improved the methods of farming and had initiated awareness programs for farmers to focus on husbandry.

In the 1950's, Soviet Union was getting economically stronger. This development was a result of various land reforms that were introduced there. Soviet Union's economy was highly dependent on agriculture, and for this reason she developed her agriculture sector. China and Soviet Union had association on the basis of common ideology □ Communism. China opted for the same agrarian polices which had contributed in the development of the Soviet agriculture sector. Like Soviet Union, China was also aiming to improve her agrarian yield (Lysenkoism, 1958).

Before discussing the implementation of agrarian reforms in China, it is important to get familiar with the concept of Lysenkoism. Basically, Lysenkoism was the Soviet campaign against genetics and science based agriculture. It was initiated by the

Chinese Economy under Mao Zedong and Deng Xiaoping

director of Soviet Union's Lenin's Academy of Agriculture Sciences namely Trofim Lysenko. Lysenkoism's success lied in the appeasement of Communist Party. This policy was thought to be paving a way for the agricultural revolution in USSR at that time. Coming towards its implementation in China, Lysenko had drafted eight points for the development of Chinese agriculture, which every farmer was required to follow.

The hundred flower campaign (1956) was a success until 1960's. This campaign was an offshoot of Lysenkoism and resulted in the production of numerous seeds of different nature. The policy of Lysenkoism enabled the Chinese agriculture sector to experience a new pathway. Chinese produced seeds which had different properties and commendable adaptation (Marks, 2011).

The improved economy of China was a result of Mao's economic policies. This also brought drastic shifts in social and political sectors. The literacy rate increased, which shifted the Chinese political system from being quantitative to qualitative. Every coin has two sides; similarly, Mao's economic policies not only had positive impacts, but few negative implications too on the system. Great famine was one of the examples of mismanaged and miscalculated agrarian policy of Mao, which had resulted in deaths of many people.

For the better agrarian yield, Mao launched "Great sparrow campaign in 1958." According to Mao, the agrarian productivity was getting affected by the sparrows as they played an important role in destroying the crops. So for this purpose, Mao had launched Sparrow campaign, under which every peasants was allowed to kill sparrows for the protection of their crops. Just like every coin has two sides, similarly, this Sparrow campaign apparently looked a great success for the preservation of crops, but it was latter on realized that this campaign had started affecting the yield of crops. The flaws of this campaign started to become evident in era of 1960's. People started to realize that sparrows not only eat grains, but they also eat insects and pests harmful for the production of crops. This resulted into the shortage of food. There was nothing to eat; hence, leading to starvation and ultimately the death of people (Senelick, 2002).

Keeping in view the implications of the economic policies of Mao, Chinese are divided. There are two groups; one supporting Mao and the other not. The group which does not support Mao's policies are of the view that massive life loss had been experienced by China during his time period as a result of his absurd polices (Great Leap Forward, the Great Famine, and the Sparrow Campaign). This group associates Mao's era as an era of dictatorship. They further criticized Mao's era for its human rights abuse and violations. It is believed that about 40 to 70 million deaths were caused because of starvation, famine, and forced labor.

Whereas supporters of Mao's era are of the view that literacy rate of China improved in his era. The literacy rate of the mainland China in 1949 was around eighty percent whereas the figure showed a varied decline after his death. The population explosion was also a serious concern. Under Mao, the population remained 300 million, which showed a rapid increase after the death of Mao and reached the figure of 700 million

(Liu, 2004). Further, Mao ended the era of “Chinese humiliation.” Before Mao, China had a highly volatile economic and political situation, and other countries exploited this volatility in their favor. Through his policies, he also contributed in turning China into an industrial state. Mao’s principles served as the guide line for Chinese for securing and achieving their future stability (Liu, 2004).

Three bitter years (1959-1961) are remembered as the “Three Years of Natural Disaster” by the Chinese Communist Party. This commemoration also establishes that it is the nature that is to be blamed for every catastrophe caused by famine, not Mao. This was done to strengthen the confidence of the masses on their ruling party (Senelickm 2002, p. 121). Another reason of famine was the lack of availability of peasants in the farms. As China was getting more industrialized, special attention was given to the production of iron which was important for industrial development. As the industry was garnering all the attention, agriculture started to get neglected. Farmers started to work in the industrial sector as it required less hard work and paid more than their last occupation.

