

Running head: THE HISTORIC CONTEXT

The Historic Context of the Russian and Chinese Economies

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Within the last century and certainly within the memories of many people, the first communist states were born. In many respects Russia and China have dramatically changed course from the planned, top down, command economies they have been known for. Though both Russia and China at first glance appear extremely similar, I believe a look at the historical context of each country's economy will show several differences. By looking at the historical context of their economies I believe the question of why has Russia failed so poorly and China so abundantly flourished can be answered.

The Historical Context of the Russian Economy:

For the historical look at the Russian economy it is not necessary to look all the way back to the historic beginnings of the country, but instead at a series of major mistakes that fuel the change from an era of imperialism to a nation that becomes the first communist state. In a word the mistakes can be summed up in blood. The spilling of Russian blood drives the country to change.

The first major mistake is Russia's failure in the Russo-Japanese War. The conflict grew out of the rival imperialistic ambitions of the two countries. Though it only lasted for a short time (February 10, 1904 to September 5, 1905); and though

the casualties were not as massive as later mistakes, it was the first victory of an Asian power over that of a European power in modern times. Russia lost almost all of its Eastern and Baltic fleets and the international prestige it enjoyed as a Great Power (Russo-Japanese War, 2008).

The second major mistake took place on January 22, 1905. Well on its way to losing the war with Japan, discontent among the people of Russia was building. On the fateful day, a group of workers led by a priest named Gapon, made their way to the Winter Palace of Czar Nicholas II. The Russian Imperial forces fired on the demonstrators, killing and wounding hundreds. Outrage over the incident known as Bloody Sunday led to riots and strikes throughout Russia. The lasting affect was a mistrust of the Czar and the general discontent of the Russian people (Bloody Sunday Massacre in Russia, 2007).

The final mistake leading to the end of imperialistic Russia and the founding of the Soviet Union were the costs and casualties of World War I. In military deaths Russia suffered 1.8 million casualties (White, 2005). Almost as many Russian civilians die as soldiers do at a number of 1.5 million (World War I casualties, 2008). This mistake and the others led directly to what must be the largest blood letting for Russia, the Revolution of 1917.

The Russian Revolution is actually a series of smaller

revolts that culminated in the October Revolution led by Vladimir Lenin. Lenin, having secured the necessary political support, carries Russia into a bloody civil war. When the dust finally settles in 1922, 9 million had died (White, 2005; *note this is revised from my presentation), the economy and infrastructure were devastated, and the world's first communist state is created. It would be in December of the same year that the Soviet Union (the Russian Soviet Federative Socialist Republic or USSR) is formed. The Soviet Union now comprised Russia and a handful of smaller eastern bloc nations.

After Lenin's death shortly after the revolution in 1924, Joseph Stalin takes and consolidates power as the dictator of the fledgling Soviet state. Stalin firmly takes the weak and fractured economy and launches three major and interrelated initiatives. The first was to create a command economy, with a top down structure that came directly from Stalin's own seat in power. The second was a rapid industrialization to move the Soviet Union from an agrarian society to an industrial powerhouse. Lastly, Stalin collectivizes the agricultural system, which is a nice way of saying the government seized farms and put them under state ownership and control (Joseph Stalin, 2008; Heilbroner & Milberg, 2008). These actions by Stalin and the history that preceded them put the Soviet Union firmly in the grasp of a command style economy.

The Historical Context of the Chinese Economy:

The historical context of China's economy may not be as straight forward to lay out as that of Russia. It generally starts in January 1, 1912 when the Republic of China is established bringing an end to the era of the emperors. As the Chinese government changes systems, it is politically weak and fractured; but it seems to limp along. In the late 1920s Chinese leaders actually wanted to transform China into a modern, democratic state, but a conflict between rival groups of nationalists and communists kept the country in a civil war like state. For a brief period the two groups find a common enemy in the Japanese during the second Sino-Japanese War (which was part of World War II) from 1937 to 1945. For the Chinese the conflict with Japan causes some 20 million military and civilian deaths (Second Sino-Japanese War, 2008).

At the conclusion of hostilities with Japan, the nationalists and the communists continue China's internal political struggle, and all out civil war breaks out. The Communist Party of China, led by Mao Zedong, is victorious. On October 1, 1949, the People's Republic of China is established as a socialist state with a command economy.

Similarities:

Looking into the historical context for the Russian and

Chinese economies, five similarities can be found. The first is that both governments were eventually established on a form of socialism linked to the ideas of Karl Marx and communism. The second similarity was that both Russia and China built a cult of personality around their early leaders; specifically Stalin and Mao. The next similarity is obviously both countries have been command economies. I say "have been" because later I will show that neither are currently purely a command economy though some elements of that economic system might remain.

The fourth similarity is that both Russia and China suffered under disastrous social and economic policies. In Russia, Lenin started the failed economic policies with what he dubbed the New Economic Policy, which actually allowed for some privatization in an attempt to keep the government from collapsing early on. When Stalin takes power, he replaces the NEP with a complete command economy and his Five-Year Plan. Stalin then goes on his cleansing of the communist party called the Great Purge (Joseph Stalin, 2008). In China, Mao's Great Leap Forward in the 1950s, was primarily a policy aimed at moving China from an agrarian economy to that of an industrialized communist society (Great Leap Forward, 2008). Mao followed up the economic failure of the Great Leap Forward with the Cultural Revolution. The Cultural Revolution, similar to Stalin's Great Purge, was a cleansing of opposition not only in

the Chinese communist party but also in society as a whole. These disastrous socio-economic policies by Russia and China left millions of citizens in both countries displaced, imprisoned or dead.

