

China's Economy in the Post-Civil War Era, 1949 – 1978

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Abstract

The economy of China has been subjected to a lot of scholarly inquiries by professionals of different shades of life, especially economists, sociologists, historians, and political scientists, among others. In most cases, their studies emphasised the contributions of China to the development of different regions or countries while giving scanty attention to post-civil war China's economy. In this wise, this study intervenes to narrow the existing historiographical gap on the subject. To achieve this, with the aid of secondary sources, the study investigates the historical causes of China's civil war. The implications of post-civil war China's economic policies for the growth of China have been analysed. The setbacks encountered in the implementation of these policies are also brought under consideration. The paper highlights the importance of understanding this period of China's economic history, as it marked a watershed in the economic development of China. It attempts a recap of the main argument and concludes that the landmarks of these policies overshadowed the challenges.

Keywords: China; Economy; Post-Civil War Era

Introduction

The Chinese economy was structured very differently during the first three decades of the Chinese Communist Party's rule than it was in the market economies of most of the rest of the world and the 21st century following three decades of market-oriented economic reform. Based on the Soviet model, China implemented a centrally planned command economy starting in the middle of the 1950s. The collectives, initially known as "agricultural producer cooperatives" and then "Rural People's Communes," replaced household farming under this economic system.¹ Market forces were mainly eradicated in industry and large-scale trade, and industrial inputs and outputs were distributed administratively under a plan created by the State Planning Commission. Instead of a labour market, the government set wages and assigned skilled workers to positions. Prices paid to farmers also had a limited impact on government purchases of agricultural products, and even many consumer goods were rationed, though some were distributed to households through the market. However, this Soviet-style, highly centralised, nonmarket system was implemented in a different setting—a developing nation that was incredibly impoverished.

Alternatives to these strict central restrictions were investigated from the start by China's leadership, especially that of Mao Zedong, chairman of the Chinese Communist Party. Most of the time, these explorations led to economic catastrophe, which in turn caused the famine of 1959–1961, which is estimated to have killed almost 30 million people. Political objectives were also sought by the government and the leadership, particularly during the Cultural Revolution (1966–1976), which caused economic disruption and delayed growth. Thus, the organisation of the economy, its shift from a market economy to a nonmarket command economy, and the performance of its institutions and institutions throughout time were the main topics of economic study at this time. Because China provided data that greatly overstated China's economic development between 1958 and 1960, it was easier to describe the institutions than to measure their performance. The government stopped releasing economic performance statistics after 1960 due to the realities of famine and a generally weak economy. As a result, it was necessary for numerous analysts outside of China to piece together the material that did get out, and a large portion of their work was able to document what was taking place. Some of the gaps in the earlier literature were filled up by the increasing amounts of official data that were published starting in 1979.² Though there were some instances where individual economists and officials expressed opinions on economic issues that differed

¹ Perkins, Dwight H. "Research on the Economy of the People's Republic of China: A Survey of the Field." *Journal of Asian Studies* 42.2 (February 1983): 345–372

² Skinner, G. William, Wensun Hsieh, and Shigeaki Tomita, eds. *Modern Chinese Society: An Analytical Bibliography*. 3 vols. (Stanford, CA: Stanford University Press, 1973), 45.

from the prevailing government/party line, most Chinese economists between 1949 and 1978 were expected to publish by the government/party line at the time.

It is in line with the above premise that this study discusses the economy of China in the post-civil war era between 1949 and 1978. To achieve this aim, the study discusses the history and causes of the war. Thereafter, it delves into the post-civil war Chinese economic policies in a broad stroke. The Challenges of China's post-civil war economy have been analysed. The paper draws its conclusion by attempting a recap of the basic argument.

History and Causes of the China's Civil War

The Chinese Civil War, a long-running war between the Nationalist Party (Kuomintang or KMT) and the Communist Party of China (CPC), had deep historical roots and complex causes that spanned both ideological and sociopolitical worlds. The civil war, which ran sporadically from 1927 to 1949, helped establish modern China's political landscape. The roots of this struggle may be traced back to the early twentieth century when China was ruled by the Qing Dynasty, which was weakened by internal corruption and foreign intrusion. The downfall of the Qing Dynasty prepared the ground for revolutionary ideas to take hold, especially after the dynasty's fall in 1911. Revolutionary sentiments among Chinese intellectuals were fuelled by the Qing government's failure to safeguard China's sovereignty, as proven by humiliations like the Opium Wars and concessions pushed by Western countries and Japan. This period of humiliation offered fertile ground for the ideological division that would ultimately drive the civil war.³

Following the abdication of the Qing emperor, China's early republican years were characterised by fragmentation and the development of regional warlords who governed various areas of the country. Despite the foundation of the Republic of China in 1912 under the leadership of Sun Yat-sen and the KMT, the political vacuum left by the Qing's fall made it difficult to form a unified central government. Warlordism arose when regional leaders prioritised local power over national unity, severely weakening the republican administration. The KMT intended to unify China, but its influence was limited, and it failed to establish control over the country's scattered areas. This era of warlord authority and instability, commonly known as the "Warlord Era," left China economically devastated and socially split, setting the framework for revolutionary parties like the CPC to acquire support among the disillusioned public.⁴

