DIFFERING VISIONS OF CHINA'S POST-MAO ECONOMY

The Ideas of Chen Yun, Deng Xiaoping, and Zhao Ziyang

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Since the Third Plenary Session of the Eleventh Central Committee of the Chinese Communist Party (CCP) in December 1978, Chen Yun, Deng Xiaoping, and Zhao Ziyang have been the leaders most responsible for the formulation of economic policy in the People's Republic of China (PRC). While many other top leaders have played a role in economic decision making, they do not command the same amount of prestige, power, and authority on economic questions as these three do. Indeed, if we add Hu Yaobang, the general secretary of the CCP, to this threesome, one has effectively listed the four most powerful and important leaders in China today. However, since Hu Yaobang has not been particularly active in the economic realm (his most important discussion of economic issues, at the Twelfth Party Congress in 1982, is largely a composite of views expressed by Chen Yun and Li Fuchun at the Eighth Party Congress in 1956), he will not be considered here.

Chen Yun (born in 1905), China's leading economic policy maker throughout most of the 1950s and the early 1960s, was out of political favor until the Third Plenum. At that conclave he was made a member of the Standing Committee of the CCP Politburo, a vice premier of the State Council, and shortly thereafter head of the Finance and Economy Commission of the State Council. Chen had headed similarly titled commis-

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sions in the early 1950s and early 1960s, when he was responsible for restoring the Chinese economy to health after two very different economic disasters. Chen’s views of how to run the economy in the late 1970s and early 1980s were remarkably consistent with his ideas on how to manage economic affairs in the mid-1950s.2

Few are unaware of the preeminence of Deng Xiaoping (born in 1904) in Chinese politics since his rehabilitation from the Cultural Revolution in 1973. In contrast to Chen, who made his career in economic affairs, Deng usually held generalist positions that included his overseeing economic policies. Prior to the Cultural Revolution, there is little evidence that Deng was a key player in economic policy making. After the Third Plenum, where Deng consolidated his position as China’s most powerful politician, he was forced to take responsibility for overall policy making.3

Zhao Ziyang (born in 1919) started the post-Mao era as the first party secretary of Sichuan Province and a member of the Central Committee. At the Eleventh Party Congress in August 1977, he was named an alternate member of the Politburo. In September 1979 he became a full member of that body. He was named to the Politburo Standing Committee in February 1980 and elevated to the post of premier of the State Council in

2. For a full political biography of Chen Yun and his role in Chinese politics, see David M. Bachman, *Chen Yun and the Chinese Political System* (Berkeley: Center for Chinese Studies Research Monograph No. 29, 1985).

September 1980. Zhao had had a long career as a provincial official, particularly in Guangdong Province, and spent much of that time involved in economic, particularly agricultural, affairs.4

In this article I attempt to summarize and categorize the basic positions of these three major figures on the nature of economic policy and their views on desirable economic changes in China. The views of each leader will be considered individually, and on this basis, a general comparison will be made.

First, several caveats and additional introductory remarks are in order. Most important, one should not assume that the Chinese economy presently approaches or in the future will approach any of the views of these three men. I am not concerned with the question of policy making or policy implementation here, but rather with what these leaders said and did. No attempt is made to consider systematically whose views were the most influential, or whether, if any of the opinions expressed by these individuals did become policy, those directives were actually carried out. The purpose of this essay is to ascertain what in fact were the positions of Chen, Deng, and Zhao on economic questions. How were they different, where were they in conflict? Answers to these questions and a basic summary of the views of these three individuals may help provide observers with some insights about future economic developments in China—but not necessarily. While their ideas provide a fair measure of what the political elite in China feels is desirable and/or acceptable, this article is not a prediction of what the final shape of economic reform in China will be.

There are a certain number of methodological problems that must be confronted in such an effort. First is the data on which this analysis is based. The material on Chen Yun comes largely from a two-volume set of internal study materials issued in China and released in the West by Taiwan sources. I have attempted to assess the veracity of the Taiwan edition and am fairly confident that it is a copy of the PRC original.5 This volume was designed for cadre study and for putting across the “correct” PRC


message. Articles have no doubt been edited so that a more unified picture of elite ideas is presented than is in fact the case.

Related to the question of the reliability of this volume is the question of what the leaders have chosen to include and what they have decided not to include. (The same question applies to the major sources used to develop Deng’s views, his selected writings.) Obviously, a complete record of what these leaders said from 1978 to 1982, the years that will receive most attention here, is not available, but can we assume that what has been made available is the most representative?

A second problem concerns the role of these three officials. Chen, Deng, and Zhao did not have the luxury of sitting down and trying to describe or develop an optimal economic system for China. All are top leaders responding to changing, and sometimes difficult, economic conditions. Often they had little choice but to deal directly with the pressure of events. In other words, they often lacked the capacity to take the initiative, and consequently may not have put forward their most ambitious ideas. Furthermore, Chen, Deng, and Zhao were politicians. The positions they took were affected by the activities of other leaders and by their perception of how key elements of the Chinese polity would respond. They may have deliberately compromised to win political support, or fudged an issue in an effort to avoid antagonizing an important sector of the political system. In short, their roles as Chinese politicians meant that the three could not speak completely freely or openly about what they really felt should be done.

Another problem is that a number of the speeches used as data sources for this article were made at formal meetings. This is particularly the case with Zhao Ziyang and his reports on the work of the government to the National People’s Congress. Such reports are routinely discussed and cleared by the Politburo. Zhao and his speech writers no doubt play the major role in formulating these documents, but it would be something of a mistake to say that every word in Zhao’s reports reflects views he favors.

The final problem is that the views of some of these leaders change over time. Which statements reflect the true aspirations of that leader? How can his vision of the post-Mao future be determined when his ideas seem to change rather substantially? I have tried to compensate for some of these problems as far as possible, but nothing offered here is beyond reproach. With these warnings in mind, let us turn to the ideas of Chen Yun, Deng Xiaoping, and Zhao Ziyang.
Chen Yun

Of the three leaders under consideration, by far the least amount of material is from Chen Yun. From early 1979 to late 1982, there are only eight items on economic affairs by Chen, none longer than six pages. A major reason for this relative lack of material is Chen's reported poor health. Another is political style—Chen prefers to work quietly behind the scenes and rarely appears in public. Yet despite this relative lack of data, the information that is available suggests a remarkable degree of continuity between Chen's ideas on running the economy in the 1950s and 1960s and his views on the economy today.


8. The Chinese themselves have made this point by publishing two volumes of internal materials on Chen's economic speeches from the 1950s. See Chen Yun Tongzi Wengao Xuanbian (1956–1962) (Selected Manuscripts of Comrade Chen Yun), (Sichuan: Renmin Chubanshe, 1981), and Chen Yun Wengao Xuanbian (1949–1956) (Selected Manuscripts of Chen Yun), (Beijing: Renmin Chubanshe, 1982). The first volume has been translated in
Perhaps foremost among Chen’s concerns is combining planning with market adjustment. While he is vague on just how large a role the market should play (as are all other Chinese leaders), he upheld the indispensability of supply and demand in determining the production of many goods. While the planned sector of the economy was primary, the market sector was also essential. Chen’s conception of the market seemed to imply a market that Western economists might understand—it would be “blind” and “anarchistic” and reflect the “law of value” (commodities exchanged at equal values). In 1979, the problem was that planning was overly rigid and excessive. He concluded an outline for a major speech on the plan and the market by saying, “It is not necessarily the case [that as socialism develops] the planned economy will become larger and larger, and market adjustment will be reduced. Perhaps it is market adjustment that will increase.”

