This land is rich in resources and is sparsely populated while China’s land is overcrowded. The Chinese were angered by Soviet statements that they would not give up this territory. The Soviets feared that one day China might try to take back this land for its growing population.

China’s relations with the Soviet Union worsened throughout the 1960s. In 1962, a border dispute between China and India developed into war. China defeated India and took a chunk of territory that India had controlled. Both the United States and the Soviet Union backed India’s claims. China regarded Soviet support for India as a further betrayal by its former ally. Mutual fear and suspicion between China and the Soviet Union increased. Fear of Chinese fanaticism and expansion grew in the Soviet Union.

In 1969, Soviet and Chinese troops clashed along the border between the two countries. Battles were fought along the Amur River and in central Asia. Each side claimed that the other had attacked first. Hundreds of dead and wounded soldiers on both sides showed the seriousness of the fighting. The growing Soviet military buildup was a serious threat to the Chinese. Despite China’s successful testing of a nuclear bomb in 1964, China was still much weaker than the Soviet Union. This led Mao to turn to the United States and other non-Communist countries in the West. A new era in Chinese foreign policy was beginning.

Relations with the United States

For many years China and the United States were close friends. During World War II both nations fought together on the same side against the Japanese. The United States sent China several billion dollars in aid. Then, in 1950, the two nations became bitter enemies.

When the Korean War broke out in 1950, U.S. troops fought on the side of South Koreans, while the Chinese sent troops to support the North Korean Communists. From then until 1971, the United States had little to do officially with The People’s Republic of China. We had no diplomatic relations with China. That means that we did not recognize the Communists as the legal government of China. For 22 years, the United States kept The People’s Republic out of the United Nations. In addition, the U.S. government greatly restricted American businesspeople from trading with China.

In 1950, the Communists began a carefully planned “hate America campaign.” In daily broadcasts, in posters, newspapers, and street demonstrations, the Chinese leaders told their people that the United States was their enemy and that an attack by the United States was likely.

What were the causes of this animosity? One reason is that the United States supported the Nationalist government of Taiwan. The Nationalists and the Communists had fought each other for control of China for many years.

Mao Zedong often said that he was ready to come to terms with the United States if the United States would agree to the following: (1) stop supporting the Nationalist government, (2) remove the Seventh Fleet, (3) remove its troops from Asia, and (4) give up its defense treaties with Asian nations. In other words, the Chinese Communists wanted the United States to get out of Asia and leave Asia to the Asians.
Some Americans favored a change in U.S. policy. They felt that if we offered friendship to the Chinese Communists, they would become more friendly and more peaceful.

The opponents of a change in policy felt that the Communists were warlike and would remain warlike. They said that China was overcrowded and poor, and so the Communist leaders would always try to conquer new lands for their people. They said that the Communists sent troops to Korea, Tibet, and India, and that the Chinese Communists were encouraging the North Vietnamese to attack South Vietnam, Laos, and Cambodia. Therefore, the United States must be prepared to stop the Chinese Communists, by force, if necessary. For a long time the debate continued.

Early in 1971, in a surprise move, the Communists invited the U.S. Ping Pong Team, which was in Japan, to visit China. The Americans accepted and for the first time since 1949 Americans officially visited the Chinese mainland. The U.S. team was received with great friendliness. U.S. news reporters were allowed to accompany the team into China. Zhou Enlai, the Chinese Premier, greeted the team and said that he would like to visit the United States.

Then in July 1971, President Nixon announced that he would visit China by invitation of the Chinese government. Nixon recommended that The People’s Republic of China be admitted to the United Nations, provided that Nationalist China be allowed to remain in the organization. This was a historic change in U.S. policy. In late 1971, the United States began to allow Americans to visit China and to resume trade relations.

What brought the two nations closer together was a common fear of the Soviet Union. Former Secretary of State Henry Kissinger wrote in his memoirs several years later that friendship between the United States and China was born out of “dire necessity”—dealing with the menace posed by the Soviet Union.

For seven days in February 1972, the world’s attention was focused on President Nixon’s historic trip to China. The Chinese went out of their way to make the visit a big success. Nearly all of China’s senior leaders, except Mao Zedong were at the airport to greet the President. A few hours after his arrival, Chairman Mao called to invite the President to his home. For seven days, the President and his aides held meetings with Zhou Enlai and other Chinese officials. The Americans went sightseeing; they were wined and dined and taken to the theater. The Chinese showed in many ways that they were interested in better relations between the two countries. The visit received unprecedented coverage in the Chinese press. Radio broadcasts carried news of the trip all over China. No other foreign leader in recent years had received such coverage in China.

