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China's Quiet Revolution: Process and Consequences

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Abstract

China's socioeconomic structure has undergone dramatic changes since the inception of economic reform and open-door twenty four years ago. The reform has touched every aspect of Chinese society. It not only dismantled the highly centralized plan system by returning to a market economy but fundamentally reshaped China from a self-imposed isolated country to an outward-oriented open society. Both the reform and open-door policies exerted profound influences on China's social and cultural life involving the emergence of a middle class, the rise of consumerism, the discard of Marxism and the revival of the Chinese traditional culture. All of these dramatic changes have occurred in the short-span of a quarter of a century without fanfare and turmoil and could be referred to as a quiet revolution. The paper highlights the process of the revolution, analyzes and assesses the socioeconomic consequences of this historic transformation.

Key words: Quiet Revolution, marketization, privatization, globalization, consumerism, cultural change

I. Introduction

China's socioeconomic structure has undergone dramatic changes since the inception of sweeping reforms and the open-door policy twenty-four years ago. The institutional reform has touched every aspect of Chinese society. It not only dismantled the highly centralized planning system by returning to a market economy, but fundamentally reshaped China from a self-imposed isolated country to an outward-oriented open society eager to merge into the world market.

To rebuild a market economy, the role of the state enterprises, the mainstay of the national economy, has been rapidly shrinking and has been replaced by a burgeoning private sector. By 2002, private enterprises contributed to 60 percent of China's GDP and employed 70 percent of the urban labor force. Private property has obtained legal protection as explicitly confirmed in a recent constitutional amendment¹. Marketization and privatization are the two most salient features of the Chinese evolution.

The open-door policy helped to attract large-scale foreign direct investment that rose from virtually zero in 1978 to a cumulative \$480-billion by the end of 2003. Foreign trade also surged from \$20.6 billion in 1978 to exceeding one trillion in 2004, a 48-fold increase in a quarter of a century, lifting China's trade ranking from 32nd to 3rd place.² After joining the WTO in 2001, the Chinese economy has rapidly ushered in globalization.

Both reform and open-door policies exerted profound influence on China's social and cultural life. The most conspicuous change has been the

¹ Beijing Review, vol. 47, no. 3, January 10, 2004, pp. 11-14.

² People's Daily (online), Beijing, March 9, 2004.

emergence of a middle class. Official statistics reveal that some 19 percent of the income recipients are now considered middle class. It is officially projected that by 2020, 40 percent of the population will be included in this stratum.³

The rise of the middle class changed China's cultural life. The discarded ideology of Marxism has been replaced by the previously suppressed Chinese traditional culture. Furthermore, Western culture and customs have gained influence among the young generation. Cultural change and economic prosperity prompted the rise of consumerism and has pushed China into a mass consumption society.

These drastic changes have occurred in the short span of a quarter of a century. The entire process took place without fanfare and turmoil. Could the change be referred to as a "Quiet Revolution"?

This paper analyzes and assesses the socio-economic consequences of this historical transformation which has affected the lives of one-sixth of the world's population.

II. The Process of Marketization and Privatization

Prior to the current reform, for the thirty years between 1949 and 1978, the economic system in China duplicated the Soviet model. A uniform national plan guided the entire economy. The planning authority at the top of the government imposed very rigid industrial norms and regulations on the various regions and industrial enterprises. The state not only set detailed production plans, supplied materials and marketed the products, but also took

away most of the enterprises' profits and made up their losses.

Under this system, capital goods were totally excluded from circulation and were directly allocated according to the state plan. The bulk of consumer goods were strictly controlled by state commercial departments and distributed to households under a rigid rationing scheme. Workers were arbitrarily assigned work by the labor departments. Neither the enterprises nor the individual workers had any freedom of choice. In agriculture, since 1958, all of the peasants' households were organized into 54,000 communes. The communes and their subordinate organs assigned plans for cropping as well as yields and delivery quotas for sale to the state. In reality, there was no market and no private property. The system resulted in low efficiency, poor labor productivity, stagnation in agriculture and continuous decline of living standards.⁴

The dismal situation of the Chinese economy in the wake of the disastrous Cultural Revolution prompted sweeping economic reform which started in 1979. To rebuild a market economy, the role of the state enterprises was redefined. Strenuous efforts have been made to convert the state-owned enterprises (SOEs) into autonomous entities. The new policy aims to sell most small and medium-sized SOEs to the private sector and to transform the large SOEs into standard share-holding companies similar to those in the corporation system in Western countries.

Another major step to rebuild the market structure has been the reform of the state planning system. The new policy targets the gradual substitution of indirect control for direct control, relying more on fiscal and

³ *People's Daily* (online), Beijing, March 28, 2004.

