

CHINESE ECONOMIC HISTORY

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Introduction Chinese society created a stable, high-functioning and integrated economy in the bronze and iron ages. As was true of all early societies, its foundation was a thriving and well-managed agricultural sector. Farming sustained massive populations, provided a reliable basis for taxation and enjoyed domestic micro-economic trading zones. It produced excess in most years, which allowed for large segments of society to specialize in sectors other than farming. Chinese growers were extremely capable and worked in concert with the government to build and manage infrastructure projects that all used to their advantage and in which all took great pride. Even though ancient and post-classical Chinese dynasties occupied a geographic space that encompassed half the territory of contemporary China, the sheer size and scope of the world's largest population worked as an advantage most of the time. When unified and well-led, the Chinese economy was a powerhouse and dwarfed all nations around it. When economic fortunes reversed, however, that same population suffered on a similarly grand scale. For most of Chinese history, other East Asian peoples watched the Chinese economy carefully and traded on terms that emperors dictated. At the beginning of the 19th century, however, conditions changed worldwide and China entered a 150 year period of economic contraction and humiliation. It had missed the industrial revolution. For much of that time, hunger was a specter haunting large segments of the population. In the past four decades, the Chinese economy has expanded dramatically. Hunger has been vanquished and China has reclaimed its place among the economic giants of the world. Though not wealthy on a per-capita basis, China's emerging middle class alone (approximately 400 million people) dwarfs the entire population of every other nation except India. The future looks bright.

PREHISTORY—The Neolithic age (10,000 BCE-2000 BCE)

Hunting and Gathering Neolithic era Chinese did not engage in agriculture early in the period. They gathered berries, roots, nuts, and other readily available foodstuffs based on the season. Chestnuts, in particular, have been found in archaeological digs. These and other such items could be stored to help them get through a winter that was longer and colder (as the last glaciers melted) for most of the period than is the case today. In addition to foodstuffs that could be gathered, hunting provided the protein needed to sustain most of the population. Early in the period, large game such as bear, deer, and wild boar were regular food items for inland people groups. For groups near to the coast and to fresh water sources, fishing was the primary source of protein. Later in the period, smaller game such as squirrels, rabbits, and birds of all varieties were trapped and/or hunted.

Agriculture and Rice. In the middle and late neolithic periods, Chinese society began the most important transformation in its history: the adoption of agriculture and animal husbandry. It is hard to overstate the importance of wet rice cultivation because it revolutionized the early culture of the lower Yangzi River valley and then went on to become the single most important staple for the majority of humanity. There is no universal consensus among scholars on the genesis of rice cultivation. Some scholars argue for southeast Asia, some argue for south Asia and still others the Yangzi River valley. Indeed, it has become a point of national pride to find evidence of the first cultivation. Regardless, in a 5000 year period between the 10th and 5th millennium BCE, rice shifted from growing wild in the Yangzi River valley to being cultivated by humans. This event had monumental effects for human settlements. Instead of moving from time to time when seasons changed or when resources dwindled, neolithic Chinese shifted to live long-term in settlements and villages, some of which grew quite large. Society was ordered around the cultivation, storage, distribution and protection of this most important foodstuff. When successfully implemented, rice cultivation provided a stable, reliable source of excess calories, which in turn allowed for population increases. A larger population required more social structure, the careful control of resources and the development of local government. Human dwellings had to be fairly close to rice paddies, water and irrigation infrastructure, but higher and far enough away from water to avoid the danger of occasional flooding. Village dwellings were also grouped around rice storage buildings so that they could be controlled and protected and food easily distributed. Villagers had to learn how to get along with those who were not necessarily members of the same family or clan.

Millet. For northern China, millet became one of the most important early important crops. It grew wild in north China in the early neolithic period and was among the first grains to be domesticated. Residue found in

archaeological digs indicate that it existed as early as 6500 BCE in the Yangshao culture (located at the intersection of the Wei River Valley at the bend of the Yellow River).

Animals. Animal husbandry also emerged during the late neolithic period. Humans domesticated wild boar, giving us the pigs we know today. Wild chickens, though likely not native to China, were domesticated and appear in the archaeological record in China as early as 5400 BCE. Cows, horses and oxen provided milk, cheese, protein, labor and transportation. Dogs sounded the alarm when enemies approached and fought off predators near settlements.

Technology. In order to cultivate rice, paddies had to be created. Paddies had to be flooded during the transplantation stage of development for a period of several weeks. This required the landscape to be transformed as well because paddies must be relatively flat and ringed by small dykes, a condition that does not exist in a state of nature. Shovels, hoes and other earth moving tools were necessary to prepare the land. Canals, ditches and other irrigation infrastructure had to be tied in to rivers and creeks. Finally, sluice gates and a drainage mechanism had to be in place in order to remove water from the paddies at the appropriate time. Millstones helped grind hard to digest whole grain millet and other grains. In short, wet rice agriculture created the conditions which placed a premium on the development of tools, weapons and other implements that facilitated farming, storage and fighting. Those cultures that produced artisans who could cast bronze, and later iron, were able to out compete their neighbors. The slow abandonment of stone and wooden implements and the adoption of metal tools brought humanity new models for society and civilization.

Trade. It is not known the extent to which early Chinese engaged in commerce. But it undoubtedly existed. It is possible that shells or other high value items such as jade or gold might have acted as a currency. More likely, however, since there was no common currency, commerce would likely have been based mostly on the barter system. Farmers or craftsmen who were able to grow or create certain items in excess, or more cheaply than others, would have traded for goods, services, food or other needed items. Hunters might have traded meat, hides, bones and sinew to, for example, a shaman in exchange for spiritual wisdom or healing. This interaction would have required some level of communication and trust between settlements and played an important role in the cultural and economic integration of small economic and social regions.

BRONZE AGE (2000 BCE-600 BCE)

Technology and Agriculture. The economy of Bronze Age China was largely agrarian. Many peasants were serfs or subsistence farmers and barely grew enough food to pay their taxes and survive from season to season. Unlike some of the other Bronze Age cultures, bronze implements were slow to be introduced into the daily life of peasants (and equally slow to be used for military purposes). The reason for this is unknown. Nonetheless, some bronze tools have been unearthed in archaeological sites. This indicates that though peasants were able to scratch a living out of the earth, their ability to produce food in excess was likely limited.