The ideological split between the KMT and the CPC was compounded by their opposing views on foreign imperialism and China's future. While both parties wanted to eradicate imperialist influence in China, the KMT took a more nationalist stance, influenced by Sun Yat-sen's Three Principles of the People, which emphasised nationalism, democracy, and the people's well-being. The CPC, on the other hand, was motivated by Marxism-Leninism and campaigned for a communist government that abolished class divisions and redistributed income.⁵

In order to fight warlords and unite China, the KMT and CPC temporarily created the First United Front (1923-1927). However, there were underlying difficulties in this partnership since the KMT was concerned about the CPC's increasing power within the coalition. At first, the Northern Expedition—a military operation intended to unite China and put an end to warlord rule—seemed to be successful and produced significant benefits for both sides. But after Sun Yat-sen passed away in 1925, the KMT had a power struggle, and Chiang Kaishek, the party's new leader, began to see the CPC as a challenge to the KMT's hegemony. In 1927, Chiang initiated a violent purge of communists in what became known as the "White Terror," effectively ending the First United Front and marking the beginning of open hostilities between the KMT and CPC.⁶

The dynamics of the civil war were altered by the Japanese invasion of Manchuria in 1931 and the Second Sino-Japanese War that broke out in 1937. In reaction to Japanese assault, the KMT and CPC established a Second United Front, but their cooperation was once more precarious. Chiang continued to prioritise maintaining his hold on China over actually working with the CPC. By using the conflict as a chance to gain support from the peasantry and increase its power in rural areas, the CPC was able to establish a foothold in northern China. During World conflict II, this tense collaboration helped the CPC increase its military might and garner public support, paving the way for a new civil conflict following Japan's surrender in 1945.⁷

³ Fairbank, John King, and Merle Goldman. *China: A New History*. 2nd ed. (Cambridge: Belknap Press of Harvard University Press, 2006), 17.

⁴ Spence, Jonathan D. *The Search for Modern China*. 3rd ed. (New York: W.W. Norton & Company, 2012), 35.

⁵ Van de Ven, Hans J. *War and Nationalism in China: 1925–1945*. (London: Routledge, 2003), 81.

⁶ Schoppa, R. Keith. *Revolution and Its Past: Identities and Change in Modern Chinese History*. 3rd ed. (Boston: Pearson, 2010), 19.

⁷ Spence, Jonathan D. *The Search for Modern China*, 27.

The KMT and CPC were fighting for control of China in the post-World War II era, which was the civil war's last stage. Guerrilla warfare and land reforms, which were popular with the rural populace, were two ways that Mao Zedong's CPC had grown its support. However, as its administration failed to control China's post-war economy, corruption, inflation, and a decline in public support undermined the KMT. Additionally, the CPC had an advantage over the KMT, which was mostly supported by the urban elite, due to their ability to organise peasants and their complaints against landowners and the old elite. Fullscale fighting had returned by 1947, and the CPC troops were making steady progress towards victory.⁸

The civil war was also significantly influenced by outside forces. Both the US and the USSR were involved in Chinese politics during World War II, but they backed different groups. The Soviet Union first gave the CPC very modest support, while the United States gave the KMT significant financial and military support since it saw it as a defence against communism. However, the CPC's eventual success was aided by its improved capacity to use Soviet help as well as the KMT's growing unpopularity among Chinese citizens. The civil war on the mainland came to an end in 1949 when Chiang Kai-shek and his last troops fled to Taiwan after the CPC had taken control of the majority of China.⁹

Influenced by both domestic and global factors, the Civil War was a conflict of ideals between nationalism and communism rather than just a struggle for political dominance. Civil war was inevitable in China because of several factors, including the fall of the Qing Dynasty, warlordism, foreign intervention, and ideological differences within the country's population. The People's Republic of China came into being under communist control with the CPC's final triumph, which significantly altered China's political, social, and economic systems.

Since its effects are still felt in China's internal policies and cross-strait ties with Taiwan, the Chinese Civil War is an important event in comprehending modern Chinese history. By siding with the Soviet Union against the US-led capitalist bloc, the CPC's victory also established a precedent for other revolutionary movements around the world and made China a major actor in the Cold War. Thus, the battle was not only a crucial period in Chinese history but also a noteworthy incident in the larger framework of world history during the 20th century.

The Post-Civil War Chinese Economic Policies, 1949- 1979

The evolution of China's economy from the establishment of the People's Republic of China (PRC) in 1949 to the present is chronicled in the country's economic history. China has changed from one of the world's poorest nations to one of the biggest economies in history at a rate that has never been seen before. China's economic progress has been unexpected and tumultuous since the PRC was established in 1949. It has gone through revolution, socialism, Maoism, and then the post-Maoist era's slow economic reform and rapid economic growth. The Great Leap Forward famine had a detrimental effect on the economy. The economy was also affected by the instability of the Cultural Revolution. However, China has witnessed relative social stability and significant gains in average living conditions since the start of the economic reform era in 1978.

In contrast to other nations, China has contributed significantly to the rise of industry, which has surpassed farming as a major source of wealth. Instead of concentrating on rapid growth, they favoured sustained, moderate growth. Instead of switching to private ownership, they maintained state ownership, which was crucial to China's economic growth, which prioritised collectively owned enterprises before turning its attention to private ones. This results in an excellent method of regulating economic expansion while engaging with the community.