What did President Nixon’s journey accomplish? President Nixon repeatedly warned that “no miracles should be expected.” Perhaps the greatest miracle was the fact that the leaders of two nations, which for 22 years had shown only outright hostility toward each other, met in an atmosphere of cordiality and friendliness. The trip achieved the goal of breaking a silence that had lasted more than two decades. Both realized that wide differences existed between the two countries and many obstacles stood in the way of closer relations. But the leaders of both nations indicated that despite the differences there are common interests.

At the end of the visit there was a communiqué (an official statement summarizing the results of the meetings.) In it, both nations agreed to make it easier for Americans and Chinese to have contacts with each other. The two countries agreed to expand trade and to make relations between the two nations more normal.

Within the first year after that historic meeting, some 2,000 Americans and many Chinese crossed the Pacific to talk business and exchange ideas. American firms agreed to build earth-satellite stations in China, to sell Boeing 707 airliners, and to train pilots and maintenance workers. Corn and wheat sales to China worth over 40 million dollars were arranged.

In February 1973, Henry Kissinger, President Nixon’s special assistant, visited Peking for special meetings with Chinese officials. It was agreed that the United States would establish a mission in Peking and a Chinese mission would be set up in Washington. This was the first step toward full diplomatic recognition. These missions made it possible for both countries to have contact with each other on a regular basis. Soon scientists, doctors, reporters, business people, athletic teams, and cultural groups were visiting each other’s countries.
China Under Deng Xiaoping

Deng Xiaoping

The man who has ruled China for most of the years since Mao’s death is Deng Xiaoping. After 1978, Deng brought about dramatic economic reforms and political changes. Many observers refer to these changes in China as a “second revolution.” Deng’s goal has been to pull China out of its backwardness and to push it into the 20th century. A loyal Communist for most of his life, Deng is, above all, a pragmatist (practical person) and will employ whatever means are necessary to achieve his goal. For this purpose, Deng took many risks, such as opening up China to Western influences for the first time since 1949, introducing elements of capitalism (private enterprise) into the economy, and allowing greater personal freedom for individuals.

Deng Xiaoping was born in 1904 and came to power when he was in his 70s. Deng became a Communist when he was a young man studying in Europe. After returning to China, he spent the next 20 years carrying out important assignments for the Communists. After the People’s Republic was established, Deng received various appointments. Deng supported Mao in many of his programs, including the “Hundred Flowers” campaign and the “Great Leap Forward.” When it became evident that the “Great Leap Forward” was producing disastrous results, Deng made important economic changes. Mao was furious, and relations between the two began to deteriorate. Mao, who was aging, came under the influence of his wife Jiang Qing and her radical allies. In 1967 during the Cultural Revolution, Mao’s wife openly denounced Deng as a counter-revolutionary capitalist (a person who wants to overthrow communism and bring back capitalism). Deng was dismissed from his party and government jobs and was exiled to southern Jiangxi province. There he was forced to perform manual labor in a tractor factory and to wait on tables in a mess hall. Members of Deng’s family were also punished. In 1973, Deng was rehabilitated (restored to his former rank). He took over the day-to-day running of the government from Zhou Enlai, who was dying. In 1976, Jiang Qing and her three radical allies, who became known as the “Gang of Four,” removed Deng from all his offices. Mao’s death in September 1976 and the arrest of the Gang of Four a month later cleared the way for Deng’s return to power the next year.

After coming to power Deng brought about enormous political, economic, and social changes in China.

Political Changes

The main political reforms under Deng Xiaoping may be summarized as follows:
1. Bringing to justice the Gang of Four and others responsible for the violence and destruction of the Cultural Revolution
2. De-Maoization—undoing the glorification of Mao as a godlike figure
3. Replacing followers of Mao who were hostile to his reforms with individuals who supported his program
4. Replacing hundreds of thousands of aging Party and government officials all over China with younger, better educated people

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The arrest of the Gang of Four came one month after Mao’s death in 1976 and their trial began in November 1980. The Group’s leader, Jiang Qing, was Mao’s widow and a powerful member of the ruling group, the Politburo. The other three were also powerful members of the Politburo. They were accused of the “heinous crimes” committed during the Cultural Revolution: instituting a reign of terror during which thousands of writers, artists, and scientists were viciously persecuted, resulting in the death or suicide of many; framing and persecuting party and government leaders in an attempt to take over power for themselves; and bringing China to the edge of chaos.

