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An examination of China's economic growth and how reform initiatives relate to it

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ABSTRACT

The vast majority of models that attempt to explain democracy point to the economy as a precursor to major political liberalisation. Depending on the model, either severe economic crises or rapid economic development are seen as the primary component of the driving force behind democratic transitions. On the other hand, the leaders of the Chinese Communist Party have been able to avoid the socialist social contract with the urban working class without relinquishing their grasp on power. In addition, China's economy has been expanding at a high rate for about twenty-five years without seeing any significant political change. To get an understanding of China's post-1978 reform efforts, it is necessary to compare China to both other high-growth East Asian nations and also to other kinds of socialist transition, such as that which occurred in Russia and Eastern Europe. The manner in which and the timing of China's liberalisation of its market for foreign direct investment (FDI) will have a significant impact on the country's ability to carry out economic reform without jeopardising its ability to maintain political control. This comparative study takes into consideration a number of important elements, two of which are China's ownership diversification pattern and China's manner of integration into the global economy. This study investigates the effect that the liberalisation of foreign direct investment (FDI) has on the interactions between workers and political parties, as well as how these two elements contribute to the realisation of economic reform even in the absence of political liberalisation. When applied to China, the concept of "reform and openness" has sped up the process of developing the state, weakened civil society (especially the labour movement), and slowed down the liberalisation of democratic institutions.

Keyword: Economic, China Economic, Reform Policies, China's Economic Development,

1. INTRODUCTION:

Economic changes in China should eventually lead to the country making the change from a command economy to a mixed crisis economy. This has resulted in deliberate attempts to slow the economy's expansion during the last several years. You shouldn't interpret this as a warning that the computer may soon freeze up on you. With the long-term strategy for China revealed by Xi Jinping in 2015, this choice is consistent with his goals. As a direct result of the reforms, government spending, the activities of state-owned enterprises (SOEs), and low-priced exports

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would no longer form the backbone of China's economy. It shifts the economy towards individual spending and saving, home-based businesses, and private investment. There has to be a restructuring of China's industrial sectors to cut down on wasteful production. Before taking any more action, let the market adjust to the influx of newly constructed but unoccupied homes. The government is worried about the prices that new business owners have to pay. China is now happy with economic growth of roughly 6.5% per year. Better protection of intellectual property rights is essential for China to expand its inventive capability. The government should let companies choose their own product-specific technological standards. Also, open participation in developing global norms is essential. Ten areas have been identified as top priorities in the plan:New and Improved Data Processing Methods

- Robotics and Automated Machine Tools
- Space and Aircraft Paraphernalia
- high-tech kit for the marine industry Shipment
- The Latest in Rail Transport Technology
- Equipment and Vehicles using New-Energy Technology
- Mechanics' Tools
- Farm Machinery & Equipment
- Improved Products
- Biopharma & Medical Devices of the Future (Amadeo, 2021)

The Trump administration launched a Section 301 inquiry against China's innovation and intellectual property policies in 2017. These policies were perceived as damaging while being advantageous to American enterprises. The administration saw China's stance as an infringement of IP rights. Conversely, China has imposed 25% taxes on $110 billion worth of U.S. imports, with rates ranging from 5% to 26%. As a direct consequence of these regulations, bilateral trade has dropped significantly this year. On of the 10th of May, Trump has indicated that he was considering imposing further tariffs on almost all of China's exports that had not previously been singled out. The Chinese economy will suffer if trade tensions between the United States and China continue to escalate at the present pace. There has been rising concern in the United States Congress about China's economic and commercial strategy as it relates to China's expanding global economic domination. U.S. corporations have found the Chinese market to be both large and growing quickly. Lack of cohesion within the free-market movement has contributed to fiscal measures that are seen as antithetical to U.S. interests. The introduction of laws in the industrial sector, for instance, that make it harder for people to claim ownership over their own ideas, is an example of this. This article summarises China's economic rise and decline, describes the country's

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current monetary system, and evaluates the effects of China's rising power on the United States (CRSReport, 2019).