China has been the foundation of the global economy since the Reform and Opening Up era.¹⁰ Government figures show that, during the 1980s, China's economy grew at the quickest rate in the world, averaging 10 percent per year between 1978 and 2005. In 2005, it had a GDP of US\$2.286 trillion.¹¹ China has been shifting from a state-dominated planned socialist economy to a mixed economy since the end of the Maoist era in 1978. China's fiscal, financial, economic, governance, and legal institutions all needed to undergo a complicated series of reforms to undergo this transition, and the government also needed to be prepared to adapt to the unexpected effects of these changes.¹² High levels of industrialisation and urbanisation have coincided with this transition, impacting all facets of China's society, culture, and economy.¹³

⁸ Fairbank, John King, and Merle Goldman. *China: A New History*, 15

⁹ Schoppa, R. Keith. *Revolution and Its Past*, 73

¹⁰ Naughton, Barry *The Chinese Economy: Transitions and Growth*. (Cambridge, Mass.: MIT Press, 2007), 76.

¹¹ "China | Data". *data.worldbank.org*. Retrieved 2020-07-27

¹² Kroeber, Arthur R, *China's Economy: What Everyone Needs to Know*. (New York, NY: Oxford University Press. 2016), 210–214.

¹³ Naughton, Barry, *The Chinese Economy*, 37.

Economic policies, 1949–1989

The primary long-term objectives of the Chinese Communist Party (CCP) when it came to power in 1949 were to make China a strong, modern, socialist country. Economically speaking, these goals included the creation of contemporary military hardware, industrialisation, raising living standards, and reducing income disparities. The leadership remained committed to these objectives as the years went by. However, in reaction to significant shifts in the economy, domestic politics, and global political and economic events, the economic policies designed to accomplish them were frequently drastically changed.

The number of CCP members in China has increased dramatically. By 1949, they had grown from less than 100 members in 1921 to five million "victorious" parties. These parties' disparate customs and capacities significantly contributed to China's rise to power after 1949. Members of the CCP party employ a variety of approaches when presenting novel concepts or resolving current issues. However, the majority of CCP members still required higher education, despite the fact that those members maintained their influence throughout time.¹⁴

After creating institutions that brought economic life under more state control, the CCP tried to demonetise and de-commodify the Chinese economy during the Mao era through top-down policy initiatives.¹⁵ "Puppet-like micro management institutions" were created by the CCP to control market activity and restrict unplanned interactions between the two economic sectors.¹⁶ Additionally, leaders tried to "return it to the cage" and remove currency from circulation to counteract "spontaneous capitalist tendencies" among rural consumers. Nevertheless, during the Mao era, Chinese people persisted in market-based exchanges in an unofficial economy that accounted for a sizeable amount of economic production in defiance of these regulations.¹⁷

Recovery from War, 1949–52

Decades of the Chinese Civil War were having a crippling effect on China's economy in 1949. Numerous factories and mines had been destroyed or severely damaged. Approximately half of the machinery in the northeast's key industrial sectors had been dismantled and sent to the Soviet Union by Soviet troops at the end of the war with Japan in 1945. Due to neglect, electrical, communication, and transportation infrastructure had either been destroyed or degraded. Food production was around 30 percent lower than it was before the war, and agriculture was affected. Additionally, one of the most aggressive inflation rates in history exacerbated economic problem.¹⁸

The Nationalists deprived China of liquid assets, such as gold, silver, and the nation's dollar reserves, when they fled after losing the Chinese Civil War.¹⁹ Additionally, nationalist groups tried to firebomb industrial sites, although many of these were stopped by workers. By the time the Nationalists were overthrown, the economy was reliant on barter, trade had been devastated, and the national currency had lost all of its value.²⁰

Ownership of the state owned economy was given priority in the Common Program, which was adopted by the Chinese People's Political Consultative Conference in late September 1949, however some private interests were also taken into account.²¹ Instead of trying to eradicate capitalism altogether, it promoted private businesses that were thought to be advantageous to the country's economy and worked to establish a mixed economy.²² The only central government agency responsible for managing national economic planning and construction at the PRC's inception was the Central Finance and Economy Commission, which was a part of the transitional Government Administrative Council. Bo Yibo and Chen Yun served as its leaders. Restoring national economic order,

¹⁴ Kroeber, Arthur R. *China's Economy*, 75

¹⁵ Hammond, Ken, *China's Revolution and the Quest for a Socialist Future*. (New York, NY: 1804 Books, 2023), 71.

¹⁶ Yifu Lin, Justin, *Path to prosperity: Chinas transition to market economy in the last four decades*, (China and the West, Edward Elgar Publishing, 2021), 04-22.

¹⁷ Frost, Adam K.; Li, Zeren *Markets under Mao: Measuring Underground Activity in the Early PRC*. *The China Quarterly*. 258, (2023): 309–328.

¹⁸ "China Recovery from War, 1949-52 - Flags, Maps, Economy, History, Climate, Natural Resources, Current Issues, International Agreements, Population, Social Statistics, Political System". Photius.com. Retrieved 2013-09-22.

¹⁹ Karl, Rebecca E. *Mao Zedong and China in the Twentieth-Century World: A Concise History*. (Durham [NC]: Duke University Press, 2010), 31.

²⁰ Karl, Rebecca E. *Mao Zedong and China in the Twentieth-Century World: A Concise History...*

²¹ Zheng, Qian, *Zheng, Qian (ed.). An Ideological History of the Communist Party of China. Vol. 2. Translated by Sun, Li; Bryant, Shelly*. (Montreal, Quebec: Royal Collins Publishing Group, 2020), 73.