The prosecution demanded the death penalty for Jiang and the other three. The final verdict declared Jiang guilty and sentenced her to death. She was given two years in prison to reform and repent of her crimes. The other three received harsh sentences. In 1983, the Supreme People’s Court commuted Jiang Qing’s sentence to life in prison. Mao was still widely revered in China. To have executed his widow would have dishonored his memory.

One goal of the trial was to punish and permanently discredit the four radicals who were responsible for the suffering of Deng Xiaoping and other leaders of the present government during the years of the Cultural Revolution. Another goal was to discredit those individuals who were associated with them and who still occupied high places in China. A final goal was to lower the public esteem for Mao without discrediting him entirely.

In order to bring about basic changes in China, changes that Mao would never have allowed, it was necessary to make Mao into less of a godlike figure and to admit that he was responsible for many serious mistakes. This policy has been called de-Maoization. At the same time, China’s new leaders had to be careful not to go too far, because in destroying
Mao they could destroy the Communist Party and Communist society as well. Starting in 1978, statues and portraits of Mao, which had been everywhere in China, were removed. In 1981, the Communist Party Congress issued an official document summing up 32 years of Communist rule in China and evaluating Mao’s leadership. It said that Mao’s early contributions as founder of the Chinese Communist State “far outweigh his later mistakes.” His worst mistake was the Cultural Revolution, which “led to domestic turmoil and brought catastrophe to the party, the state, and the whole people.”

Within a few years after Mao’s death, most of the people who had been removed from office and exiled during the Cultural Revolution were restored to power. Many of those who had died in disgrace were rehabilitated, the most famous being Liu Shaoqi. At the same time, Deng succeeded in getting rid of most of the radical followers of Mao in the Politburo, in the central government, in the military, and in the provinces. In 1980, Deng removed his greatest rival for power, Hua Guofeng, who was Mao’s handpicked successor. (Hua had succeeded Mao in 1976 and had been proclaimed Chairman of the Communist Party and Premier.) Deng’s closest ally Hu Yaobang was chosen to succeed Hua as chairman, and Zhao Ziyang was appointed Premier. This was a great victory for Deng and put him firmly in control of the Party and government. By 1985, Deng managed to remove most of his opponents from the Party leadership and replace them with younger, better educated, and more pragmatic people. In all government departments, local as well as national, older officials were encouraged to retire. Younger people were moved up to take their places. Deng’s hope was that the new people would bring more energy and efficiency to the government and would carry out his ambitious Modernizations program.

Economic Policy

In 1984, Hu Yaobang, the head of the Chinese Communist Party, admitted that communism had failed to bring about a better life for millions of people. The average Chinese peasant or city worker was little better off when Mao died in 1976 than he or she had been in the 1950s. China was backward and needed to be pushed into the 20th century. The top priority of the new leadership, therefore, became economic growth and modernization.

In December 1978, the Communist Party Congress approved a program of “Four Modernizations,” for agriculture, industry, science, and technology, and defense. Deng Xiaoping began introducing broad and dramatic economic reforms. The new leaders turned away from Mao’s most cherished ideas. They began creating a mixed economy in which socialism was combined with a free market system. Many elements of capitalism were introduced into the economy. Yet Deng insisted that China’s economic system would remain socialist. Deng firmly believed that China should learn from the experience of foreign countries, another idea that Mao would not have tolerated. He encouraged greater reliance on foreign technology and foreign investment.

Changes in Agriculture

About 80 percent of China’s people live in the countryside and work in the fields. Under Mao, most of the peasants belonged to the 52,000 communes that grew what the government directed and turned the crops over to the government for distribution. Chinese peasants were grouped into production teams that worked the land in common.
peasant earned “work points,” which were exchanged for a ration of grain and a small cash stipend. The work points a person received had no relation to the amount of food produced. There was no reason to work harder and produce more because the peasant did not benefit from it.

In 1979, Deng began his economic reforms in agriculture. Communes were abolished and the “responsibility system” was introduced. The idea behind the responsibility system was: produce more, keep more for yourself. Although the state continues to own all of the land, it leases plots to individual families. The peasant decides what to plant and when. Each year peasants sign a contract that obligates them to turn a fixed amount of their produce over to the state. Anything they can produce above the quota they keep for themselves, sell to the state, or carry to one of the free markets and sell. The free markets were made legal in 1978. China’s leaders insist that they have not turned away from collective agriculture because the state-owned land cannot be bought or sold by the farmers.