2. Background of Study:

China was ruled by Chairman Mao Zedong and his command economy until 1979. The state was responsible for setting production targets, establishing prices, and allocating resources. In the 1950s, small farms in China were merged into large co-operatives, which reflected the growing popularity of collective ownership of means of production. The government spent a lot of money and time in the 1960s and 1970s to speed up industrialization; the two decades are inextricably linked. As a result, by 1978, three-quarters of industrial production was being produced by state-owned enterprises (SOEs) in accordance with central government output targets. In most cases, private companies and those with foreign ownership were barred from taking part. The leaders of contemporary China of Chinese origin made economic independence from other countries a top priority. The majority of Chinese consumers still turned to outside markets to fill their needs for products that were unavailable domestically. These policies caused distortions in the economic system. Businesses, workers, and farmers are all impacted by this policy, and the government's primary concern was that it achieve the government's production objectives. But, there were other, more subtle motives for this policy's implementation.

According to official Chinese statistics, China's real GDP grew by 6.7% annually between 1953 and 1978. However, many analysts have questioned the veracity of these numbers, arguing that Chinese government officials (especially at the regional level) frequently inflated production during this time for political purposes. A Chinese economist named Angus Maddison claims that the average annual growth rate of GDP during this time period was 4.4%. 5 The Great Leap Forward (1958–1962), which resulted in a devastating famine that killed as many as 45 million people6, and the Cultural Revolution (1966–1976), which lasted for almost a decade, were only two examples of the economic downturns that happened often under Chairman Mao Zedong (It resulted in considerable political turmoil and a significant economic downturn). The purchasing power parity (PPP) measure of economic production per person in China rose between 1950 and 1978. There was a 20.3% decline in quality of life in China between 1958 and 1962, and another 9.6% decline between 1966 and 1968. Look at Example 1. As can be seen in Figure 2, the improvement in Western countries like Japan was far more dramatic than the improvement in China's living standards.

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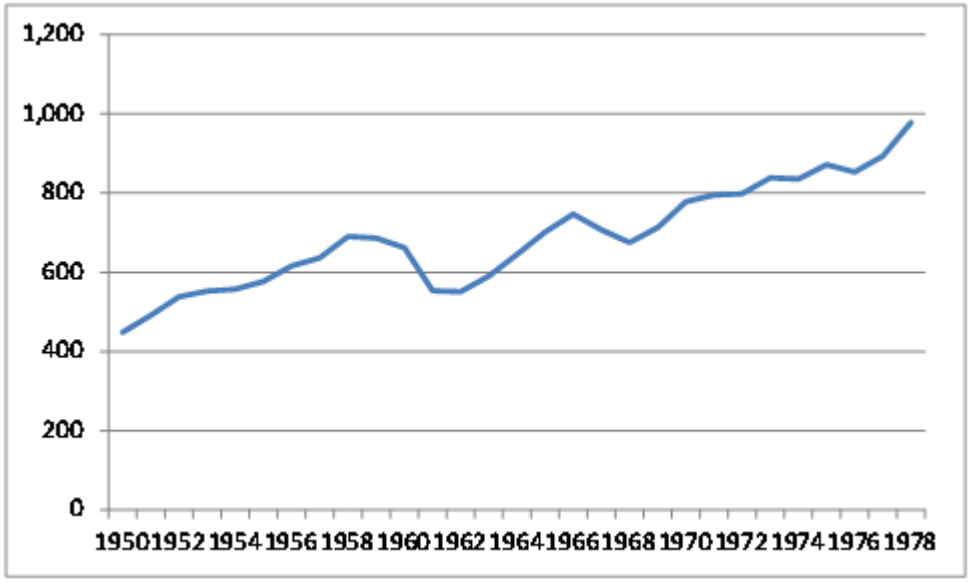
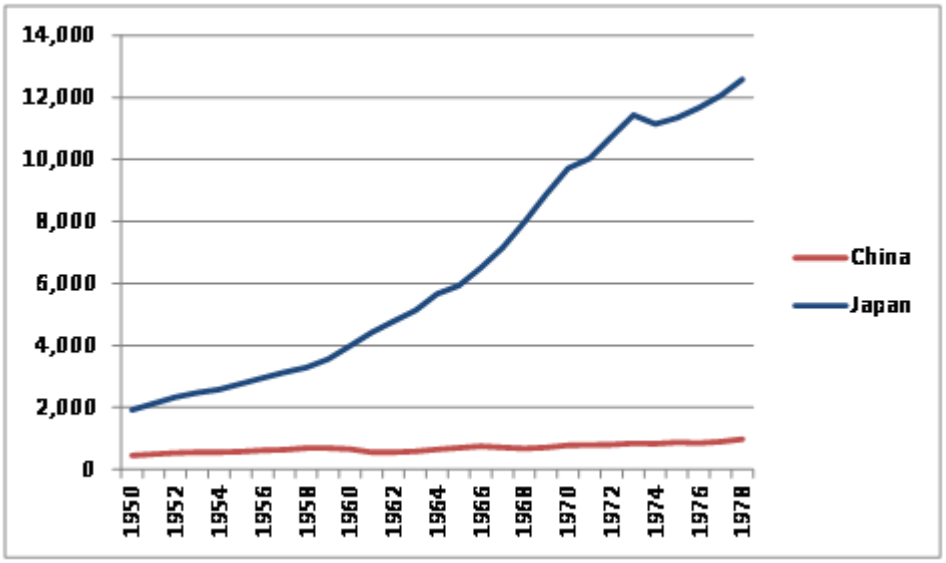
Figure 1 depicts China's per capita GDP between 1950 and 1978. based on purchasing power parity



