

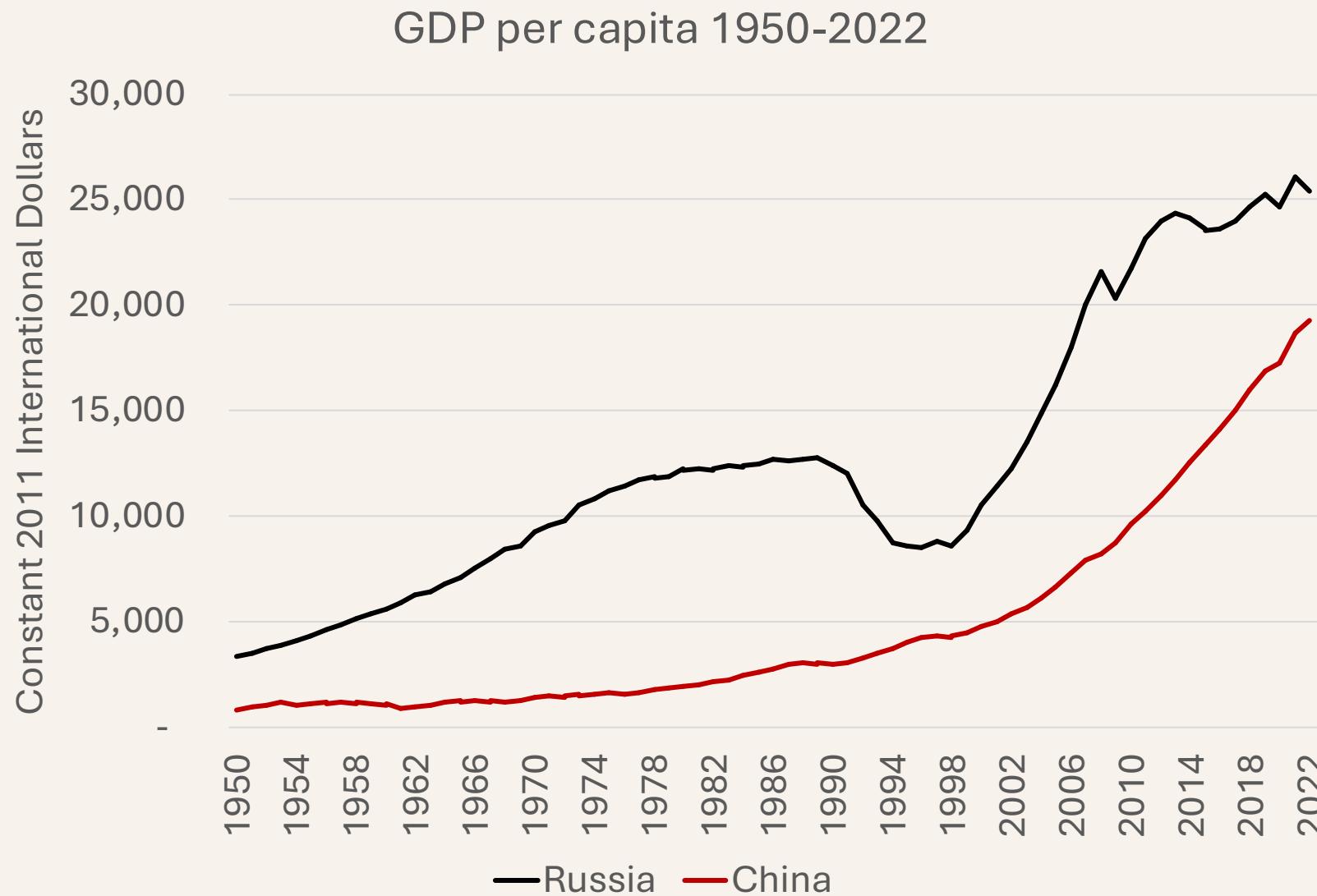
# Gradualism and Structural Adjustment in the Chinese Political Economy

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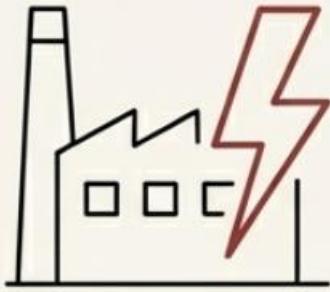
# China's Gradual Rise vs. Russia's Shock Therapy Collapse



“China succeeded because it pursued gradualism,  
while Russia failed because it adopted shock therapy.”