⁴ For details of the economic reform see Chu-yuan Cheng "The Economic Reform in Mainland China: Program, Consequences and Prospect" in *The Political and Economic Reform of Mainland China in a Changing Global Society*, College of Social Sciences, National Taiwan University, 2003, pp. 139-158.

monetary policies to adjust the economy. At the end of 1979, the first year of the reform, the state still controlled more than 96 percent of the price of commodities. By the end of 1992, an impressive 93 percent of commodity prices were subjected to market mechanisms. Most capital goods were basically distributed through the market channel. Key materials that remain under state control such as steel, copper, automobiles, coal, petroleum, lumber and cement, together account for less than 10 percent of the total value. The price of capital goods is mostly determined by the market. All consumer goods prices are now totally market-driven. The marketization of resource allocation has basically been completed.⁵

Corresponding to the advance of marketization, the pace of privatization also accelerated. Prior to the reform, SOEs dominated the Chinese economy. Private businesses were earmarked for total elimination. After the change of policy in 1980, reaffirming the merits of individual and private business, the private sector experienced a rapid rebirth. Between 1981 and 2002, the number of individual firms rose 12.3 fold to 24.33 million units. The number of people working within individual businesses increased 20-fold to 47.6 million and registered capital grew 686-fold to 340 billion yuan. In the same period, private enterprises also showed similar growth. By the end of 2002, the number of private enterprises reached a record high of 2.21 million units with an employment of 29.3 million people. Total individual and private enterprises in 2002 accounted for 48.5 percent of GDP compared with 37 percent for the SOEs (The residual are from township and village industry and foreign invested firms).⁶ In recent years, new employment in the private sector has exceeded the combined total for state,

collective and township-village enterprises, absorbing a significant portion of workers laid off from the SOEs.

As the role of the private sector expanded considerably, to mobilize private capital, the government has been granting CCP party membership to owners of private enterprises. The scope of private businesses has extended to many sectors previously confined to SOEs and foreign investors in basic industries and basic construction projects such as telecommunication, electric power, transportation and urban basic construction. New investments also include high-tech industries and many service businesses, such as insurance, banking, education, media, traveling, real estate and stock brokerage.⁷

Despite the rise of private property, there is still no clear legal protection. To win the support of private owners, the CCP 16th Party Congress which convened in early November 2002, not only reiterated the decision made by the preceding Congress to "unswervingly encourage, support and guide the development of the non-public sectors of the economy," but also adopted a host of new measures to address this promise. One major step was the inauguration of a property rights law in spring 2003 and the adoption of an amendment to the Constitution in March 2004, which explicitly defined private property and codified the inviolability of the right. These procedures signify the government's progression toward privatization. Under these new policies, the role of the private sector will expand and fundamentally alter the ownership structure of the Chinese economy previously dominated by SOEs to a mixed economy where state and private enterprises coexist.

⁷ Beijing Review, March 1-7, 1999, pp. 4-5.

⁵ Ibid.

⁶ China's Central Television(CCTV), Beijing, December 1, 2003.

III. The Movement toward Globalization

From 1949 to 1978, under Mao Zedong's self-reliance doctrine, China kept itself out of the world market. The self-imposed isolation deprived China of the "late-comer effect" and cost China a golden opportunity to capture a booming export market.

In 1979, under Deng Xiaoping's leadership, China discarded Mao's doctrine and vigorously pursued an open-door policy. To promote foreign investment, four special economic zones (SEZs) were established in Shenzhen, Zhuhai, Shantou and Xiamen, all of which are in southern China. Besides absorbing foreign capital and technology, the SEZs also served as model of economic reform for the rest of the country. In 1984, the leadership further opened 14 cities located along the Chinese coastal area plus Hainan Island (later became Hainan Province and also a SEZ) in the South China Sea to foreign investment. Together these 14 cities comprised 7.7 percent of China's total population with a combined industrial output of nearly a quarter of the national total and handled 97 percent of all cargoes exported from China in 1983.⁸

In 1985, the government further opened three prosperous coastal regions, known as the "Golden Coast" to foreign investment. These included the Yangtze River Delta, the Pearl River Delta, and the Xiamen-Zhangzhou-Quanzhou triangle in southern Fujian Province. By early 1990, the majority of commercial centers in China were open to foreign investors.

The open-door policy facilitated China's reform and development.

Foreign direct investment surged from virtually zero to a cumulative \$480 billion by the end of August 2003. In the past five years, China was the second largest foreign capital recipient next only to the United States and surpassed the United States in 2002 and 2003.