Diet. In contrast to conventional wisdom, the Chinese diet in the early and middle Bronze Age was not based only on rice. Instead, crops more suited to cultivation on the north China plain were grown including millet, early varieties of wheat, hemp, barely and the like. There is also evidence of the consumption of livestock such as pork and beef. In the southern areas of China where moisture is much more abundant, wet rice agriculture was in use as early as the 4500 BCE. However, it was not introduced into northern China until the late Shang period. Wet rice agriculture is very labor intensive, but good producers were able to grow more than was necessary for consumption by one family. Calories were therefore beginning to be produced in excess in the late Bronze Age, allowing for additional members of society to specialize in pursuits other than agriculture and for a rise in population. As a result, cities grew dramatically larger and more important. Vestiges of pre-wet rice agriculture can be seen in the regional cuisine of contemporary China. For example, the cuisine of north China still shows evidence of more reliance on grains other than rice.

Trade and Currency. The monetary system of the Shang period (1600 BCE to 1050 BCE) is unknown. It is believed that there was no minting of coins and the like. Jade was sometimes used as currency, as were some kinds of sea shells. It is not clear what specie taxes were paid in or how markets functioned in the absence of coinage. During the Zhou Era (1046 BCE-476 BCE), coins were minted for the first time. They were made of bronze and copper. They do not appear to have had much intrinsic value, but bore the mark of the monarch and therefore

carried the weight of officialdom. However, it is not clear how widespread their use was and how well controlled they were by the government. Nonetheless, commerce as we understand it was possible for the first time in the Zhou Era.

IRON AGE (1000 BCE-500 CE)

Technology. The economy of Iron Age China was largely agrarian. That is not to say that there were not advances in technology which made the lives of working peasants, artisans and laborers much more productive than their ancestors. Indeed, the Chinese economy benefited immensely from the shift from Bronze Age technology to Iron Age technology. Iron implements made possible the expansion of agriculture into marginal lands which had previously not been under cultivation. It was possible in the late Warring Kingdoms period (475 BCE-221 BCE) for your average peasant to possess iron hoes, scythes, plows, axes and more, all of which were utilized in agriculture. Iron was also used in carts used to transport goods and in yokes to harness oxen both on the roads and in the fields. In addition, iron was used for shovels to dig irrigation ditches, in dredging equipment and the like. Finally, iron cooking utensils became widespread during the Iron Age. Because of advances in agriculture, populations increased dramatically. There were also more people shifting from subsistence farming to other endeavors where they were allowed to specialize in skilled professions and become masons, smithies, farriers, carpenters, coopers, and the like. Others became educators, philosophers, clergy, accountants, bookkeepers and bureaucrats. Still others were dedicated to the art of war and became fletchers, swordsmiths, bowmen, professional soldiers, foundrymen, etc. Many of these professions had existed in the Bronze Age, but in much smaller numbers. Their proliferation in the Iron Age made possible the classical age of human history.

Trade and Taxes. As more land was brought under cultivation and the land already under cultivation was made more productive, property and goods could be more effectively exchanged and taxed. This enriched treasuries, made possible more stable governments and created predictable government budgets. One of the initiatives the Qin (221 BCE-206 BCE) were known for was standardizing the monetary system and for bringing the minting of coinage under the control of the central government. This allowed for the proliferation of markets and facilitated the exchange of goods and services. Taxes were paid both in an amount of the government's choosing and in a specie of its choosing. It was also possible to apply this new-found tax revenue to the military, which was also using new iron weapons to great effect. In essence, the shift from Bronze Age technology to Iron Age technology created the conditions which made possible the unification of China. It also led to some of the greatest bloodshed known to man at that time.

POST-CLASSICAL PERIOD (500 CE-1500 CE)

Grand Engineering Projects . In post-classical China, the Sui (589-618) and Tang (618-907) Dynasties are well known for supporting massive and important infrastructure projects. Some, such as the Grand Canal reshaped the economy of China. The Grand Canal ran north to south linking several major river systems, the Qiantang River near Hangzhou in the south, Yangtze River a little further north, the Yellow River in Shandong province and finally the Hai River near Beijing in the north. It spans 6 modern provinces and is more than 1100 miles long, the longest man made river in the world. Portions of it are still in use today for transporting commerce. The Grand Canal was so important to the economy of China for more than a thousand years and was such a monumental feat of engineering in the post-classical world that it has been designated a UNESCO World Heritage by the United Nations alongside such sites as the Great Pyramids of Egypt, the Acropolis in Greece and the Forbidden City This waterway was so important that if it silted over, which it did from time to time after Yellow River floods, emperors are well known for throwing enormous resources at dredging projects for fear of losing the Mandate of Heaven. In time of war, disabling the Grand Canal which your enemy was using to transport supplies could lead to victory. This project was started in antiquity, but was completed under the Sui. It is one of the reasons that the economy under the Tang grew so fast and was so strong.

Technology. The southern areas of post-classical China produced far more rice and other food stuffs than could be consumed in the region. This was facilitated because the crown supported the dispersal of knowledge of advances in agriculture such as crop and field rotation, the use of fertilizers and the like. Irrigation and flood control projects both in the south and the north were high priorities. The Tang are known for rebuilding the system of roads that had been left to decay since antiquity. In addition, the Tang took seriously the problem of security and sought to end enduring problems with banditry and the like. They built post-stations along the most important roads and

waterways to maintain law and order. The basis for taxation was land and not goods produced on the land. This simplified the tax system and made land-owners, not peasants, largely responsible to the authorities. All of these things contributed to a thriving economy.

Trade. . Though China is known historically for its macro-economic regions, the Grand Canal made possible for the first time the transportation of bulk goods from the densely populated regions of the south to the more sparsely populated regions of the north. This created a functioning, national economy. Rice and other food stuffs, in particular, are well known for being transported in bulk along the Grand Canal.

The Pax Mongolica. The above mentioned initiatives were all labor intensive and required constant monitoring. Law and order, stability and peace, above all, were required to maintain an effective nationwide economy. When this period of relative peace came to an end with the Mongol invasions, the economy of north China disintegrated. Tens of millions of people in the north were removed from the work force and the population collapsed. Of course, the Silk Road thrived under the Mongols. For the first time in history, it was possible for someone with permission from one of the Mongol monarchs to travel without harassment from Beijing all the way through Persia to Europe and back. Silk, porcelain and tea were particularly valued commodities in Europe. Marco Polo from Venice and others such as the historian Rashid Al Din are well known for having made the trip. Of course, the Pax Mongolica was relatively short lived and came at a tremendous cost. Domestically, the Mongols ruled China after the conquest using many of the same Confucian elites who has served the Song (960-1279) and so, after the recovery, maintained the economy at a diminished, but sufficient level.

