PRIVATE BUSINESS AND ECONOMIC REFORM IN CHINA IN THE 1980s

by

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July 1991

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SUMMARY

This thesis is a history of the growth of the private industrial and commercial sector (primarily the enterprises known as getihu and siying qiye) in China after 1978 and its role in the post-Mao reforms. It focuses on the interaction between private sector policy and other reforms and examines the implications of this for China's political economy.

The Chinese leadership justified its revival of the 'individual economy' on the grounds that it was economically appropriate and that it would be easily constrained by government regulation and by its dependence on the socialist economy. These arguments are discussed, and the story of the early years of private sector development does indeed show that it was limited in a variety of ways. However, reforms which decentralised economic power and increased the role of the profit motive, plus the continued importance of the private sector for job creation and the satisfaction of consumer demands, progressively weakened such limits. Local officials began increasingly to encourage private business, often well in excess of central policy and regulations, and goods were diverted from the state sector to be sold on the market. While the private sector thus remained dependent on personal goodwill and informal relationships, it also developed rapidly and became a significant feature of the economy; one that was often largely under local rather than central control.

The relaxation of restraints on private business meant that the private sector soon included large private enterprises employing wage labour, which provoked a new debate on the role of private enterprise under socialism. This was intimately related to the much wider debate that developed as theoreticians began to focus on the issue of the role of ownership in China's economic reforms and the need to move away from traditional state ownership. This debate was suspended by the conservative crackdown of 1989, but as the case of the private sector shows, by this time many elements of the reform program had become so entrenched that they were extremely difficult for central leaders to revoke. The reforms had given rise to new interest networks, with which the private sector was intimately involved, which fought to preserve the
benefits they had obtained from the reforms and to bend central policies to their own ends.