The role of foreign-invested ventures has been continuously expanding. Foreign investment permeates almost every major field. By 1998, industrial output by foreign owned firms accounted for 27 percent of China's total industrial output, 13 percent of China's fixed assets investment, and 44 percent of China's exports. Without foreign investment, the growth rate of China's GDP in the 1990s would have been reduced by two percentage points.⁹

The open-door policy has become the impetus behind China's burgeoning foreign trade. In 1978, under Mao's self-reliance policy, China had a foreign trade of only \$20.6 billion, representing less than one percent of the world's total and accounted for 9.9 percent of China's GNP. As the open-door policy progressed and with the participation of foreign-invested firms, China's foreign trade grew exponentially. It reached \$60 billion in 1984, over \$236 billion in 1994, 360 billion in 1999, more than \$620 billion in 2002, \$851 billion in 2003, and exceeding one trillion in 2004. Between 1978 and 2004, China's foreign trade registered an increase of 48-fold with an annual growth rate of 32 percent, far surpassing the average growth rate of world trade. As a result, China's rank in world trade moved from 32nd place in 1978 to 3rd place in 2004.¹⁰ These impressive statistics inspired the administration to open the door even wider.

After China joined the WTO in 2001, the pace of globalization has

⁸ Chu-yuan Cheng, *Behind the Tiananmen Massacre: Social, Political and Economic Ferments in China*. Boulder Co.: Westview Press, 1990, pp. 18-21.

⁹ Li, Runliang, "Forecast for Development of Enterprise with Different Ownership," in *China Industrial Economy*, monthly, Beijing, no. 3, 1997, p.22.

accelerated. In the field of financial business, foreign banks were allowed to conduct business in many commercial centers including Shanghai, Shenzhen, Tianjin, Dalian, Guangzhou, Zhuhai, Qingdao, Nanjing and Wuhan. By the end of October 2002, 281 foreign banks had operated in China with a total asset of \$37.9 billion and became a vital component of China's financial system.¹¹

During the past two years in the wake of China's entry into the WTO, major multinationals flocked into China to find a footing in this potentially huge market. Major deals included \$1.26 billion investment by Toyota in a car production venture, a \$4.3 billion petrochemical deal between Royal Dutch/Shell and China National Offshore Oil Group, a \$1 billion car and truck joint venture by Nissan, \$750 million investment by Microsoft and \$375 million by Intel. By the end of 2003, of the world's top 500 multinational corporations, more than 400 already had operated in China.¹² As China now has joined the WTO, many previously forbidden fields such as telecommunications, banking and insurance are opened for foreign investment.

Moreover, the availability of millions of well-trained and low-paid scientists and engineers in China also drew attention from foreign investors. Many multinationals shifted their research and development (R&D) centers to China. China has become not only the manufacturing base but also the potential research center of the world.

¹⁰ *People's Daily* (online), March 9, 2004.

¹¹ *Renmin Ribao*, Beijing, January 17, 2003, p.2.

¹² *Zhongguo Xinwen*, Beijing, March 30, 2003.

IV. The Change in Social Structure

Prior to the current reform, most Chinese people earned only a subsistence income, with poverty prevalent. Class differentiation during that time was not based on possession of wealth or the earning of income, but, rather, on political standing classified by the authorities to be "revolutionist," "reactionist," "rightist," and "counter revolutionist," etc.

The open-door policy and the new guideline to "let some people become rich first" in the past two decade fostered an environment conducive to the rise of an affluent class. Sociologists in China began to reclassify the social structure based on financial assets (bank deposits, securities and cash) held by each household. The Chinese society is now classified into five classes: the poorest, the poor, the well-to-do (middle class), the rich and the wealthy. Of these five categories, the rapid rise of the middle class has received most attention.

Official statistics reveal that in 2001, per capita income in the major cities has reached the level of middle class. Per capita income was listed at \$4,586 for Guangzhou, \$4,500 for Shanghai, and \$3,000 for Beijing.¹³ If calculated in purchasing power parity, per capita income in the Chinese coastal area already surpassed \$10,000. In these areas, there are now more white collar workers than blue collar ones. The number of people in the middle class estimated by the Chinese Academy of Social Sciences (CASS) accounted for 15 percent of the population in 1999 and rose by one percentage point annually. It has reached 19 percent in 2003 and is expected to account for 40 percent of the whole population in 2020.

¹³ *Renmin Ribao*, Beijing, January 5, 2002, p. 11.

According to the CASS study, the majority of the people in middle class are well-educated professionals with an annual income of 25,000 to 30,000 yuan per capita or 75,000 to 100,000 yuan per household. Most of them partake in corporate decision-making and management and engage in mental labor. The booming high-tech industries and the establishment of 400,000 foreign-invested firms have accelerated the growth of this group.¹⁴ Because members of the middle class generally enjoy a comfortable life, have stable employment and hold a positive attitude toward society, they are the stable force of the society and the mainstay of the market. The increase of the economic standing in the affluent stratum will undoubtedly exert profound influence on China's social and political life.¹⁵

V. The Rise of Consumerism

The expansion of the market economy and the continuous inflow of foreign capital greatly improved people's standard of living and enhanced the quality of life. Since the late 1980s, China has entered the period of rising consumerism.