Source: Angus Maddison, Historical, Statistics of the World Economy: 1-2008 AD. Figure 2. Comparison of Chinese and Japanese Per Capita GDP: 1950-1978 ($ billions, PPP basis)



This data comes from Angus Maddison's book, Statistics of the Global Economy, Volume 1: To the Year 2008 AD.

After Chairman Mao's passing in 1976, the Chinese government made the decision to move away from Soviet-style economic policies and towards free market principles and greater openness to international commerce and investment in an effort to stimulate economic growth and raise the

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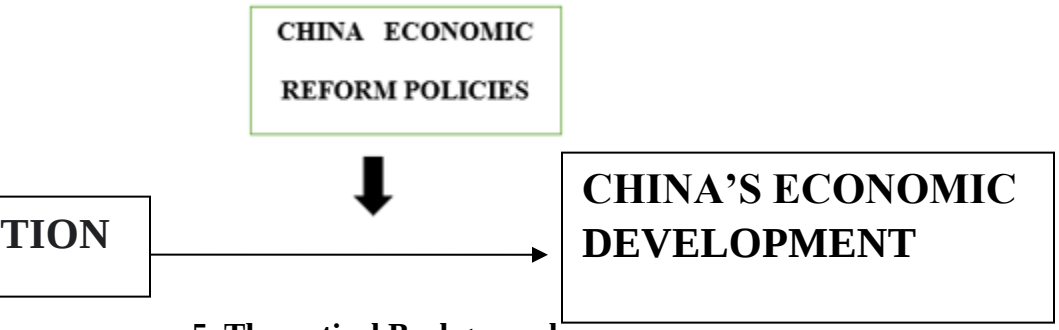
living standards of the Chinese people. Deng Xiaoping was the brains behind China's recent economic reforms. If it can capture mice, then "black cat" or "white cat" doesn't matter. (2019 CRSReport)

3. Problem Statement:

"China's open-door policy and import policy of foreign technology has had changed her rigid domestic economy."

