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# Nationalism and Economic Modernization of China: The Chinese Masses' Reorientation to “the Spirit of Capitalism”

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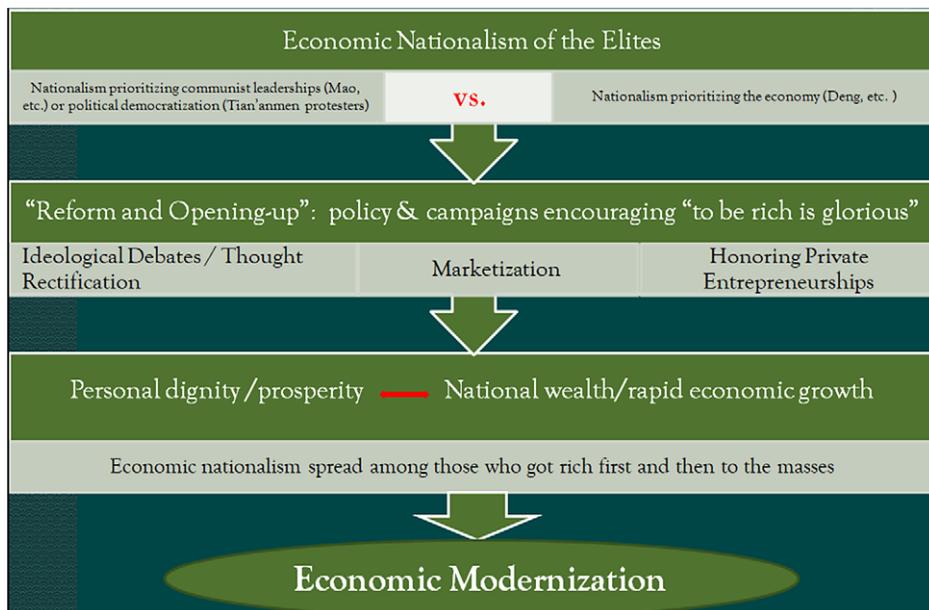
## Abstract

Following Max Weber's emphasis on a fundamental change in ethical values behind the modern capitalistic economy, this paper offers an ideational explanation for China's economic modernization since 1978. It argues that China's economic reform, which first and foremost changed the official rhetoric about profit-making, endowed the economic preoccupations of ordinary people with a special dignity. Since then, the Chinese masses have been allowed to proudly connect their personal prosperity with China's national wealth and international status. This dignifying connection, in turn, led them to invest in sustaining the growth of their personal prosperity and national wealth. In other words, it converted the Chinese masses to economic nationalism that prioritized economic development as the chief means for the achievement of China's glory. The conversion of the Chinese masses to economic nationalism marked the Chinese society's reorientation to “the spirit of capitalism,” hence China's economic modernization.

**Keywords:** economic nationalism; economic modernization; national wealth; personal prosperity; Chinese masses

## Introduction

The main argument of this paper contends that China's economic reform since 1978, which first and foremost changed the official rhetoric about profit-making, transformed popular attitudes toward economic activities and capitalism, and elevated efforts of ordinary people to increase their own prosperity as deserving of particular respect because they contribute to China's national wealth and international status. Traditionally, such preoccupations with profit-making were looked down upon and considered lowly (Chan 2010); China's position in the world was believed to depend solely on its government and elites (Shih 2009; Lynch 2015). The official rhetoric during the reform era, however, endowed the economic preoccupations of ordinary people with a special dignity. For the first time in Chinese history, the Chinese masses were allowed to proudly connect their personal prosperity with China's national wealth and international status. This dignifying connection, in turn, led them to invest in sustaining the growth of their personal prosperity and national wealth. The Chinese masses hence converted themselves to economic nationalism that prioritized economic development as the chief means for the achievement of China's glory. It gave rise to “the spirit of capitalism” in China at the social level and marked China's entry into the modern capitalist system, i.e., its economic modernization (see Figure 1).



**Figure 1.** The Causal Mechanism between Economic Nationalism and Economic Modernization in China (1978-1997). Source: created by the author.

This argument follows the logic of Liah Greenfeld's retake on Weber's "protestant ethic thesis" in *The Spirit of Capitalism: Nationalism and Economic Growth*. Agreeing with Weber's proposition that a fundamental change in ethical values is required for the reorientation of the economic action from subsistence to growth, Greenfeld (2001) argued that nationalism, instead of the protestant ethic, served as the source of "the spirit of capitalism" and led to such economic reorientation. The empirical evidence of this paper substantiates, in the case of China, Greenfeld's claim.

Drawing on both qualitative and quantitative analysis of official documents, media reports, survey data, and economic statistics, this paper puts forward its argument in the following order after a critical review on existing literature. First, it details where Deng acquired his economic nationalism and how his nationalist aspiration differed from that of Mao Zedong. Second, it examines how Deng's nationalist aspiration was turned into an official narrative approving of profit-making and personal prosperity, despite twists and turns in between. Third, it demonstrates how this transformation in official narratives empowered the Chinese masses to actively engage in China's economic development at home and international competition in the economic sphere. The fourth part reveals how the officially recognized economic engagement and the resultant elevated dignity converted Chinese masses into 'national capitalists' who prioritized economic development as the chief means for China to gain its national strength and international status. Finally, the paper concludes with a summary of the study's major findings and the lesson China's experience might offer in terms of economic development incentives, despite the varied answers to the "how" questions in different contexts.

## A Critical Review on Existing Literature

### *Is Nationalism A Dependent Variable or An Independent Variable?*

The association between nationalism and economic development does not always appear straightforward for many. For scholars who find it so, very often, they consider nationalism as the result of economic development. In his well-known book, *Imagined Communities*, Benedict Anderson

(1983) attributed the birth and spread of nationalism to the so-called “print capitalism,” i.e., the development of the print industry in Europe and later across the world. Similarly, Ernest Gellner (1983) concluded that nationalism was the result of industrialization and the “high culture” following industrial development. Treating nationalism as an outcome of, hence secondary to, material foundation, both Anderson’s and Gellner’s study approaches were materialist and economic-determinist in nature. As two prominent scholars of the field, their approaches have been influential in the studies of nationalism. Many followers have applied their theories in case studies of specific countries and regions (e.g., Kitromilides 1989; Acharya 1999; Sarsembayev 1999; Kanno 2003; Gruzd & Wellman 2011).

Viewing the economic basis of nationalism from a constructivist perspective, Yoshiko Herrera (2005) differed from the static and materialist interpretation of political economy and argued that both economic advantages and disadvantages were “imagined” in historical, institutional and local contexts. Accordingly, she coined the term “imagined economies” and asserted that, like nations, economies were imagined (Herrera 2005). Herrera’s constructivist understanding of political economy acknowledged the subjective nature of human reality, challenging the materialist approach dominating the field. However, she still considered nationalism a dependent variable – i.e., an outcome of the constructed economic conditions. To take the constructivist approach a step forward, this paper explores the possibility for nationalism to be an independent variable – i.e., the *cause* of economic development.