The new policy was a great success. Leaders claimed that the peasants worked twice as hard as they used to because they knew that if they worked harder they could make more money. The grain harvest rose from 320 million tons in 1980 to 400 million in 1984, and in many places the average peasant income more than doubled. The new system changed the lives of 800 million people. Many peasants now own radios, sewing machines, alarm clocks, and bicycles, things that were considered luxuries only a few years earlier. Brick and tile houses replaced the old mud and thatch homes. Many peasants began combining farming with other activities that produced an income, such as carpentry. The peasant was allowed to keep all the cash he earned from selling the furniture he made, for example, whereas before he had to turn most of it over to the government. The improvement in living standards in the countryside was visible everywhere and the huge markets were packed with foods. Only a few years earlier meat was practically nonexistent and eggs could only be bought on holidays. In a country that has known periodic famine throughout 4,000 years of its history, for the first time the average citizen finally had enough to eat.

Reforms in Industry

Deng Xiaoping then tried to achieve the same successes in industry. He admitted that bringing about changes in industry was a much more difficult task and faced greater opposition than making changes in agriculture. Therefore reforms in industry were introduced later, on a more limited scale, and were only gradually extended.

Under the old system (which Mao had copied from the Soviet Union), the central government had complete control over everything that was produced in the country. There were almost no private businesses, and the government owned everything. The government decided how much to invest in each industry and assigned the raw materials to each factory. It told every factory manager what and how much to produce, where to sell it, and at what price. The government assigned workers to their jobs and decided on their wages. If the factory made any profits they were turned over to the government. If there were losses, the government subsidized them (made up for the loss.) Since managers and workers had very little to gain if factory production was high and not much to lose if production remained low or of poor quality, they did not work as hard as they could. As a result, production in most of China’s industries remained low and the Chinese economy remained backward.
In 1978, the first small changes were made. Small-scale private enterprise became legal for the first time since 1949. Private individuals were allowed to own small businesses, such as restaurants, inns, tailor shops, barber shops, and beauty parlors. Some doctors and dentists opened private practices. It became legal for owners to hire up to seven workers and later this was extended to 15.

Gradually the government began to loosen its control of industry. Managers were given greater freedom in running their factories. In 1984, a program was approved to extend the reforms to the whole country. The goal of the new program was to create a more modern and efficient economy by moving away from central planning and allowing greater freedom
and incentives to managers and workers. The government retained a great deal of control over industry. It still owned the factories and raw materials, set broad production goals, and required that the factories produce a certain amount of goods that must be sold to the government at fixed prices. Beyond that, however, managers were given a great deal of autonomy. They were allowed to obtain their own supplies, decide what to make beyond the goods that must be sold to the state, and find buyers for their merchandise.

Workers’ Bonuses

Instead of turning over all of their profits to the government, they paid a tax to the government and kept the rest of their profits. This money was used for reinvestment and to provide bonuses for their workers, as well as housing, medical care, and recreation for the workers. Managers were given greater power to hire and fire workers on the basis of job performance. Workers were encouraged to work harder by means of bonuses, which often amounted to 40 percent of their annual salary.

In October 1985, the government approved a new Five-Year Economic Plan. The plan called for major development projects in transportation, communication, energy, and resources. It also called for increased exports to earn the foreign exchange needed to finance purchases of advanced technology from abroad. It called for the economy to grow at an annual rate of 7 percent. Deng did not push for rapid economic growth because it would create too many problems. He said it would take five years for the reforms in industry to be successful.

New Open Door Policy

In order to modernize the economy Deng encouraged foreign companies to invest in Chinese industries. This is called the New Open Door Policy. But the door is not that open and the Chinese government only lets in carefully selected foreign investments. Since 1979 billions of dollars have been invested in China by foreign companies. Many of these companies are owned by Chinese living overseas. The others are mainly U.S., Japanese, British, West Germany, and French companies. The most important U.S. companies doing business in China are Citibank, 3M, Exxon, Atlantic-Richfield, McDonnell-Douglas, and IBM. An agreement signed between Armand Hammer, the head of Occidental Petroleum, and the Chinese government in 1983 gave the American oil company the right to drill for oil in the Yellow Sea and the South China Sea. This is one of the largest unexplored basins in the world. If large quantities of oil are discovered the contract will run for 15 years and China will receive 51 percent of the proceeds.