In the pre-reform era, under the strict rationing system and the critical shortage of necessities, human want was suppressed to a subsistence level. In the early stage of reform, when the economy began to heat up, a new consumerism started to emerge. As more consumer goods were available, people rushed to buy almost anything they could get with little regard for quality or aesthetics. The most coveted objects were bicycles, sewing machines and radios. In late 1980s, as foreign goods flooded into the

market, consumer durable goods such as washers, refrigerators and TV sets became the hot choice. The 1990s witnessed the growing demand for high-tech products, notably personal computers, mobile telephones, videos, cameras and color TV sets. In recent years, as per capita income in the coastal regions exceeded \$3,000, consumers' demand turned to more expensive items: private residential housing, automobiles, cell phones and internet, tourism and cosmetics. The insatiable demand for these high quality products indicated that the Chinese society has quickly entered the "mass consumption" stage.

The ownership of a private home has long been the dream for every Chinese citizen. During the pre-reform years, all housing spaces were controlled by the government and allocated to the urban employees at a minimum rent. The government-subsidized housing programs were suspended in 1994 and a real estate market began to emerge. The most expensive housing is built by commercial developers and is only accessible to those with relatively high income. Low profit government controlled commercial housing is available to a broader range of middle class consumers. Non-profit housing is only available to government employees and employees of SOEs. There are still subsidized housing for poor families with certificates attesting to their penury.¹⁶

In 1995, the average per capita living space of urban residents in China was only 7.9 square meters. During China's Ninth Five Year Plan (1996-2000) 1.2 billion square meters of new urban housing were added, bringing the per capita living space of urban residents to 9 square meters.¹⁷ In the past three years, (2001-2003), housing construction and sales became

¹⁴ People's Daily (online), March 28, 2004.

¹⁵ The Economist (London), January 19-25, 2002.

¹⁶ Conghua Li, *China: The Consumer Revolution*, John Wiley & Sons, New York, 1998, p. 164.

the hottest business in all parts of China. After Beijing was selected as the host of the 2008 Olympic Games and Shanghai the host of the 2010 World Fair, both domestic and foreign investors rushed to these two cities to acquire expensive commercial housing pushing real estate prices to a record high and the real estate sector to become one of China's economic pillars. In 2002, investment in real estate reached 773.6 billion yuan (\$93.43 billion), accounting for 8 percent of the country's GDP. Individual spending in housing purchase and construction topped 800 billion yuan (\$96.62 billion) which created related consumption (furniture, interior decoration, etc.) worth about 1 trillion yuan (\$120.77 billion). Currently around 40 percent of the urban residents still want to buy homes, indicating that the sector will continue to grow.¹⁸

While housing ownership has long been cherished by most Chinese, the possession of a private car is a relatively new desire. Although China with Soviet assistance started to produce vehicles in late 1950s, the automobile industry is still an infant industry. As late as 1985, China produced a total of only 5,200 cars, most were trucks and buses. No passenger cars were available for private use.

The Chinese automobile industry gained momentum in the past three years as the world's top car makers flocked to set up new ventures in China. The number of entrants is so great that it makes China the world's emergent major car maker. In a landmark decision, Japan's Honda Motor Co, in July 2002 announced that it plans to build a factory in China where it will produce cars exclusively for export to Asia and European markets. Honda's plan highlighted a potentially significant shift in the global auto industry. China

is not only a huge market but also a base for exports. Following Honda's step, Toyota, General Motor, Ford, Volkswagen, and Chrysler also extended their investments in China. An official from the state administration for industry and commerce stated that since China became a WTO member in December 2001, foreign capital entering the Chinese auto industry has exceeded \$58 billion.¹⁹

In 2003, China's auto industry enjoyed a phenomenal growth, turning out a total of 4,437,000 vehicles and sold a total of 4,390,000 cars, up 35 percent from the previous year. Of this amount, 1,971,600 were sedans, most of them were sold to domestic consumers, ranking China the world's fourth largest auto producer and the third largest auto consumer. By the end of 2003, existent civilian automobiles totaled 24 million, an increase of 400 fold over that in 1949. It is officially projected that by 2010, China would likely to become the second largest auto producer and consumer market, next only to the United States.²⁰

To finance consumers' frenzy for automobiles, both domestic and foreign banks provide loans for down payments. Automobiles have become the new pillar of the consumer market.

On a lesser scale but also expanding fast are two consumers' favorites: tourism and cosmetics. Travel comes second on the wish list of the new generation. From 1980 to 1995, domestic tourists grew from virtually nil to 629 million a year. International visitors to China grew from 5.7 million in 1980 to 46.4 million in 1995. Fifteen years ago, air travel in China was the domain of international travelers and high government officials. Today, the air travel market is dominated by domestic business and leisure travelers.

¹⁷ Ibid.

¹⁸ Beijing Review, October 2, 2003, p. 113.

¹⁹ Beijing Review, September 26, 2002, pp. 22-23.

²⁰ People's Daily (online), Beijing, March 9, 2004.