By late 1981 and 1982, Chen devoted rather more emphasis to the planned economy. He declared that the relationship between the planned economy and the active economy (i.e., the market) was like a bird and a cage. The plan was the cage and the market was the bird. If the cage was too tight, the bird would suffocate. If there was no cage, the bird would fly away. He stressed that planning must continue to govern many parts of the economy, including agriculture. This was particularly the case with the area sown to grain and vegetables. In case others thought that Chen was too conservative in this, he pointed out that Zhao Ziyang and Wan Li, the two most prominent agricultural reformers, recently had said the same thing. But in the increased scope of planning Chen included such things as determining whether there were markets for a factory’s products, where the factory will obtain its raw materials, etc. In fact, Chen noted that capitalist enterprises engage in a similar sort of planning. He thus suggested a rationalization of China’s planning procedures, and not just a return to the old style of Chinese planning, which almost exclusively emphasized gross output. Nonetheless, Chen’s call to strengthen planning remained vague.10

Chinese Economic Studies, 15:3–4 (Spring–Summer 1982). The second volume, for the years 1949–1956, was openly published in 1984. Study materials written by Deng Liqun, currently a member of the Party Secretariat and formerly head of the Propaganda Department, explicitly link Chen’s former ideas with his current views. See Deng Liqun, Xiang Chen Yun Tongzhi Xuexi Zuo Jingji Gongzuo (In Doing Economic Work, Learn from Comrade Chen Yun), (Sichuan: Zhonggong Zhongyang Dangxiao Chubanshe, 1981).

9. “Jihua yu Shichang Wenti.”
Chen's other major area of concern was the readjustment of the economy. He was credited with being the person behind the suggestion to carry out the "readjustment, restructuring, consolidation, and improvement" of the Chinese economy over a three-year period. This was not the first time Chen advocated the readjustment of the Chinese economy. His views in the late 1970s and early 1980s echoed his earlier speeches in 1956–57 and 1961–62.

In Chen's mind, readjustment involved an integrated set of policies that included an expanded role for financial control in state planning, a reduction of output target levels, reduced capital construction, particularly in heavy industry, and a bias against producers' goods. Often readjustment was associated with the establishment of a Finance and Economy Commission to oversee the work of planning, financial, and production bureaucracies. Not coincidentally, Chen was the head of these commissions during periods of readjustment.

Chen argued that the "three balances" had to be achieved if the economy was to be run well. This meant that the budget could not be in the red, bank loans and repayment of loans had to correspond, and there had to be a balance between supply and demand. (Since 1979 a fourth element has been added to the three balances—a balance of foreign exchange earnings and expenditures.) The three balances strengthened the hand of the finance and trade xitong (bureaucratic system) in China because the Ministry of Finance, the People's Bank of China, and the Ministry of Commerce were the three principal organs in charge of seeing that the three balances were achieved. This undercut the hegemony of the planning bodies in economic decision making and weakened the hold of heavy industrial priorities on planning. In the post-Mao period, he wanted to rehabilitate the name of the financial, banking, and commercial authorities (subject to severe criticism during the Cultural Revolution). More than other units, these bodies quickly grasped the nature of the overall economic situation.

Chen had an absolute abhorrence of budget deficits and demanded strict financial centralization. In this he took a much more serious view of Chinese budget deficits than did Deng Xiaoping and, to a lesser extent, Zhao Ziyang. His demand for financial centralization was a criticism of the fi-

nancial decentralization announced in early 1980.\textsuperscript{14} Chen was an extreme financial conservative in regard to budget deficits.\textsuperscript{15}

Another major element in Chen's ideas on readjustment was his demand that capital construction, particularly in heavy industry, be cut. In early 1979 he declared that the plans mentioned by Hua Guofeng in early 1978 to achieve the Four Modernizations were frankly impossible. Instead of producing 60 million tons of steel by 1985, it would be fine if China produced 45 million tons at that time and 80 million tons by the year 2000. Indeed, instead of achieving most of the Four Modernizations by 1985 as Hua Guofeng (and others) had originally proposed, Chen thought that the year 2000 was a more realistic date. In regard to the desire of the Ministry of Metallurgical Industries to develop China's steel capacity rapidly, he said:

The Ministry of Metallurgical Industries has brought up the idea of importing advanced technology and equipment. I have read all their documents. They are good hearted, and they want to produce more. This is understandable. What Communist Party member does not think of producing more steel? Formerly I was practically the only one who advocated producing less steel, moreover, I was practically the only one who argued the less steel produced the better. What kind of thing is this! I am a Communist Party member, and also hope to produce some more steel. The question is can steel production be increased or can't it. The present conditions are: 1. The Ministry of Metallurgical Industries sees this [overly] simplistically, and 2. sees this in isolation [to all other aspects of the economy]. In the final analysis, is to borrow so much money from foreigners [to continue to expand steel production] a reliable method or not?\textsuperscript{16}

Chen's answer was that this was an absolutely unreliable basis for increasing steel production.

He asserted the principle that first it was necessary to feed the people, then build up the country. This meant that production first must go to ensuring that living standards met minimal requirements, and in fact improved gradually. Only after this level of consumption was met should


\textsuperscript{15} See "Zai Caijing Weiyuanhui" and "Jingji Xingshi."

\textsuperscript{16} "Tiaozheng Guomin Jinji," p. 76.
new construction projects be undertaken. Implicitly, this meant that consumer goods should be more important than heavy industry.17

For Chen, industrial modernization was to be based on technical transformation, not new construction. During a five-year plan, he advocated that no more than one huge capital construction project, such as the Baoshan Iron and Steel Mill, be constructed.18 But he avoided discussing the specific microeconomic policies that might bring about technical transformation of existing industries. In fact, in Chen’s post-Mao speeches, he does not discuss microeconomic management at all.