²² Zheng, Qian, *Zheng, Qian (ed.). An Ideological History of the Communist Party of China...76.*

stabilising prices and currencies, creating a system for managing the planned economy, and getting ready for the First Five-Year Plan were its top tasks.²³

To manage inflation by 1951, the government integrated the monetary system, controlled credit, centralised and regulated all levels of government spending, and ensured currency value. The CCP's ability to regulate prices and fight hyperinflation contributed significantly to the new administration's credibility. Except the Great Leap Forward and the Great Famine, price increases were largely modest between the 1950s and the 1970s. During the Mao era, China's fiat currency was eventually among the most stable in modern history.²⁴

The development of governmental trading agencies (commercial departments) promoted and partially regulated commerce by competing with private merchants to purchase commodities from producers and sell them to consumers or businesses. State trade agencies acted as a tool for re-creating and integrating markets, and this process of reintegration between urban and rural economies helped stabilise the value of money.²⁵

The early PRC administration established a centralised banking system based on a small number of state organisations. Early banking laws were modelled after those in the Soviet Union. Under this centralised arrangement, the People's Bank of China was the only commercial bank that provided teller services, settlement clearing, and credit. In 1950, the Bank of China joined the People's Bank of China as a bureau. Only the Bank of China was permitted to handle foreign exchange and international transactions by rules established in 1953.²⁶

Another of the CCP's early moves was to nationalise companies previously controlled by the defeated Nationalists. By 1952, state-owned firms controlled about 40 percent of China's industrial production. Workers' conditions improved as the state acquired industrial production facilities. The increasing number of state employees were provided rights such as an eight-hour workday, medical benefits, subsidised food and housing, permanent employment, and an eight-grade wage system that was standard throughout state-owned firms.²⁷ Referring to the "succession issue", Kenneth Lieberthal's book, *Governing China: From Revolution Through Reform* explores the obstacles associated with selecting a new leader (148). This debate, which began in 1956, encouraged officials to seek new tactics for transferring presidents without causing considerable disturbance.

Titles to roughly 45 As part of a nationwide land reform movement that began before the CCP victory and continued after, landlords and more prosperous farmers distributed a percentage of their arable land to the 60-70 percent of farm families who had previously held little or no property. Early land reform was so successful that, when the PRC was created in 1949, China could justifiably claim that, for the first time since the late Qing dynasty, it had managed to feed a fifth of the world's people with only 7 percent of arable land.

Small "mutual aid teams" of six or seven households each were formed to encourage farmers to work together in certain production periods when land reform was finished in a given area. In 1952, mutual support teams made about 38 percent of all farming households. By 1952, industry and agriculture had returned to their previous peak levels of production, commerce had been restored, and price stability had been established. China's economy had recovered fast by 1953.²⁸

First Five-Year Plan, 1953–57

Mao Zedong, Zhou Enlai, and other revolutionary movement veterans were ready to launch a robust program of industrial expansion and socialisation after restoring a stable economic base. The administration, under the slogan "Learn from the Soviet Union," followed the Soviet economic model for this reason. Soviet planners helped create the First Five-Year Plan (1953–57), which epitomised the Soviet approach to economic development. Heavy manufacturing and capital goods were prioritised, same as in the Soviet economy. Many full plants and pieces of equipment that were bought from the Soviet Union were among the many new heavy industrial facilities that were developed and installed with the help of numerous Soviet engineers, technicians, and scientists.

²³ Hou, Li, *Building for Oil: Daqing and the Formation of the Chinese Socialist State*. Harvard-Yenching Institute monograph series. (Cambridge, Massachusetts: Harvard University Asia Center, 2020), 54.

²⁴ Weber, Isabella, *How China Escaped Shock Therapy: The Market Reform Debate*. (Abingdon, Oxon: Routledge, 2021), 12.

²⁵ Weber, Isabella, *How China Escaped Shock Therapy: The Market Reform Debate*...16.

²⁶ Liu, Zongyuan Zoe, *Sovereign Funds: How the Communist Party of China Finances its Global Ambitions*...53.

²⁷ Ching, Pao-Yu, *Revolution and Counterrevolution: China's Continuing Class Struggle Since Liberation (2nd ed.)*. (Paris: Foreign Languages Press, 2021), 32.

²⁸ Lin, Chun, *The Transformation of Chinese Socialism*. (Durham [N.C.]: Duke University Press, 2006), 121.

The Chinese model of planning was less centralised for consumer goods and provided provincial planning bodies more autonomy than the Soviet one. Antirightist activities and events like the "Great Leap" contributed to the exclusion of highly competent persons from decision-making processes. It emphasises the idea that explains how the Soviet Union supported China in improving its technological skills between 1953 and 1958, and how such efforts were undermined by such operations. During this period, the government extended its control over industry by applying financial incentives and inducements to entice owners of private, modern corporations to sell to the state or transform them into joint public-private enterprises under state supervision. China nationalized commerce, industry, and handicrafts over the period 1953 to 1956.²⁹ Its industrial outputs grew by 31% in 1955 and a further 10% in 1956.³⁰ By 1956, nearly all large-scale commerce and industry had been nationalized³¹ and virtually all urban private business ownership had been ended.³² China had ended their attempts to complete a socialist reform of the domestic economy.³³ However, certain market activities persisted and remained underground.³⁴

