



Book Understanding China

A Guide to China's Economy, History, and Political Structure

John Bryan Starr
Hill and Wang, 1997

Recommendation

John Bryan Starr presents an overview of China, including its geography, history, political system, economy, and social-cultural system. His excellent, in-depth analysis discusses various Chinese institutions and issues, including the military, the educational system, urban and rural problems, population growth, environment degradation, human rights, culture, and intellectual freedom. However, you should view this book as a background introduction, since most of its information dates from research completed by 1995. For the latest developments in China, refer to more current sources. The book, which is written directly and clearly without academic jargon, is directed primarily toward westerners, particularly in the United States. *BooksInShort.com* recommends this book to executives in companies that are expanding into China or negotiating with Chinese business leaders, or to anyone who wants a background of solid information about China.

Take-Aways

- China has one of the world's fastest growing economies.
- As the economy has grown, so has the private sector. At the same time, there is reduced control from the central government.
- Today, the Chinese people enjoy more intellectual, artistic, and other freedoms than they did a few decades ago.
- Although the Chinese Communist Party (CCP) is still the dominant political force, it has been losing influence and credibility.
- The growing economy has led to corruption by government and Party officials, environmental degradation, and overpopulation.
- The new generation rising in China is much more materialistic and concerned with gaining personal wealth.
- The population has been unusually ethnically uniform; about ninety percent are from the same Han ethnic group.
- Despite ethnic uniformity, China's people are very influenced by cultural differences and regional loyalty.
- The major economic sectors are state-owned industrial enterprises, the private sector, and collective enterprises owned and managed by people in a workplace or residential unit.
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Summary

China's Growing Power

China's economy is growing so rapidly that some predict it will be the world's largest economy by 2040. China's economic growth has been accompanied by political liberalization, as the government has reduced its tight controls. As a result, the Chinese now have more freedom than ever, although they still face many restrictions.

Much of China's rapid change has occurred since the 1950s. Even more change can be expected following the death of Deng Xiaoping, successor of Mao Zedong, who was the leader of the Communist Party for forty years. Though it still controls China, the Party's power is loosening, its reputation injured by the Cultural Revolution and the resulting reduction in living standards. Today, most people find Marxism and Leninism irrelevant. Simultaneously, the army has gained in power at the expense of the Party.

“Economic liberalization has been accompanied by some relaxation of the tight control the Chinese government maintained over its population.”

A new generation is rising. Those who grew up after the post-Mao reforms are much more materialistic than earlier generations and are especially interested in gaining personal wealth most easily obtained through the private sector. They have little interest in the public arena.

China's Major Problems Today

China faces a number of serious problems, many due to its rapid "overheated economic growth," averaging above ten percent and more in some sectors. The potentially destabilizing impact of this growth is most severe among the urban population. Inflation that sometime exceeds thirty percent is a related problem. Many state-owned enterprises are in difficult financial straits. More than half the government-owned industrial companies are losing money and subsisting on government loans and grants.

“Most of the Chinese people are enjoying substantially more freedom from government interference in their lives than they did fifteen years ago.”

Officially unemployment is low, around three percent, but concealed unemployment is actually very high. For instance, workers in weak state-owned enterprises suffer reduced hours. Other economic problems include:

- Government cash flow shortages.
- Overpopulation The government has tried to combat this problem with its one-child policy, although people are allowed to try once more for a boy if their first child is a girl. Many families, particularly in the country, have resisted this policy.
- Environmental degradation, including polluted water and factories that generate more pollution.
- Growing corruption among government and Party officials.

Campaigns to cut corruption have been ineffective, since the officials in charge of them have been corrupt themselves. Despite the growth of privatization, the older Party members who still lead the government have acted inflexibly to put down free speech, dissent, and efforts at political reform. Yet, contrary to their interests, power is being dispersed to the provincial and local governments. This trend is being boosted by market reforms that have contributed to reduced central control.