Above all, Chen upheld the primacy of overall interests—that is, the interests of the center—over the interests of the localities. At the close of a speech to provincial officials, in which he was particularly outspoken in his demands for centralization, Chen said:

The words that I have spoken are all Beijing dialect [Beijing hua]. Comrades from the localities say people from Beijing [i.e., central officials] speak Beijing dialect. I am from Shanghai, but my words are all Beijing dialect. Some comrades say after Comrade [Zhao] Ziyang arrived in Beijing, he spoke Beijing dialect. I think this is correct because Comrade Ziyang is in charge of managing state affairs.19

There is one other area that has concerned Chen Yun repeatedly since 1978—the question of China’s involvement in the international economy. While not denying that China should open its doors somewhat, Chen argued that China’s international borrowing should be strictly controlled and that the experiences of the Special Economic Zones should be evaluated carefully. Chen had no objection to expanding exports greatly as long as different units did not compete against each other and lower the price that China would obtain for its exports. He repeatedly warned that Chinese borrowers had to consider how they would repay their loans. He noted that foreign lenders were still capitalists and that they lent China money so that they could make money. Cadres had to be alert to the fact that capitalists were not doing China a favor, but trying to make the most money possible from the Chinese. He asserted that he was not saying do not borrow from capitalists, just that China had to think through clearly the implications of borrowing. Chen saw foreign borrowing as something of an escape device for heavy industry to evade readjustment at home by

17. Chen frequently spoke on feeding the people and building the country. See, for example, “Jiaqiang Jihua Jingji.” This view has become official policy and is often repeated by numerous officials.
borrowing money to continue capital construction projects. This may have colored his views on borrowing. He did favor loans from the World Bank and the International Monetary Fund much more warmly than he did loans from foreign banks.20

Chen was also concerned about special economic zones (SEZs). According to an article in a Hong Kong left-wing journal, Chen was the only member of the Politburo who had never visited any of the SEZs (it should be noted that his son and his staff have visited Shenzhen, suggesting that Chen’s failure to make an inspection tour may be at least partially determined by his health).21 He repeatedly stated that the experiences of the SEZ had to be “summarized.” No other SEZ should be developed, and despite desires by all provinces to set up SEZs, this should not be allowed to happen. In particular, Chen explicitly ruled out the formation of a special economic zone in Jiangsu province.22 It would appear, then, that Chen was somewhat ambivalent about SEZs in particular and about the process of opening up China to the international economy in general. He did not openly oppose this policy, but he wanted to ensure that the Chinese government retained full control over China’s interaction with international corporations and banks.

Recent accounts suggest that Chen’s doubts about openings to the West have softened. An important article describing the extension of the open policy in 1984 quotes him saying, “In running the special zones, we must constantly sum up experience and strive to run them more successfully.” He also stated, “Although the special zones, including Shenzhen, do not have ‘special products’ [quantou chanpin, literally ‘fist products’], Shenzhen has new management methods, which are its ‘fists.’ This type of management has developed very quickly! That is good.” The article states that he supported the opening of 14 additional cities in 1984, although he did not attend the April 30, 1984, Politburo meeting when this was decided. While this may indicate Chen objected to the policy, it has also been Chen’s habit in the past several years to spend the winter and the spring in Hangzhou.23 In a further illustration of Chen’s increasing commitment to the open policy, in spring 1985 he met with a black American businessman who had concluded several joint venture hotel deals in China.

This was the first time since 1939 that Chen had met with an American.\textsuperscript{24} Finally, in a speech to the Discipline Inspection Commission in September 1985, Chen said, “The policy of opening to the outside world by importing advanced technology and management expertise to serve China’s needs for socialist construction is entirely correct and must be firmly upheld.”\textsuperscript{25}

Chen Yun’s economic views might be summed up as follows. The market is an integral, though subordinate, part of the socialist economy, though the scope of market regulation may vary. He was silent about the important question of just how much price fluctuation he was willing to tolerate when the market operates. He was in favor of the strict readjustment of the Chinese economy. Capital construction, particularly in heavy industry, was to be tightly controlled. The three balances were to serve as a check on state planning to ensure that capital construction was not excessive and that the needs of the people were met before new construction was undertaken. A balanced budget was extremely important to Chen, and financial centralization critical. Finally, Chen had somewhat ambivalent feelings about China’s opening to the West. Borrowing and experiments such as SEZs could be undertaken, but the leadership should be ever watchful to see that China never lost control of the terms of China’s engagement with the international political economy. In short, Chen appeared to emphasize readjustment and control more than he did reform.

\textbf{Deng Xiaoping}

There is remarkably little discussion in the \textit{Selected Writings of Deng Xiaoping} or even \textit{Build Socialism with Chinese Characteristics} on economic affairs.\textsuperscript{26} What comments there are tend to be at a fairly high level of abstraction. We might posit a number of reasons for this. First, Deng actually may not have said much about economic affairs. This seems extremely unlikely, however. In 1975, Deng provoked opposition that ul-

\textsuperscript{24} Zhang Wenzhong, “New Firm Harbours Ambitious Hotel Plan,” \textit{China Daily}, April 3, 1985, p. 2. Chen probably met Edgar Snow in 1939, but apparently no other American met with Chen until this occasion. Chen’s possible anti-Americanism is discussed in Bachman, \textit{Chen Yun}.

\textsuperscript{25} Chen Yun, “Combating Corrosive Ideology,” \textit{Beijing Review}, 26:1, October 14, 1985, p. 15. It might also be noted that at least one of Chen’s children and one of his grandchildren are studying in the U.S. during the 1985–86 academic year, the grandchild in an American public school.

\textsuperscript{26} \textit{Deng Xiaoping Wenzhuan} (n.p.: Renmin Chubanshe, 1983) [hereafter, this source will be cited as Deng]. A translation was issued by Beijing’s Foreign Languages Press in 1984. See also Deng Xiaoping, \textit{Build Socialism with Chinese Characteristics} (Beijing: Foreign Languages Press, 1985). I have not been able to obtain a Chinese edition of this work at the time of writing. This work will be cited as Deng II.
timately led to his purge in 1976 because of his desire to institute the Four Modernizations. It would seem improbable that Deng stopped commenting on economic questions after his second rehabilitation in 1977. Another possibility is that in order to preserve his flexibility in coalition building and maintenance, Deng avoided coming down too strongly in favor of any particular set of economic policies. This might at first seem reasonable, but could China’s top leader avoid siding decisively on major economic issues at some time between 1977 and 1982? Again this is unlikely.

There is the possibility that many of Deng’s ideas may have proven incorrect in light of later developments. Perhaps this is why Deng’s selected works devote so little attention to economic affairs. And this may be why Deng sided with Hua Guofeng’s grandiose plans to modernize China by 1985. Obviously, articles that demonstrated Deng’s partial culpability for the “Great Leap Outward” were not included in the selected works. And perhaps in an effort to encourage cadres to forget that Deng bore significant responsibility for that fiasco, his role as an economic policy maker has been down played in the selected works. A final possibility was that Deng wanted to enhance the authority of his successors by suggesting that Zhao Ziyang, and to a lesser extent, Hu Yaobang, were largely responsible for economic reforms. Thus, Deng may have deliberately played down his role in economic policy making so that Zhao’s independent base of expertise could be established. Whatever the reasons, there is still enough material in Deng’s writings to say some things about his ideas on economic affairs. Because his ideas are more diffuse than Chen Yun’s, it is necessary to employ a more chronological approach.

Beginning in 1975, Deng consistently advocated rectification of top management in factories. He repeatedly stressed that factory managers had to be competent, that orderly and effective rules and regulations should be instituted in all production units. Workers were to be rewarded for their production and not their politics. While managers were to remain responsive to upper level authorities and unified plans, many enterprises were to be transferred to lower levels.