Chinese consumers spend their week-long holidays of New Year, May 1st and October 1st to visit the nation's famous attractions and overseas tourist spots. Between 1992 and 2002, tourists traveling to foreign lands increased 4.67-fold and reached a new record of 16.6 million people in 2002. China has now become the most important source of tourism in Asian countries.²¹

As more women participate in the labor force and gain social status, a growing interest in personal appearance has led to the rapid growth of the cosmetics industry and a proliferation of beauty salons. By the end of 2003, there were 1.54 million beauty salons throughout China, employing 12 million people. In 2002, the total revenue reached 168.7 billion yuan which accounted for 1.2 percent of the GDP and 3.4 percent of the service revenue. A recent survey indicates that China is now one of the top 10 luxuries consumers in the world, accounting for 40 percent of world sales.²²

Recent years have witnessed a new boom in the number of women's clubs opening up in many major cities like Shanghai, Beijing, Guangzhou, Shenzhen, and Suzhou, all providing a range of services to beautify the ladies' physical appearances while also improving their inner well-being. Fitness clubs offer services that include shaping, yoga, cosmetics, hairdressing, body-sculpture, health care, spa treatment, image design and health and figure testing. Luxurious clubs offer top-level cosmetics and fitness services for women. The rise of these clubs signals the economic power of women in the booming consumer market.²³ The Chinese consumer today is no longer satisfied with tangible goods but began to pursue intangible qualities such as health, beauty and social status. All these changes amount to a consumer revolution in China's modern history.

²¹ Renmin Ribao, Beijing, November 26, 2003, p.1

²² Commercial Times, Taipei, Taiwan. September 24, 2004, p.2.

VI. The Metamorphosis of Cultural Life

The drastic changes in socio-economic structure inevitably brought about corresponding changes in cultural life. The economic reform and open-door policy has in many ways altered people's value orientation. Significant changes in Chinese cultural life can be examined in three aspects.

The foremost change in the post-reform era is the de facto discarding of the Communist ethos. When China became a Communist state in 1949, the leadership sought to make Marxism-Leninism the guiding ideology of the people. But in reality, Mao's thought dominated policy-making along with Mao's personality cult until his death in September 1976. Mao's ideal was his concept of "Communist man," whose counterpart is the "economic man" of Western classical economic theory. Classical economists since the time of Adam Smith, have viewed man as a creature of inherent self-interest, whose behavior is always guided by economic forces. The Western economics assumes that if man is allowed to pursue his own natural self-interest without government intervention, resources will be allocated most efficiently. The doctrine of laissez-faire economics is a cornerstone of modern capitalism.²⁴

Mao rejected this view. He believed that the ideal society was to be realized through a transformation of men's souls from selfishness to selflessness. In Mao's thought, unselfishness was also the basis for achieving a metamorphosis of the state. Thus, Mao envisioned the Communist man as an ideal type. To get rid of selfishness, Mao encouraged class struggle and uninterrupted revolution. Under Mao's

²³ Beijing Review, February 5, 2004, pp. 18-19.

²⁴ Chu-yuan Cheng, Behind the Tiananmen Massacre, *op.cit.*, pp. 43-44.

auspices, a series of fierce class struggles were unleashed including land reform, "3-anti" and "5-anti" campaign against the landlords and capitalists, anti-rightist campaign against intellectuals and Cultural Revolution to destroy his rivals and the traditional Chinese culture. Mao's doctrine resulted in social turmoil, political instability and economic stagnation.

The death of Mao ushered in a new era in Chinese cultural life. Within a short span of ten years, Marxism and Maoism were totally discarded by the new leaders. Market economic principles replaced central planning; private property returned to individual; self-reliance yielded the way to open-door; and individualism supplanted collectivism. As the market economy has developed, more people in China have internalized a new cluster of values such as personal interests, material incentive, differential rewards, economic efficiency and market distribution.²⁵ The ideology of Adam Smith and John Keynes, not Mao and Marx, guide today's Chinese economy. The rise and fall of Maoism represents the most significant change in Chinese political and cultural evolution.

The swift revival of traditional culture has coincided with the collapse of Communist ideology. For more than 2000 years, Confucianism, an ethical code concerned with human relationships, exerted a profound influence on Chinese culture. It advocates moral principles such as loyalty, filial piety, benevolence, love, trust, righteousness, peace and harmony. Under the Confucian system, family is the foundation of the society and intellectuals are the spiritual leaders of the country, performing moral, political and socio-economic functions. Confucius viewed social harmony the key to a peaceful life. In essence, Confucianism constitutes the

antithesis of Marxism and Maoism. To transform China into a Communist state, it was necessary to uproot Confucianism. From the inception of Communist rule in 1949, the Communist leaders launched incessant campaigns to eliminate Confucian influence and destroy the Chinese traditional culture in order to build a new society based on his concept of the "Communist man." During the Cultural Revolution (1966-1976), Mao ordered the burning of millions of classic books, destruction of numerous historical relics, suspension of all traditional festival celebrations and imprisonment of tens of thousands of leading scholars in the fields of Chinese literature, philosophy, history and arts. The stormy campaign lasted more than ten years until his death in 1976.²⁶