Economic Recovery under the Ming. When the Ming came to power after the ouster of the Mongols in 1368, the economy of China returned to its traditional boundaries. The Silk Road was no longer safe and freely accessible. The economy in China, though smaller, continued to thrive. Agriculture existed much as it always had. Peasants worked the land, some as free-holders, others tied to the land as something like serfs. In the devastated and depopulated areas of the north, the first Ming emperors provided incentives for peasants to resettle and return land to cultivation. Road and canals were rebuilt and irrigation projects were again prioritized. For a century or so, the economy of Ming China grew dramatically. China prospered.

EARLY MODERN PERIOD (1500-1800 CE)

Agriculture. The economy of early modern China functioned very well in the reign of the Emperor Kangxi (1667-1722) and early in the reign of the Emperor Qianlong (1735-1796). There was a well-established system with peasants and agriculture being the engine of the economy and there was a high-functioning administrative class. Advances in infrastructure in the early Ming period (1368-1644) and the will to maintain engineering marvels such as the Grand Canal and the Yellow River dikes meant that irrigation and the transportation of bulk commodities by barge were available to facilitate agricultural and economic development. Advances in rice production were significant and the economy grew quickly. Indeed it was transformed in other ways as well. The early modern period saw the importation of important food stuffs from the new world: potatoes, peanuts and corn via the Spanish-controlled Philippines. Many of these food-stuffs were grown in soil that was not conducive to the growing of rice or other traditional Chinese foods. This had the effect of bringing marginal land under cultivation. These calorie-rich items allowed the Chinese population to explode. I might add that these newly productive fields could also be taxed as well. By the end of the reign of the Emperor Qianlong, the population of China had risen to approximately 300 million. Of course, it also freed increasingly larger percentages of the population from subsistence farming and allowed for increased specialization in the economy.

Technology and Industry. In order to meet world demand for fine porcelain, small producers ramped up production dramatically. Whereas in earlier periods very small cottage-industries had been sufficient to meet demand, these were greatly expanded in the 18th century. Large factories began to be built which harnessed the power of the waterwheel and other forms of energy. Advances in metallurgy made gears and pulleys stronger and more durable, allowing for the production process to dominate entire villages. Though the Chinese were not among the world leaders in the development of the steam engine, they were producing on a massive scale. It is clear that the Chinese economy in the 18th century was undergoing a fundamental change which can best described as early industrialization.

Trade. With increased specialization came advances in commerce and industry. The late Ming and Qing periods are well known for the creation of guilds for non-agricultural products. Guilds oversaw the supply of goods to make sure that the market was neither flooded nor without goods to sell. Guilds also dispersed and protected trade secrets and provided guidance on the training of apprentices and the like. Artisans and skilled craftsmen, in particular, mentored apprentices for many years until they had developed sufficient expertise. Certain areas of the Chinese economy in the early modern era were particularly well-known for the production of export items. Among them were silk and porcelain producers. Tea was also produced for export. But it was silk and porcelain that distinguished Chinese commerce. Indeed, fine porcelain in the early modern era so dominated the world market, to say nothing of the domestic market, that in much of the western world, it is still simply called “china.” In addition to it being of very high quality, it was also produced in vast quantities.

Self-Sufficiency. The Chinese economy was largely self-contained. Virtually all of the items needed for consumption by the Chinese: food, energy, raw materials, pharmaceuticals, clothing, building supplies and the like were produced domestically. The importation of goods from abroad was largely unnecessary. (Foreign ideas were equally unwelcome.) It is because of international commerce that China began to encounter a group of people who had heretofore been known to them, but who had not really been very important or influential: Europeans. Because the Chinese exported so many goods and products but imported virtually nothing, the Europeans began to become concerned about the imbalance of trade. Chinese merchants demanded payment in silver, the specie in which one paid tax, and when denominated, the unit of currency. Silver therefore began to be in short supply in other parts of the world. The Europeans wanted to parley with Chinese representatives, but the Chinese were totally uninterested. This set off a series of diplomatic rows which left the Europeans seething for decades. In a well-known exchange between the Emperor Qianlong and King George III (1738-1820) of Great Britain, Qianlong rebuffed the British request to trade by saying “I set no value on objects strange or ingenious and have no use for your country’s manufactures.”

Early Signs of Economic Trouble. Despite the presence of a vibrant and growing economy during the early reign of the Emperor Qianlong, the tax base was unable to keep up with spending demands. Qianlong’s military adventurism brought Xinjiang, an enormous and unruly new territory, under Chinese control. But the occupation was extraordinarily expensive and placed serious strain on the treasury. Qianlong was unaccustomed to working within a limited budget and was unwilling or incapable of scaling back. More troubling, as the population grew, there was a commensurate need to expand the bureaucracy. Early in the 18th century, this was understood to be a problem to be overcome with the discovery of efficiencies and with an increase in productivity. However, by the end of the 18th century, there simply weren’t enough government officials to administer the realm causing the vaunted Chinese economy to slow and to begin to show signs of distress.

The 19th CENTURY

Technology and Agriculture. In the early decades of the 19th century, agriculture continued to advance. The Chinese economy was showing signs of early industrialization. Rapid advances in technology applied to the agricultural sector resulted in reliable sources of excess calories for many years. Rice, wheat and other grains allowed the population to increase rapidly. Much of the land, however, was under stress from over-farming and there simply wasn’t enough additional land not under cultivation which could be made productive. In other words, Chinese agriculture reached a high point in the first decades of the 19th century. The horrors of the Taiping Rebellion (1850-1864) changed the agricultural dynamic dramatically. First, much of the most productive agricultural land in China (in the Yangtze River Valley) was the sight of some of the fiercest fighting. Second, other areas that were under the actual control of the Taipings could not contribute excess food stuffs. Third, several catastrophic floods, primarily along the Yellow River, created an environment in which there was a deficit in calories. Indeed, there was widespread hunger in the immediate post-Taiping years. In the last decades of the 19th century, agriculture suffered from the myriad of miseries that accompanied the slow devolution of government: banditry, excessive and arbitrary taxation, breakdown of irrigation and transportation infrastructure and the general lack of government support. Nonetheless, the peasantry continued to do fairly well on a micro-level unless that was a localized drought or flood. Somehow, the population continued to grow.