### ***Is Nationalism A Proxy?***

Studies of nationalism in different countries and regions have suggested that both elites and the public instrumentally used nationalism to meet their political and economic needs (Meadwell 1989; Haas 1993; Treisman 1996; Dimitrov (ed.) 2013). Due to the deep-rooted principle of pragmatism in Confucianism, many particularly argued about the pragmatic nature of Chinese nationalism (Weiss 2014; Zhao 2005 & 2021). Without doubt, historically, nationalist causes have been advanced by many to serve personal or group interests. The instrumental usage of nationalism, however, does not deny its empirical existence. Nor does it negate its independent effects. In most parts of the world, nationalism has become a socially accepted idea, affecting the ways most people think and act consciously or unconsciously. Liah Greenfeld’s historical research revealed that nationalism granted people unprecedented dignity and the social status to be fundamentally equal with the elites as national members (Greenfeld 1992). This makes nationalism appealing to most societies and spread across the globe (Greenfeld 2018 & 2019). Andrea Wimmer (2019, 28) echoed this, “Nationalism is not an irrational sentiment that can be banished from contemporary politics through enlightening education; it is one of the modern world’s foundational principles and is more widely accepted than its critics acknowledge.”

Meanwhile, there have been empirical studies focusing on nationalism in people’s everyday life, observing how nationalism justifies and “rationalizes” people’s “irrational” behaviours on a daily basis, ranging from reacting to national anthems and flags with special emotions to consuming the nation in the form of panic buying and conspiracy theories during the pandemic (Fox & Miller-Idriss 2008; Bonikowski 2016; Van Ginderachter 2019; Goode & Stroup & Gaufman 2022). The key question is thus not whether a specific individual genuinely embraces nationalism, but how nationalism, as a socially accepted orientation, influences individuals’ thinking and acting, which then result in other political and economic phenomena at an aggregated level. To answer such a question, logically, one needs to first address how nationalism spreads to the general population and becomes socially accepted.

Most scholars in the field of nationalism, particularly the “modern school,” believed that elites acquired nationalism first due to, among others, their higher literacy rate (Anderson 1983), better access to modern education/ “high culture” (Gellner 1983), or earlier experience of social mobility (Greenfeld 1992). In the spread of nationalism across the world, elites indeed played a significant

role due to their leading positions in most transforming events and capabilities of shaping the official narratives. Nevertheless, to complete the social transformation, the spread of nationalism to the general public is critical. According to Weber (2005 [1930]), it was the ideational reorientation toward “the spirit of capitalism” at the social level that distinguished the modern capitalistic system from the pre-modern economic system. To quote his words, “the spirit of capitalism” was rationalized at the social level and to such a degree that it made that “an individual capitalistic enterprise which did not take advantage of its opportunities for profit-making would be doomed to extinction” (Weber 2005 [1930], xxxii). In line with Weber’s observation, this study is focused on the ideational shift of the Chinese masses, although it acknowledges the leading role of the elites. In particular, it examines how economic nationalism spread to the Chinese commoners and reoriented them toward “the spirit of capitalism.”

### **How to Define Economic Nationalism?**

Conventionally, economic nationalism has been associated, if not equated, with mercantilism or protectionism (Gregory 1931; Keynes 1933; Gilpin 2016 [1987]). It is often juxtaposed against economic liberalism and measured by state-intervention or protectionist policies in existing literature (Johnson 1982; Kohli 2004; Lardy 2019). Associating economic nationalism solely with mercantilism or protectionism, however, neglects the opposite effects – i.e., economic liberalization and globalization – of economic nationalism (Nakno 2004; D’Costa 2012; Duara 2018). In practice, it also stigmatizes economic nationalism as a notorious ideology and subjugates nationalist leaders who adopted relevant measures to prejudices in the world of liberal democracy (Seers 1983; Wimmer 2019).

Historically, driven by the desire to support national industries and outcompete other countries, many liberal economies today, including the UK and the US, were mercantilist states opting for protectionist measures in the early stage of their economic development (Chang 2003). They started to advocate for economic liberalism only when they became competitive enough and when global trade and the practice of free market favoured their interests (Chang 2002; Greenfeld 2019). More recently, in face with the intensive competition from a rising China, the US, together with other liberal economies, have again resorted to mercantilism and protectionism to various extents (Bouët & Laborde 2018). In explaining the historical changes of different countries’ economic policies, economic liberalism or realism alone proves to be inadequate (Abdelal 2005). Reducing economic nationalism to the opposite of economic liberalism is both unempirical and theoretically counter-productive in that it limits the explanatory power of economic nationalism. In history, economic nationalism resulted in all kinds of policies serving the national interests of particular countries and these policies could be associated with economic liberalism, socialism, realism, mercantilism, protectionism, or a mix of any of them. To inquire about the effects of economic nationalism empirically, this paper does not adhere to the conventional understanding. Instead, it defines economic nationalism literally as a kind of nationalist aspiration that prioritizes economic development as the chief means to achieve a nation’s higher national strength and international status.

### **Theoretical Framework and Methodology**

Considering human subjectivity the primary cause to behavioural and institutional transformations at the social level, in *The Protestant Ethic and the Spirit of Capitalism*, Weber (2005 [1930]) stressed the ethical tolerance of capitalist acquisition as the fundamental feature of the modern capitalist economic system. While Weber’s ideational approach has inspired many to study the role of ideas and discourses in political economy (e.g., Greenfeld 2001; Herrera 2005; Schmidt 2008 & 2009), his empirical argument on the protestant ethic being “the spirit of capitalism” has proven wrong (Tawney 1926; Chalcraft & Harrington (eds.) 2001). In correcting Weber’s thesis, Liah Greenfeld’s historical research of several economic forerunners (i.e., the UK, France, Germany, the US, and Japan) revealed that nationalism, as a form of competitive modern consciousness, was the source of

“the spirit of capitalism,” motivating the persistent pursuit of “forever renewed profits” and hence the *sustained* growth of modern economies (Greenfeld 2001). In various studies about the post-war economic development of East Asian countries, political economists also found that nationalism was a driving force behind the effective industrial policies and the resultant “economic miracles” of those countries (Perkins 1994; Johnson 1982 & 1999; Kohli 2004; D’Costa 2012). Drawing on historical evidence, other scholars similarly demonstrated the positive and negative effects of economic nationalism on the trade policies and industrial development of different countries (Seers 1983; Baughn and Yaprak 1996; Levi-Faur 1997; Crane 1998; Helleiner 2002; Pickel 2003; Abdelal 2005; Appel and Ornstein 2018; Fetzer 2022). Taking economic nationalism as an independent variable, this study examines its causal effects on China’s economic modernization.