While the traditional Chinese cultural life suffered severe setbacks during Mao's reign, it was never eradicated. A few years after Mao's demise, most elements of the Chinese traditional culture returned to full vitality. The new leaders not only reaffirmed the moral value of Confucian tenets but also vigorously propagated them to the Western world. Many scholarly seminars and conferences were held in different parts of China and overseas to study Confucian doctrines. All banned classics were reprinted in huge quantities and many elementary schools began to require children to study Confucian books.²⁷

In all parts of China, ancient shrines and Buddhist temples were restored or rebuilt. Historical relics were rehabilitated. Traditional festivals such as the Lunar Chinese New Year, the Lantern Festival in mid-February, the Dragon-Boat Festival in early summer and the Moon Festival in mid-autumn are again joyfully celebrated by Chinese people in great fanfare. In short, a

²⁵ Ka-ho Mok, *Social and Political Development in Post-Reform China*, St. Martin's Press, New York, 2000, p. 161.

²⁶ Chu-yuan Cheng, *Behind the Tiananmen Massacre*, op. cit., pp. 159-161.

²⁷ *The World Journal*, New York, January 14, 2004, A6.

Chinese Renaissance has occurred in which traditional habits, customs and beliefs have fully gained their prominence in a mere 20 years. Chinese culture was reborn and enlivened in the wake of open-door policies. The dispatch of 450,000 students to study in the West and the inflow of more than 450,000 foreign enterprises into China created a new environment for cultural interchange between China and the West. Not only were Western science, technology, political ideas, literature and art channeled into the Chinese society, but fashion, customs and cuisine also exerted their influence on Chinese life. A social survey conducted by a survey institute in Beijing revealed that a large number of young Chinese now observe Western holidays including Christmas, St. Valentine's Day, Mother's Day and Father's Day. In recent years, children also celebrate Halloween and Easter. Many people do so without knowing the origin or significance of the holiday. They view the celebration as a way to express affection to friends, sweethearts and parents.²⁸

At the same time, Western fast food establishments such as Pizza Hut, Kentucky Fried Chicken, and McDonald also penetrated into all parts of China and, to some extent, alter Chinese eating style. Most sociologists view this phenomenon a natural outcome of globalization which reflects people's recognition of the diversity of the world's cultural heritage. Historically, in the long journey of development, the Chinese culture has continuously absorbed foreign culture, for instance, Indian Buddhism in the Tang Dynasty, and Western Christianity in the 19th Century. As globalization extends from business to cultural exchange, foreign cultures have added new vitality and enrichment into the Chinese system.

²⁸ Beijing Review, January 15, 2004, p. 8.

VII. The Social – Economic Consequences

The reform and open-door policy implemented in the past 24 years profoundly changed China's economy and society. The overall consequence can be gauged in terms of their achievements and failures.

On the positive side, the quiet revolution achieved four major goals: the stimulation effect in economic growth, the improvement in infrastructure, the rise in living standards and the ascendance of international status.

1. The Stimulation Effect in Economic Growth

One crucial test of the reform and the open-door policy is their effect on economic growth. During the twenty-four years under reform, China's GDP has registered a steady growth from 362.4 billion yuan in 1978 to 1.1 trillion yuan in 2003, with an annual growth rate of 9.7 percent, much higher than the 6.1 percent achieved in the 26 years prior to the reform (1952-1978) and among the highest long-term growth rates in the world.

As a result of the phenomenal growth, the size of Chinese economy has grown considerably. A comparison of the major industrial output between 1980 and 2002 shows substantial growth for most items. Of the key industrial products, electricity grew by 4.2-fold, steel 3.8-fold, cement 6.9-fold, crude oil 1.2-fold, coal 1.7-fold, cloth 1.8-fold and machine-made papers 6.6-fold.²⁹ Since 1996, the output of steel, coal, cement, chemical fertilizers and television sets has ranked first in the world. This could signify that the material base of the Chinese economy has been substantially enhanced during the period of economic reform. These positive results are

²⁹ China Statistical Yearbook 2003, Beijing, China Statistics Press, 2004, p. 90.

in sharp contrast to the deep depression caused by the aborted economic reform in the Soviet Union.

2. The Improvement of Infrastructure

Corresponding to the expansion of the industrial base, facilities in transportation and communications have also registered substantial progress. The completion of the 2,370-KM Beijing-Kowloon Railway in 1997 and the construction of a new 898-KM-line connecting Nanning in Guangxi and Kunming in Yunnan are two pivotal projects in the railway network. In the highway system, total mileage increased from 890,200 KM in 1978 to 1,687,700 KM in 2002. More than 25,000 KM of super highway with international standards have been constructed during the past 15 years. New highways now link various provincial capitals. The addition of these new roads has significantly improved the transportation conditions in the affected areas.