Trade and Economic Trouble. The Chinese commercial economy in the 19th century suffered one setback after another. There was a problem with the outflow of silver associated with the opium trade. Given that more and more Chinese were willing to pay westerners in silver to support their drug habit and because silver was the specie with

which one paid the tax, scarcity and inflation in the Chinese economy became the norm in the years leading up to the Opium War (1839-1842). (Western economies also suffered from time to time from silver shocks in the 19th century.) Indeed, one of the reasons that the Emperor Daoguang (r. 1820-1850) gave for his campaign to suppress opium was the damage it did to the economy of south-east China. This disruption was hard on the imperial treasury and put a damper on macro-economic trade as well. The other great disruption in the commercial economy in 19th century China was the Taiping Rebellion. Roughly 1/3 of China was under the control of other political entities (Taiping or Nian) for more than a decade. The most expensive activity a government can engage in is war. When it is a civil war, the costs multiply exponentially because areas being destroyed are a part of the economy and are also at the same time not paying tax to the government. In the case of the Taiping Rebellion, the economic damage was so widespread that entire areas of the Yangtze River Valley did not recover for more than a generation. Given the extent of economic development and industrialization taking place in most of the western economies (and Japan) in the late 19th century, China experienced political instability and economic collapse at precisely the wrong time. China didn't just slowly fall behind other expanding, industrial economies, its fortunes were dramatically reversed in both real and comparative terms. By the turn of the 20th century, China was no longer the world's greatest power. Instead, it can best be described as a failed state, incapable of controlling or caring for its people. But it was on the cusp of even greater humiliations still. Dismemberment and a loss of sovereignty became a real possibility in the 20th century.

Early 20th CENTURY (1900-1950)

Agriculture. The Chinese system of agriculture had suffered from decades of neglect by the turn of the 20th century. Essential infrastructure had not been maintained. Irrigation systems and flood control, in particular, were in serious disrepair. Many Chinese peasants were just getting by season to season. Any small disruption in the annual cycle yielded hardship and hunger. The threat of famine was persistent for the peasantry. China could often not feed itself. During the warlord era (the late teens and much of the 20s), there was no law and order and taxes were extracted at a high rate and at arbitrary times. During the decade of Guomindang rule, conditions moderated in some areas and some advances in agriculture were possible. But in other areas there was famine.

Technology. It would be accurate to say that there were real advances in agriculture in China in some areas during the first half of the 20th century. In particular, a number of schools opened with the express purpose of teaching new techniques and of applying new technology. Some, such as China Agricultural University (founded in 1905), Nanjing Agricultural University (founded in 1914) and Anhui Agricultural University (founded in 1928), became quite influential and promoted advances in wet-rice agriculture, animal husbandry and dry-land farming. Indeed, these institutions survived the ravages of civil war, foreign invasion and the Cultural Revolution—and still exist today. Nonetheless, China didn't become reliably self-sufficient in agriculture until after the Cultural Revolution.

Trade. If a nation is to have a fully functioning, integrated economy, certain conditions must exist. There must be a strong, effective government capable of creating an environment of predictability. The government must have a monopoly on violence and the extraction of revenue. There must be a common currency, access to capital and relative peace and calm in the realm. Finally, the population must be willing to accept these conditions. These things were not in evidence for most of the first half of the 20th century in China. In the warlord era, China was divided into areas controlled by local or regional strongmen. Trade between the various areas, although possible, was problematic. Nonetheless, the macro-economic zones which had characterized the Qing Era (1644-1912) and which had emerged organically during the long period of peace began to fragment in the early 20th century. It became difficult to transport goods between regional areas because of problems with the transportation infrastructure and because the space between warlord-held territories often teemed bandits and rebels. And since there was no national currency, an economy based on a barter system emerged. This placed serious restrictions on the flow of capital. In short, it was possible to buy and sell goods within small, micro-economic zones—in the big cities and the like. But a national economy did not exist until the Guomindang sought to create one in the late 1920s and early 1930s. And, of course, even this ceased to exist during the war with Japan. It is also safe to say that there was extremely limited large-scale industrial development outside of the major population centers and very little domestic capital one could draw upon if one wanted to open a factory or to develop a manufacturing concern. Cottage industries were widespread, and of course, foreigners operated industrial concerns in the concession areas. When the civil war between the CCP and Guomindang ended in 1949, the CCP surveyed an economic landscape scarred by decades of war, destruction and neglect. The economic road ahead would be long, difficult and bumpy.

Tens of millions of Chinese would die of starvation, malnutrition and other privations before the economy would begin to supply the goods and services needed by the population.

Late 20th Century (1950-1999)

The Great Leap Forward. In 1958, Mao had grown frustrated with China's efforts at rapid industrialization. He wanted faster, exponential growth. The CCP then adopted an extremely ambitious plan known as the Great Leap Forward. In this 5-year plan, the Chinese were to create heavy industry on a massive scale. They were to do this by applying all of China's considerable revolutionary energy to the task. It would become the sacred duty of all Chinese to implement the plan. China's leadership hoped to catch up with the Soviet Union by 1962 in the production of the most important element of industrialization: steel. Factories were to be built wherever possible. Raw materials were to be provided on a massive scale by the state to factories. And workers were removed from agricultural production and put to work in the steel mills. Where it was not possible to build a factory, hard-core workers still felt it was their duty to produce steel. This led to bizarre efforts up to and including back-yard cauldrons being employed in the production of severely sub-standard and unsafe steel. Much of the steel produced during this period was worthless. But they met their quota. In addition, the Great Leap Forward also required society to be completely communized. Communal kitchens were provided for workers and families, and child care was provided. In theory, this freed women, retired workers, older children and all members of society to also engage in productive labor for the state. Many went out into the fields to farm or did jobs not suited to their capabilities. As might be expected, shortages in agriculture began to appear. But the government had moved emergency granary supplies to areas not affected by the lack of food. Serious hunger and malnutrition began to be felt as early as 1959. Soon thereafter, there was a famine unlike anything seen in China for a century. In the famines associated with the Great Leap Forward, approximately 20 million people starved. Mao's attempt at social and economic engineering had proved a catastrophic failure.