Theoretically, therefore, this paper follows Weber’s ideational approach and tests Liah Greenfeld’s thesis – i.e., nationalism being the motivational factor behind the *sustained* growth of modern economies – in the case of China. Conceptually, it adopts Greenfeld’s definition of nationalism as a type of competitive consciousness that endows people from different social strata with fundamental equality by being the members of a nation and with the commonly shared national dignity *vis a vis* that of other nations (Greenfeld 1992). Accordingly, economic nationalism is defined as a nationalist aspiration that prioritizes economic development as a chief means to achieve a nation’s national dignity *vis-a-vis* that of others. With these definitions, the paper neutralizes nationalism and economic nationalism as ideas that could bring both positive and negative results as they were in the history of modern economies.

Treating nationalism as an ideology behind China’s state-led economic development model and industrial policies, several studies have shed light on the economic effects of Chinese nationalism (Gerth 2003; Zanasi 2006; Zheng & Pan 2012; Helleiner and Wang 2018; Zhao 2022). However, these studies followed the conventional understanding of nationalism as mercantilism or protectionism and were mostly focused on economic nationalism of Chinese intellectuals or decision-makers. No research has so far examined how economic nationalism spread among the Chinese masses, with many assuming it natural for Chinese people to be interested in economic growth and support the Chinese leaders’ shift to economic development after 1978. This study fills in this gap. It highlights the fact that the modernization of Chinese economy has to involve the much wider Chinese population in order to achieve the unprecedented scale of rapid growth witnessed so far. By doing so, this study also adopts and contributes to the “Everyday Nationalism” perspective that emphasizes the important role of the masses in nation-building (Billig 1995; Isaacs & Polese 2015; Goode & Stroup 2015).

Methodologically, since ideas are conveyed through discourses (Schmidt 2008), economic nationalism could be measured by various forms of discourses observed at different levels. First, it could be identified in directly propagated official discourses as well as hidden discourses behind major policies with which Chinese governments used to mobilize different sectors including individuals to commit to economic development. Second, it could be seen in policy and intellectual debates that reflected the competitions between different ideological preferences. Last but not least, the popular acceptance of economic nationalism could be observed in the changes of Chinese public opinions regarding people’s national pride, expectation for the government’s priority, China’s comparative advantages, and the public’s willingness to associate their personal wealth/dignity with China’s national power.

The above measurements could find their direct indicators from official documents, leaders’ open speeches, official news reports, and public opinion surveys, which are the main data sources of this study. Since personal memoirs and scholarly publications also offer useful data, this paper includes them as secondary sources. Drawing on both first-hand and secondary materials, this study empirically verifies the relation between economic nationalism and China’s economic modernization and reveals the causal mechanisms behind it (see Figure 1). Heavily relying upon discursive analysis, it also serves as a research case in point for the rising methodological paradigm focusing on the role of ideas and discourse in political economy.

## From Mao's Anti-Capitalist Nationalism to Deng's Economic Nationalism

### *One National Goal, Two Different Nationalist Orientations*

Having been born and grown up in late-Qing China when the country was invaded by foreign powers, both Mao and Deng witnessed the history of national humiliation. Being leading figures of major historical events that saved China from the hands of foreign invaders, both Mao and Deng were political elite members who acquired nationalism early on. Although they embraced different kinds of nationalist aspirations, they yet shared the same national goal: to achieve China's dignity *vis-a-vis* foreign powers and secure its sovereignty and international status.

As a 15-year-old student, Deng first participated in China's nationalist movement – the May 4 Movement – in 1919. He was then influenced by the high spirit of the time, “to save the nation through industry” [*shiyè jiùguó*], which was an expression of economic nationalism in Republican China (Zanasi 2006). Deng thus decided to study overseas to learn Western technologies and skills like many others did (Li and Wang (eds.) 1990). During his time in France, Deng witnessed the Marxist movements there and got interested in Marxism as an alternative for national salvation. He then went off to the Soviet Union for Marxist studies (Vogel 2011). In distinction, Mao did not study overseas. He was more of a home-grown nationalist and learned about Marxism in Peking University after the Bolshevik Revolution succeeded in Russia in 1917. Being a leader in the May 4 Movement, he understood the event first as a cultural and social transformation in China and later recalled it as a turning point where Chinese intellectuals came to unite with the proletariat to fight against the imperialists (Mao 1939).

Like Lenin and Stalin in the Soviet Union, both Mao Zedong and Deng Xiaoping were nationalists in the guise of Communism (Yahuda 1993; Wu 2008). Due to their different experiences, however, their understandings of Marxism were different. Mao rejected the historical materialism of Marxism, the belief in the material forces of production as drivers of the historical process and in capitalism as a universal stage of historical development. Having studied, worked and learned about Marxism in France and the Soviet Union, Deng, in contrast, accepted it wholeheartedly and often used this to argue for market-oriented reform even before 1978. A believer in the magic power of ideological re-education and class struggle, Mao used ideological campaigns for both political and economic mobilization, and was determined to eliminate all elements of capitalism in socialist China (Mao 1997 [1952], 65). In distinction, Deng, ever since he witnessed the disastrous consequences of the “Great Leap Forward” and the failure of the commune system in the early 1960s,<sup>1</sup> had insisted upon the importance of economic incentives and saw the essence of socialism as the liberation and development of the forces of production. According to Barry Naughton (1993, 491), “Though Deng lacks vision, there are nevertheless certain areas where he is extremely clear-sighted. The most striking example is his insistence on the need for real incentives and delegation of authority in order to motivate individual effort.”

During Cultural Revolution and right after Mao's death, Deng's sympathy toward economic incentives and individual initiatives was widely condemned as counter-revolutionary revisionism, economic opportunism, and, worst of all, treacherous “comprador capitalism” (*People's Daily* 1976). For this, Deng was twice sent down to local factories for re-education (Vogel 2011). Deng's return to the political center in late 1976 and his rise afterward, to a certain extent, were a reflection of a fundamental shift in official ideologies, or, more precisely, from Mao's anti-capitalist nationalism to Deng's economic nationalism.

### *Ideological Debate after Mao's Death*

Whatever ills it brought, the Cultural Revolution during 1966-1976 unified China politically and ideologically under Mao's absolute authority. Mao's death, following that of the much revered Premier Zhou Enlai in early 1976, resulted not only in power struggle among political factions,<sup>2</sup> but also in ideological confusion. After the fall of the Gang of Four in late 1976, Hua Guofeng, as Mao's successor according to his will, was committed to maintaining Mao's authority and legacy. He

clearly announced his continuing and absolute loyalty to whatever Mao said and decided in the past and accordingly established the so-called “two whatever-isms” as the guiding principle of the CCP and the state.<sup>3</sup> Vividly remembering the Cultural Revolution when those who ever disagreed with Mao were branded “counter-revolutionary revisionists” and ostracized, losing their political positions and social status, many followed Hua’s lead. The “two whatever-isms” became the dominant position in 1977, although, around the same time, Hua had shifted his attention to the economy under the competing pressure from Deng (Meisner 1996).