A growing trend was for business ventures to be jointly owned by the Chinese government and foreign firms. American Motors Corporation and the Chinese Automotive Industry Corporation jointly produced Jeeps in China, which are called “Jipu.” In 1985, 2,300 joint ventures were registered.

Special Economic Zones

To make it more attractive for foreigners to bring their capital, technology, and management methods to China, the Chinese set up Special Economic Zones. Here the foreign investors have unusual privileges. They can set up factories, import raw materials, hire and fire workers, and earn profits. Originally, four Special Economic Zones were set up; in 1984 another 14 were established.

The Chinese want to learn everything they can from the advanced industrial nations. They are spending billions to import advanced technology and equipment. Hundreds of Chinese delegations have traveled to the United States to learn about U.S. technology, skills, and ideas. There are now several hundred joint research projects involving Americans and Chinese.
Continuing Economic Problems

Despite the improvements in the Chinese economy after 1979, very serious problems remained.

1. **Shortage of capital**: On several occasions the Chinese have had to postpone or cancel major development projects in order to save money. In 1981, more than 1,500 projects were affected, including the giant Baoshan Iron and Steel Works near Shanghai.

2. **Inadequate infrastructure**: China’s transportation system is very underdeveloped for a nation of its size. Its factories, power plants, and machinery are outmoded and inefficient. There are severe energy shortages.

3. **Shortage of skilled labor**: There is a very serious shortage of engineers, technicians, scientists, computer programmers, and skilled personnel of all kinds.

4. **Natural disasters**: From time to time, China suffers from drought, floods, earthquakes, and famine. For example, in 1981 central Hubei province suffered severe flooding, making it impossible to cultivate much of the land. At the same time, the northern province of Hebei and its neighboring areas were affected by a two-year drought. Since Hubei and Hebei are usually areas of agricultural surplus, the food supply of the entire country was affected. China was forced to import millions of tons of grain and to appeal for international help.

5. **Unemployment**: Unemployment in China is a serious problem that has developed in recent years. During the years that China’s agricultural system was organized in communes, there was work for everyone. After the changes, millions of workers were no longer needed on the farms. They came to the cities, were unable to find work, and added to the high unemployment rate.

6. **The problem of “red eyes”**: One of the most serious problems that resulted from the reforms was the growth of inequality. Under Mao, equality was the number-one goal: communism meant an equal society. With the reforms, harder and better work was rewarded by bonuses. In the countryside some peasants became rich while others were left behind. The “red eyes” are those who have watched their neighbors get rich while they themselves have not benefited. These people resent the changes, and some have even gone so far as to wreck the property of their richer neighbors.

7. **Inflation**: Before the reforms, the price of just about everything in China was fixed by the government. The costs of basic items such as food, clothing, rent, and even haircuts and public baths, were kept very low because they were subsidized by the government. This cost the Chinese government about $55 billion a year, or about half the national budget. In 1985, a policy of price reform went into effect. The government allowed the prices of many items to rise to respond to the market forces of supply and demand. A wave of panic went through the country as people rushed to buy and hoard things. Many Chinese feared that the costs of rice, clothing, and other essential things would skyrocket. Foreign economists estimate that during 1985 prices rose between 10 and 15 percent.

8. **Corruption**: The new freedom brought with it many instances of corruption. There are government and party officials who have demanded bribes and used funds for purposes other than those for which they were intended. Some people became involved in tax evasion, selling on the black market, and setting up illegal businesses.
9. **Problems faced by foreign investors**: With the exception of the companies mentioned earlier, many U.S. and other foreign companies held back from major investments in China. There are several reasons for this. Initially foreigners saw China as a huge market of 1 billion people and a chance to make enormous profits. These high hopes turned to disappointment. Foreigners complained that doing business in China was not easy. They said that Chinese officials often made up new taxes, rules, and regulations instead of sticking to the contract. One month the tax on a shipment of imported parts might be 20 percent and the next month 60 percent. Because so many workers must be trained in high-technology methods, each project takes very long to complete and this reduces the profits. McDonnell-Douglas, which began assembling twin-engine MD-80 airplanes in Shanghai, had to allow three months to produce each fuselage compared with one week in the United States. In many instances, the Chinese government suddenly cancelled contracts with foreigners or cut back on imports that were necessary to keep a project going. Another important reason that foreigners did not invest more in China was the concern that, after Deng is gone, the reforms could disappear and China could return to the anti-Western attitudes of the past.