Agriculture also experienced significant organisational changes. In the autumn of 1953, the CCP's Central Committee established a state monopoly on grain procurement and marketing. This strategy broke the tie between wealthy peasants and grain merchants, effectively ending the possibility of benefiting from grain speculation.³⁵ To promote the mobilisation of agricultural resources, enhance farming efficiency, and boost government access to agricultural goods, officials urged farmers to form increasingly large and socialised collective units. This collectivisation proceeded from 1955 to 1958.³⁶ Villages were to progress from loosely structured, tiny mutual assistance teams to lower-stage agricultural producers' cooperatives, in which families continued to earn some revenue based on the amount of land they donated, and then to advanced cooperatives, or collectives. In advanced producer cooperatives, revenue shares were only determined by the amount of labour contributed. Furthermore, each family was permitted to keep a small private plot on which to raise vegetables, fruit, and livestock for its use. The collectivisation process started slowly but escalated in 1955 and 1956. In 1957, approximately 93.5 percent of all agricultural households had joined advanced producer cooperatives. Although agriculture got only 6.2 percent of the budget during the first five-year plan, agricultural gross outputs climbed by 24.7 percent.³⁷

The industrial working class increased from six million to ten million. Industrial workplaces organised as work units (danwei) provided subsidised accommodation, permanent jobs, education, and medical care.³⁸ During the middle of the 1950s, the central government reduced state planning constraints, allowing markets to play a little larger role and increasing involvement by provincial and local governments. In September 1956, the Chinese Communist Party's 8th National Congress made these measures public, saying that "minor commodities" may be traded on the market and peasants might establish sideline jobs like handicrafts or poultry .keeping³⁹ Throughout the 1950s, a fundamental impediment to large-scale economic modernisation was the relative scarcity of management skills. Promotion of ordinary workers to management roles was meant to overcome this difficulty while also supporting the wider political purpose of putting the proletariat in power.⁴⁰

²⁹ Lin, Chun, *The Transformation of Chinese*, 71

³⁰ Marquis, Christopher; Qiao, Kunyuan, *Mao and Markets: The Communist Roots of Chinese Enterprise*. (Yale University Press, 2022), 11-15.

³¹ Liu, Zongyuan Zoe. *Sovereign Funds: How the Communist Party of China Finances its Global Ambitions*. (The Belknap Press of Harvard University Press, 2023), 88.

³² Eyferth, Jacob, "One Country, Two Material Cultures". In Altehenger, Jennifer; Ho, Denise Y. (eds.). *Material Contradictions in Mao's China*. (Seattle: University of Washington Press, 2022), 341.

³³ Marquis, Christopher; Qiao, Kunyua, *Mao and Markets: The Communist Roots of Chinese Enterprise*. (Yale University Press, 2022), 11-15.

³⁴ Frost, Adam K.; Li, Zeren. "Markets under Mao: Measuring Underground Activity in the Early PRC". *The China Quarterly*. 258, (2023), 309–328.

³⁵ Ching, Pao-Yu. *Revolution and Counterrevolution: China's Continuing Class Struggle Since Liberation (2nd ed.)*. (Paris: Foreign Languages Press, 2021), 65.

³⁶ Lin, Chun, *The Transformation of Chinese Socialism...*

³⁷ Hammond, Ken, *China's Revolution and the Quest for a Socialist Future*. (New York, NY: 1804 Books, 2023), 665.

³⁸ Karl, Rebecca E. *Mao Zedong and China in the Twentieth-Century World: A Concise History*. (Durham [NC]: Duke University Press, 2010), 115.

³⁹ Hou, Li, "Building for Oil: Daqing and the Formation of the Chinese Socialist State. Harvard-Yenching Institute monograph series." Cambridge, Massachusetts: Harvard University Asia Center, (2021), 45..

⁴⁰ Cai, Xiang, *Revolution and Its Narratives: China's Socialist Literary and Cultural Imaginaries (1949-1966)*. (Durham: Duke University Press, 2016), 55.

Great Leap Forward, 1958–61

Before the end of the First Five-Year Plan, the growing disparity between industrial and agricultural growth, dissatisfaction with inefficiency, and a lack of flexibility in decision-making convinced the country's leaders, particularly Mao Zedong, that the highly centralised, industry-based Soviet model was unsuitable for China. The income disparity between rural and urban Chinese had grown. Mao had begun to be concerned about the situation prior to 1957, with his 1956 On the Ten Major Relationships highlighting the significance of "the relationship between heavy industry on the one hand and light industry and agriculture on the other."⁴¹

The Great Leap Forward's emphasis on entire workforce mobilisation created prospects for women's labour advancement. The concept of Iron Women emerged as women were increasingly required to labour in agriculture and industry, and policy encouraged them to do so. Women performed traditionally masculine jobs in both fields and industry, with significant moves of women into executive positions. Women competed for high production, and those who distinguished themselves became known as Iron Women.⁴² In 1958, Mao chastised CCP lefties who sought to end communist commodities production and exchange. In doing so, Mao confirmed the theoretical stance earlier expressed by Joseph Stalin that commodity production should not always be associated with the capitalist mode of production because in socialism, the money system is created to consolidate and develop socialist production.⁴³