As Deng consolidated power with the support from veteran leaders both within the Party Political Bureau and the People’s Liberation Army (PLA), Hua found his position at odds with the central government’s increasing emphasis on economic development (Vogel 2011). On 11 May 1978, an article titled ‘Practice is the sole criterion of truth’ was published in *Guangming Daily*, the official intellectual newspaper. It triggered heated debate. Followers of the “two whatever-isms” attacked the article, calling it revisionist (Sun 1995, 28). Its author, Hu Fuming, however, was a true Maoist, trying to defend the late leader’s position by distinguishing it from the ideologies propagated by the Gang of Four.<sup>4</sup> The paper started with an assertion that Maoism, together with Marxist-Leninism, was objectively true as tested by practice. Hu cited Mao: “The consistency between theory and practice is one of the most basic principles of Marxism...practice is the sole criterion of truth...” (*Guangming Daily* 1978).

Having endorsed the publication of the article in *Guangming Daily*, the then Party General Secretary Hu Yaobang circulated it among party leaders and re-printed it in *People’s Daily* as well as other official media, intending to stir up a nationwide debate on Mao’s legacy. Deng was first shocked by the fact that writing about the consistency between theory and practice as a basic idea of Marxism was considered controversial. He then seized the opportunity the ongoing debate offered him to criticize the dogmatism of the “two whatever-isms” openly. To “bring order out of chaos,” Deng encouraged everyone “to start everything from practice” (Deng 1994 [1978], 126-128).

Under Deng’s encouragement, critical reviews of policies and events under Mao appeared from all sectors. Economists, recently restored to their positions, such as Sun Yefang, announced, “Economic theories and policies that have been tested true in improving real productivity should be fully recognized; those proven otherwise should be removed or revised” (*People’s Daily* 1978a). Four months later, *People’s Daily* also republished Sun Yefang’s academic article “Feel justified to gain socialist profits,” where Sun legitimized profit as part of the material wealth produced by lowering cost and improving productivity (Sun 1978).

### ***Ideological Debate and Economic Setback in the Late-1980s***

After 1978, despite the consensus on prioritizing economic development among the Chinese ruling elites, there were constant debates about the means to develop the economy and the extent to which the economy should be opened up to Western influences. While party conservatives insisted upon the socialist nature of the Chinese economy and objected to further market-oriented economic reform, the progressives wanted to push for more radical transformation, including political democratization (Sullivan 1988; Ding 1988). Prioritizing economic development, Deng was pragmatic about all policies and ideologies, supporting only those he thought were conducive to economic growth and criticizing those considered otherwise. Aware that ideological debates might lead to political confusion and division, consequently hampering the momentum of economic development, Deng kept ideological and political wavering within limits and would put a stop to debate whenever necessary (Vogel 2011).

Still, the political divisions between the conservatives and the progressives would eventually result in economic and political consequences beyond Deng’s control. While controversies on the economic front led to a short period of economic recession between late 1985 and early 1986, by the end of 1986, students went to the streets to express their dissatisfaction with the political corruption and growing economic inequality under the economic reform.<sup>5</sup> In response, on the last day of 1986,

Deng gave a speech which categorically condemned what he named “bourgeois liberalism” – that is, the idea of full development of capitalism in China, including political democratization modelled on Western liberal democracies (The Central Committee of the CCP 1986). He pointed out that students’ protests were the result of the over flooding influences of “bourgeois liberalism” as well as some party members’ insensitive response to such influences. Deng called upon ideological educators and related party organs to eradicate this ideological trend and mitigate its influences, stressing the importance of unifying people’s thinking which had to be focused on economic development (*People’s Daily* 1987).

Deng’s emphasis on the economy suggested his intention to leave political reform off the government’s top agenda. This, though understandable if one favoured his economic nationalism, aroused more frustration and triggered further protests from students and liberal intellectuals across the country. Consequently, it would lead to students’ nationwide pro-democracy movement and the Tiananmen Incident in 1989. When the students’ movement was cracked down, Deng’s leadership and China’s economic reform were seriously questioned both at home and abroad. Within China, the conservatives saw the opportunity to mount their opposition to further market-oriented reform, while the progressives were bitterly disappointed with the central leadership’s political conservatism (Fewsmith 1994). Internationally, following the lead of the US, many liberal economies started sanctioning China and accusing the Chinese government of violating human rights. As a direct result, economic growth slowed down, resulting in significant drops in China’s GDP in the three consecutive years from 1989 to 1991.<sup>6</sup>

### **Deng’s Southern Tour in 1992**

To overcome domestic opposition, win over the support of both the conservatives and the progressives, and break through international sanctions, Deng decided once again to “seek truth from practice” (Zhao 1993). At the age of 88, Deng, for the second time, toured southern cities including Wuhan, Shenzhen, Zhuhai, Guangzhou, and Shanghai in 1992, intending to demonstrate to the world the transformation China had achieved under his “Reform and Opening-up policy.” Throughout the tour, Deng repeatedly reasserted his nationalist aspiration to change China’s position in the world by making it a “wealthy and powerful” nation, insisting on the CCP’s determination to achieve economic modernization.

“Development is the hard truth,” Deng announced in his influential “Southern Speech,” stressing, “Our Party must continue to uphold the basic blueprint laid out in the Third Plenum of the Eleventh Central Committee in 1978 and to focus on economic development for the next one hundred years” (Deng 1993[1992], 371). In response to the conservatives’ opposition to market-oriented reforms, Deng (1993[1992], 372-373) said, “Both plan and market are economic means to the goal of the ‘three benefits,’” which include, 1) the improvement of socialist production forces, 2) the strengthening of the comprehensive power of socialist China, and 3) the increase of Chinese people’s living standards.

Deng’s southern tour has been considered as one critical event in post-reformed China. His speeches were believed to have had a profound effect, answering questions that had long been on people’s minds and pushing China’s economic reform to a new stage (Zhao 1993; Naughton 1993). In reality, the party-state’s determination to further Deng’s “Reform and Opening-up policy” ended the debate. It gave green lights to the emerging “spirit of capitalism” in China. Consequently, both government officials and the masses responded to the party-state’s approval of money-making with ever higher enthusiasm, quickly bringing back the two-digit GDP growth rates of the Chinese economy in 1992 and in the years to follow.<sup>7</sup>

### **Reviving the Nationalist Aspiration for Economic Modernization**

Amidst ideological debates and changing official narratives, many found the courage to voice their genuine opinions and understanding of realities that were suppressed under Mao. The starkest

reality of China back then was the extreme poverty nationwide, which contrasted with neighbouring capitalist economies' prosperity. In late 1978 when Deng visited Japan, the contrast was no longer possible to be disregarded. Deng's visit was not just a diplomatic effort to normalize Sino-Japanese relations, but an attempt to showcase post-war Japan's economic modernization to the domestic Chinese audience. It was also a reminder to the Chinese people of the century-long "national humiliation" China experienced *vis-a-vis* foreign powers. Most importantly, Deng intended to revive the forgotten national aspiration that has been driving him since 1919: saving China through industry, or building China into a respectable nation with wealth and power, the idea imported from Japan by the first generation of Chinese nationalists at the beginning of the 20<sup>th</sup> century (Zu and Wei 2016). During his visit to Panasonic, Japan's biggest manufacturer of electrical appliances at the time, Deng took the opportunity to declare China's determination to focus on economic development and modernization. Behind this declaration was Deng's intention to motivate the Chinese people to once again learn from Japan and to persuade Japan to assist China with modern technologies and capital (*People's Daily* 1978b).