Technology. In the period beginning with Deng Xiaoping's economic liberalization in the late 1970s, vast transfers of technology took place. The Chinese government first began the very expensive process of sending vast numbers of students abroad to study in the world's finest universities. After returning, Chinese scientists and engineers began to work for the government and also entered the emerging private sector. As more and more multi-national conglomerates relocated manufacturing to China in the 1980s, consumer electronics and the technological know-how that accompanied this process, created the conditions for the rapid development of the Chinese electronics industry. Now, domestic Chinese industrial giants such as Huawei, Lenovo, Tencent and China Aerospace Science and Technology are among the most dynamic and influential in the worldwide tech industry. Though the most cutting-edge technological discoveries still often take place elsewhere, Chinese technology and knowledge industries are poised to take their place as peers among other nations.

Cultural Revolution. The Cultural Revolution that emerged in the aftermath of the Great Leap Forward drove China into a persistent state of economic and social chaos. For more than a decade, until the early 1970s, China engaged in radical, often violent, political revolution. Meanwhile, its economy suffered greatly and many economic reforms were reversed. When Mao died in 1976, China had not emerged as an industrial power, nor was it able to feed itself. Mao's promised utopian society had proven to be illusory.

Trade and Economic Liberalization. When Deng Xiaoping (1904-1997) emerged to be the paramount leader of China in 1978, he took stock of the economic situation and was not particularly pleased to see that most of Mao's attempts at social and economic engineering had not produced the desired effects. China, though an increasingly industrialized nation, was still considered to have a "developing" economy. There were pockets of extreme poverty in China and shortages of most consumer goods. The economic element of communism seemed to have failed. In response, Deng liberalized the economy and set about creating the conditions which allowed for the privatization of some of China's state-run industries. It also freed some workers (who had previously all worked for the state) to decide for themselves what sort of job they wished to do. Of course, this could only happen following the regulations of the communist state, which meant that workers could not just move anywhere to take any sort of job without permission. This would change later and Chinese laborers moving (sometimes illegally) to the cities produced an excess labor force willing to work in industry for extremely small sums. The government also strictly controlled the flow of capital in and out of the country, limiting the development of the industrial and financial

sectors in the early 1980s. Nonetheless, when allowed some freedom, Chinese entrepreneurs and budding industrialists demonstrated that they could compete with any company worldwide. As the business environment in China improved, foreign companies began to use Chinese industrial capacity to produce goods for their home markets. It was cheaper for many western companies to build a factory in China, pay well-educated and highly motivated Chinese workers a pittance to do a job and ship goods home than it was to produce the same items at home. Of course, Chinese industry was also producing for the domestic market as well and successful domestic companies soon far outnumbered foreign concerns. The economy grew at a remarkable rate. For more than four decades, China has enjoyed many years of double-digit growth rates. Today, it is the second largest economy in the world and is projected to become the world's largest within two decades.

Economic Slow-Down. It should be noted that no economy can sustain double-digit growth forever. Indeed, there are hints in the Chinese economy that a serious slow-down has arrived. The Chinese economy is still growing, but at a slower pace. There now appear to be fewer Chinese workers who are willing to work for a pittance than before. That, coupled with higher transportation and production costs, is causing many foreign companies to rethink the “offshoring” of industry to China. Though not entirely mature, perhaps the best way to describe the current Chinese economy is that it is no longer “developing”—at least in the cities. Pockets of extreme poverty in the rural areas of China remain. This is not the communist economy envisioned by Mao Zedong in 1949. Indeed, it is the opposite. Deng's economic vision for China has proven successful. However, communism in the political realm remains firmly entrenched and has not been much affected by economic development. The CCP still carefully controls politics in China much as it did in 1949.

Readings

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Questions for Discussion

- 1)) Chinese civilization appears to have emerged in relative isolation in the late neolithic era. Its written and spoken languages, social norms and religions of the early bronze age all indicate minimal cross-pollination with other nascent cultures. What does this mean about human evolution during the neolithic? What developments in agriculture, society and technology were necessary in human social evolution for the first civilizations to emerge? Why do you think these most ancient civilizations seemed to develop in several areas of the world within a relatively short period of time in human history?
- 2) Historians of China like to write about the greatness of the Kangxi and Qianlong periods. How does one define what is or is not great about one particular reign or another? What are the criteria—the economy, military, population, structure, religion, culture, the arts—or something else altogether? Is it even possible to compare empires effectively? If so, what would you argue is the most important criteria?

- 3) The Great Leap Forward was recognized as a catastrophe even during Mao's lifetime and is remembered publicly as being one of his few major mistakes. Historians study it and there is public discussion of it. However, some of Mao's other major mistakes, such as the Cultural Revolution, are generally off limits for study. Why do you think that the CCP allows there to be public memory of one and not the other? What about the Cultural Revolution makes it mostly off limits for study and discussion? When might it become acceptable for historians and scholars to carefully consider? How would conditions have to change before there can be a frank and open public discussion of the Cultural Revolution?

- 4) Contemporary China has become an economic powerhouse and is now the world's second largest economy. Deng Xiaoping's dream of a wealthy nation is becoming a reality. But this was not Mao's dream. He wanted to see a utopian society where there was no class distinction. Which of these dreams is most noble? Why do you think one worked when the other did not. Is economic liberalization sustainable in the absence of commensurate liberalization of politics? Can authoritarian forms of political communism persist alongside economic capitalism? If so, for how long? Why do you think that the CCP has allowed this cognitive dissonance to last as long as it has?

Texts

- 1) "On Plowing," a quotation from 1159 during the Song period, from a treatise on farming. Translated by Clara Yu, found in Patricia Buckley Ebrey, ed., *Chinese Civilization: A Sourcebook*. (Free Press, 1993), pg. 189.

Early and late plowing both have their advantages. For the early rice crop, as soon as the reaping is completed, immediately plow the fields and expose the stalks to glaring sunlight. Then add manure and bury the stalks to nourish the soil. Next plant beans, wheat and vegetables to ripen and fertilize the soil so as to minimize the next year's labor. In addition, when the harvest is good, these extra crops can add to the yearly income. For late crops, however, do not plow until spring. Because the rice stalks are soft but tough, it is necessary to wait until they have fully decayed to plow satisfactorily.

