

Chinese economy



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Chinese Economy Order No. 32206 September ' 09 Chinese Economy What are the basic characteristics of the traditional Chinese economy before 1911? Explain briefly.

Before 1911, China was characterized by a feudalistic economy. From 211 BC to 1911 China was ruled by dynasties, the prominent dynasty being the Qing dynasty. This era was marked by a society which belonged to two classes, namely the poor peasantry and the rich and elite landowners. China's economy in this period was stagnant and growth was negligible. The technological backwardness and its rigid political and social structure of China in that period allowed the major European powers to penetrate its economy. These powers imposed unequal Treaty Systems to control China's outlying provinces, ports and economic concessions. China was forced to open coastal ports resulting in a steady flow of trade between the West and the East. According to Rit Nosotro, " Although the Europeans introduced railroads, highways, and started some industrial activity, the overall effect on China's economy overall was negligible since it did not involve the hundreds of millions of peasants deep in the interior". During the early and mid Qing period there was a considerable rise in China's population. But since there was no substantial industrial development China could not utilize the excessive manpower nor raise the standard of living. The economic condition of the government was poor since the dynasty could not collect enough taxes from a poor society. Also there was serious corruption as the government ate away a large part of the taxes collected. The powerful landlords evaded government taxes. All this led to a huge tax burden on the peasants. When these oppressed peasants rebelled (Taiping rebellion) the dynasty had to spend more money to control this rebellion thus making the

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financial conditions even worse. From the mid-19th century onwards political decentralization made collection of taxes more difficult.. Administrative inefficiency led to inefficient financial management. Also the unequal treaties prevented China from raising tariffs on foreign trade to pay off deficits and the government had to take huge foreign loans. To overcome the money problem, government increased domestic taxes causing more rebellions. Also there was an unfavorable balance of trade which reduced the value of the countrys currency thereby reducing the governments income. The wars that China fought with the foreign powers and the resultant war indemnities China had to pay in 1842, 1860, 1896 and 1900 also dented the economy. Finally in 1911 the Qing dynasty was overthrown.

2. Discuss some of the most important characteristics of a command (or centrally planned) economic system, with a focus on China from 1949 to 1978

In a planned economy or direct economy the state manages the economy. In this kind of economic system the central government makes all decisions concerning production, consumption of goods and services and investments. In a command economy or centrally planned economy which is the most extensive form of planned economy the state controls all major sectors of the economy. It is the state or the government that takes all the decisions about the distribution of income. It decides what should be produced and who should produce those goods without much concern for prices. The goods maybe produced by state-owned enterprises or private enterprises chosen by the state, or a combination of the two. From 1949, till the end of 1978 China had a centrally planned, or command, economy. The state controlled a large share of the countrys economy. The state decided production goals

and controlled prices. The country's resources too were allocated through the state and by 1978 about three-fourths of the industrial production was produced by centrally controlled state-owned enterprises (SOEs). The outputs of these enterprises were decided by the state. Private enterprises or foreign invested firms in China were almost non-existent. Since in the central planning economic systems there is little or no emphasis on profitability and competition, the country's economy between 1949 and 1970 was relatively stagnant and there was inefficiency all around. The living standards were lower than those of many other developing countries.

As far as agriculture was concerned, China between 1949 and 1978 operated on a centrally planned economy. In the early 1950s land was taken away from the landlords and distributed to the peasants. Later in the mid 1950s, the peasants organized themselves into cooperatives. In 1958, Mao Zedong initiated the Great Leap Forward movement and organized the cooperatives into communes. The Communes followed directions from the central government and an assigned amount of produce had to be given to the government procurement department with the procurement price being fixed by the government. The remaining produce was distributed among the commune members.

References

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