Coming home, Deng's visit to Japan had set the tone for the Third Plenum of the Eleventh Central Committee of the CCP in December 1978. At this Plenum, Hua Guofeng, still the lawful successor of Mao, formally announced "the shift of the national focus to developing socialist modernization...fundamentally changing the backward situation in China and making China a modern and strong socialist nation..." (*People's Daily* 1978c). The Third Plenum did not challenge Mao's authority. Instead, it recalled the Party's very same plan to focus on economic and technological development under Mao's leadership back in the early 1950s. It blamed Lin Biao as well as the "Gang of Four" for their "unforgivable sins" and political schemes to distract the nation from the path of modernization. The Plenum, however, did restore Deng's legitimacy, praising his great contribution to the national development in every respect and the satisfactory results of his undertakings. This was also followed by the Plenum's re-evaluation of the Party's "mistaken" condemnations of various other veterans such as Peng Dehuai and Bo Yibo, both of whom were purged due to their criticisms regarding the Great Leap Forward during the Cultural Revolution. Most importantly, the Plenum reaffirmed the principle of practice as the sole test of a theory's truth and called upon all party members and the people to liberate their thinking and justify theory by practice (*People's Daily* 1978c).

Often credited as the very start of China's economic reform, or the launch of the "Reform and Opening-up" policy, the Third Plenum in fact proposed no specific economic policies, but made clear the national goal of achieving modernization and the Party's determination to focus on economic development (Naughton 1993). However committed Chinese leaders were to these objectives, at the beginning of the reform era, as Dwight Perkins (1994, 23) similarly pointed out, "Deng and his associates had no economic reform blueprint." What they had in mind was simply, as Deng later confessed, "giving [the Chinese people] the power to make money."<sup>8</sup>

## From "Capitalist Roaders" to Glorified Capitalists

### *Poor Peasants Taking the Lead and Getting Rich*

Existing literature often starts the account of China's economic reform with the story of eighteen peasants in Anhui province, who, prior to the Third Plenum, illegally contracted to divide the land of the commune into family plots, with each household responsible for its own plot, handing over some outputs to the commune to meet the required production quotas, but keeping the surplus for themselves (e.g., Naughton 1995 & 2007). This illegal arrangement, however, soon yielded a significant increase in the total production of involved peasants and quickly spread to other parts of the country, bringing the family-based agricultural production back to China's countryside.<sup>9</sup> For their transformative individual effort, the eighteen peasants have been considered the harbingers of China's economic reform, or more specifically, the so-called "household responsibility system."

A more thorough historical study of economic policies in Mao's era, however, would find that a similar responsibility system had already been experimented with in some parts of the countryside as Deng and other leaders attempted to adjust the central government's economic policies after the Great Famine in the early 1960s.<sup>10</sup> Had there been no interruption of the Cultural Revolution, a similar responsibility system might have been put into practice ten years earlier. It is, therefore, possible that the eighteen illegal contractors were not conscious innovators, but simply poor peasants who were desperate enough to revive a formerly disrupted system in early 1978 when the political order of the day was yet to be settled. What made them national heroes instead of counter-revolutionary "capitalist roaders" as they would have been contemptuously called in Mao's period were the central government's immediate approval of their personal initiative and the 1982 official legalization of their illegal contract.<sup>11</sup>

### Becoming Rich Is Glorious: Official Campaigns Encouraging Profit-making

Having lived through Mao's anti-capitalist campaigns and recalling the public shaming of "capitalist roaders" in their mind, at the beginning of the reform era, the enriched peasants were not at all sure if their newly acquired fortune could in the long run be considered good fortune. They worried that the Party's political ideology might flip over overnight like it did during the Cultural Revolution. Those who got rich thanks to personal initiatives often kept quiet about their new wealth, fearing they might be condemned as the "people's enemies" and their property confiscated.<sup>12</sup> In the early 1980s, according to Orville Schell's account, it was not uncommon to find no one willing to show up in a village meeting where the leaders intended to reward those who had made over five-thousand or ten-thousand yuan yearly.<sup>13</sup> To rid people of such fears and worries, the government launched various campaigns to raise the status of the new rich, making them the subject of respect and dignity and honouring them with such titles as "ten-thousand-yuan households" or "model households" (Schell 1984). Most symbolically, representatives were also selected among them as members of the National People's Congress, and quite a number of them later became members of the CCP, holding important political positions in the villages (Yan 2012).

To further demonstrate the Party's change of attitudes, in 1983, the Central Committee of the CCP passed a resolution to rectify any thinking and ideology that went against the Party's announced decision to pursue economic reform and open up China. This resolution, accordingly, called upon all party members around the country to support the realization of China's economic modernization (*People's Daily* 1983). At the same time, the Party went further to bring more than three hundred delegates of successful entrepreneurs around the country to Beijing and had the Party General Secretary Hu Yaobang address them directly in official messages. These messages stated, "Every job that serves the interests of the country and the people is glorious and heroic" (Hu 1983). On behalf of the party-state, Hu paid respect to the successful entrepreneurs, praising them as pioneers whose names would be marked and memorized in the glorious history of China. Hu also stressed the government's full support for the development of private business and encouraged private enterprises and entrepreneurs to continue working for the wealth and power of the nation as well as the improvement of Chinese people's living standards (Hu 1983).

Hu's speeches were not empty talk. They were followed by his frequent visits to the provinces where he would ask local leaders to liberate their thinking and to help peasants get rich, repeating, "Rectify the Party to develop the economy and let economic development to test the Party rectification" (*People's Daily* 1984). The change in the Party's position was simultaneously announced through its mouthpiece. A systematic analysis of *People's Daily* reports, for instance, reveals the similarly drastic transformation in the official narratives on economic development before and after 1978.

A search of relevant keywords in the digital database of *People's Daily* (released between 1949 and 2012) yields statistical results showing that the percentage of articles which at least once mentioned the term "economics" (in Chinese, 经济) rapidly rose after 1973 when Deng came back

to serve in the central government, but declined shortly in 1976 when Deng was purged again right after Zhou Enlai's death. It resurged later soon after Deng returned to power and reached a new peak in 1979. Ever since then, *People's Daily's* coverage of economic issues had been on the rise despite ups and downs in between, making a contrast to Mao's era in which the newspaper's coverage of economic issues drastically declined after 1953 and remained very low throughout (see Figure 2).