Despite the total control of their early founding communist leaders and the cults of personality that surrounded them, their past total command economies; but maybe because of the disasters of their economic policies, the final similarity is that both Russia and China have elements of a market economy. Neither are complete market economies, but are better characterized as mixed economies.

Major Differences:

Though they appear similar, both the Russian and Chinese experiences with socialism and communism have caused some major differences. In both the Russian and Chinese experience early leaders made key changes to Marx's theories. In Russia the changes started with Lenin as he made important changes to the practice of communism, so much so, that the theory in Russia would be renamed Marxist-Leninism. Not happy with the changes to Marxism made by Lenin, Stalin too, when he came to power would make his own changes, a variant that would be called Stalinism. Stalinism in some form would be reinforced in Russia by a succession of Soviet leaders that would stifle reforms even

after Stalin's death in 1953.

Similar to Lenin and Stalin, Mao too would make the official Chinese version of communism very different from that of Marxism (Siyuan, 2007). Mao would replace and redefine key concepts of Marx's theory and again the new theory would be called after the one who made the changes. The Chinese version of communism was called Maoism. After Mao's death in 1976, the Chinese communist leadership began to experiment with limited market economy reforms. In China today, Maoism is given lip service but is no longer put into practice. So in the end both forms of communism, Russian and Chinese, would be different in theory and very much in practice.

Different from China in that it did not experiment little by little with economic market reforms, but instead, Russia had democratic market reforms forced upon it. In the 1980s, Mikhail Gorbachev, began to denounce the past policies of corruption and failure. He mentioned words such as glasnost ("openness") and perestroika ("restructuring") (Heilbroner & Milberg, 2008). This period in Russia's history started a new liberalization of the Soviet society and an opening up to the West and especially the United States. The slow and steady pace of change could not be sustained and controlled. By 1991, Russia suffered a complete political collapse (Harrison, 2002).

In contrast to Russia's political, social, and economic

collapse; the pace of market experimentation by China was kept in check by the communist government in that country. Though some state owned industries still exist in China, much privatization has taken place. One of the Chinese government's greatest fears is that economic and social reforms done too quickly and without maintaining state control will plunge China into chaos much like what was witnessed in Russia (Bettag, 2008). In light of that fear, the Chinese Communist Party (CCP) quickly represses any opposition. Such fierce repressions such as Tiananmen Square in 1989 and Tibet this year are recent examples. On the other hand, questionable social moralities, such as prostitution and homosexuality, though illegal and once prosecuted just as fiercely as political opposition, are given a pass today by the government because those activities are not seen as threatening the economic and political stability of the country (Bettag, 2008). The strong control by the Chinese government has caused that country to be the global superpower still ruled by a communist party.

A final and striking major difference has been how the Russian and Chinese economies have interacted with economies more entrenched in the market system. The Russian economy on a world scale is almost nonexistent, whereas China has quickly become an international economic power. One disadvantage brought on by the Russians themselves is in the area of the petroleum

industry. As the political collapse of 1991 opened Russia to the West, the petroleum industry was privatized and companies like BP Oil were allowed to come in. But once the industry looked like it might make a profit the Kremlin moved in. Like in the old days of Stalinist economic command policies, the oil industry was seized, and the contracts with BP and others were broken.

China took a different path. Much of its "commanding heights" industries such as oil have remained in state control. China has chosen instead to privatize other areas of its markets, such as consumer goods. In 1992, China completely scrapped the idea of central planning (Sun, 2005). The careful restructuring of its economy has caused the markets of China and the United States to become deeply intertwined. Recently China has even followed the free-market system in trying to buy out American companies. When questioned about this type of activity the government official in China state they have learned well from the example of the United States (Wickham, 2005).

China is seen as trustworthy and ready to follow the rule of law when it comes to contractual agreements with multinational corporations. Russia is viewed with suspicion. China is seen as worthy of foreign investment and World Trade Organization status, whereas Russia is viewed as an economic risk and a threat to its neighbors.

Conclusion:

In the final analysis, the Soviet style of communism is defunct and no longer exists. Truly, it was never consistent with Marx's conception of communism. From the very beginning the Russian view and the Chinese view of communism were put into practice very differently. Both had enormous blood lettings that prepared the way for the establishment of their communist states. In the end however, I believe, it was the political collapse and rapid democratization of Russia that has caused much of its economic trouble. Something positive has to be said for the slow and steady pace of change that the Chinese government has instituted, even with all of its shortcomings and the internal complaints by citizens of the new economists (Chen, 2006), it has proven thus far to be the better path.

The question still remains however, of whether the market system and democracy can be separated (Dorn, 2005), and if they can, what will the economic system and the government in control of it look like (Heilbroner & Milberg, 2008)?

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