Also beginning at this time, Deng stood firmly in favor of opening up China to foreign trade and technology flows. He wanted China to export petroleum in order to pay for technology imports and establish long-term trade agreements.

28. Deng, pp. 4–7; 8–11; 28–31; and “Some Problems.”
Finally, Deng wholeheartedly supported rapid economic development. This was not only in keeping with Zhou Enlai’s call at the Fourth National People’s Congress to bring about the Four Modernizations, but also served Deng’s political purposes, by moving the political agenda away from the Gang of Four’s primacy of class struggle to concerns of how to bring the Four Modernizations to fruition. Moreover, Deng undoubtedly felt that China’s economic development had to be much more rapid than it was during the early 1970s.\textsuperscript{30} In short, he pushed for accelerating the rate of growth dramatically. This did not mean he pushed quantity at the expense of quality, but he provided the foundation for Hua Guofeng’s (and others) attempts to try to carry out Zhou’s (in fact, Deng’s) plan.

After Deng’s rehabilitation in 1977, he set to work carrying out many of the programs he developed in 1975. He personally volunteered to take charge of scientific and educational work. His role in economic work was unpublicized, but it should be noted that in the first half of 1978, shortly after Hua Guofeng presented the massive modernization plan at the First Session of the Fifth National People’s Congress, the document on accelerating industrial development was circulated as a central document in slightly revised form.\textsuperscript{31} Either Deng took part in the amending of these regulations, acquiesced in the changes that were made without his participation (and it is unlikely that a member of the Politburo Standing Committee would be excluded from participating in the revision of a document he originally had played the dominant role in drafting), or, an even more unlikely possibility, Hua Guofeng outmaneuvered Deng and used Deng’s earlier concern for increasing the rate of development to trap him into supporting the current plan by revising this document. Whatever the case, Deng did not oppose Hua’s plan; more likely, he was instrumental in its formulation.


In March 1978, Deng supported wage reform in China by beginning to discuss the principle of distribution according to work. He pushed for wage readjustments and increases and, most important, favored the restoration of bonus systems. In this regard, he cited the recent Romanian bonus experiments, which he believed had worked quite well. The theme of wage reform was to become a constant in Deng’s subsequent speeches. He was not forthcoming with specifics about how the wage system should be improved and how bonuses were to be instituted, however.

In September, 1978, while meeting with leaders from Jilin Province (perhaps building support for his policies for his pending confrontation with Hua Guofeng at the Third Plenum), Deng expounded on China’s opening to the West:

> When Comrade Mao Zedong was alive, we also considered expanding economic and technical exchanges between China and foreign countries, including the development of economic and trade relationships with some capitalist countries, or even bringing foreign investment, joint investment, etc. But conditions did not exist at the time. . . . As a result of several years of effort, today’s situation exists in which international conditions are much better than formerly, allowing us to be able to absorb advanced international technology and administrative and managerial experiences and absorb their funds. Such conditions did not exist when Comrade Mao Zedong was alive.  

This statement no doubt was a major impetus in the acceleration of the many letters of intent China signed with foreign companies in late 1978. Deng took a very benign view of Sino-Western economic cooperation, and implied that agreements could be reached easily.

In his summation up speech to the Central Work Conference that preceded the Third Plenum (and which in the words of one report became the “theme report” of the Third Plenum), Deng’s remarks were as important for what he did not say as for what he did say. For example, through the end of 1978 Deng never mentioned expanding the role of the market in reforming the economy. He failed to use the phrases “economic laws” or “running the economy according to economic laws,” despite the fact that Hu Qiaomu had given a major speech on the subject in July (published in October 1978, reportedly at Deng’s instigation). At meetings that discussed two major agricultural documents he all but failed to mention the peasantry, except to note the peasants will be more enthusiastic about in-

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32. Deng, pp. 98–99.
33. Deng, p. 122.
creasing production now that production teams were the real basis of decision making in the countryside.

What he did choose to emphasize was decentralization, to both the locality and the production unit. He proposed that many economic laws be drawn up to govern various aspects of the economy including a joint venture law. He suggested that Chinese leaders should learn to use economic methods to administer the economy. He thought that though these measures might create some problems, these could be rather quickly solved. “Only in this way can we make faster progress.” He noted that in the future

whether a Party committee of an economic department is good and effective in exercising its leadership should be determined by the success of the application of advanced management methods, technical reforms, labor productivity, and profits of the economic departments concerned and the increase of the personal incomes and improvement of the collective well-being of the workers.35

He favored the strengthening of responsibility systems in industry—but not in agriculture. Thus, while there is an amalgam of proposals in Deng’s speech to the Work Conference, reform based on the market was not one of them. His favored strategy at this point included rationalization of enterprise authority relations, decentralization of decision making to lower levels and production units, importation of technology and skills from abroad, and increasing economic legislation.

As the extent of the disruptions caused by the Great Leap Outward became apparent, Deng quickly endorsed Chen Yun’s proposed three-year period of readjustment. In late March, after Chen Yun had taken an extremely active role in economic policy making, Deng admitted that there were fairly severe problems in the economy. In particular, proportionate relations (between industry and agriculture, light and heavy industry, and accumulation and consumption) were greatly imbalanced. While he noted that the readjustment of the late 1970s would not be as stringent as that of the early 1960s, he conceded that at present the CCP was much less unified than it was in the early 1960s. Seemingly to reverse his call at the Third Plenum for decentralization, Deng called for a “powerful, centralized leadership and strict organizational discipline” to carry out the readjustment, which would be led by Chen Yun and the Central Finance and Economy Commission. It was in this speech, however, that Deng stated that China had tried to act in accordance with “objective economic laws,” his first mention of that phrase. He toned down his enthusiasm for importing major projects from the West, calling only for a plan for the selective intro-

35. Deng, p. 140. This paragraph is based on pp. 130–143.
duction of foreign technology and other things that were useful to China. But elements of capitalism were not some of the useful things to be imported. Finally, Deng upheld the primacy of the CCP in managing all aspects of social, political, and economic life in China. In other words, Deng seems to have quickly dissociated himself from many of the things he had said barely three months earlier.36

It was not until early 1980 that Deng’s selected writings contain a speech that discussed economic affairs in any depth. Seeming to show a revived concern for increasing the pace of development, he asserted that unless decisive efforts were made to carry out the Four Modernizations in the 1980s, it would be equivalent to a setback. “Therefore, in terms of our construction, the eighties are very important and they are decisive . . . it is necessary that we not delay a single day but carry out the construction of the Four Modernizations with single minded devotion and all our attention.” The old political commissar was reappearing, urging his men to struggle onward, apparently at the expense of stable, measured steps to improve the economy.

Deng also admitted to some general responsibility for the problems associated with the Great Leap Outward:

In all fairness . . . economic departments cannot be blamed for the fact that our past economic work was not well done. [Apart from the damage caused by the Gang of Four and Lin Biao], the responsibility first of all rests on the Central Committee. . . . the lessons should be summarized. Everyone should now concentrate on looking ahead and making positive proposals and should not grumble and reproach others.37

Perhaps Deng did not want his own recent errors carefully scrutinized.

