

## **Deng Xiaoping and Economic Reform in China**

After the death of Mao Zedong in 1976, **Deng Xiaoping** became China's new leader. During this time Eastern Europe and the former Soviet Union struggles with political and economic changes. China however, took a different approach and gradually introduced a free-market economy without abandoning the Communist Party's monopoly of political power.

Deng Xiaoping had opposed Mao's Cultural Revolution and once he came to power he set out making more practical reforms. His main goal was to "modernize" China by reforming its economy.

### **Economic Changes under Deng Xiaoping**

#### **Land Reforms**

Communes (state-run farms) were disbanded and peasants were allowed to rent former communal lands. This led to large increases in agricultural productivity, making China self-sufficient in food production.

#### **Consumer Goods**

Under Chairman Mao, people had few consumer products. China began producing more consumer goods such as radios and televisions.

#### **New Factory Management**

The old central planners lost some degree of control to the new, local factory managers. Both managers and workers were now allowed to sell some of their production to private buyers for a profit. A bonus system was introduced for productive workers as an incentive to work harder.

#### **Limited Capitalism**

Individuals were allowed to own their own small business. An owner as even allowed to hire a limited number of workers. The private sector became responsible for a large proportion of China's industrial output.

#### **Foreign Investment**

New laws encouraged foreign investment. These investors brought needed capital and high-technology to special enterprise zones created within the urban areas of China

Although Chinese leaders encouraged economic reform, they refused to abandon the Communist System. In 1989, college students peacefully demonstrated in Beijing's Tiananmen Square for greater personal freedoms and a political system of democracy.

When the students refused to disperse, army tanks fired on the demonstrators, killing hundreds. In response, Western leaders reduced trade with China for a short time as an economic sanction or punishment for their actions. Since then, trade has not only resumed with China but it has become one of the fastest growing economies in the world.

Deng Xiaoping died in 1997 and his successor, Jiang Zemin, generally followed his principles of economic reform. China today has a more open economy but government control is still strongly held by the Communist party.<sup>1</sup>



Famous photograph of Chinese student trying to stop the tanks entering Tiananmen Square on the day of the massacre.

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<sup>1</sup> Killoran, Zimmer, Jarrett. *Mastering Global History*; New York: Jarrett Publishing, p. 275