**Opposition to Deng’s Policies**

There was serious concern about the survival of the economic reforms of Deng Xiaoping. There were important people in the Communist Party and the government who were very critical of these reforms. They said that the changes went too far in the direction of capitalism and had resulted in corruption and other evils that are inherent in capitalism. They opposed the Open Door Policy, saying that Western influences were causing “spiritual pollution” among the Chinese people. They feared that China was moving away from Marxism. Most important of all, they feared that less central control over the economy would mean a loss of power by the Communist Party.

Deng assured his critics of his own devotion to socialism. Deng often stressed that only socialism could eliminate the greed, corruption, and injustice that are inherent in capitalism. But Deng insisted that China must “adopt the useful things from the capitalist system.” Progress for China depended on “combining the market economy and the planned socialist economy. This is the only road China can take. Other roads will only lead to poverty and backwardness.”

**The Chinese People and the Communist Party**

From 1979 to 1989, China under Deng was in many ways very different from the China of Mao Zedong. The Communist leadership under Deng Xiaoping allowed a greater degree of freedom and choice than was possible before. Most people were more concerned with having a better life than worrying about revolution and communism. More people began to dress in stylish Western clothing, buy refrigerators and televisions (which until recently were considered luxuries), and choose from a great variety of products in their supermarkets.

Under Mao, Western products and ideas were considered decadent and were banned. After 1979, billboards advertised a whole array of Western goods—Kodak film, Coca-Cola, Marlboro cigarettes, and Sanyo cassettes. Radio Peking carried a weekly program of con-
Party Control

Still, China remained a one-party dictatorship. It was less oppressive under Deng than it was under Mao. Yet rights taken for granted in the United States, such as freedom of speech, press, and assembly were strictly controlled in China. The right to criticize the government and the party was very limited. The Party did not find a comfortable balance between freedom and control, and since 1978 periods of greater freedom were followed by crackdowns.

China’s Economy After a Decade of Reform

Until the mid-1980s it seemed that China’s economic reforms were succeeding. Agricultural output had doubled since 1979 and industrial production was increasing. There was a new prosperity in the countryside and much of the poverty in the cities was being erased.

At the same time, however, serious problems were developing. By 1986, it became evident that the industrial reforms were more difficult to carry out than the agricultural reforms begun in 1979. Large investments in industry had greatly reduced China’s foreign exchange reserves and inflation was growing. Hopes for modernizing thousands of inefficient factories and industries depended on the willingness of foreign companies to invest in China. But many foreign firms were unwilling to take the risks and held back. The economy grew rapidly in 1987 and output increased, but this rapid growth added to the problems. The demand for raw materials, energy, and transportation was far greater than the supply available. Also, the production of food slowed down. However, the two most serious problems were inflation and corruption. These aroused a great deal of resentment among the Chinese people and led to the protest movement of 1989.

Inflation began increasing in the mid-1980s causing the prices of food, consumer goods, and raw materials to rise. Government attempts to control inflation were only partly successful. In 1987, inflation was officially estimated at 20 percent, but was probably much higher. In the spring and summer of 1988, panic buying broke out in many places after food prices increased by 50 percent. In September 1988, the government adopted a retrenchment program (reducing investments in the economy and controlling the money supply) to curb inflation. However, during the first half of 1989 inflation soared. In the major cities the inflation rate exceeded 40 percent. The people who suffered the most were workers and other urban residents with fixed incomes. After 1985, food prices climbed rapidly. By 1988, the share of a person’s income spent on food had risen to 60 percent. Thus the benefit of the reforms were completely wiped out for working people. As their living standards declined, the discontent and frustration of urban workers grew.

As the government loosened some of its control over the economy, many officials in the Party, the government, and the military abused their official positions to enrich themselves and their families. After 1984, two sets of prices existed for most raw materials and finished products—an official price and a negotiated price. People with special connections were able to buy goods in short supply at the official price and resell them at the negotiated price, thus making enormous profits. Many officials and their families formed speculative companies and engaged in illegal activities. This raised the price of all goods and contributed to the inflation. Many officials also accepted bribes and took public funds for their own use. Popular demands to curb these special privileges and end corruption were very strong.