In the middle of the Second Five-Year Plan (in the early 1960s), the economy began to recover from the Great Leap Forward's shortcomings. China's development was accelerating, notably in the manufacturing of material commodities. According to historian Maurice Meisner, this generated a dilemma for CCP leadership: although rapid economic expansion and ideological revolution were vital to liberate the productive force of the masses, it also heightened the risk of China backsliding into capitalism.⁴⁴

Although the Third Five-Year Plan was scheduled to begin in 1963, economic turbulence during the Great Leap Forward period persuaded CCP leadership to postpone the plan until 1966. In the meantime, a group led by Liu Shaoqi tried to revitalise the economy through an enlarged role for markets, better material incentives for workers, a lower rate of investment, a more moderate pace of development goals, and additional support for consumer sectors.⁴⁵

Cultural Revolution Period, 1966–76

The Cultural Revolution was launched by Mao Zedong in 1966 and ended in 1968, although the aura of extreme leftism lingered until Mao's death and the fall of the Gang of Four in 1976. Several separate economic policy phases existed throughout this time. Until the Cultural Revolution, China had paid rewards to the former capitalist class based on the value of property seized during the revolution.⁴⁶

The state's Third Front campaign began in 1965 and continued throughout the Cultural Revolution. Fearing an invasion by the Soviet Union or the United States, China launched a huge drive to create industrial and national security facilities in remote places, as well as the necessary infrastructure. The Third Front's expansion also resulted in the introduction of higher quality consumer and cultural items into China's hinterlands. The rapprochement between the US and China weakened the reasons for the Third Front building, and projects were eventually wound down, with many being privatised during China's Reform and Opening Up. Through the development of infrastructure, industry, and specialised skills in these remote regions, the Third Front construction provided the framework for continuing economic development in China's western provinces even after the program ended.⁴⁷ During the Cultural Revolution, the People's Bank of China ceased commercial banking operations. In 1969, the State Council approved the consolidation of the People's Bank of China headquarters as

⁴¹ Ching, Pao-Yu, *Revolution and Counterrevolution: China's Continuing Class Struggle Since Liberation (2nd ed.)*. (Paris: Foreign Languages Press, 2021), 114.

⁴² Karl, Rebecca E. *Mao Zedong and China in the Twentieth-Century World: A Concise History*. (Durham: Duke University Press, 2010), 63.

⁴³ Eyferth, Jacob, "One Country, Two Material Cultures"18.

⁴⁴ Cai, Xiang; *Revolution and Its Narratives: China's Socialist Literary and Cultural Imaginaries (1949-1966)*39.

⁴⁵ Meyskens, Covell F. *Mao's Third Front: The Militarization of Cold War China*. (Cambridge, United Kingdom: Cambridge University Press, 2020), 54.

⁴⁶ Ching, Pao-Yu, *Revolution and Counterrevolution: China's Continuing Class Struggle Since Liberation (2nd ed.)*. (Paris: Foreign Languages Press, 2021), 76.

⁴⁷ Marquis, Christopher; Qiao, Kunyuan. *Mao and Markets: The Communist Roots of Chinese Enterprise*...13.

a bureau within the Ministry of Finance, and local branches were merged into local government finance departments. This effective downgrading of the PBoC continued for ten years.⁴⁸

After Nixon's trip to China in 1972, investment in the Third Front region gradually decreased. The rapprochement between the United States and China reduced the threat of invasion that inspired the Third Front's development. In August 1972, the Planning Commission suggested that the First and Second Fronts no longer see supporting the Third Front as their "primary task," instead relegating it to a "important task." The Planning Commission also expressed worries about the quantity of Third Front money, resulting in the neglect of heavy industry elsewhere, as well as insufficient investment in agriculture. After a CCP meeting in May 1973 decided to shift state investment efforts away from the Third Front and towards the northeast and coastal regions, the Third Front was no longer the country's most important economic goal. Agriculture and light industry became more major objectives.⁴⁹ When Reform and Opening Up began in 1978, China began winding down Third Front initiatives with a "shut down, cease, merge, transform, and move" plan.⁵⁰

Gang of Four, 1974–76

Mao's final years included a time of overall economic turmoil as a wave of strikes, factory slowdowns, and worker absenteeism developed in the majority of major industrial centres, accompanied by an upsurge in crime, including the looting of state granaries. The rationing system expanded to cover more than 80 percent of staple items and consumer goods.⁵¹ However, by 1975, China's economy was operating well according to most traditional economic indicators.⁵² Although the economy was not on the verge of collapse, as some post-Mao historical narratives portray, it did face widespread economic difficulties as a result of political instability and the consequences of China's developmental model, which prioritised industrial and military capacity expansion over consumption. SOE-led investment in heavy industry contributed to the economic downturn in the early 1970s. However, it generated an education pool of workers, low indebtedness, and state capital, which served as a foundation for the success of the later reforms.⁵³

Reform of the Economic System, Beginning in 1978

Despite political turmoil during the Mao era, China's GNP increased by an average of 6.2 percent year from 1952 to 1978. Industrialisation during the Mao era resulted in large accumulations of both physical and human capital, laying the groundwork for China's successful reforms. The World Bank's first study on China evaluated the Mao period highly, citing fast development and industrialisation, as well as the "virtual elimination of the worst aspects of poverty," but it also recognised areas for improvement.⁵⁴ However, Chinese reformers were more critical. For example, Hu Qiaomu's July 1978 report to the State Council, "Act in Accordance with Economic Laws," classified the peasant situation as terrible and calculated that grain output had just maintained pace with population increase.⁵⁵

