

In the agricultural sector, where reforms began, responsibility for production was transferred from collectives to households, and the mandatory government procurement program for key agricultural products was replaced by a system of contracted purchases which allowed farmers to sell above-quota output in local markets. In the industrial sector, state enterprises were given increased, albeit not complete, autonomy over operational decisions as well as more responsibility for their financial position. Also, external sector reforms raised incentives for exporters and allowed increased access to foreign resources through direct investment and foreign borrowing. Privately owned enterprises, either domestically owned or foreign funded, were allowed to develop until they now generate a moderate share of China's industrial output.

During the reform period, the Chinese economy has undergone substantial changes. China has not developed a reform master blueprint and timetable. The development of a comprehensive reform program may be as unachievable as a workable central planning system because of the volume of information that must be assembled and processed. China's reformers appear to push reforms when the economic, political and social conditions allow or require action.

The November 1993 Third Plenum of the 14th Party Congress set out, for the first time, details indicating the path that China will take to establish a "Socialist Market Economy" by the year 2000. State enterprises will increasingly operate on a commercial basis and, while the government will maintain holdings in many enterprises, it plans to withdraw from managing their operations. The remaining components of the dual-track pricing system will be eliminated. Wages will be determined by market conditions. A social security system that is not delivered by state enterprises will also be created. Banks will operate on a strictly commercial basis, and the People's Bank will eventually function autonomously. Finally, it is planned that government activities focus on the creation of an overall policy framework conducive to economic development.

The current leadership will continue to struggle with the issue of how best to maintain social and political stability. Realizing that political legitimacy and stability depends on increasing living standards, they will continue to debate (a discussion that will heat up in the immediate post-Deng era) whether to try to maintain growth rates as high as possible while running the risk of having to brake suddenly, or to try to moderate growth rates. Policy differences will therefore focus not on the need for reform, but rather on the pace and extent of economic reforms.

Much has been made of China's shortages of skilled labour, infrastructure, energy and housing, and the restrictive impact they will have on China's growth. By