China's Geography and History

You can understand China better if you understand its geography and history. Although China's territory covers about 3.7 square miles - almost exactly the size of the United States - its geography is quite different. Much of the land is mountainous or desert. A much smaller percentage is arable farmland. The most fertile regions are in its three major river deltas -- the Yellow, Yangzi, and West Rivers. This fifteen percent of China's land area is home to seventy-five percent of its 1.1 billion people. By contrast, China's energy resources and raw materials are more broadly dispersed throughout the country.

“Economic success has made the Chinese government - and perhaps also the Chinese people - much less malleable and easy to deal with than they once were...They demand full membership in the world economy but balk at playing by the rules.”

High mountains and arid deserts have contributed to isolating China for much of its history. This forbidding geography reduced interaction with China’s northern and Western neighbors, while the ocean on the east also served as a barricade to keep outsiders away.

The strong centralized control that developed under the Emperor - who dominated China before the revolution - also contributed to China’s isolation and independent development. Today, China has a very uniform population, since ninety percent of the population derives from the same Han ethnic group, and about seventy-five percent of the population speaks Mandarin, a particular form of Chinese.

“The youngest generation has come to maturity since the post-Mao reform period began. It is made up of bright, brash, hardworking, and cosmopolitan people, but they are more self-interested than public-minded. Their goal is personal wealth, and that is best pursued in the rapidly expanding private sector.”

Despite this uniformity, different groups are culturally diverse. Chinese people have a strong sense of loyalty to their local regions, reflected in their language, cuisine, and a strong link to their ancestors’ homes. Urban residents consider themselves to be from the land where their parents or grandfathers were born.

Administratively, China is divided into twenty-two provinces and five autonomous regions, where the population is primarily non-Han minority nationalities. China has four "directly administered" province-like cities: Beijing, Tianjin, Chongqing, and Shanghai. Economically, the strongest provinces are all along the coast, although the central provinces are now growing faster. Hong Kong has been China’s major source of foreign investment. In 1995, it accounted for about forty percent of the \$48 billion that other countries invested in China. Taiwan was the second major source of foreign investment.

The Family Foundation

Historically, the family has always been extremely important as the "foundation of traditional Chinese society." While better-off members of society lived in multi-generation family compounds, most people lived in nuclear family units consisting of two parents and their children. Whatever their circumstances, the Chinese look to their families to help them understand and shape relationships.

“The Chinese Communist Party (CCP) has as little political credibility today as it has ever had since its founding in 1921.”

The great Chinese sage, Confucius, emphasized the importance of harmonious human relationships. To him, the central relationship in the family and society was between the father and son. While the son has to obey the father, the father should act as a "moral exemplar," both teaching and setting an example of moral behavior. Similarly, the Emperor and other political leaders are like fathers and the people are like their children. Supposedly, the ruler should practice "right rule," and govern "virtuously and effectively" empowered by a "mandate of heaven." In this system, women had little influence or power in the family or in society. Their role was to be good wives, obey their husbands, and raise their children.

The Political System in China

Politically, the Chinese government has three branches - legislative, executive, and judicial. In practice, however, there are really only two branches, since the judiciary acts more like a supportive arm of the executive branch.

“China’s burgeoning economy has multiplied the already numerous opportunities for corrupt behavior on the part of the government and Party officials, and few have missed the chance of taking advantage of them.”

In contrast to the law-based United States governmental system, the Chinese system is based on "negotiated relationships between and among individuals and organizations," and governmental jurisdictions. Typically, the relationship between the central government and the provincial or municipal governments is guided by "ad hoc agreements," reached after long and complex negotiations, not by

legislation.

The Chinese government is entirely dominated by the Chinese Communist Party (CCP). The Party chooses its members for their leadership abilities. About one of every twenty-two Chinese people belongs to the Party, giving it fifty-seven million members. The Party structure parallels the government bureaucracy, so Party members continually check up on the work of the government's bureaucrats.

“In ethnic terms, the Chinese population is unusually uniform. Despite great cultural differences among various groups, more than nine-tenths of the population consider themselves to be of the same Han ethnicity.”