Deng wanted continued readjustment and reform. For the first time he mentioned the market supplementing planned production, and he favored the continuation and expansion of enterprise autonomy reforms. Deng called for principles to reform the economic system to be developed based on the faster and better evaluation of old experiences. Yet, Deng chose not to talk about the serious problems facing the economy. He failed to note, in a speech summarizing the general situation and the tasks of the CCP, that China had recorded the worst budget deficit in its history in 1979. In fact, he barely mentioned financial affairs at all.38 Chen Yun had warned about financial problems four months earlier.

There was but one article in Deng’s works concerning agriculture. This was in itself surprising since most peasants attribute the responsibility system to him. Moreover, his comments on agriculture (in May 1980) were fairly conservative. “Our general orientation is to develop collective agriculture. In places instituting the responsibility system [baochan daohu], the production teams are still the major portion of the economy.” To develop the productive forces in the countryside, the collective economy had to be strengthened further. He wanted collective income increased and the share of collective income as a percentage of total peasant income to increase. Nonetheless, he also favored more specialized households and the vigorous development of commodity production and exchange. He agreed that in the past, collectivization (to say nothing of the formation of communes) occurred too quickly. Implicitly he argued that recent policy changes had not been too abrupt. However, the chief problem in the countryside was that minds had not been emancipated sufficiently. Deng seemed to argue the somewhat contradictory position that policy changes in the countryside should be implemented more thoroughly, but that the collective, or the production team, should remain at the heart of the agricultural system.39

The last major document in Deng’s selected works dealing with economic issues is from late 1980. Deng’s speech summed up a Central Work Conference where Chen Yun and Zhao Ziyang also made major speeches. Chen strongly emphasized readjustment.40 In general, Chen’s views were largely repeated in Deng’s (and Zhao’s) speech. Given that China faced another whopping budget deficit in 1980, this was understandable. Deng noted that since the Third Plenum, Chen had been in charge of financial and economic affairs, and had proposed readjustment. But “due to a lack of understanding in the Party,” this had not been adequately carried out until recently. Financial balance had to be restored, Deng argued. Factories without an outlet for their products, or which were inefficient, should be closed or merged into more efficient production units. Capital construction had to be resolutely controlled. However, Deng suggested that he put rather more emphasis on reform than Chen Yun did:

I fully agree with the views of Comrades Chen Yun and Ziyang, that for a time to come, the focus must be on readjustment and reforms must be subordinate to and benefit readjustment, and must not hamper it. The pace of reform should be slowed down a bit. However, this does not mean that there should be any change in orientation.

It is completely necessary to practice a high degree of centralization in carrying out readjustment. However, we must not go back on those reform measures that have already been proven effective in all aspects. We must continue to enliven the economy and bring into play the initiative of the localities, the enterprises and the workers. Of course, we must guard against blind action . . . 41

Among the reforms Deng most wished to see preserved were the special economic zones and the open door policy generally.

The more recent collection of Deng’s speeches on developments from late 1982 to 1984 supports the view that Deng did not play a very direct role in economic management and that, on occasion, his interventions were dysfunctional. Deng demonstrated a marked concern for speeding development, and perhaps a certain overly optimistic view of how quickly progress could be made.

Thus, in late 1982, he told a leader of the State Planning Commission that “we are in a race against time” and that more projects should be started sooner, if possible. “If some can be started a year earlier, we will get benefits a year earlier. Things must not be allowed to drag on into the next century.” In the same discussion he suggested that it would be better to have unified management through an “authoritative organization” of China’s pool of scientific and technical personnel to speed construction.42 In other words, Deng was not predisposed at this time to allow China’s intellectuals a free labor market. Quite the contrary, centralized allocation of specialized manpower was to be strengthened.

By early 1983, Deng’s concern with the speed of economic development was even more clearly illustrated. He noted that in 1982 the plan called for 4% growth, but that actual growth was 8%. Commenting that excessive targets in the past had led to economic disasters, he argued that the opposite situation had developed. “What happens when an excessive growth rate is achieved—excessive because the targets were set too low?”43 In a later meeting, but continuing in the same vein, he argued that “progress would be too slow if we always made pilot studies on specific problems, taking several years to settle just a few problems.” In other words, careful experimentation and evaluation of experience was not on the agenda at this time. Neither did technical and manpower limitations seem to phase Deng. He called for the expansion of universities and colleges by 50-100% “in the near future.” “This is well within our capacity. . . . The main problem [in achieving this goal] is housing.”44

42. Deng II, pp. 6–9; quotation on p. 7.
43. Deng II, p. 10.
44. Deng II, p. 15.
Deng's comments during late 1982 and early 1983 must have contributed significantly to the overexpansion of investment that developed during this period. He clearly told the State Planning Commission to do more, to hasten the pace. Chinese cadres were sure to pick up on his seeming lack of concern about dealing with problems carefully.45 Perhaps as a result of his advocacy and the problems of overinvestment, apparent by mid-1983, this volume of Deng's works contains no major interjections on economic affairs from early 1983 to early 1984.

His comments of early 1984 concerned China's open policy, where he continued to be on the forefront of opening China up to the West. Deng denied that opening would lead to China's going capitalist, and that income inequalities caused by reform policies would not create a polarization of wealth.46

In the last articles in this edition of Deng's ideas, he provided some details about his role in economic policy making. He began a symposium on China's open-door policy with the following statement:

I am a layman in the field of economics. I have made a few remarks on the subject, but all from a political perspective. For example, I proposed China's economic policy of opening to the outside world. As for the details or specifics of how to implement it I know very little indeed.47

One wonders how many of Deng's audience remember that Mao Zedong made a similar comment about his ignorance of economics at the Lushan Plenum in 1959. A few weeks later, Deng noted that in recent years he had played a somewhat limited role in policy making. He stated that he did not write or revise a single word of the Central Committee Decision on urban economic reform. Nonetheless, it was a good document. Deng noted that he was following a lighter work schedule and that in 1983 he had devoted himself to only one thing, the crackdown on crime. In 1984 he focused on Hong Kong and the further opening policy.48 In short, Deng's direct role in economic affairs appears fairly limited today, and he is not involved in the day-to-day administration of the economy.

Deng Xiaoping's position on economic issues seemed quite flexible. More exactly, he appeared not to speak on economic affairs very often and in detail. Perhaps in internal speeches and directives, Deng's position was

46. Deng II, pp. 25-27 and 35-40. Feng Jianhui ("Xixiang Zhongyao") clearly attributes the impetus for the opening of the 14 cities to Deng.
47. Deng II, p. 49.
48. Deng II, p. 54-56.
more forcefully presented. But for whatever reason, Deng chose not to make his economic views widely available.

Despite this, it is possible to make some summary remarks about his views. First, Deng supported all three major policy lines for developing the Chinese economy (the heavy industry big push, reform, and readjustment) at different times. He placed relatively greater emphasis on enlivening the economy than on the others, however. He was the outspoken champion of opening up China to the international economy through loans, technology transfer, special economic zones, and joint ventures. He also strongly supported decentralization as a strategy for enlivening the economy. He eagerly pushed for the restoration of the principle of remuneration according to labor and the revival of bonuses. In the speeches available to us, he has not been an outspoken supporter of market-oriented reforms. Nor has the observance of objective economic laws been particularly prominent in his remarks. He seemed to have less fear of financial imbalance than Chen Yun, and he also appeared to place more emphasis on developing rapidly than Chen and Zhao.