Great strides have been made in civil aviation. Extremely backward before 1978, China's civil aviation has taken off over the past decade. By 2002, the number of international and domestic aviation routes has extended from 167 to 1176 and the mileage from 148,900 KM to 1,687,708 KM. A civil aviation network has quickly formed.³⁰

The most impressive progress, however, has been in the postal system and in telecommunications. By the end of 2000, China had 70,968 post offices, a fifteen-fold increase over the 1950s. The increase in telephones is particularly conspicuous. By the end of September 2004, the number of telephones exceeded 600 million units. Half of them are mobile phones,

³⁰ Xin Zhongguo Wushi Nian (Fifty Years of the New China 1949-1999), Beijing, State Statistical Bureau, pp. 199-201.

which was 70 times of those installed during the 36 years prior to 1978, ranking China the second largest number of telephones in use in the world.

In addition to mobile telephone, internet users also have grown tremendously. By June 2004, the total number of internet users in China had reached 87 million with 627,000 websites, a demonstration of the country's vigorously advancing toward updated telecommunications.³¹

3. The Rise in Standard of Living

The increase of per capita income and improvement in infrastructure raised people's standard of living. Official statistics showed that disposable income from urban residents rose from 343 yuan in 1978 to 7,702 yuan in 2002, an increase of 4.72-fold with an annual growth of 7.3 percent.³²

The consumption structure of urban residents also has undergone marked changes. The share of food expenditure declined from 57.5 percent in 1978 to 37.7 percent in 2002. The share for clothing has dropped from 13.8 percent to 9.8 percent, while expenditures for transport, post and communications rose sharply from 1.2 percent in 1978 to 10.38 percent in 2002. The continuous decline of consumer's budget spent on food (the Engle Coefficient) signifies the substantial improvement in living standards.³³

4. The Ascendancy of International Status

Economic reform and the open-door policy substantially promoted China's international status. During the past few years when the world's economy fell into stagnation, China maintained an annual growth rate of 8

³¹ People's Daily (online), August 11, 2004.

³² Xin Zhongguo Wushi Nian, op. Cit pp.344-345.

percent. In 2003, China became the fourth largest merchandise trader, the third largest importer, and has rapidly emerged as a major manufacturing and distributing center in Asia. China's amicable relations with its neighboring states and new bilateral relations with Russia, Japan, United States and European communities has strengthened its position in world affairs. China was chosen as the host of the 2008 Olympic Games and the site of the 2010 World Fair. Recent success in the launch of a spaceship carrying the first Chinese astronaut into outer space further promoted China's prestige in the world community and helped to attract more foreign direct investment into the Chinese market.

While the reform achieved admirable successes, it also incurred heavy costs: the rise of huge unemployment, the widened gap of income distribution, wide-spread corruption and decay of social morals.

1. Large-scale Unemployment

The foremost daunting challenge arising from the reform is the existence of huge unemployment. Reform in the past two decades has resulted in the furlough of some 20 million workers from the SOEs. As the population continues to grow, new entrants into the labor force reached 10 million a year. Meanwhile 150 million rural surplus laborers await to be transferred to other sectors. The combined effect has substantially aggravated the employment situation. Many of the laid-off workers receive only a subsistence allowance. With little hope for new permanent jobs, most of them were left frustrated and destitute. Demonstrations and violence have become common-place in many old industrial centers. The problem of unemployment will be the thorniest issue and the source of social

unrest.³⁴

2. Disparities of Income Distribution

Prior to the reform, under Mao's communism, most Chinese people earned only a subsistence living. The Chinese society was impoverished but equitable. The reform not only allowed budding capitalists to establish profitable businesses but also allowed them to accumulate impressive fortunes. There are now more than ten million millionaires and several dozens of billionaires in China. In national income distribution, the highest 20 percent income recipients received 47.5 percent of the GDP while the lowest 20 percent received only 5.5 percent with a Gini index of 41.5 percent compared with the U.S., where the highest 20 percent received 45.2 percent and a Gini index of 40.1.³⁵ The Chinese income distribution appears to be less equitable than that of the leading nation of the capitalist world.

Inequality also has become pronounced among various regions. The east coast area which comprises 30 percent of China's population accounts for two-thirds of China's GDP while the vast area of central and west regions account for the remaining one-third. In 1900, per capita GDP discrepancy between east and west regions was 1,070 yuan. The gap enlarged to 6647 yuan in 2000, a difference of 5.16 fold.³⁶ In the year 2000, about three-fourths of the foreign capital was invested in the east region. China's entry into the WTO has further widened the disparity as more multinational corporations move their regional headquarters to Shanghai, Beijing and Guangzhou. The new trend will solidify the structure of dualism in Chinese economy.

³⁴ Jingji Riabao, (Economic Daily), Beijing, September 4, 2000, p. 1.

³⁵ World Bank, World Development Report 1999-2000, pp. 238-239.