At the historic third plenary session of the 11th Central Committee of the Chinese Communist Party, which began on December 22, 1978, party leaders agreed to launch a program of gradual but profound economic reform. Traditional historical interpretation identifies December 1978 as the commencement of China's economic reform, however some reform attempts had previously begun prior to Mao's death in 1976.⁵⁶ The reform program's goal was not to forsake communism, but to improve it by significantly boosting the role of market processes in the system and reducing—rather than eliminating—government planning and control. According to the CCP,

⁴⁸ Liu, Zongyuan Zoe. *Sovereign Funds: How the Communist Party of China Finances its Global Ambitions*...45.

⁴⁹ Meyskens, Covell F. *Mao's Third Front: The Militarization of Cold War China*. (Cambridge, United Kingdom: Cambridge University Press, 2020), 33.

⁵⁰ Marquis, Christopher; Qiao, Kunyuan, *Mao and Markets: The Communist Roots of Chinese Enterprise*... 11.

⁵¹ Wu, Yiching, *The Cultural Revolution at the Margins: Chinese Socialism in Crisis*. (Cambridge, Mass.: Harvard University Press, 2014), 205

⁵² Russo, Alessandro. *Cultural Revolution and Revolutionary Culture*. (Durham: Duke University Press, 2020), 264.

⁵³ Meyskens, Covell F. *Mao's Third Front: The Militarization of Cold War China*. (Cambridge, United Kingdom: Cambridge University Press, 2020), 67.

⁵⁴ Russo, Alessandro. *Cultural Revolution and Revolutionary Culture*. (Durham: Duke University Press, 2020), 264.

⁵⁵ Weber, Isabella. *How China Escaped Shock Therapy: The Market Reform Debate*. (Abingdon, Oxon: Routledge, 2021), 71.

⁵⁶ MacFarquhar, Roderick, *The succession to Mao and the end of Maoism*. In Roderick MacFarquhar (ed.). *The Politics of China* (2nd ed.). (Cambridge University Press, 1987), 320.

economic planning would serve as a market steering mechanism. Therefore, the CCP did not see its changes as the cornerstone for a liberal market economy.⁵⁷

In general, changes during this period began as local trials, which were then embraced and expanded abroad after their effectiveness was proved. Officials had little consequences for trying and failing, while those who created successful initiatives earned widespread acclaim and accolades. The government reinstated dividend payments to Chinese capitalists whose property had been confiscated after the revolution (the practice had been discontinued as a consequence of a campaign during the Cultural Revolution), including interest.⁵⁸

By 1987, the initiative had produced tremendous achievements in terms of expanding food and other consumer goods supply, as well as creating a new atmosphere of economic vitality and opportunity. At the same time, the changes had produced new challenges and tensions, resulting in heated debate and political battles about the program's future. From 1978 to 2007, China's GDP expanded by 10 percent yearly, and per capita income surged tenfold.⁵⁹

Challenges/Setbacks of China's Post-Civil War Economy

The Chinese Civil War, a long-running war between the Nationalist Party (Kuomintang or KMT) and the Communist Party of China (CPC), had deep historical origins and complex reasons that spanned both ideological and sociopolitical worlds. The civil war, which ran sporadically from 1927 to 1949, helped establish contemporary China's political environment. The origins of this struggle may be traced back to the early twentieth century, when China was ruled by the Qing Dynasty, a system plagued by internal corruption and foreign intrusion. The downfall of the Qing monarchy created an environment for revolutionary ideals to flourish, particularly when the monarchy fell in 1911. Revolutionary sentiments among Chinese intellectuals were fuelled by the Qing government's inability to safeguard China's sovereignty, as proven by humiliations like the Opium Wars and concessions pushed by Western countries and Japan. This period of humiliation offered fertile ground for the ideological division that would ultimately fuel the civil war.⁶⁰

Following the resignation of the Qing emperor, China's early republican years were characterised by fragmentation and the development of regional warlords who governed various areas of the country. Despite the foundation of the Republic of China in 1912 under the leadership of Sun Yat-sen and the KMT, the political vacuum left by the Qing's fall made it impossible to form a unified central administration. Warlordism arose when regional leaders prioritised local power over national unity, severely undermining the republican administration. The KMT intended to unite China, but its strength was limited, and it struggled to exert control over the divided areas. This period of warlord authority and instability, known as the "Warlord Era", left China economically devastated and socially split, paving the way for revolutionary groups such as the CPC to acquire clout among the disillusioned public.

The ideological split between the KMT and the CPC was compounded by their opposing views on foreign imperialism and China's destiny. While both parties wanted to eradicate imperialist influence in China, the KMT took a stronger nationalist stance, motivated by Sun Yat-sen's Three Principles of the People, which emphasised nationalism, democracy, and the people's well-being. The CPC, on the other hand, was motivated by Marxism-Leninism and campaigned for a communist government that abolished class divisions and redistributed income. The May Fourth Movement of 1919, a protest against the Chinese government's lukewarm response to the Treaty of Versailles, which awarded Japanese rule over former German areas in China, further polarised Chinese intellectuals and young, driving many to support communism. This campaign provided a rallying point for anti-imperialist emotions, accelerating the expansion of both the KMT and the CPC, albeit it catalysed a significant ideological divide between the two.⁶¹

The First United Front (1923–1927) was a transitory alliance created by the KMT and CPC to battle warlords and unite China. This relationship, however, was plagued with underlying tensions, as the KMT was concerned about the CPC's rising dominance inside the alliance. The Northern Expedition, a military operation aimed at uniting China and putting an end to warlord rule, first looked to be a success, yielding significant victories for both parties.