Accompanying the increase of *People's Daily's* coverage of economic issues in the late 1970s was the growing proportion of articles mentioning "modernization" (*xiandaihua*). As Figure 1 indicates, the growth of the coverage of "modernization" also occurred after Deng's first return to the political centre in 1973, but did not undergo a decline in 1976 when Deng was purged again, only to see its growth rate increase faster after 1976. This suggests that 'modernization,' a term also used by Mao to justify the Great Leap Forward in the late 1950s and the early 1960s, was a less politically sensitive concept that could be mentioned in 1976 when the Cultural Revolution was still going on. Zhou Enlai's re-announcement of the "Four Modernizations" during the Fourth National People's Congress in 1975 also contributed to the increasing usage of the term "modernization" in this period.<sup>14</sup>

A search for the term "economic modernization" (*jingji xiandaihua*) in *People's Daily*, nonetheless, brings quite different results. First, the number of articles mentioning "economic modernization" specifically was significantly lower in comparison with those using "economic" and "modernization" separately. Secondly, Chinese leaders' direct use of the term in discussion of China did not appear in *People's Daily* until 1979. Excluding the few cases in which foreign leaders used the term in a foreign context, it was basically absent throughout Mao's period (see Figure 3). These results confirmed: 1) "modernization," which referred to the aspiration to parity with "modern" – hence, strong – nation, has always been the motivation of Chinese nationalist elites ever since the late-Qing period; 2) during Mao's era, however, neither Zhou's "Four Modernizations" nor Mao's "Great Leap Forward" had a pronounced economic dimension. Indeed, the phrase "nation with wealth and power" (*minzu fuqiang*) was also largely absent in *People's Daily* after 1950 and did not reappear until 1981 (see Figure 3), when Hua Guofeng finally decided to resign from politics – a sign of the real end of Mao's era.

*People's Daily's* coverage of the term "economic modernization" peaked in the year of 1984 when the CCP formally passed a resolution on China's economic reform at the Third Plenum of its Twelfth National Committee. In this resolution, "commodity economy," once considered an

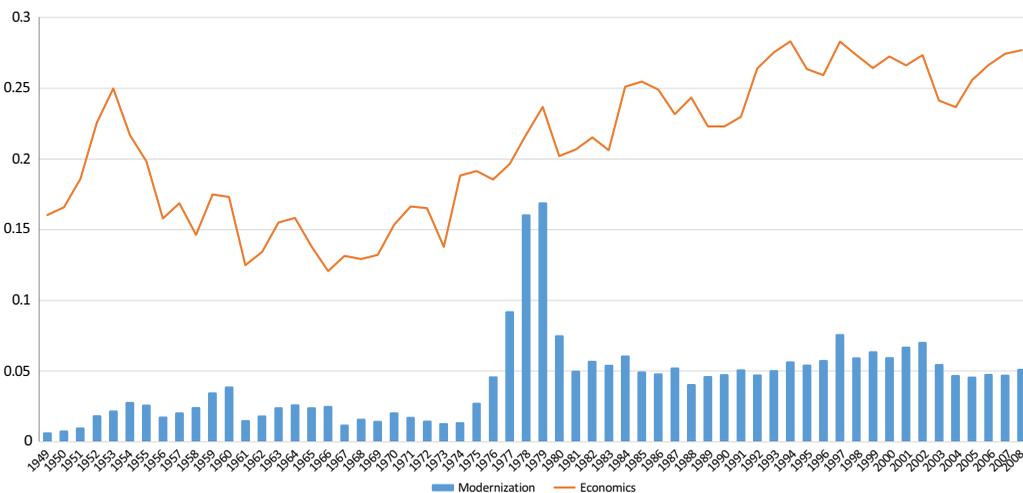
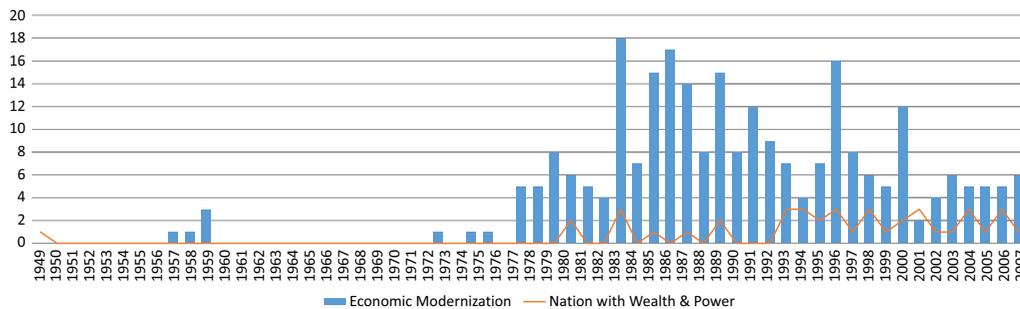


Figure 2. *People's Daily's* Coverage on "Economics" and "Modernization" (1949-2008, percentage)

Source: Data collected from the digital database of *People's Daily* (1949-2008).



**Figure 3.** *People's Daily's* Coverage on “Economic Modernization” and “Nation with Wealth & Power” (1949–2008, counts)  
Source: Data collected from the digital database of *People's Daily* (1949–2008).

element of capitalism, was for the first time in the CCP's history recognized as “a necessary phase” of socialist economic development and a necessary condition for China's economic modernization (*People's Daily* 1984). The resolution praised the spontaneous reform in the rural economy since 1978 and stressed that encouraging the vibrant energy of private enterprises should be the central task of the coming economic reform in cities. It asserted, “The active energy of enterprises comes from the activities, wisdom, and creativity of all individual workers,” and in conclusion, stated,

Economic reform must make sure that employees become the real masters of the enterprises, that everyone would take productivity and output of the enterprises seriously, and that everyone's working output is closely connected with his or her social status and material benefits... (*People's Daily* 1984).

In this resolution, notably, equality was reconsidered as a major barrier to China's national interest. As a result, the Leninist principle of socialism, “to each according to one's contribution” – as against the principle of communism, “to each according to one's need” – was reaffirmed. Moreover, the resolution stated, as Deng repeated elsewhere, “Only by allowing and encouraging some regions, some enterprises and some people to get rich first through working hard, can the majority of the people be attracted and encouraged to follow, hence bringing more and more people to enrich themselves” (*People's Daily* 1984). With this resolution, the CCP-led government had made it crystal clear that: to enrich oneself was not just fine, but encouraged; and, most important of all, it was respectable and dignified, since it contributed to China's economic modernization, meaning ultimately, China's national glory and international standing.