The open-door policy of the 1950s encouraged foreign aid, loans, and investments (from the Soviet Union). Hence, the links to capitalism became public information. As a result of the Cultural Revolution in 1966, China stopped doing this and instead began importing whole industries from Japan and the West. In 1970, after the Cultural Revolution ended, Mao Zedong and Zhou Enlai started trying to repair relations with the West. The restriction on bringing in manufacturing plants was eliminated in the year 1970. During Hua Guofeng's tenure as leader, the country adopted a modernization strategy known as the Ten-Year Plan (1976–1985). This strategy was marked by an overly ambitious approach to modernization, including the import of many industrial units and a firm commitment to an open-door policy. The Third Plenum did not support Hua's tactics, but it reaffirmed its commitment to the open door policy. All but a small fraction of government officials in China acknowledged that access to foreign technology was crucial to the country's development. Even though China had trade deficits in 1979–1980 and 1984–1986, it did not dampen the country's enthusiasm for this goal. The previous strategy of open borders and agricultural growth made industrial revolutions difficult. With the success of the farm reforms, there was less opposition to other major economic changes. Nonetheless, commerce between rural regions and major towns flourished despite government restrictions that impeded expansion in the industrial and wholesale trade sectors. (Yun-wing, 1987).

4.0 Conceptual framework:



5. Theoretical Background:

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China went from a poor nation to an economic behemoth in less than 40 years. China's real GDP has grown by around 10% each year on average since economic reforms began in 1979. As a result of China's "fastest continuous expansion by a large economy in history," approximately 800 million people have been raised above the poverty line. At now, China is a major economic power. China's currency has grown rapidly as a consequence of the country's increasingly close economic connections with the United States. By the numbers, the amount of products and services exchanged between the two countries climbed from $5 billion in 1980 to $660 billion in 2018. This move has made China the United States' third-largest export market, after the UK and Germany. Several US corporations have set up shop in China to take advantage of the booming domestic market.

In China, sectors and firms that get state support are immune to substantial action from the government, putting at risk U.S. corporations that rely heavily on intellectual property (IP). The rise of China as a major destination for U.S. exports has drawn criticism from certain quarters, namely in the areas of international commerce and the economy. There is a limit to how many Chinese markets U.S. companies may sell into without incurring the expense of constructing Chinese operations.

The rise of China's economy in recent years has led to more Chinese participation in international economic policies and projects, particularly those involving the construction of infrastructure. In order to fund infrastructure development across Asia, Europe, Africa, and beyond, China launched The Belt and Road Initiative (BRI). If China's economy continues to grow, it may be able to expand its "soft power" and attract investors and exporters to previously untapped regions. China's economic rise is outlined, the country's existing economic structure is explained, and the obstacles It faces in its pursuit of further economic success are discussed. (CRSreport, 2015).

6. Literature Review:

China has the largest export market and industrial economy. The consumer market is also the fastest-growing economic sector and the world's second-largest importer of products. The pandemic's effects on China's economy have been similar to previous outbreaks and slowdowns, with the economy eventually bouncing back. Even with government support, GDP growth is expected to fall to 2.7% in 2022; however, it is expected to rebound to 4.3% in 2023 as the economy starts to recover and flourish once more. At the moment, China has the world's second-largest economy, behind only the United States. The previous three decades have seen China's economy expand at an astounding rate, but the nation is now entering a phase of slower expansion. This is to be anticipated now that China's economy is no longer a developing one, but it's still worth bearing in mind. Throughout the 1980s, 1990s, and 2000s, China's GDP expanded by double digits every year. The average estimate for growth this year is 6.3%, but the impact of the trade

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war between the United States and China implies that the actual rate will be closer to 6% (Peiyan, 2017).

The IMF predicts 6.3% annual GDP growth for China in both 2019 and 2020, with growth slowing to 6% in 2021. If these forecasts come to fruition, China's GDP will expand faster than any other major economy, eventually making it larger than the United States'. The three pillars of China's economy—manufacturing, services, and agriculture—are what fuel the country's fast economic expansion and provide the great majority of the country's employment. Since 1949, the Chinese government has been responsible for developing and implementing the country's economic plan. Once Deng Xiaoping introduced market-based reforms in 1978, however, GDP took off, expanding at a compound annual rate of 10% for the next two decades and a half. From 1981 to 2015, China's GDP expanded by a factor of 48, from $168.367 billion to $11.01 trillion (at 2015 prices).