3. Wide-spread Corruption

In the process of reform and open-door, the country's privileged class takes advantage of the loosened control to engage in all kinds of economic crime. During the past few years, official reports reveal corruption scandals committed by many executives in state banks, state-owned enterprises and various levels of government officials. Even top officials in the central and provincial government were involved. The scale of corruption has permeated into the entire bureaucracy. In the five years from 1997 to 2002, courts handled 118,692 cases of white-collar crimes by public officials including embezzlement, bribery, and misappropriation of public funds. Those sentenced for offenses include 19 provincial or ministerial level officials.³⁷ A more recent study disclosed that the direct economic losses caused by official corruption reached a staggering figure of one trillion yuan (\$120 billion) a year.³⁸ The widespread corruption not only eroded the state financial foundation but became the cause of popular resentment and distrust toward the government.

4. Decay of Social Morals

The emergence of a privileged class and the widespread corruption and power-abuse have also eroded social morals. In recent years, the collapse of the traditional spiritual norm led to the prevalence of dishonesty, selfishness and greed. In Mao's days, the Chinese people were poor, yet they retained certain standards of honesty and integrity. The economic reform has given rise to an almost obsession with wealth and material

possessions. Pursuit of monetary gain has become the primary goal of many young Chinese.

In the business society, manufacturing of counterfeit products is rampant. From common consumer goods such as liquor, edible oil to medicine, all goods are subject to forgery and deception for the sake of money-making including: antibiotics made of starch, talc, and pigments, injections made of tap water with monosodium glutamate dissolved in it, and other fake products capable of causing human fatalities.³⁹

Old social evils such as gambling, prostitution and drug dealing have all returned. Superstitious practices, such as adherence to astrological predictions, animistic explanations, and fortunetellers, eradicated during Mao's days have become reborn. In the words of one Chinese author, the country has moved from "utopianism to hedonism" in only a short period of time.⁴⁰

VIII. Conclusion

The foregoing analysis highlights the process and consequences of China's transformation from a centralized planning and closed socio-economic structure into an open and market economy. In modern world economic history, China's reformation and progression should be regarded as truly historical. While Mao and his radical comrades struggled for half a century to convert China into a Communist state, his successors took less than a quarter century to dismantle Mao's legacy. Despite the

³⁶ World Journal, New York, September 16, 2003, D 4.

³⁷ Far Eastern Economic Review, (Hong Kong), December 31, 2002, pp. 33-34.

³⁸ The World Journal, New York, September 16, 2003, A2.

³⁹ Geoffrey Murray, *China, the Next Superpower: Dilemmas in Changes and Continuity*

⁴⁰ Jiwei C., *Dialectic of the Chinese Revolution from Utopianism to Hedonism*, Stanford University Press, 1994.

ebbs and flows of the reform, China is now traveling on the right track. It has not only become the world's third largest economic power with a foreign trade of 1 trillion dollars a year but also the world's emerging center for manufacturing and research and development. With continuous inflow of foreign capital and an improved environment for domestic and foreign investment, the Chinese economy will enter a virtual cycle of growth where economic success will push for further reforms. With one-sixth of the world's population, China's prosperity would not only benefit its own citizens but also the well-being of the whole world.

中國大陸的寧靜革命：過程及效果

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摘要

中國大陸自 1978 年實施改革開放以來，整個社會及經濟結構，發生前所未有的重大變革。不但原來高度集中的計畫經濟迅速解體，回歸市場機制，而且揚棄行之有年的閉關自守政策，全面推展對外開放，積極融入國際市場。

在重建市場結構的過程中，國營企業地位大幅降低，由乘時崛起的私營經濟所取代。到 2002 年，大陸 GDP 的結構中，非國有部門以佔 60%，並雇用 70% 的城市勞動力，大陸憲法新增條文中，私人財產已獲得明文保障。

對外開放不但吸引巨額的外資，且大幅度提高國際貿易。到 2004 年，對外貿易已突破一兆美元，比 1978 年增加 48 倍，在全球中的比重，由 32 位晉升到第 3 位。

改革開放對大陸社會及文化都發生深刻的影響，包括中產階級的興起。2004 年有 19% 的居民已進入中產階級，預計到 2020 年將有 40% 居民進入中產階級的行列。中產階級的勃興，改變大陸的文化生活與消費水準，原來奉為主臬的馬列主義被揚棄，傳統文化迅速復興，消費主義也隨經濟的繁榮而乘時興起。中國大陸已開始進入「大量消費」的階段。

所有這些改革，皆發生於四分之一的世紀中，整個過程都在平靜中有序進行，並未引發重大動亂，故可稱為寧靜革命。

本文試圖分析並詳估這一歷史性質重大變革對佔世界六分之一之人口所發生的政經社會效果，並觀察其未來可能演進的前景。

關鍵名詞：寧靜革命、市場化、私有化、全球化、中產階級、消費主義、文化變遷