Another element in Deng's thought that separates him from both Chen Yun and Zhao Ziyang is his emphasis on the CCP as a major actor in the restructuring of the Chinese economy. Deng is the one who is constantly exhorting the Party to go out and grasp the Four Modernizations. It is a much more interventionist and activist view of the role of the Party and the economy than either Chen or Zhao expresses. To be sure, the Party Deng is mobilizing to transform the Chinese economy is itself supposed to be transformed. But this mobilizational view in Deng's thought can probably be traced back to his days as a political commissar and to the political orientations he expressed in the 1950s. In this sense, he is the most Maoist of China's major leaders today.49

Zhao Ziyang

The policy perspectives of Zhao Ziyang, like those of Deng Xiaoping, changed over the course of the post-Mao years. Unlike Deng, however, there were distinct stages in the evolution of Zhao's policy prescriptions. Prior to the Third Plenum, Zhao was the loyal, if innovative, provincial party secretary. After the Third Plenum until sometime after he became premier in the fall of 1980, Zhao was the ardent reformer. By mid- to late 1981, Zhao had become the sadder but wiser reformer.

There was no shortage of lengthy documents by Zhao Ziyang on which to base a summary of his economic views. Moreover, Zhao’s speeches were much more specific than those of Chen Yun and Deng Xiaoping, suggesting that Zhao was more involved in the details of the Chinese economy than either of the other two. The problem, as mentioned previously, was that Zhao’s major reports were collectively approved and reflect a general leadership consensus. It is difficult to separate out what represents Zhao’s views and what represents the current line of the top leadership. Nonetheless, it is possible to make some tentative statements about Zhao’s opinions, even if the presentation that follows must be seen as a preliminary effort.

Prior to the Third Plenum, Zhao appeared to balance carefully his support for Deng Xiaoping with at least rhetorical support for the position of Hua Guofeng. Zhao was a supporter of the domestic policies associated with the Great Leap Outward. In fact, Zhao put forward extremely ambitious policies for the development of Sichuan even before Hua Guofeng made his plan known. Zhao wanted grain output in Sichuan to go up by 55%, peasant income to go up 80%, and total industrial output by 180% between 1977 and 1985. Also by 1985, Sichuan was to build one Daqing-type oilfield, one Anshan-type iron and steel complex, and two Kailuan-type coal mines. In other words, Zhao was as anxious for a new leap forward for his area as Hua (and Deng) was for China as a whole.

Yet, while upholding “learning from Dazhai” to increase agricultural production, Zhao also called for the principle of distribution according to work and for ensuring that peasants actually benefited economically from their labors. He criticized local authorities for neglecting peasant interests and taking too much grain from them. Additionally, he favored “freedom within the collective,” saying that collectives “must stick to or revive methods that proved effective in the past.” While anxious for a new leap forward, then, Zhao also hinted that there should be some changes in the way production in the countryside was organized. While Zhao’s precise views on changes in the countryside were not clear, he strongly supported increased incentives, and increased benefits for the peasantry (note that peasant income was to grow faster than overall grain production).50

By mid-1978, Zhao was a strong supporter of seeking truth from facts. He criticized the view of the “whateverists” (i.e., whatever Mao said was

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correct). He equated anything that developed the productive forces with socialism:

Some measures, for example, have proved effective through practice; they facilitate the growth of production and are good for the people and socialism. But our comrades do not have the courage to adopt them. Some measures have proved to be unworkable through practice; they are detrimental to production, and their adverse consequences are obvious. Nevertheless, our comrades simply dare not abandon them.51

He called on the Party to alleviate the unreasonable burden placed on the peasants. This was "actually an overall effort to implement the whole package of policies on the rural economy." He also firmly supported greatly increasing imports of technology.52 While again being vague on what policies he favored and, in particular, what effective measures from the past he hoped to restore in the rural sector, with the benefit of hindsight these likely included the responsibility systems implemented in the early 1960s. Clearly, the material interests of the peasantry were to be stimulated by Zhao's policies.

At the provincial agricultural conference in September–October 1978, Zhao continued to push for the agricultural policies he endorsed. The fundamental issue was to bring the peasants' initiative into play. He implicitly rejected the idea of "taking grain as the key link," and urged that localities specialize in what they produce according to their factor endowments. He also hinted at the need for industrial reforms by calling for structural reforms in industry. He concluded by saying that any methods that increased output and aided the people were "correct and tallied with Marxism-Leninism-Mao Zedong Thought; they were by no means revisionist or capitalist."53 This justified the expansion of market allocation.

At the Sichuan Provincial Party Congress in January 1979 (after the Third Plenum), Zhao's reformist persona was finally unleashed. He continued to say that "racing against time and quickening our speed to build our nation into a powerful, modernized state is where the basic interest of the people . . . lies." The new leap forward had to be continued. However, economic development was to be guided by the observance of objective economic laws. He noted that grandiose projects encouraged the people, but that everyone must realize that it would take many years of arduous

52. Ibid., pp. 35–69.
53. "Speed up the Development of Agriculture in an Effort to Wrest a Still Greater Harvest Next Year," CLG, pp. 79–92.
struggle to realize these projects. Zhao thus criticized Hua’s plan. He fully indicated the scope of changes accompanying the Third Plenum:

Quite a few comrades, in particular, are affected by “rightphobia”; they are afraid of taking a realistic attitude lest they be branded as “right deviationists.” Therefore they lack the drive to push the series of policies and measures now being adopted to speed up socialist construction.54

Zhao noted that the Chinese economy was in a shambles and that serious disproportions existed in the national economy. Perhaps on his own initiative, or perhaps based on one of Chen Yun’s speeches to the Central Work Conference and the Third Plenum, Zhao argued:

Work in the next three years will be a kind of a preparation for a great development; it will involve readjustment and will be of a transitory nature. By readjustment, consolidation, and filling in the gaps, we should . . . reverse the major disproportionate development in the national economy.55

But readjustment was not the only thing that was supposed to happen during this period. A series of reforms were to be launched to improve economic management so that “economic devices” were the key managerial tools. He reiterated his policies toward the countryside. State purchase quotas for grain were not to exceed the quotas set for the 1971–75 period. Pricing, tax cuts, and increased agricultural credit were to stimulate production. He finally publicly mentioned the need for a strict job responsibility system in the countryside. Village fairs (markets) were necessary adjuncts to the socialist economy.