7. Relevance of Study:

The yo-yoing process of politicising and depoliticizing the "economic state" may have contributed to both the pre-1978 socioeconomic tragedy and the succeeding socioeconomic success in the ensuing two decades in China. When "de-economicization" was brought into the Chinese government, these actions have affected the economic stability of the country. It is critical for the government to implement a plan that promotes both economic and social change (Chen, 2002). According to the results of many studies, You may see some instances of these in the following: (a) the significance of a dominant industry, which is central to the "sequencing problem" (b) how successful partial and gradual reform are, especially in terms of "speed" and "comprehensibility"; (c) how important similar neighbouring economies are as reform models and sources of resource transfer;

During our study, we've attempted to define China's path to reform since 1978 and extract useful insights from that journey. China's economic reform has been successful, and this analysis explains why. Because of this, for example. First, we'll examine the most important Chinese economic institutions in need of change right now. This will be followed by a summary of the most crucial elements of the reforms and a discussion of the most important lessons that can be learned from the Chinese experience.

Theoretical Framework:

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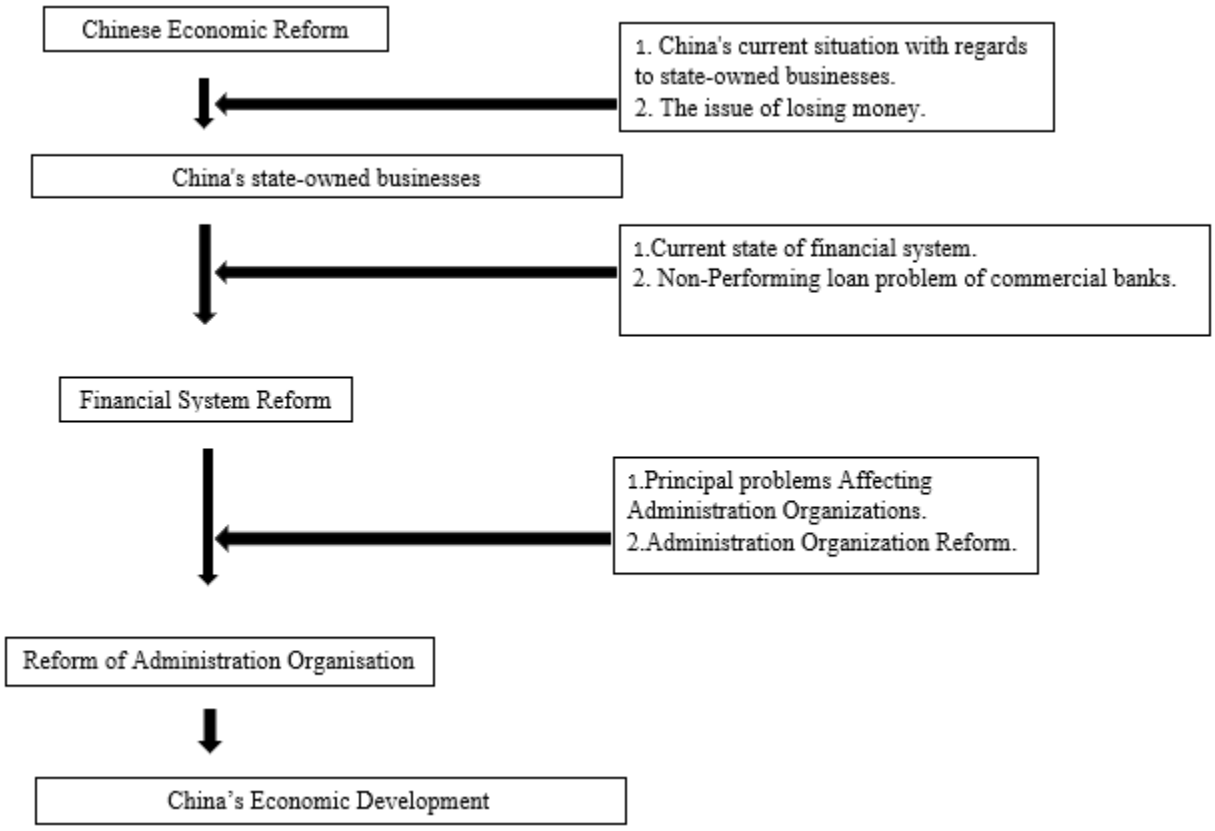

