29.4 Deng Xiaoping, A Market Economy for Socialist Goals

China is entitled to a special place in discussions of problems and challenges at the beginning of the twenty-first century. With well over a billion inhabitants and consequently a fifth of the world’s population, China is struggling with the challenge of continuing a commitment to Communist Party leadership in an age in which Marxism in all its forms has suffered defeats. At the same time, the potential military and industrial strength of China, which has been notably lacking in strength of any sort for the last two hundred years, presents a challenge to China’s neighbors and, in fact, the rest of the world.

After the death of Mao Tse-tung [Mao Zedong] in 1976, his successor, Deng Xiaoping [Teng Hsiao-p’ing], steered the country sharply away from the Maoist road to communism. Mao had tried to save China from poverty and “imperialism” with his brand of socialism but failed after nearly thirty stormy years of revolutionary frenzy. Boldly dismantling Mao’s institutions, one by one, including the collective farms, Deng Xiaoping forcefully put forth his vision for China, a modern industrial and prosperous socialist nation. He felt confident that socialism in China could be saved by capitalistic means. The command economy, a principal feature of any socialist system, has steadily been replaced by the principles of market-oriented economy, and privatization of state-controlled enterprises has been greatly expanded. Material and profit incentives, which were despised for reflecting a decadent bourgeois mentality during the Mao era, have been reinstated to rekindle people’s work enthusiasm. Deng also ended thirty years of isolation of the country from the West: He opened the door to foreign capital and technologies, luring them to China by creating so-called “special economic zones,” where foreign investors enjoy tax breaks and low labor costs among other incentives. In 1992, Beijing openly declared the building of a “socialist market economy” as the central task of the government. The economic outcome of Deng’s policies has so far been phenomenal. China’s overall industrial and agricultural productivities have soared sharply. China’s annual rate of economic growth since 1980 has been close to double digits. The standard of living of the Chinese people has risen sharply. In 1993, there were reportedly at least 40,000 millionaires in the Canton region alone. The following excerpts show Deng Xiaoping’s rationale for introducing capitalistic principles to socialist China and his thoughts on the leadership succession.

Deng died in February 1997, but his bold vision for a prosperous China continues to live on in the policies of his successors.


There is no fundamental contradiction between socialism and a market economy. The problem is how to develop the productive forces more effectively. We used to have a planned economy, but our experience over the years has proved that having a totally planned economy hampers the development of productive forces to a certain extent. If we combine a planned economy with a market economy, we shall be in a better position to liberate the productive forces and speed up economic growth.

Since the Third Plenary Session of our Party’s Eleventh Central Committee,¹ we have consistently stressed the importance of upholding the Four Cardinal Principles,² especially the principle of keeping to the socialist system. If we are to keep to the socialist system, it is essential for us to develop the productive forces. For a long time we failed to handle this question satisfactorily. In the final analysis, the superiority of socialism should be demonstrated in a greater development of the productive forces. The experience we have gained over the years shows that with the former economic structure we cannot develop the productive forces. That is why we have been drawing on some useful capitalist methods.

¹ It was held during September 18–22, 1978.
² The principles are to keep to the socialist road and to uphold the people’s democratic dictatorship, leadership by the Communist Party, and Marxism-Leninism and Mao Zedong Thought.
It is clear now that the right approach is to open to the outside world, combine a planned economy with a market economy and introduce structural reforms. Does this run counter to the principles of socialism? No, because in the course of reform we shall make sure of two things: one is that the public sector of the economy is always predominant; the other is that in developing the economy we seek common prosperity, always trying to avoid polarization. The policies of using foreign funds and allowing the private sector to expand will not weaken the predominant position of the public sector, which is a basic feature of the economy as a whole. On the contrary, those policies are intended, in the last analysis, to develop the productive forces more vigorously and to strengthen the public sector. So long as the public sector plays a predominant role in China’s economy, polarization can be avoided. Of course, some regions and some people may prosper before others do, and then they can help other regions and people to gradually do the same. I am convinced that the negative phenomena that can now be found in society will gradually decrease and eventually disappear as the economy grows, as our scientific, cultural and educational levels rise and as democracy and the legal system are strengthened.

In short, the overriding task in China today is to throw ourselves heart and soul into the modernization drive. While giving play to the advantages inherent in socialism, we are also employing some capitalist methods—but only as methods of accelerating the growth of the productive forces. It is true that some negative things have appeared in the process, but what is more important is that the gratifying progress we have been able to achieve by initiating these reforms and following this road. China has no alternative but to follow this road. It is the only road to prosperity.