⁵⁷ Liu, Zongyuan *Zoe Sovereign Funds*, 19.

⁵⁸ Jin, Keyu. *The New China Playbook: Beyond Socialism and Capitalism*. (New York: Viking, 2023), 76.

⁵⁹ Roach, Stephen S. *Accidental Conflict: America, China, and the Clash of False Narratives*. (New Haven: Yale University Press, 2022), 32.

⁶⁰ Fairbank, John King, and Merle Goldman. *China: A New History*. 2nd ed. (Cambridge: Belknap Press of Harvard University Press, 2006), 75.

⁶¹ Spence, Jonathan D. *The Search for Modern China*. 3rd ed. (New York: W.W. Norton & Company, 2012), 71.

Following Sun Yat-sen's death in 1925, a power struggle erupted inside the KMT, and its new leader, Chiang Kai-shek, increasingly saw the CPC as a danger to the KMT's supremacy. In 1927, Chiang launched a ruthless purge of communists known as the "White Terror," thereby destroying the First United Front and signalling the commencement of open warfare between the KMT and the CPC.⁶²

The Japanese invasion of Manchuria in 1931, and the following commencement of the Second Sino-Japanese War in 1937, exacerbated the civil war dynamics. Although the KMT and CPC created the Second United Front in reaction to Japanese assault, their cooperation was once again strained. Chiang's priority was on solidifying his power in China rather than actually engaging with the CPC. Meanwhile, the CPC utilised the conflict to strengthen its influence in rural regions and create support among peasants, building a stronghold in northern China. Throughout this time of uneasy collaboration throughout World conflict II, the CPC was able to strengthen its military and acquire popular support, paving the way for a new phase of civil conflict following Japan's surrender in 1945.

The post-World War II era saw the culmination of the civil war, with both the KMT and the CPC contending for control of China. Under Mao Zedong, the CPC increased its base via guerrilla warfare and land reforms that drew in the rural masses. Corruption, inflation, and a lack of popular support damaged the KMT as its administration tried to handle China's postwar economy. Furthermore, the CPC's ability to mobilise peasants and their grievances against landowners and the old elite provided them an advantage against the KMT, whose support was mostly urban and elite. By 1947, full-scale combat had begun, with the CPC troops slowly marching towards victory.

International influences had a huge impact on the civil war. During World War II, both the United States and the Soviet Union became involved in Chinese politics, each supporting a separate side. The United States supplied significant military and financial help to the KMT, seeing it as a bastion against communism, but the Soviet Union first provided minimal support to the CPC. However, the CPC's ability to harness Soviet backing more effectively, along with the KMT's growing unpopularity among the Chinese people, contributed to the CPC's final victory. By 1949, the CPC had seized control of the majority of China, and Chiang Kai-shek and his remaining forces fled to Taiwan, thereby ending the civil war on the mainland.

The civil war was more than just a struggle for political power; it was a clash of ideals between nationalism and communism, impacted by both domestic and international factors. The fall of the Qing Dynasty, warlordism, foreign meddling, and ideological differences within Chinese society all contributed to the conditions that made civil war unavoidable. The CPC's final triumph signalled the establishment of the People's Republic of China under communist control, fundamentally altering China's social, economic, and political systems.

The Chinese Civil War is an important event in comprehending contemporary Chinese history because its consequences continue to influence cross-strait ties between China and Taiwan, as well as China's internal policies. The CPC's triumph also created a precedent for other revolutionary forces across the world, establishing China as a major actor in the Cold War, siding with the Soviet Union against the capitalist bloc led by the United States. Thus, the battle was not only a key period in Chinese history but also an important occurrence in the larger framework of twentieth-century global history.⁶³

Conclusion

This study attempted an examination of China's economy between 1949 and 1978. It revealed the significant impact of the early Communist Party's centrally planned model on China's socio-economic development and highlighted the limitations and challenges of a command economy in an impoverished, agrarian society. The period was characterised by broad structural reforms, such as collectivisation and industrial planning, to transform China into a self-sufficient communist state. However, political upheavals, like the Great Leap Forward and the Cultural Revolution, impeded economic stability and progress, frequently resulting in great misery, such as the famine in 1959-1961. However, the impact of these policies surpassed the challenges. These decades' experiences taught China's leadership valuable insights, which led to market-oriented reforms in the late 1970s. This move established the groundwork for China's fast economic expansion in succeeding decades, emphasising the significance of adaptability and pragmatism in meeting the complex economic requirements of big, diversified people. Understanding this foundational period helps us to comprehend the historical backdrop and obstacles that moulded China's distinctive route to modernisation and global economic relevance.

⁶² Van de Ven, Hans J. *War and Nationalism in China: 1925–1945*. (London: Routledge, 2003), 64.

⁶³ Meisner, Maurice. *Mao's China and After: A History of the People's Republic*. 3rd ed. (New York: Free Press, 1999), 115.