Research Design:

The goal of quantitative research is to find statistically significant relationships between variables by collecting numerical data on those variables and feeding it into statistical models. Quantitative studies aim to get a more in-depth understanding of society. Researchers often use quantitative methods when examining phenomena with a personal effect. Quantitative studies provide hard data in the form of tables and graphs. Quantitative study relies heavily on numerical data, which necessitates a methodical strategy to collecting and analysing the data. It may be used in a variety of ways, including averaging out data, making forecasts, looking into connections, and extrapolating results to bigger populations. Quantitative studies are the polar opposite of qualitative studies, which rely on in-depth interviews and observations (e.g., text, video, or audio). Quantitative research techniques are widely used in many academic disciplines, including biology, chemistry, psychology, economics, sociology, marketing, and many more.

Sampling: A pilot study was conducted with the questionnaire using a group of 20 customers from China and final study was conducted with the questionnaire on sample of 600 customers . A total of 800 questionnaires was distributed among customers selected in a systematic random

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sampling. All the completed questionnaires was considered for the study and any incomplete questionnaire will be rejected by the researcher.

Data and Measurement: Primary data for the research study was collected through questionnaire survey (one-to-correspondence or google-form survey). The questionnaire was divided into two parts – (A) Demographic information (B) Factor responses in 5-point Likert Scale for both the online and non-online channels. Secondary data was collected from multiple sources, primarily internet resources.

Statistical Software: MS-Excel and SPSS 24 will be used for Statistical analysis.

Statistical tools: Descriptive analysis was applied to understand the basic nature of the data. Validity will be tested through factor analysis .

8. Result:

A total of 800 questionnaires were distributed to the respondents. Out of this number 775 sets of the questionnaire were returned and 649 questionnaires were analysed using the Statistical Package for social science (SPSS version 25.0) software.

10.1 Factor Analysis:

Confirming the latent component structure of a collection of measurement items is a common utilisation Factor Analysis (FA). The scores on the observable (or measured) variables are thought to be caused by latent (or unobserved) factors. Accuracy analysis (FA) is a model-based method. Its focus is on the modelling of causal pathways between observed phenomena, unobserved causes, and measurement error.

The data's suitability for factor analysis may be tested using the Kaiser-Meyer-Olkin (KMO) Method. Each model variable and the whole model are evaluated to see whether they were adequately sampled. The statistics measure the potential shared variation among many variables. In general, the smaller the percentage, the better the data will be suitable for factor analysis.

KMO gives back numbers between 0 & 1. If the KMO value is between 0.8 and 1, then the sampling is considered to be sufficient.

If the KMO is less than 0.6, then the sampling is insufficient and corrective action is required. Some writers use a number of 0.5 for this, thus between 0.5 and 0.6, you'll have to apply your best judgement.

• KMO Near 0 indicates that the total of correlations is small relative to the size of the partial correlations. To rephrase, extensive correlations pose a serious challenge to component analysis.

Kaiser's cutoffs for acceptability are as follows:

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A dismal 0.050 to 0.059.

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• 0.60 - 0.69 below-average
Typical range for a middle grade: 0.70–0.79.
Having a quality point value between 0.80 and 0.89.
The range from 0.90 to 1.00 is really stunning.

Table 1: KMO and Bartlett's Test[a]

Table 1: KMO and Bartlett's Test[a]

KMO and Bartlett's Test[a]		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.958
Bartlett's Test of Sphericity	**Approx. Chi-Square**	4950.175
	df	190
	Sig.	.000
a. Based on correlations		

This demonstrates the validity of assertions for sampling purposes. To further verify the relevance of a correlation matrices as a whole, Bartlett's Test of Sphericity was performed. Kaiser-Meyer-Olkin Sampling Adequacy Value is 0.958. The p-value for Bartlett's sphericity test was determined to be 0.00. Bartlett's test of sphericity showed that the correlation matrix isn't an identity matrix, with a significant test result.