The reason some people hesitate to carry out the reform and the open policy and dare not break new ground is, in essence, that they’re afraid it would mean introducing too many elements of capitalism and, indeed, taking the capitalist road. The crux of the matter is whether the road is capitalist or socialist. The chief criterion for making that judgement should be whether it promotes the growth of the productive forces in a socialist society, increases the overall strength of the socialist state and raises living standards. As for building special economic zones, some people disagreed with the idea right from the start, wondering whether it would not mean introducing capitalism. The achievements in the construction of Shenzhen have given these people a definite answer: special economic zones are socialist, not capitalist. In the case of Shenzhen, the publicly owned sector is the mainstay of the economy, while the foreign-invested sector accounts for only a quarter. And even in that sector, we benefit from taxes and employment opportunities. We should have more of the three kinds of foreign-invested ventures [joint, cooperative and foreign-owned]. There is no reason to be afraid of them. So long as we keep level-headed, there is no cause for alarm. We have our advantages: we have the large and medium-sized state-owned enterprises and the rural enterprises. More important, political power is in our hands.

Some people argue that the more foreign investment flows in and the more ventures of the three kinds are established, the more elements of capitalism will be introduced and the more capitalism will expand in China. These people lack basic knowledge. At the current stage, foreign-funded enterprises in China are allowed to make some money in accordance with existing laws and policies. But the government levies taxes on those enterprises, workers get wages from them, and we learn technology and managerial skills. In addition, we can get information from them that will help us open more markets. Therefore, subject to the constraints of China’s overall political and economic conditions, foreign-funded enterprises are useful supplements to the socialist economy, and in the final analysis they are good for socialism.

The imperialists are pushing for peaceful evolution towards capitalism in China, placing their hopes on the generations that will come after us. Comrade Jiang Zemin and his peers can be regarded as the third generation, and there will be a fourth and a fifth. Hostile forces realize that so long as we of the older generation are still alive and carry weight, no change is possible. But after we are dead and gone, who will ensure that there is no peaceful evolution? So we must educate the army, persons working in the organs of dictatorship, the Communist Party members and the people, including the youth. If any problem arises in China, it will arise from inside the Communist Party. We must keep clear heads. We must pay attention to training people, selecting and promoting to positions of leadership persons who have both ability and political integrity, in accordance with the principle that they should be revolutionary, young, well educated and professionally competent. This is of vital importance to ensure that the Party’s basic line is followed for a hundred years and to maintain long-term peace and stability. It is crucial for the future of China.

More young people should be promoted to positions of leadership. The present central leaders are rather advanced in years. Those who are a little over 60 are counted as young. They may be able to work for another 10 years, but 20 years from now they will be in their 80s, like me. They may be able to chat with people, as I’m doing today, but they won’t have the energy to do much work. The current central leaders have been doing a good job. Of course, there are still quite a few problems in their work, but there are always problems in one’s work. It is essential for old people like us to stand aside, give newcomers a free hand and watch them mature. Old people should voluntarily offer younger ones their places and give them help from the sidelines, but never stand in their way. Out of goodwill, they should help them when things are not being handled properly. They must pay attention to training successors of the next generation. The reason I insisted on retiring was that I didn’t want to make mistakes in my old age. Old people have strengths but also great weaknesses—they tend to be stubborn, for example—and they should be aware of that. The older they are, the more modest they should be and the more careful not to make mistakes in their later years. We should go on selecting younger comrades for promotion and
helping train them. Don’t put your trust only in old age. I was already in a high position when I was in my 20s. I didn’t know as much as you do now, but I managed. More young people must be chosen, helped, trained and allowed to grow. When they reach maturity, we shall rest easy. Right now we are still worried. In the final analysis, we must manage Party affairs in such a way as to prevent trouble. Then we can sleep soundly. Whether the line for China’s development that was laid down at the Third Plenary Session of the Eleventh Central Committee will continue to be followed depends on the efforts of everyone, and especially on the education of future generations. . . .

We shall push ahead along the road to Chinese-style socialism. Capitalism has been developing for several hundred years. How long have we been building socialism? Besides, we wasted twenty years. If we can make China a moderately developed country within a hundred years from the founding of the People’s Republic, that will be an extraordinary achievement. The period from now to the middle of the next century will be crucial. We must immerse ourselves in hard work: we have difficult tasks to accomplish and bear a heavy responsibility.

Questions:
1. What are Deng’s justifications for injecting capitalistic principles into China’s socialistic economic setting? Can socialism survive as a form of national ideology under the market-oriented economic reform?
2. What are the prospects for China’s becoming a democratic nation? What problems do you see in a state where people experience an economic liberalization without political freedom?
3. Could the former Soviet Union have been saved had it adopted the reforms similar to those of Deng Xiaoping?
4. Deng talks about the leadership role of the Communist Party of China and about the need to combine socialism with a market economy. What do you think he means by “communist,” as opposed to “socialist”? Or does he let these terms run together? Do you think there is a difference?