INCONSISTENCIES IN CHINA'S SOCIALIST DEVELOPMENT STRATEGIES

by

Steven Lim
Department of Economics
University of Adelaide

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ABSTRACT

China's struggle along the road to material prosperity has been long and arduous. Economic problems emerge from the leadership's desire to accommodate competing objectives, which leads to the implementation of inconsistent policies. These inconsistencies have arisen under both the Maoists and reformists, and form the basis of this thesis.

In his radical phase, Mao emphasised ideological objectives such as the moulding of a new, socialist human being. Given that people's preferences could not be changed quickly, partial concessions were made to tap material self-interest to maintain work incentives. Private plots were placed side-by-side with collectives, and, at other times, peasants received income rewards for displays of altruism and generosity to others. We suggest that Mao's development goals (such as transforming preferences) were inconsistent with the means implemented to realise other desired goals (such as using private plots and material rewards to increase output). For the Maoist experiment in preference transformation, in particular, the inconsistency of means and goals contributed to China's relative economic stagnation during this period.

The thesis tests this view by comparing China's agricultural performance in the Maoist and reform periods. An important difference between the two concerns the economic impact of collectives versus that of the household responsibility system. Our econometric evidence supports the view of economic stagnation under Maoism, where we attempt to demonstrate the benefit of realigning prevailing attitudes toward work and income with a reward system emphasising individual material self-interest.

These issues lead to the second major part of the thesis, concerning the nature of China's economic reforms. We again highlight an inconsistency in China's evolving development path, this time by showing how problems can arise if reform is incomplete. In particular, the thesis focuses on the interactions between agriculture, rural industry and state industry. We attempt to show that the goal of protecting elements of the "socialist" economy, such as state enterprises, imposes costs on other sectors, especially those in the non-state sector. These costs in turn reduce the growth rate of private sector activity and potentially compromise the rate of economic growth, including, paradoxically, that of the state industrial sector.