In the Mountains, plateaus, and wet areas, it is usually cold. The fields here should be deeply plowed and soaked with water released from the reservoirs. Throughout the winter, the water will be absorbed and the snow and frost will freeze the soil so that it will become brittle and crumbly. At the beginning of spring, spread the fields with decayed weeds and leaves and then burn them so that the soil will become warm enough for the seeds to sprout. In the way, cold as the freezing springs may be, they cannot harm the crop. If you fail to treat the soil this way, then the arteries of the fields, being soaked constantly by freezing springs, will be cold, and the crop will be poor.

- 2)) The Emperor Qianlong's response to George III of Great Britain asking for the trade and the normalization of diplomatic relations in 1793, found in the public domain.

You, O King, live beyond the confines of many seas, nevertheless, impelled by your humble desire to partake of the benefits of our civilization, you have dispatched a mission respectfully bearing your memorial. Your Envoy has crossed the seas and paid his respects at my Court on the anniversary of my birthday. To show your devotion, you have also sent offerings of your country's produce.

I have perused your memorial: the earnest terms in which it is couched reveal a respectful humility on your part, which is highly praiseworthy. In consideration of the fact that your Ambassador and his deputy have come a long way with your memorial and tribute, I have shown them high favor and have allowed them to be introduced into my presence. To manifest my indulgence, I have entertained them at a banquet and made them numerous gifts. I have also caused presents to be forwarded to the Naval Commander and six hundred of his officers and men, although they did not come to Peking, so that they too may share in my all-embracing kindness.

As to your entreaty to send one of your nationals to be accredited to my Celestial Court and to be in control of your country's trade with China, this request is contrary to all usage of my dynasty and cannot possibly be entertained. It is true that Europeans, in the service of the dynasty, have been permitted to live at Peking, but they are compelled to adopt Chinese dress, they are

strictly confined to their own precincts and are never permitted to return home. You are presumably familiar with our dynastic regulations. Your proposed Envoy to my Court could not be placed in a position similar to that of European officials in Peking who are forbidden to leave China, nor could he, on the other hand, be allowed liberty of movement and the privilege of corresponding with his own country; so that you would gain nothing by his residence in our midst.

Moreover, our Celestial dynasty possesses vast territories and tribute missions from the dependencies are provided for by the Department for Tributary States, which ministers to their wants and exercises strict control over their movements. It would be quite impossible to leave them to their own devices. Supposing that your Envoy should come to our Court, his language and national dress differ from that of our people, and there would be no place in which to bestow him. It may be suggested that he might imitate the Europeans permanently resident in Peking and adopt the dress and customs of China, but, it has never been our dynasty's wish to force people to do things unseemly and inconvenient. Besides, supposing I sent an Ambassador to reside in your country, how could you possibly make for him the requisite arrangements? Europe consists of many other nations besides your own: if each and all demanded to be represented at our Court, how could we possibly consent? The thing is utterly impracticable. How can our dynasty alter its whole procedure and system of etiquette, established for more than a century, in order to meet your individual views? If it be said that your object is to exercise control over your country's trade, your nationals have had full liberty to trade at Canton for many a year, and have received the greatest consideration at our hands. Missions have been sent by Portugal and Italy, preferring similar requests. The Throne appreciated their sincerity and loaded them with favors, besides authorizing measures to facilitate their trade with China. You are no doubt aware that, when my Canton merchant, Wu Chao-ping, who was in debt to foreign ships. I made the Viceroy advance the monies due, out of the provincial treasury, and ordered him to punish the culprit severely. Why then should foreign nations advance this utterly unreasonable request to be represented at my Court? Peking is nearly two thousand miles from Canton, and at such a distance what possible control could any British representative exercise?

If you assert that your reverence for Our Celestial dynasty fills you with a desire to acquire our civilization, our ceremonies and code of laws differ so completely from your own that, even if your Envoy were able to acquire the rudiments of our civilization, you could not possibly transplant our manners and customs to your alien soil. Therefore, however adept the Envoy might become, nothing would be gained thereby.

Swaying the wide world, I have but one aim in view, namely, to maintain a perfect governance and to fulfil the duties of the State: strange and costly objects do not interest me. If I have commanded that the tribute offerings sent by you, O King, are to be accepted, this was solely in consideration for the spirit which prompted you to dispatch them from afar. Our dynasty's majestic virtue has penetrated unto every country under Heaven, and Kings of all nations have offered their costly tribute by land and sea. As your Ambassador can see for himself, we possess all things. I set no value on objects strange or ingenious, and have no use for your country's manufactures. This then is my answer to your request to appoint a representative at my Court, a request contrary to our dynastic usage, which would only result in inconvenience to yourself. I have expounded my wishes in detail and have commanded your tribute Envoys to leave in peace on their homeward journey. It behooves you, O King, to respect my sentiments and to display even greater devotion and loyalty in future, so that, by perpetual submission to our Throne, you may secure peace and prosperity for your country hereafter. Besides making gifts (of which I enclose an inventory) to each member of your Mission, I confer upon you, O King, valuable presents in excess of the number usually bestowed on such occasions, including silks and curios--a list of which is likewise enclosed. Do you reverently receive them and take note of my tender goodwill towards you! A special mandate.

3) Letter from Commissioner Lin (the official sent by the Emperor Daoguang to Guangdong Province to suppress the opium trade in 1839) to Queen Victoria of Great Britain. Found on Modern History Sourcebook website (<http://legacy.fordham.edu/halsall/mod/1839lin2.asp>).

It is only our high and mighty emperor, who alike supports and cherishes those of the Inner Land, and those from beyond the seas--who looks upon all mankind with equal benevolence--

-who, if a source of profit exists anywhere, diffuses it over the whole world—who, if the tree of evil takes root anywhere, plucks it up for the benefit of all nations; --who, in a word, hath implanted in his breast that heart (by which beneficent nature herself) governs the heavens and the earth! You, the queen of your honorable nation, sit upon a throne occupied through successive generations by predecessors, all of whom have been styled respectful and obedient. Looking over the public documents accompanying the tribute sent (by your predecessors) on various occasions, we find the following: “All the people of my country, arriving at the Central Land for purposes of trade, have to feel grateful to the great emperor for the most perfect justice, for the kindest treatment,” and other words to that effect. Delighted did we feel that the kings of your honorable nation so clearly understood the great principles of propriety, and were so deeply grateful for the heavenly goodness (of our emperor): --therefore, it was that we of the heavenly dynasty nourished and cherished your people from afar, and bestowed upon them redoubled proofs of our urbanity and kindness. It is merely from these circumstances, that your country—deriving immense advantage from its commercial intercourse with us, which has endured now two hundred years—has become the rich and flourishing kingdom that it is said to be!