He introduced his conception of industrial reform and informed the nation of the profit retention system then being developed in Sichuan. Technical transformation was the key to industrial modernization. Light industry had to receive more attention:

The main contents of the reforms [in industry]: Bring into play the enthusiasm of both the central and local authorities as well as the departments and the enterprises; allow the enterprises in particular more room for independent action; under a unified state plan, planned economy should be integrated with market economy; the practice of determining sale according to production should gradually be switched to determining production according to demand; apply the law of value and bring into play the role of economic devices such as pricing, credit, and taxation. . . . Cut down on administrative intervention and allow different economic units to play their role.56

54. “Speed up Socialist Modernization in Sichuan,” CLG, pp. 93–126; see p. 102.
55. Ibid., p. 106.
56. Ibid., pp. 112–113.
There was to be an across-the-board reform of the business management system. Here Zhao further specified the increased rights of industrial enterprises. All in all, this was the most extensive treatment of economic reform up to that time, and remained one of the strongest statements on reform by a major leader prior to 1984.

One final aspect of this speech should be noted. That is Zhao's very localist view of Sichuan and the development of foreign trade. Indeed, in strongly supporting the open door, Zhao repeatedly noted that "Sichuan should have a place in the international market." After importing advanced foreign technology and equipment, "Sichuan will be able to move with giant steps and join the advanced ranks of the world economically and technologically." It was almost as if Sichuan were an independent nation. Local chauvinism aside, Zhao's speech represented one of the most fundamental statements in favor of reform ever published. It also represented the view of reform from the local areas that were anxious to escape the hand of central control. In 1979, it did not appear that decentralization and reform were contradictory. In later years, Zhao would argue they were.

The high-water mark in Zhao's ardent reformer stage was reached in January 1980 in his last major article on economic development in Sichuan before he was transferred to the center. Here, Zhao spoke on industrial, agricultural, and commercial work, and economic readjustment. The key points in industrial development were to expand the profit retention system, "tap all potential and carry out innovations and reforms," bring the role of the market into fuller play, save energy, and increase raw material supply. He argued that readjustment served reform. Many factories had been given very low production plans. They had no choice but to "study market demand, change the composition of products, tap all the potential of enterprises and renovate and transform them." Trade fairs were a good way to sell many industrial items.

In discussing rural problems, Zhao called for the all-round development of agriculture. Grain production, and even all crop growing, was just a part of agriculture. Sideline industries, forestry, animal husbandry, and rural industry were all an integral part of agricultural development. The responsibility system was to be further developed and extended. Rural contracts were to be used to implement this responsibility system. Teams were to have the right to self-determination of their own activities. This might have adverse consequences for political control:

57. Ibid., p. 115 (emphasis added).
When the self-determination rights of production teams are stressed, our words may not carry very much weight, and the production teams may not pay too much heed to the county party committee and commune leadership. This may bring some losses. However, we must also see that recognition of the self-determination rights of the production teams would bring more advantages than losses, because it would enhance the initiative and activism of the production teams and arouse the enthusiasm of commune members.58

At present he said it was still necessary to fix quotas for sown acreage of different economic crops. But the targets for grain were for reference only. In other words, Zhao was willing to tolerate a tremendous amount of autonomy for the teams. State control over the rural sector was greatly reduced.

On commercial questions, Zhao advocated that the good commercial policies of 1957 be restored. In 1957, Chen Yun was the minister of commerce and proposed a number of mechanisms that supplemented the formal state commercial trading network. One of these was the market. Another was the right of individual traders and small collectives to compete with state commercial outlets.

In discussing readjustment, Zhao argued that readjustment was a profound reform. All the above measures Zhao saw as stemming from the policy of readjustment. He favored cutting capital construction, and emphasized agriculture and light industry more than had been the case in the past. But Zhao's focus remained fixed on the more microeconomic aspects of policies, and not on allocational priorities. Like Deng Xiaoping during this period, Zhao all but ignored the state budget deficit. In an article on all-round readjustment, Zhao upheld the primacy of reform.59

After Zhao became premier, he began to speak Beijing dialect as Chen Yun noted. At the same Central Work Conference in December 1980 where Chen and Deng spoke, Zhao was charged with reporting on economic policies for the coming year. He basically agreed with Chen Yun's analysis of the situation, but still wanted reform to continue. But by late 1980, reform was very much subordinated to readjustment.

He argued that the economic situation was very good, but that China's economy faced a hidden crisis. There were huge budget deficits and rising prices, which were not just an economic problem but also a political threat. The Party had not paid enough attention to this. Blind importation of foreign technology and complete plants and the failure to cut back...
resolutely on projects that should have been stopped contributed to the near crisis. Things were so bad that there had to be a great readjustment, and the original three-year period of readjustment had to be extended to five years, incorporating the entire period of the 6th Five Year Plan. He outlined many measures to bring about readjustment and partially centralize control. Included among these policies were measures designed to strengthen market control and ensure that the market did not function "blindly." But this did not mean a return to the centralized system that characterized readjustment in the 1960s (Chen Yun’s policies at that time). "The activism and enthusiasm of enterprises and the basic level had to continue to be supported." However, these units had to stop building capital construction projects and raising prices. The direction of reform was correct, and without the reforms, the economy would be in even worse shape. Zhao argued that many of the reforms underway should be frozen—that is, they should not expand in number, but neither should they be reversed. This would not hinder readjustment, but would help it. If reforms did hinder readjustment, they should be stopped. Reform could be carried out a little more slowly, a little more steadily, and with a little more preparation. After readjustment was carried out, the stage would be set for an even more thoroughgoing reform of the Chinese economy.60

Since Zhao became premier, he has spoken on the economy many times and at great length.61 In all these speeches, Zhao recognized the continuing need for readjustment, the need to intensify reform, and a realization that reform will be a terribly difficult process to bring about. After yet another leap in capital construction in late 1982 and early 1983, Zhao was in favor of strongly centralizing finances. He criticized those comrades who “hold that reform simply means decentralization of power and interests. This is both incorrect and harmful.”

A determined reformer should not fight for partial interests and power, but should be fully aware of his or her responsibility and fulfill it, strive to improve

60. “Guanyu Tiaozheng Guomin Jingjide Jige Wenti” (Several Problems in Readjusting the National Economy), in San Zhong, pp. 608–626.
operation and management, promote technological progress, strengthen labor discipline, do such work as bookkeeping well, and achieve better economic results.62

But financial difficulties and readjustment should not hamper those reform policies that improve the overall economic situation. What Zhao's speeches revealed during this time was a redefinition of reform. China, and Zhao, appear to be moving away from reform meaning development of the market to reform meaning the use of economic levers such as tax policy, credit, depreciation, etc. Even Zhao's stress on enterprise autonomy has been somewhat eroded by plans to make cities the key geographic unit of economic control. This represents strengthened control over the enterprise. In many respects rationalization of the economic system is replacing true (market) reform. Nonetheless, Zhao asserted that he and his colleagues in the State Council were working on a comprehensive plan for the reform of the economy, including a thorough revamping of the price system. Specific initiatives, such as the substitution of taxes for profit retention, continue to unfold. But by 1984, Zhao clearly perceived that the web of interests that is the Chinese economic system will not be easily reformed. For five or six years, Chinese leaders, Zhao in the forefront among them, have advocated the use of bonuses to stimulate production while at same time they have criticized the egalitarian and excessive distribution of bonuses. Unauthorized capital construction and price increases have also been constantly criticized. Despite repeated calls to improve management, there were more enterprises in the red in 1982 than there were in 1977. In short, Zhao Ziyang, as the most active economic policy maker, faced the unenviable task of trying to bend the system in the direction of greater productivity and efficiency without imposing too many costs on the populace or so alienating key interests and leaders that he was forced to back off from his effort. His goal remained reform, but the nature and content of that reform has shifted over time.

