

A reduction in poverty that is unprecedented in history

Such stunning economic growth has meant that the living conditions of China's citizens has improved and is confirmed by the fact that since 1978 the number of poor fell from 250 million to 30 million. A reduction of poverty on this scale and within such a short period of time is unprecedented in history. Indeed, over the past 25 years China is probably the only country in the world that has reduced the total number of its poor.²

China is undergoing an industrial revolution of the type experienced by Great Britain from the late eighteenth century

What has caused this dramatic increase in China's economic prosperity and is it sustainable? **Urandaline's** view is that China is undergoing an industrial revolution of the type experienced by Great Britain from the late eighteenth century and which transformed that country into an industrial and urbanised society. Six general changes characterised Britain's industrial transformation. These were:

- § Industry became the foundation of the nation's economy rather than agriculture.
- § The bulk of the population became urban dwellers as towns developed.
- § Most industrial activity took place in purpose-built factories rather than in people's houses.
- § Steam became the main source of power to drive machinery rather than muscle, animal and water power.
- § There was a rapid growth of industrial output leading to the development of a large export trade.
- § The industrial changes brought widespread social repercussions upon the way people lived, worked and played³.

The changes in Britain occurred over many years where China's transformation has progressed over a much shorter period

These characteristics can be applied to other countries that have industrialised and as such they are particularly relevant to the changes that have taken place in China over the past 25 years. There are however some obvious differences. For example, the changes in Britain occurred over many years where China's transformation has progressed over a much shorter period of time. Nonetheless, the six characteristics provide a rudimentary paradigm for understanding the changes now occurring in China.

While the factors driving change may have been different the outcomes were the same

In many cases the factors driving the changes were different though the outcomes were the similar. For example, in Britain the improvement in agricultural productivity was driven by the introduction of crop rotation and the Land Enclosure Acts, but in China government incentives drove increased productivity. However in both cases the end results were

² Shenggen Fan, *Reforms, Investment and Poverty in Rural China*, Economic Development and Cultural Change, p.396

³ David Taylor, *Mastering Economic and Social History*, Macmillan, 1988, p.43

similar – the country became self sufficient in food and no longer required as many farmers to work the land.

Deng Xiaoping gave the signal to dismantle the rural collectives that had been set up by Mao

Agriculture was the first sector in China to be affected by the reform initiatives. In 1978 the government partially freed up agricultural prices and allowed farmers to sell any surplus to the market. Later Deng Xiaoping gave the signal to dismantle the rural collectives set up by Mao in the 1950s. The rural collectives were disliked by the farmers who never really embraced Mao's utopian vision, with the result that while the communes existed, agricultural productivity stagnated.

Individual households could produce goods of their own choosing for the open market after having fulfilled state quotas

Deng replaced the rural collectives with the *household responsibility* system which provided that individual households could produce goods of their own choosing for the open market after having fulfilled state quotas. The government also increased the price it paid farmers for grain by 20% and the price of above quota grain by 50%. The reforms were an immediate success and grain production grew such that China became self sufficient in food.

Increased productivity meant that there were now surplus workers

The dramatic increase in agricultural productivity had two important consequences. Firstly, increased productivity meant that there were now surplus workers. A strict residence registration system prevented migration of surplus labour to urban areas so the local government needed to find jobs for these people. Secondly, increased agricultural output eventually translated into higher disposable incomes which in turn led to greater demand for basic consumer goods.