But, during the commercial intercourse which has existed so long, among the numerous foreign merchants resorting hither, are wheat and tares, good and bad; and of these latter are some, who, by means of introducing opium by stealth, have seduced our Chinese people, and caused every province of the land to overflow with that poison. These then know merely to advantage themselves, they care not about injuring others! This is a principle which heaven's Providence repugnates; and which mankind conjointly look upon with abhorrence! Moreover, the great emperor hearing of it, actually quivered with indignation, and especially dispatched me, the commissioner, to Canton, that in conjunction with the viceroy and lieutenant-governor of the province, means might be taken for its suppression!

Every native of the Inner Land who sells opium, as also all who smoke it, are alike adjudged to death. Were we then to go back and take up the crimes of the foreigners, who, by selling it for many years have induced dreadful calamity and robbed us of enormous wealth, and punish them with equal severity, our laws could not but award to them absolute annihilation! But, considering that these said foreigners did yet repent of their crime, and with a sincere heart beg for mercy; that they took 20,283 chests of opium piled up in their store-ships, and through Elliot, the superintendent of the trade of your said country, petitioned that they might be delivered up to us, when the same were all utterly destroyed, of which we, the imperial commissioner and colleagues, made a duly prepared memorial to his majesty; --considering these circumstances, we have happily received a fresh proof of the extraordinary goodness of the great emperor, inasmuch as he who voluntarily comes forward, may yet be deemed a fit subject for mercy, and his crimes be graciously remitted him. But as for him who again knowingly violates the laws, difficult indeed will it be thus to go on repeatedly pardoning! He or they shall alike be doomed to the penalties of the new statute. We presume that you, the sovereign of your honorable nation, on pouring out your heart before the altar of eternal justice, cannot but command all foreigners with the deepest respect to reverence our laws! If we only lay clearly before your eyes, what is profitable and what is destructive, you will then know that the statutes of the heavenly dynasty cannot but be obeyed with fear and trembling!

We find that your country is distant from us about sixty or seventy thousand miles, that your foreign ships come hither striving the one with the other for our trade, and for the simple reason of their strong desire to reap a profit. Now, out of the wealth of our Inner Land, if we take a part to bestow upon foreigners from afar, it follows, that the immense wealth which the said foreigners amass, ought properly speaking to be portion of our own native Chinese people. By what principle of reason then, should these foreigners send in return a poisonous drug, which involves in destruction those very natives of China? Without meaning to say that the foreigners harbor such destructive intentions in their hearts, we yet positively assert that from their inordinate thirst after gain, they are perfectly careless about the injuries they inflict upon us! And such being the case, we should like to ask what has become of that conscience which heaven has implanted in the breasts of all men?

We have heard that in your own country opium is prohibited with the utmost strictness and severity: --this is a strong proof that you know full well how hurtful it is to mankind. Since then you do not permit it to injure your own country, you ought not to have the injurious drug

transferred to another country, and above all others, how much less to the Inner Land! Of the products which China exports to your foreign countries, there is not one which is not beneficial to mankind in some shape or other. There are those which serve for food, those which are useful, and those which are calculated for re-sale; but all are beneficial. Has China (we should like to ask) ever yet sent forth a noxious article from its soil? Not to speak of our tea and rhubarb, things which your foreign countries could not exist a single day without, if we of the Central Land were to grudge you what is beneficial, and not to compassionate your wants, then wherewithal could you foreigners manage to exist? And further, as regards your woolens, camlets, and longells, were it not that you get supplied with our native raw silk, you could not get these manufactured! If China were to grudge you those things which yield a profit, how could you foreigners scheme after any profit at all? Our other articles of food, such as sugar, ginger, cinnamon, etc., and our other articles for use, such as silk piece-goods, chinaware, etc., are all so many necessities of life to you; how can we reckon up their number! On the other hand, the things that come from your foreign countries are only calculated to make presents of, or serve for mere amusement. It is quite the same to us if we have them, or if we have them not. If then these are of no material consequence to us of the Inner Land, what difficulty would there be in prohibiting and shutting our market against them? It is only that our heavenly dynasty most freely permits you to take off her tea, silk, and other commodities, and convey them for consumption everywhere, without the slightest stint or grudge, for no other reason, but that where a profit exists, we wish that it be diffused abroad for the benefit of all the earth!

Your honorable nation takes away the products of our central land, and not only do you thereby obtain food and support for yourselves, but moreover, by re-selling these products to other countries you reap a threefold profit. Now if you would only not sell opium, this threefold profit would be secured to you: how can you possibly consent to forgo it for a drug that is hurtful to men, and an unbridled craving after gain that seems to know no bounds! Let us suppose that foreigners came from another country, and brought opium into England, and seduced the people of your country to smoke it, would not you, the sovereign of the said country, look upon such a procedure with anger, and in your just indignation endeavor to get rid of it? Now we have always heard that your highness possesses a most kind and benevolent heart, surely then you are incapable of doing or causing to be done unto another, that which you should not wish another to do unto you! We have at the same time heard that your ships which come to Canton do each and every of them carry a document granted by your highness' self, on which are written these words "you shall not be permitted to carry contraband goods;" this shows that the laws of your highness are in their origin both distinct and severe, and we can only suppose that because the ships coming here have been very numerous, due attention has not been given to search and examine; and for this reason it is that we now address you this public document, that you may clearly know how stern and severe are the laws of the central dynasty, and most certainly you will cause that they be not again rashly violated!

Moreover, we have heard that in London the metropolis where you dwell, as also in Scotland, Ireland, and other such places, no opium whatever is produced. It is only in sundry parts of your colonial kingdom of Hindostan, such as Bengal, Madras, Bombay, Patna, Malwa, Benares, Malacca, and other places where the very hills are covered with the opium plant, where tanks are made for the preparing of the drug; month by month, and year by year, the volume of the poison increases, its unclean stench ascends upwards, until heaven itself grows angry, and the very gods thereat get indignant! You, the queen of the said honorable nation, ought immediately to have the plant in those parts plucked up by the very root! Cause the land there to be hoed up afresh, sow in its stead the five grains, and if any man dare again to plant in these grounds a single poppy, visit his crime with the most severe punishment. By a truly benevolent system of government such as this, will you indeed reap advantage, and do away with a source of evil. Heaven must support you, and the gods will crown you with felicity! This will get for yourself the blessing of long life, and from this will proceed the security and stability of your descendants!