Cultural Revolution (1966-1976) also negatively affected the Chinese economy. Though it was successful in bringing some major cultural changes related to education and health on a massive scale, but one cannot deny its negatives implications on the Chinese economic sector. The annual production of rice and cotton was decreased (Lee, 1978, p.332). The decreased production level had raised the prices of rice and cotton. The industrial production level was also at declining stage due to meager transportation system. The poor transportation system had crippled the dispatching of products to different areas (Lee, 1978, p.332).

As far as Deng Xiaoping (1978-1992) is concerned who was son of a middle class landowner, brought a paradigm shift in Chinese economic policies. The credit of turning China’s centralized economy into a liberalized accommodative economic system should be given to Deng’s economic policies. This shift in China’s economic policies paved the way for the current Chinese economic prospect. Deng’s contribution to Chinese economic reverberation is commendable, which has given Chinese economy a new dimension and the energy to achieve level of sustainability.

Deng’s focus was not only confined to agrarian sector, but he also concentrated on developing Chinese industrial sector too. He had the realization and the required urgency to build the Chinese economy in a way that it can meet up the new criterion of emerging international system. The new emerging international system required China to strengthen its industrial sector thus strengthening the Chinese industrial sector became the top priority of Deng’s to do list. As a result of Deng’s policies, the rapid economic growth was attained and the average pace of real national output reached 9.5% in its first decade (Chow, 1994).

On experimental basis, Deng established Exclusive Economic Zones, which were situated in four provinces (i.e., Shenzhen, Zhuhai, Xiamen, and Shantou) in 1979. The establishment of EEZs had two main objectives. First, due to its flexible nature, the EEZ aimed at developing trading ties with foreign states. The second objective was related with the observance of implied new economic reforms in Chinese system, as

Chinese Economy under Mao Zedong and Deng Xiaoping

the system was highly centralized and closed in nature. With the introduction of these new economic reforms by Deng, it was expected to bring changes in the existing system (Kau & Marsh, 1993). After the success of EEZs, the government decided to increase EEZ from four to thirteen. The areas where the EEZs were established had a good infra-structure, and it was expected that these areas would attract investments in future and contribute further to the Chinese Foreign Direct Investment.

Deng became head of China, when international system was at its verge of measuring power of a state in terms of her financial position. States were congregating on different international economic organizational platforms for the consolidation of their economic condition. Deng felt that it was necessary to bring major drastic changes in Chinese economic policies so that China could get herself incorporated in new international system. For this purpose, Deng introduced four major modernization policies, in which he specifically chosen four sectors for introducing modernization in them.(Vogel, 2013)

Deng introduced an extension of “Great Leap Forward” by establishing the commune system, which was related with the collective ownership of land. This policy resulted in high yield and liberalization of Chinese peasants (Ethbridge and Handleman, 2012). Modern techniques related to usage of modern machineries and pesticides in agriculture also remained an essential feature of the development of Chinese agriculture sector. Farmers were given incentives, distribution of labor according to one’s desire, implementation of 'Household Responsibility System'. As a result several industries were established and the demand of local crafts was increased. This policy encouraged farmers to work in factories too. All these agrarian policies initiated under Deng accorded expansion of agriculture sector and also improved the agricultural output (Ethbridge & Handleman, 2012).

Tax revenue remained an important area of interest for Deng. The policies of Deng brought a new shift in the system. With the opening up of the economy and rising foreign investment, in 1997, the total tax revenue reached approximately 8.2 billion Yuan. The expansion of the economy is evident from the simple fact that the tax revenue in 1997 was 16 times greater than that of what it was in 1979 (China in the Global Economy Environmental Taxes Recent Developments in China and OECD Countries: Recent Developments in China and OECD Countries, 1999).

One cannot undermine or ignore Deng’s contribution to the Chinese economic development. However, like Mao, his policies also had a downside. There were certain negative impacts that were experienced by the Chinese economy after the implementation of the above mentioned reforms of Deng. The first issue was extensive migration as rural population started migrating towards the urban areas, to find better job opportunities for themselves (Davis and Harrell, 1993, p.127).

The state institutions became highly independent after their decentralization. This independence caused issues in their smooth working and collaborative relations with the center. Further, the reforms are criticized for the fact that the transformation of market was swift and a fast one. This swift change was the result of the rapid changes that the Deng administration introduced. These policies and reforms liberated the

economic system from the parochial shackles. However, it was assumed that the new economic system will get merged with the old political system, but to dismay, it was not compatible with the old political system. This incompatibility created a situation of disequilibrium between the market and the political system of China.