The Party also has a high level of control over the army, called the People's Liberation Army (or PLA). The army's power is increasing, but the Party remains central, despite the damages of the Cultural Revolution. The Party endures because it has effectively disposed of any challengers to its political monopoly. Party membership is higher than ever, especially in the cities. Being a member contributes to career advancement. However, the smartest members of the younger generation and the most successful young entrepreneurs are not drawn to the Party.

China's Economic System

Currently, China has a system of "socialism with Chinese characteristics," which is gradually moving from central planning to a market system. The state-owned sector is shrinking, but the collective sector is growing - and the private sector is growing even faster.

“Beneath the ethnic uniformity of the Han Chinese population lies a strong sense of local loyalty that is reinforced by habits of language, cuisine, and a remarkably persistent regional stereotyping...The enduring regional identities have created, over the centuries, regional stereotypes that Chinese people never abandon.”

Still, the government is the most important economic player. Some 100,000 state-owned industries employ about fifty million people. Each enterprise forms a small, semi-independent community. The largest have up to a half million people, including managers, employees, and their family members. The state owns a large majority of China's wholesale distributors; about forty percent of its fourteen million retail units, and almost all its banks, schools, and hospitals.

The collective sector is made up of enterprises owned and managed by the people who live in a residential unit, usually a rural township, or who work together, generally in a factory. Some schools and army units also own collectives. These organizations pursue a variety of businesses, including farming, manufacturing, transportation, or commerce. Approximately 500 million people are part of twenty-five million collective enterprises. These collectives are especially important in agriculture, since almost all agricultural production is owned and managed collectively.

“The traditional order consisted of four interdependent elements: the family; the upper class - or gentry, as it is most commonly known; a group of...officials who were recruited to office by means of a civil-service examination; and the imperial throne itself.”

The private sector itself is still small compared to these other sectors, but it is the fastest growing part of the Chinese economy, especially in the larger cities. Currently, China has about 500,000 private enterprises, averaging about fifteen workers each, or about 1.5 million employees. However, as the private sector grows, these numbers will increase dramatically. Given this growth, this sector might offer good opportunity for investment or joint ventures.

The Military

As the central government and Party have become weaker, the influence of the People's Liberation Army (PLA) has grown. The military budget, one of the globe's largest, has been rapidly expanding. Yet, as China's national budget and gross national product have grown, the military budget has actually relatively declined compared to its balance before the reforms of the late 1970s.

“The uniquely long history of Chinese civilization is looked on by most Chinese as a source of great pride...But more and more, others in China look on themselves and their compatriots, not as enriched, but rather as imprisoned by China's past.”

Nominally, the army reports to the civilian Central Military Commission. However, regional subordinates and their garrison commanders often don't pay attention to the commands of the central military authority. Both the central military authority and PLA commanders are busy starting new enterprises and engaging in foreign joint ventures, so military readiness is compromised.

Problems of Progress

Major problems affecting modern China include growing discontent in rural areas, the rapid migration of rural residents to the cities, the centrifugal forces of regionalism, and overpopulation. The rural population is about 900 million people, many of them restive because improved living conditions in urban areas are leaving them far behind. Rural unemployment is high; more than 100 million rural people have immigrated to the cities. New rural industrial enterprises, developed in response to this crisis, now employ 125 million people and account for twenty-five percent of China's industrial production. This growth may indicate another promising area for foreign investment.

Other problems facing China include:

- Growing urban crime due to increased migration from the countryside.
- Urban unemployment, corruption, and inflation.
- Increasing provincial and local government authority threatens the central government and the Party.
- Pollution and environmental degradation.
- Intense pressure to improve artistic and intellectual freedom, and human rights.

About the Author

John Bryan Starr is the author of many articles and books on China, including *Ideology and Culture* and *Continuing the Revolution: The Political Thought of Mao*. He is editor of *The Future of U.S.-China Relations* and has taught at the University of California, Yale, and Dartmouth. He was president of the Yale China Association for 15 years and of the China Institute in New York City. He is now managing director of the Annenberg Institute for School Reform.