In reference to the foreign merchants who come to this our central land, the food that they eat, and the dwellings that they abide in, proceed entirely from the goodness of our heavenly dynasty: the profits which they reap, and the fortunes which they amass, have their origin only in that portion of benefit which our heavenly dynasty kindly allots them: and as these pass but little of their time in your country, and the greater part of their time in our's, it is a generally received

maxim of old and of modern times, that we should conjointly admonish, and clearly make known the punishment that awaits them.

Suppose the subject of another country were to come to England to trade, he would certainly be required to comply with the laws of England, then how much more does this apply to us of the celestial empire! Now it is a fixed statute of this empire, that any native Chinese who sells opium is punishable with death, and even he who merely smokes it, must not less die. Pause and reflect for a moment: if you foreigners did not bring the opium hither, where should our Chinese people get it to re-sell? It is you foreigners who involve our simple natives in the pit of death, and are they alone to be permitted to escape alive? If so much as one of those deprive one of our people of his life, he must forfeit his life in requital for that which he has taken: how much more does this apply to him who by means of opium destroys his fellow-men? Does the havoc which he commits stop with a single life? Therefore it is that those foreigners who now import opium into the Central Land are condemned to be beheaded and strangled by the new statute, and this explains what we said at the beginning about plucking up the tree of evil, wherever it takes root, for the benefit of all nations.

We further find that during the second month of this present year, the superintendent of your honorable country, Elliot, viewing the law in relation to the prohibiting of opium as excessively severe, duly petitioned us, begging for "an extension of the term already limited, say five months for Hindostan and the different parts of India, and ten for England, after which they would obey and act in conformity with the new statute," and other words to the same effect. Now we, the high commissioner and colleagues, upon making a duly prepared memorial to the great emperor, have to feel grateful for his extraordinary goodness, for his redoubled compassion. Anyone who within the next year and a half may by mistake bring opium to this country, if he will but voluntarily come forward, and deliver up the entire quantity, he shall be absolved from all punishment for his crime. If, however, the appointed term shall have expired, and there are still persons who continue to bring it, then such shall be accounted as knowingly violating the laws, and shall most assuredly be put to death! On no account shall we show mercy or clemency! This then may be called truly the extreme of benevolence, and the very perfection of justice!

Our celestial empire rules over ten thousand kingdoms! Most surely do we possess a measure of godlike majesty which ye cannot fathom! Still we cannot bear to slay or exterminate without previous warning, and it is for this reason that we now clearly make known to you the fixed laws of our land. If the foreign merchants of your said honorable nation desire to continue their commercial intercourse, they then must tremblingly obey our recorded statutes, they must cut off forever the source from which the opium flows, and on no account make an experiment of our laws in their own persons! Let then your highness punish those of your subjects who may be criminal, do not endeavor to screen or conceal them, and thus you will secure peace and quietness to your possessions, thus will you more than ever display a proper sense of respect and obedience, and thus may we unitedly enjoy the common blessings of peace and happiness. What greater joy! What more complete felicity than this!

Let your highness immediately, upon the receipt of this communication, inform us promptly of the state of matters, and of the measure you are pursuing utterly to put a stop to the opium evil. Please let your reply be speedy. Do not on any account make excuses or procrastinate. A most important communication.

P. S. We annex an abstract of the new law, now about to be put in force.

"Any foreigner or foreigners bringing opium to the Central Land, with design to sell the same, the principals shall most assuredly be decapitated, and the accessories strangled; and all property (found on board the same ship) shall be confiscated. The space of a year and a half is granted, within the which, if any one bringing opium by mistake, shall voluntarily step forward and deliver it up, he shall be absolved from all consequences of his crime."

This said imperial edict was received on the 9th day of the 6th month of the 19th year of Taoukwang, at which the period of grace begins, and runs on to the 9th day of the 12th month of the 20th year of Taoukwang, when it is completed.

- 4) Quotes from Deng Xiaoping (1904-1997) from speeches delivered in 1979, [first] found at http://afe.easia.columbia.edu/ps/cup/deng_xiaoping_uphold_principles.pdf and second, third and fourth, from a 1992 speech, found in the public domain.

- 1) The Center believes that in realizing the four modernizations in China we must uphold four basic principles in thought and politics. They are the fundamental premise for realizing the four modernizations. They are as follows:
 - a. We must uphold the socialist road.
 - b. We must uphold the dictatorship of the proletariat.
 - c. We must uphold the leadership of the Communist Party.
 - d. We must uphold Marxism-Leninism and Mao Zedong thought.

The Center believes that we must reemphasize upholding the four basic principles today because some people, albeit an extreme minority, have attempted to shake those basic principles. ... Recently, a tendency has developed for some people to create trouble in some parts of the country. ... Some others also deliberately exaggerate and create a sensation by raising such slogans as "Oppose starvation" and "Demand human rights." Under these slogans, they incite some people to demonstrate and scheme to get foreigners to propagandize their words and actions to the outside world. The so-called China Human Rights Organization has even tacked up big character posters requesting the American president "to show solicitude" toward human rights in China. Can we permit these kinds of public demands for foreigners to interfere in China's domestic affairs? A so-called Thaw Society issued a proclamation openly opposing the dictatorship of the proletariat, saying that it divided people. Can we permit kind of "freedom of speech," which openly opposed constitutional principles?

- 2) Socialism essentially aims to release and develop productive forces, wipe out exploitation and eliminate polarization between poor and rich and finally achieve common prosperity.
- 3) If we are to seize opportunities to promote China's all-round development, it is crucial to expand the economy. The economies of some of our neighboring countries and regions are growing faster than ours. If our economy stagnates or develops only slowly, the people will make comparisons and ask why.
- 4) Slow growth equals stagnation and even retrogression. We must grasp opportunities; the present offers an excellent one. The only thing I worry about is that we may lose opportunities. If we don't seize them, they will slip through our fingers as time speeds by.