

China, Mongolia, and Taiwan**Critical Thinking****Economic Change in China**

Great economic changes have been sweeping China, as its Communist leaders try to reform the nation's economy to make China more productive. To learn about these changes and how they are affecting China, study the information, complete the activity, and answer the questions that follow.

When the Communist Chinese took control of China in 1949, thousands of other Chinese, who opposed the communist political and economic system, fled to the nearby island of Taiwan. Over the next 50 years they helped turn Taiwan into an economic powerhouse in Asia.

Meanwhile, on mainland China, the Communists made major economic changes. The government took control of all land, agriculture, and industry. A series of five-year plans were written. All decisions about production were made by government officials based on these plans. But this centralized system of planning failed. In 1978 the government introduced changes. It began to let farmers work on individual plots of land and keep some of what they produced to sell for a profit. The results of these reforms were encouraging, and in 1984 the government began to apply them to other parts of the economy. Increasingly, the Chinese people have been permitted to start their own businesses, deciding for themselves what to produce or sell and how much to charge for it. The change also means that Chinese consumers now have more choices of things to buy. This type of economic decision-making is known as a free-market system—also called capitalism.

One way of judging how the introduction of capitalism to Communist China has affected that nation is to compare its economic growth to that of Taiwan. Taiwan has had a free-market system throughout the same period. The per capita gross domestic product (GDP) of each country measures that nation's average production per person during a given year.

Productivity of China and Taiwan

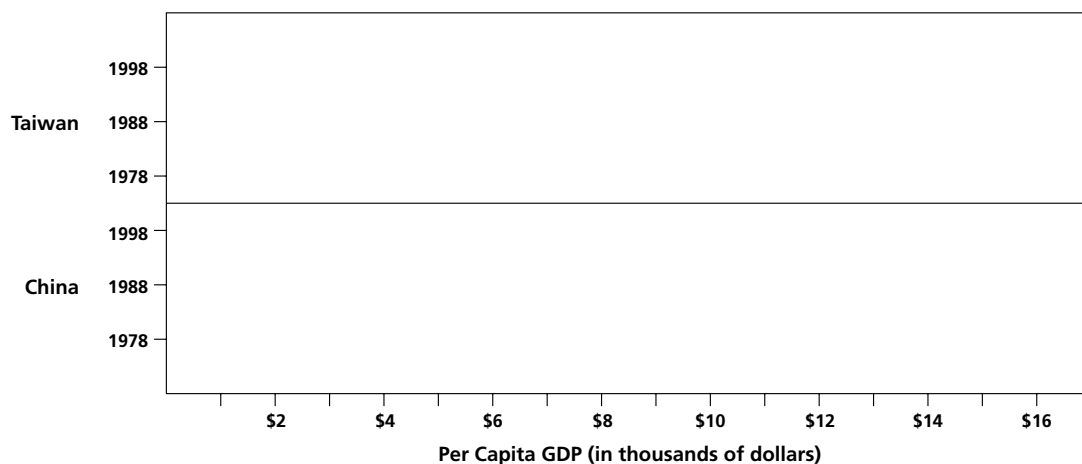
	per capita GDP			per capita GDP	
Year	China	Taiwan	Year	China	Taiwan
1978	\$440	\$1,450	1993	\$2,200	\$10,600
1983	\$308	\$2,673	1998	\$3,600	\$16,500
1988	\$320	\$4,325			

The table above shows the per capita GDPs of China and Taiwan for the same years over a 20-year period. It is clear from the table that both nations' economies have grown during that time. But to what extent is

Economic Change in China, *continued***Critical Thinking**

China's economic growth due to the introduction of free-market reforms into a communist economic system? Graphing and then comparing the changes in each country's per capita GDP will make clear how choice and profit have made the people of China more productive.

Using data from the table, create a bar graph in the area below to illustrate and compare the changes in per capita GDP of China and Taiwan over time. Run the bars horizontally across the graph from the dates on the vertical axis. Then answer the questions below to interpret the graph and the table.



1. Which country's per capita GDP grew the most in actual size between 1978 and 1998? By about how many dollars did it grow?

2. What happened to China's per capita GDP between 1978 and 1983? Why might this have encouraged the reforms of 1984?

3. According to your bar graph, about how many times larger was Taiwan's GDP in 1988 than in 1978? Explain how you determined this from your graph.

4. Explain how your graph shows that China's productivity increased more rapidly than Taiwan's between 1988 and 1998. Why would China's reforms encourage this?