10.2 Test for Hypothesis :

A hypothesis is a conjecture or assumption that is put out for the purpose of debate and subsequent testing to determine the likelihood that it is correct. Aside from a general survey of relevant prior research, the scientific process begins with the formulation of a hypothesis. The results of investigation will be predicted in a hypothesis. An unproven hypothesis is a response to research question. Depending on the scope of study, may need to develop a series of hypotheses to investigate various facets of research issue.
Privatisation refers to the process through which government agencies sell or give up control of productive assets. One common justification for making this change is the belief that businesses

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would be more productive if they are transferred to private hands. After 1992, the pace of privatisations picked up, and the private sector's share of GDP rose. The private sector was officially recognised by the Chinese government in 1988 as a "complement" to the state sector, and by 1999 it had become a "important component" of the socialist market economy.
The term "privatisation" is used to indicate when a firm or other public asset is transferred from public to private hands. Public institutions may save money and become more efficient as a result, while private businesses benefit from faster and more efficient transportation of commodities. The Chinese government's tendency to "grab the huge, let go of the tiny" might provide a difficult selection challenge. During the late 1990s, when the government first announced its restructuring initiatives for SOEs that had racked up losses over the years before, this official motto was chosen and put into place. Government officials sought to reduce spending by keeping major, lucrative SOEs in the public sector while privatising or liquidating smaller, less successful ones. Productivity at the business level is difficult to observe, making its measuring a nontrivial econometric problem in and of itself. As a result of the government's desire, privatisation and liquidation of SOEs are increasingly conditional on such unobserved heterogeneity, adding a new layer of complexity to the process. It is possible that privatised enterprises would look less productive than their public sector counterparts, even if private firms are more productive than SOEs. Much of the debate regarding the relative performances of SOEs and private enterprises may stem from the fact that this subject has not been specifically dealt with in the current studies. To deal with the possibility of labour market defects, governments throughout the globe enact labour rules such as minimum wages, employment protection laws, and other such restrictions that set the legal bounds of work. Incomplete markets for unemployment insurance and insurance against other work-related hazards are two examples of this flaw. Another is the imbalance of knowledge between employers and workers. The distribution of wealth is one goal that is often advanced by labour restrictions. Worker employment, wages, and business productivity and profitability are only few of the areas that may be affected by labour rules. Despite their widespread adoption, many economists warn against the perils of excessive government meddling in the workplace. The private-SOE TFP disparity is bigger in the final-goods and high-tech sectors than in "heavy" industries, according to an industry-level study. This distinction makes sense, since one should expect the additional management freedom under private ownership to have a stronger impact in settings where agility is essential (e.g., heterogeneous consumer tastes, differentiated products, and changing technologies). In contrast, the "central planning" style of management used by conventional SOEs would work better in capital-intensive sectors that produce standardised items and use established technology.

On basis of the above discussion, the researcher formulated the following hypothesis, which will analyse the relationship between privatisations and China’s economic development.

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H_1 : "There is a significant relationship between privatisations and China's economic development."
H_{01}: "There is no significant relationship between privatisations and China's economic development."

Table.2 : ANOVA test (H_1)

ANOVA					
Sum					
	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	75207.347	135	4700.459	572.417	.000
Within Groups	681.563	513	8.212		
Total	75888.910	648			

In this study, the result is significant. The value of F is 572.417, which reaches significance with a *p*-value of .000 (which is less than the .05 alpha level). This means the ***H_1 : "There is a significant relationship between privatisations and China's economic development."*** is accepted and the null hypothesis is rejected.

9. Limitation of Study:

The validity of the resulting systematic review and meta-analysis is decided based on the methods used in each of the primary studies to estimate the effect. The other side of the coin is that carrying out a meta-analysis does not improve upon the shortcomings that were previously present in the initial research. Studies that demonstrate greater impacts are more likely to be recognised, summarised, and subsequently aggregated in meta-analyses than studies that reveal fewer effects. This is because selective publishing increases the likelihood that a study will be published (an issue referred to as publication bias). Since more than three quarters of meta-analyses, or 35 publications, did not reveal any empirical evaluation of publication bias, it is important to be aware of the true occurrence of this kind of bias.

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