## Glorified Capitalists Becoming Nationalists

### Statistical Evidence

If “the spirit of capitalism” was only shared by some of the reform-minded Chinese leaders in 1978, when Deng passed away in 1997, it had spread to most of the Chinese population, particularly among those who had become rich first under the early economic reform. In a national survey of private enterprises and their owners in 1993, among the total 1,440 private entrepreneurs surveyed, almost 67 per cent were born in small towns and villages. In addition, 31 per cent had a father who was a peasant, and another 24.3 per cent had a father working as an ordinary worker. Before they started their private businesses, 15.3 per cent were peasants and 32.7 per cent had worked in a factory (Privately Owned Enterprises Research Project Team 1993).

In Mao's China, the majority of the population lived in the countryside, with peasants and workers being the two major poor yet honourable occupations for most people. The rural origin of most private entrepreneurs and their occupational background were thus not surprising. The real

**Table 1.** Pearson Correlations among Self-Perceptions

	Self-Perception of Social Status	Self-Perception of Political Participation
Self-Perception of Personal Incomes	0.557***	0.387***
N	1431	1431

\*\*\*p&lt;0.001.

Source: CPES (1993).

surprises, however, were found in the fundamental changes and the positive correlations among the new private business owners' perceptions of their incomes, social status, and political participation.

Results of a correlation analysis of the survey data demonstrate that the way these private-business owners perceived their incomes compared with others was significantly and positively correlated with their perception of their status in society (see Table 1). So was their perception of incomes positively correlated with the perception of their political participation. These statistical results suggest that, unlike peasants and workers in Mao's China, a large portion of the Chinese population had come to connect social status and political power positively with personal wealth under Deng's reform. They also revealed that, fifteen years into the reform era, the once silent Chinese rural population was now vocally proud of their new wealth and convinced that their new material fortune could be considered good fortune. Unlike the despised Chinese merchants in the old days and the shamed "capitalist roaders" under Mao, entrepreneurs nowadays could take pride in their new identity as businessmen or businesswomen. What's more, economic success had also brought them political power. According to various empirical studies, different parts of the country witnessed a rapid rise of private entrepreneurs and other economically successful individuals into the core leadership of the CCP's grassroots organizations since the early 1990s (Yan 2012). In this sense, as Yan Xiaojun (2012, 324) put it, "To get rich is not only glorious," but also powerful.

With strong policy support and encouraging official and social discourse, people pursued personal wealth openly. According to the National Statistics Bureau, by 1997, the number of private enterprises rose to 0.96 million, employing 13.5 million employees (National Bureau of Statistics 1997a). The number of self-employed business owners was even larger, reaching above 28.5 million, with some 54.4 million employees (National Bureau of Statistics 1997b). These were just the number of private businesses oriented toward profits for individuals. Meanwhile, there were numerous state capitalists working in state-owned enterprises, which were the major players in the Chinese economy at the time, pursuing profits for the state and the collective while realizing their personal ambitions (Dickson 2008).

In all, the number of capitalists was rapidly growing under Deng's reform. Together, they had formed a new generation in post-Mao China, who connected their personal prosperity with national wealth proudly and whose rising national pride and consensus regarding the importance of national prestige were well reflected in various public opinion surveys. According to the World Value Surveys conducted respectively in 1990 and 1995, for instance, not only did above 90 per cent of the Chinese respondents feel proud of being Chinese, but the majority of them also believed that the country should make achieving a high level of economic growth its first priority in the next ten years.<sup>15</sup>

These survey results were further reflected in people's tributes to Deng in 1997. When Deng's funeral was held in the capital, people around the country went into the street, shedding tears and expressing emotions they had never expressed on the death of other leaders, not even the much revered Premier Zhou Enlai. In Beijing, for example, more than 3,000 scientists and engineers came to express their appreciation of Deng's emphasis on science and technology as the No. 1 production force, declaring, "Only by gaining China's share in the world's advanced technologies can we scientists and engineers best pay our tributes to comrade Deng Xiaoping." In the countryside, hundreds of millions of peasants expressed their gratitude to Deng for their personal prosperity that they could never have dreamed of, while local party representatives vowed to continue Deng's path

to make local villagers rich and the country strong. Private entrepreneurs were explicit: “To hold on to Deng’s policy is a guarantee for the rejuvenation of our nation and the building of a country with wealth and power” (*People’s Daily* 1997).

### **A Case Study: Liu Chuanzhi and Lenevo**

To demonstrate the exact mechanism through which the change in official narratives, which made economic strength the chief path to China’s status in the world, encouraged individuals to connect their personal prosperity with national wealth, creating the motivation for sustained economic growth on both personal and national levels, let us, to the end, review the triumphant story of China’s currently biggest computer company, Lenevo, and its founder, Liu Chuanzhi.

In 1998, a year after Deng’s death, Liu recalled:

I remember that it was in 1978. There was an article in *People’s Daily* about raising cows. I got so excited upon reading it. During the Cultural Revolution, every newspaper article was about revolution and class struggle, non-stop, only editorials. At that time, raising chickens or growing vegetables was viewed as capitalist tails to be cut. Now the *People’s Daily* has an article about raising cows. Things have definitely changed (Quoted from Huang 2008, 85)

Like many poor peasants mentioned above, Liu was sensitive to the ideological shift at the top in the late 1970s. Unlike the peasants in rural China, however, Liu was then a researcher at the Science Academy in Beijing. He spent 13 years working on a magnetic tape recorder, only to find it lagging behind foreign technologies when China started to open up to the outside world in the early 1980s. In 1984, the then Party General Secretary, Zhao Ziyang, did not bother attending the Science Academy’s exhibition. Since then, Liu understood that the Party leaders had no more interest in political shows, only expecting to see science and technology join the forces of production. He thus decided to leave the Science Academy and set up a company in the Zhongguancun street of Beijing, which, later, became China’s first “Silicon Valley” (*Youth Literator* 2011, 8-11). In the next 13 years, Liu created China’s version of Microsoft and gave it the name Lenevo (in Chinese, 联想), literally meaning “connected imagination.”

On 6 May 1998, Lenevo celebrated the production of its one millionth computer; it took the company only four years to reach this mark. The event was reported in an article titled “The rising dragon in the East” in *People’s Daily*. In this report, Lenevo was praised for achieving “the glory of one million” and demonstrating Chinese companies’ potential to reach the top of the world’s computer manufacturing. “‘Lenevo’ is one of the few companies capable of producing the Pentium II computers in the world,” the report cited the excited comments from the CEO of America’s *Intel* company, followed by a long list of Lenevo’s “secrets” to succeed on the global stage in a very short period of time (Ren 1998).

