History 170E
Revolution Reimagined: “Socialism with Chinese Characteristics”
Responsibility System

- Based on policies adopted after Great Leap Forward to restore stability to the agricultural economy
- Collective farms leased lands to individual households, who were responsible for delivering a grain quota to the state at fixed prices
- Above-quota produce could be sold at market prices
- TVE (Town & Village Enterprises): Rural collectives established light industry factories
- Wenzhou model: households became private firms, engaged in small-scale production of goods for everyday use (e.g., buttons)
Employment in TVE (Town and Village Enterprises)

Employment in TVE peaked in mid-1990s; thereafter a shift to private firms
Steel Production and Allocations

In 1990s, state allocations in steel industry declined sharply
Special Economic Zones (SEZ)

- In 1979 China established five SEZ areas in south China for joint Chinese-foreign venture firms.
- Designed as export-processing manufacturing areas.
Goddess of Democracy at Tiananmen Square (1989)

- Economic grievances were a major motivation of student protests.
- Urban residents squeezed by rising prices paid to farmers for agricultural goods.
Deng Xiaoping’s “Socialism with Chinese Characteristics”

- “Socialism means eliminating poverty. Pauperism is not socialism....”

- “Foreign investment will doubtless serve as a major supplement in the building of socialism in our country. And as things stand now, that supplement is indispensable. Naturally, some problems will arise in the wake of foreign investment. But its negative impact will be far less significant than the positive use we can make of it to accelerate our development.”

- From 1984 essay published in People’s Daily
Government Revenue Share of GDP

After 1978 reforms, state revenue fell sharply
After 1994 fiscal reforms, rose steadily until 2015
Shenzhen 深圳

- Left: magazine cover showing construction underway in Shenzhen Special Economic Zone in 1984
- Right: Shenzhen today: population rose from 30,000 in 1978 to 12.7 million today (fourth largest city in China)
Great majority of foreign investments in China come from Chinese in Hong Kong, Taiwan, and Singapore (“tax havens” mostly used by Taiwanese investors)
Pudong District of Shanghai

Traditional commercial center along the Bund visible at right
Foreign Trade as Percentage of GDP

World: Exports of Goods and Services as Share of GDP

China: Exports of Goods and Services as Share of GDP

China as Share of World Exports

Incoming and Outgoing Foreign Direct Investment
Belt and Road Initiative
(proposed by Xi Jinping in 2013)

Portrayed as revival of cooperative intra-Asian trade of Silk Road heyday
Ratio of Urban to Rural Per Capita Incomes

Rural incomes improved after 1978 reforms, but fell sharply in 1990s.

Despite recent improvement, still only 1/3 of urban incomes.
Rising Regional Economic Inequality

Benefits of reforms strongly favored coastal provinces
Urban Share of Population

Since 1978 reforms began, urban population without urban hukou has soared (now 300 million people)
China’s Share of Global GDP
1870-2007
Growing Inequality in China

Among world’s ten largest economies, only Brazil has higher Gini coefficient

Trends in Gini coefficients in China and the United States