Zhao Ziyang has gone from provincial politician and policy innovator to ardent champion and promoter of reform to the more careful and methodical architect of economic change in China. His policy views have changed significantly. He confronted the old dilemma in Chinese economic administration: "Once centralized, rigidity sets in; once decentralized, chaos ensues."63 Zhao is attempting to formulate a synthesis that avoids this problem, increases productivity, and allows China to achieve

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the Four Modernizations. He wants to develop a system that allows for strict control over finances and investment and that stimulates enterprises to adopt new technology and improve productivity at the same time. His prospects for success in this mighty endeavor would not appear to be very great. If he can pull it off successfully, however, he will truly be one of the great reformers in Chinese history.

Evaluation

Often students of Chinese politics accentuate the differences in the policy positions of top Chinese leaders in an effort to predict future leadership struggles. This exercise has its uses, but it is often just as useful to point out the areas of agreement among leaders. Before discussing their differences, then, let us briefly consider the areas where Chen Yun, Deng Xiaoping, and Zhao Ziyang agree.

Chen, Deng, and Zhao all agree that the Chinese economy must be modernized. The major impetus for this modernization must come from the technological upgrading of existing enterprises rather than new construction. Improvement in the quality of output is critical. The planning system must be changed to move away from a system where the only criterion is the gross value of output. The market should supplement the plan in the allocation of commodities. All agree that productivity must be increased, and that workers should be rewarded according to their labor. Responsibility systems should exist in factories and the countryside. The state budget should be in balance, and the inflation rate should be low. Agriculture and light industry should receive higher priority. Capital construction must be controlled. Energy and transportation are the key targets for new investment. China should open itself to the international economy. Scientists, engineers, and technical experts should play a larger role in helping China to modernize. Finally, they all agree that the Chinese economy should be readjusted, reformed, rectified, and improved.

Many, but not all, of their differences concern the degree to which one of the above measures should be implemented. Chen Yun appears to be more cautious in opening China to the West. He may also place more relative emphasis on planning than on the market. Financial balance holds the primary position in Chen’s economic thought, and his concern seems to be with macroeconomic issues rather than microeconomics. He favors centralized control over economic processes somewhat more strongly than Deng and Zhao do. In short, Chen supports readjustment policies more than he does reform policies.

Zhao Ziyang’s position is perhaps the opposite of Chen Yun’s. Again, they both agree that there should be both readjustment and reform. But
Zhao stresses the microeconomic aspects of the economy. He is less cautious on involving China in the international economy and is perhaps willing to tolerate budget deficits and some inflation in the process of pushing the economy forward. The differences between Chen and Zhao might be summed up by suggesting that Zhao may be a bigger risk-taker than Chen is. Zhao is more willing to absorb the negative consequences that will undoubtedly ensue as real change in the economy is brought about. Chen Yun's policies are ones that avoid disaster, or can pull the economy out of crisis. They may not be ones that fundamentally change the way economic organizations relate to each other and to consumers. Zhao's might be.

Finally, Deng Xiaoping's policy positions are more obscure. Even more than Zhao, Deng favors opening China up to foreign investment. He also appears to favor reform more than he does readjustment. But lurking in the background is the hint that Deng sees modernization as associated with building new, large, and modern enterprises. His views are more mobilizational than either Zhao or Chen's are. His greatest difference with Zhao and Chen is that he sees the Party playing a much larger role in bringing about economic change in China. Chen would rely on the three balances to guide the economy and Zhao on economic devices and the self-interests of producers and consumers, but Deng sees the Party playing a key, if vaguely defined role, as the promoter of economic change in China.

It is perhaps fortunate that at China's current stage of development it needs to incorporate the perspectives of all three of these leaders if fundamental change is to come about. Deng's views are essential because someone has to convince the Party that economic modernization does not mean that the Party has no role to play in this effort. Without active Party involvement in this process (one could say the cooptation of the Party by the forces of economic change), the Party could easily sabotage all reform and modernization efforts. It is Deng who is struggling to convince the Party that it does in fact have an indispensable role to play in the Four Modernizations.

Zhao Ziyang's contribution is to provide the reform elements of the PRC's modernization strategy. He will be the architect of real changes in the economy (if anyone is), and more than anyone else he will be the formulator of new initiatives that are the key planks in the restructuring of the economic system. Finally, Chen Yun serves as the guardian against the reassertion of the traditional tendency of the economy to overheat, launch new leaps forward, and invest tremendous amounts of money in heavy industry, at the expense of the consumer and of light industry and agriculture. He will try to ensure that economic dislocations will not be very serious, and that, most important, balance is maintained.
In light of the Party Plenum and National Party Conference of September 1985, many outside observers argue that the lines of cleavage between Chen and Deng have been brought into the open by their speeches to the Party conclave.\textsuperscript{64} To be sure, there are differences of emphasis in the two speeches, perhaps the most salient being Chen's assertion of the primacy of planning in the economy and Deng's view that state ownership is the primary aspect of the socialist economy. Chen may have also criticized Deng's leadership style as too arbitrary and suggested that too many peasants were leaving agriculture to engage in other trades. Yet, the areas of similarity in their speeches should not be downplayed. First, both men agreed on the personnel changes of the meetings and the promotion of new cohorts of leaders in the Party and the economy. Both upheld the necessity for ideological education and greater emphasis on socialist morality. Finally, both agreed that future reforms must proceed cautiously and that the rate of advance in the 7th Five Year Plan should not be excessive.

A well-informed Chinese observer suggested that Deng, Chen, and Zhao's speeches to the September meetings, instead of auguring a new period of elite struggle, should be interpreted in the following way. It is Deng's role to set the general guidelines for policy directions. Deng is concerned with the big picture and the future evolution of the system. At the heart of Deng's vision of social change is the idea of competition. Chen serves as the Doubting Thomas, or the person who points out possible road blocks to future development. In this light, Chen's speech is seen as describing future hurdles that have to be surmounted if economic development is to stay on track. Finally, Zhao's speech lays out some of the specifics of China's future evolution. It is Zhao who reconciles the general views of Deng with the possible difficulties Chen notes.\textsuperscript{65}

Thus, while Chen, Deng, and Zhao may differ on critical economic issues, there would appear to be a complementarity to their positions, even a division of labor. They no doubt have had significant disagreements among themselves. But it is hard to believe that their differences have outweighed their ability to work together to try to change the economic system of the PRC. Moreover, it would appear that over time, the differences among these three have narrowed rather than sharpened. In short, China's economic modernization and reform needs the combined contributions of Chen Yun, Deng Xiaoping, and Zhao Ziyang.


\textsuperscript{65} Information provided by an informant.