When Lenevo became a national brand, its founder, Liu Chuanzhi, was praised as a national hero facing up to challenges and competition from famous foreign enterprises, overcoming difficulties and setbacks, and finally creating a miracle that contributed to China’s economic modernization (Yang 1998). In 1998, Liu was also elected a representative of the Ninth National People’s Congress where he proposed strategies for China to compete with advanced countries in the new age of “knowledge economy.” “From Lenevo’s experience of combining trade, engineering, and technology,” concluded Liu, “technological innovation must ultimately land on economic efficacy, not just on the level of technology itself” (Wen and Ren 1998). Clearly, Liu kept in mind the lesson he learned from Zhao Ziyang’s absence in the Science Academy’s exhibition back in 1984. In his opinion, the secret to Lenevo’s success was not just technological innovation, but the orientation to eventual economic growth. Liu’s remarks as a representative of the National People’s Congress not only reflected his personal “spirit of capitalism,” but also proved that Deng’s economic reorientation had profoundly affected the new generation of glorified capitalists who were committed to the country’s economic development and invested in the sustained growth of Chinese economy.

Like many others who rose in status thanks to Deng's reform, Liu was extremely grateful to the party-state. He stressed, "One had to realize that the major part of one's achievements must be attributed to the state" (*Youth Literator* 2011, 9). "To create a great enterprise," he said on another occasion, "one needs a group of people who would fight for national wealth and power, and consider their jobs a mission" (*Youth Literator* 2011, 11).

Whether these comments were simply lip-service to political correctness is hard to verify. What is significant is that, unlike in Mao's China, thinking about one's profit-making activity as a mission and a fight for the national wealth and power has become politically correct in today's China. Liu was a typical example of those newly emerging national capitalists who came to proudly connect their personal success with the rise of China, mixing aspirations for personal prosperity and status with the commitment to the nation's sustained economic growth.

## Conclusion

To conclude, this paper demonstrates that, by dignifying the economic engagement of the masses and involving them in the national project of economic modernization, China's economic reform since 1978 has not only resulted in rapid economic growth, but also gave rise to generations of Chinese national capitalists who proudly associated their personal prosperity with national wealth and became invested in China's economic competitiveness *vis-a-vis* that of other nations. Starting with those who got rich first under Deng's reform and gradually to the general public, the Chinese society in general came to embrace Deng's economic nationalism and reorient to "the spirit of capitalism." It was this resultant ethical change at the social level that put China onto the path toward economic modernity.

To connect these findings with today's China and the rest of the world, it is worth repeating Weber's observation on economic development incentives. That is, rather than material gains *per se*, ethical acceptance of material gains at the social level is the real motivation driving people toward "forever-renewed profits" (Weber (2005 [1930])). It is also noteworthy that, in modern times, because nationalism grants people unprecedented dignity and the social status to be fundamentally equal with the elites as national members, national identity is dignifying for most people, particularly the masses (Greenfeld 1992). When the masses are allowed to proudly connect their daily economic pursuits with national wealth and the nation's rising international status, the masses, and the elites alike, would feel their personal dignity most positively confirmed. They would be further motivated to sustain the growth of both personal prosperity and national wealth in order to maintain their positive connection with the nation and the dignifying identity as a national member. Consequently, people would embrace economic nationalism and the society would reorient to "the spirit of capitalism," taking the nation onto the path to economic modernity (Greenfeld 2001).

The spread of economic nationalism to the masses, however, does not occur automatically as many assume. It requires, as shown in the case of post-Mao China, intended efforts at both the official and popular levels. These include, among others, changes of official narratives, intensive mobilization campaigns, economic policies conducive to capitalistic pursuits, and oftentimes, a nationalist leader's pragmatic perseverance. These listed intended efforts, while being necessary and sufficient to bring about economic nationalism in Deng's China, may not be necessary or sufficient for the same purpose in other periods of China or in the contexts of other countries. To account how economic nationalism spread in a society, one must consider specific enabling factors that often vary from one historical context to another. As a general rule, good "recipes"—i.e., practical answers to the "how" questions—often change according to the personal practice of the chef and the ingredients at hand. With its unique political economy, China may not prescribe for other countries any practical "recipes" for economic success or the reorientation to economic nationalism (Kohli 2004; Brink 2019; Gruin 2019; Pearson, Rithmire and Tsai 2022). Nonetheless, similar to other economic forerunners, China did share the ethical change toward "the spirit of capitalism" at the social level when its masses shared Deng's economic nationalism. To continue with economic modernization,

current Chinese leaders will have to be mindful about changing the party-state's official narratives and economic policies since they would ultimately affect the public's nationalist aspiration, hence their "spirit of capitalism." For nations intending to embark on the path to economic modernity, a reorientation to economic nationalism at the social level is both necessary and sufficient, although how they manage to do so and whether they would be able to do so remain open questions.

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## Notes

- 1 For a detailed account of Deng's role in these movements, see Chung (2013).
- 2 Which, ultimately, brought down the Gang of Four. For a detailed account of the fall of the Gang of Four, see Dittmer (1978).
- 3 i.e., whatever policy decisions Mao made is to be sternly defended; whatever Mao instructed is to be forever followed.
- 4 Hu Fuming was then a faculty member at Nanjing University. For more detail about his intention to write the article. See (*Xinhua* 2008).
- 5 For details on how the ideological debates led to economic recession in the mid-1980s, see Fewsmith (1994).
- 6 World Bank. "GDP growth (annual %) – China (1961-2021)," <https://data.worldbank.org/indicator/NY.GDP.MKTP.KD.ZG?locations=CN>. Accessed 19 January 2023.
- 7 While China's GDP growth met setbacks during 1989 and 1991, the GDP growth rate jumped to 14.22 per cent in 1992, followed by two-digit GDP growth rate in the next three consecutive years. See World Bank, "GDP growth (annual %) – China (1961-2021)."
- 8 Deng Xiaoping's comment to *Time* magazine delegation in October 1985. See (*New York Times* 1997).
- 9 Even in 1980, the household responsibility system was still considered the reverse of the socialist principle of collective farming and was thus prohibited. See Editorial Board of China Agriculture Yearbook (1980, 58).
- 10 In a 1961 fieldwork report, Deng and the then mayor of Beijing Peng Zhen had mentioned that the production teams near the Beijing suburb adopted a responsibility system that effectively improved the working incentives and productivity of production team members. Deng thus suggested the wider adoption of a similar responsibility system in the same report. See The CCP Central Committee Literature Research Department (1997, 324-331).
- 11 In January 1982, the CCP Central Committee announced that Household Responsibility System was a part of China's socialist economy and decided to promote the system nationwide. See CCP Central Committee (1982).
- 12 This was confirmed by Yan Xiaojun's interview with villagers in northern China. See Yan (2012, 339).
- 13 Orville Schell is a lifelong China observer who visited China before and after 1978. For a detailed account of his visit to China in 1983, see Schell (1984).
- 14 'Four Modernizations' are industrial modernization, agricultural modernization, technological modernization and national defense modernization. The idea, according to Deng, was originally

Mao's idea, but was formally announced by Zhou Enlai at the First National People's Congress in 1954. See Deng (1994[1978], 134-139).

- 15 Respectively 65.8 per cent in 1990 and 57.3 per cent in 1995. See World Value Survey (1990 & 1995).

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