The rate of employment increased as a result of Deng's economic policies, but the quality of the job market fell. The unskilled migrants started getting incorporated into Chinese open market system, but later on, they did not prove themselves to be compatible with the system (Khan & Riskin, 2001).

We can see the shift in Chinese economic system as a result of the policies that were introduced by Mao and Deng respectively. The important aspect of their policies was that they were applied by these great leaders according to the demand of time. Secondly, Mao and Deng both were equally aware of the importance of agriculture, so they never ignored this sector, but at the same time, they also paid equal attention to the development of the industrial sector. Mao and Deng brought major radical institutional changes to the Chinese system. The qualities that distinguishes them from the other leaders are their farsightedness to see the future, and they were visionaries who were able to devise and implement such policies which are not only paying dividends to China now, but are expected to do the same in the future too. It will not be wrong to call present Chinese success a product of Deng's policies. However, it is the foundation laid by Mao upon which Deng build upon.

Conclusion

- Mao Zedong and Deng Xiaoping have respectively in their eras applied all those economic policies which were required by China at that time to revive and strengthen it. For example, Mao's era was associated with high internal institutional vulnerabilities, which were ultimately a threat to internal stability. Hence, keeping this predicament in mind, Mao initiated policies which were focused upon domestic consolidation of economic system. For this purpose he worked on establishing an economic system that was "centralized" in nature.
- In Mao's era, Chinese economy was more centralized, whereas it ultimately became more interactive and open in Deng's era as an outcome of his "Open Door Policy".
- In the eras of Mao and Deng, pragmatism remained a very basic feature and aspect of the Chinese economic policy formulation and implementation paradigm. The voyage of China from a planned economy to a market economy was achieved by the Chinese economic system as a result of opting for a pragmatic approach while making and inculcating any economic policy into the Chinese system.
- Micro-first policy remained a core policy of Mao and Deng. The policy was aimed at concentrating upon eradicating problems on the grass root level first. Both leaders had firm believe that the issues at the local level will certainly snowball into bigger challenges in future.

Chinese Economy under Mao Zedong and Deng Xiaoping

- Mao and Deng focused on introducing drastic changes to various institutions with the aim of increasing proficiency. These institutions were transformed after initiation of the policies by these two Chinese leaders. China we see today owe its success to these two leaders, who with their political acumen and economic farsightedness were able to see what are the present needs of China and what the future holds for China.
- The biggest achievement of Mao and Deng is that they were able to uplift a large portion of the Chinese population from the lowest economic tier to the middle tier. Economic transformation is a benchmark of any successful economy, and it is also a measure used by the economists to evaluate any economy. Keeping in mind the success of China in uplifting its majority of population that was living below the poverty line before, is a prove in itself that Mao and Deng's policies are a success.

References

- Chen, Z., & Haynes, K. E. (2015). *Chinese Railways in the Era of High Speed*: Emerald Group Publishing Limited.
- China in the Global Economy Environmental Taxes Recent Developments in China and OECD Countries: Recent Developments in China and OECD Countries.* (1999). OECD Publishing.
- Chow, G. C. (1994). *Understanding China's Economy*: World Scientific.
- Davis, D. S., Harrell, S., & Studies, J. C. o. C. (1993). *Chinese Families in the Post-Mao Era*: University of California Press.
- Ethridge, M. E., & Handelman, H. (2012). *Politics in a Changing World*: Cengage Learning.
- Henry C K Liu (2004). Demon and deity. Retrieved from: <http://www.atimes.com/atimes/China/FC31Ad02.html>
- Kau, M. Y. M., & Marsh, S. H. (1993). *China in the Era of Deng Xiaoping: A Decade of Reform*: M.E. Sharpe.
- Khan, A. R., & Riskin, C. (2001). *Inequality and Poverty in China in the Age of Globalization*: Oxford University Press.
- Lee, H. Y., University of California, B. C. f. C. S., & studies, C. f. C. (1978). *The Politics of the Chinese Cultural Revolution: A Case Study*: University of California Press.
- Marks, R. B. (2011). *China: Its Environment and History*: Rowman & Littlefield Publishers.
- Ross, S. (2003). *Causes and Consequences of the Second World War*: Evans.
- Senelick, L. (2002). *The Changing Room: Sex, Drag and Theatre*: Taylor & Francis.
- Vogel, E. F. (1991). *The Four Little Dragons: The Spread of Industrialization in East Asia*: Harvard University Press.
- Zeyi, Peng. (1957) History of Modern Chinese Handicraft Industries 1840-1949, 4th volume, Sanlian shudian, Beijing .