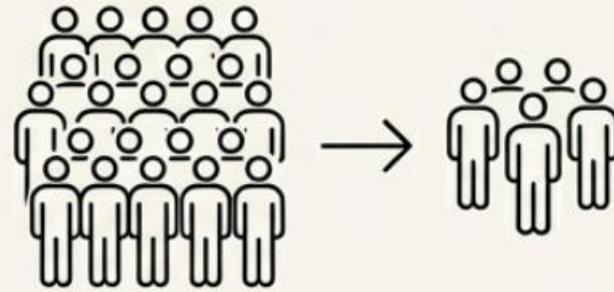
Our paper argues that this narrative is  
**incomplete.**

# Our Thesis: China's Reform Was a Hybrid of National Gradualism and Localized Shock Therapy



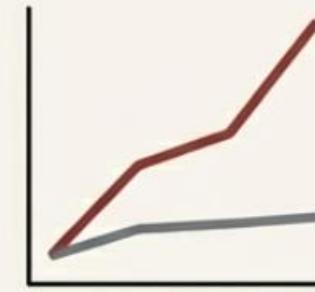
## Localized “Big Bang”

Radical, shock-therapy-style reforms were imposed on China's old industrial heartlands.



## The Reserve Army

A vast, mobile rural labor force absorbed the economic shocks, preventing national collapse and disciplining the urban working class.



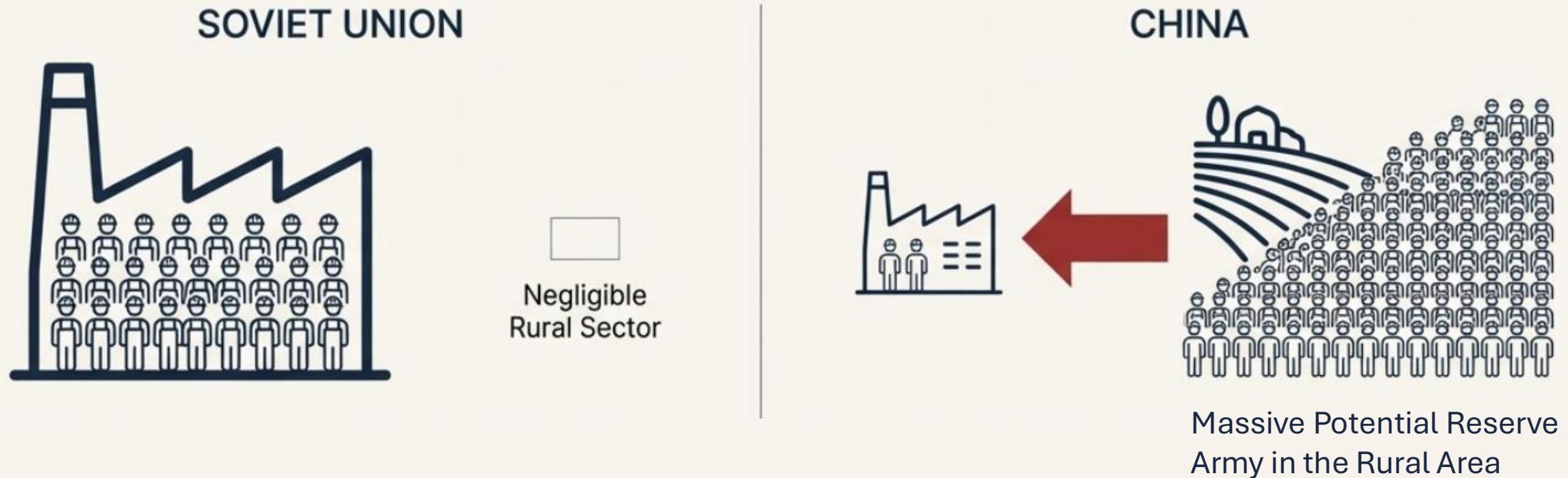
## Durable Divergence

This hybrid strategy created lasting economic inequality between regions that faced the shock and those that benefited from it.

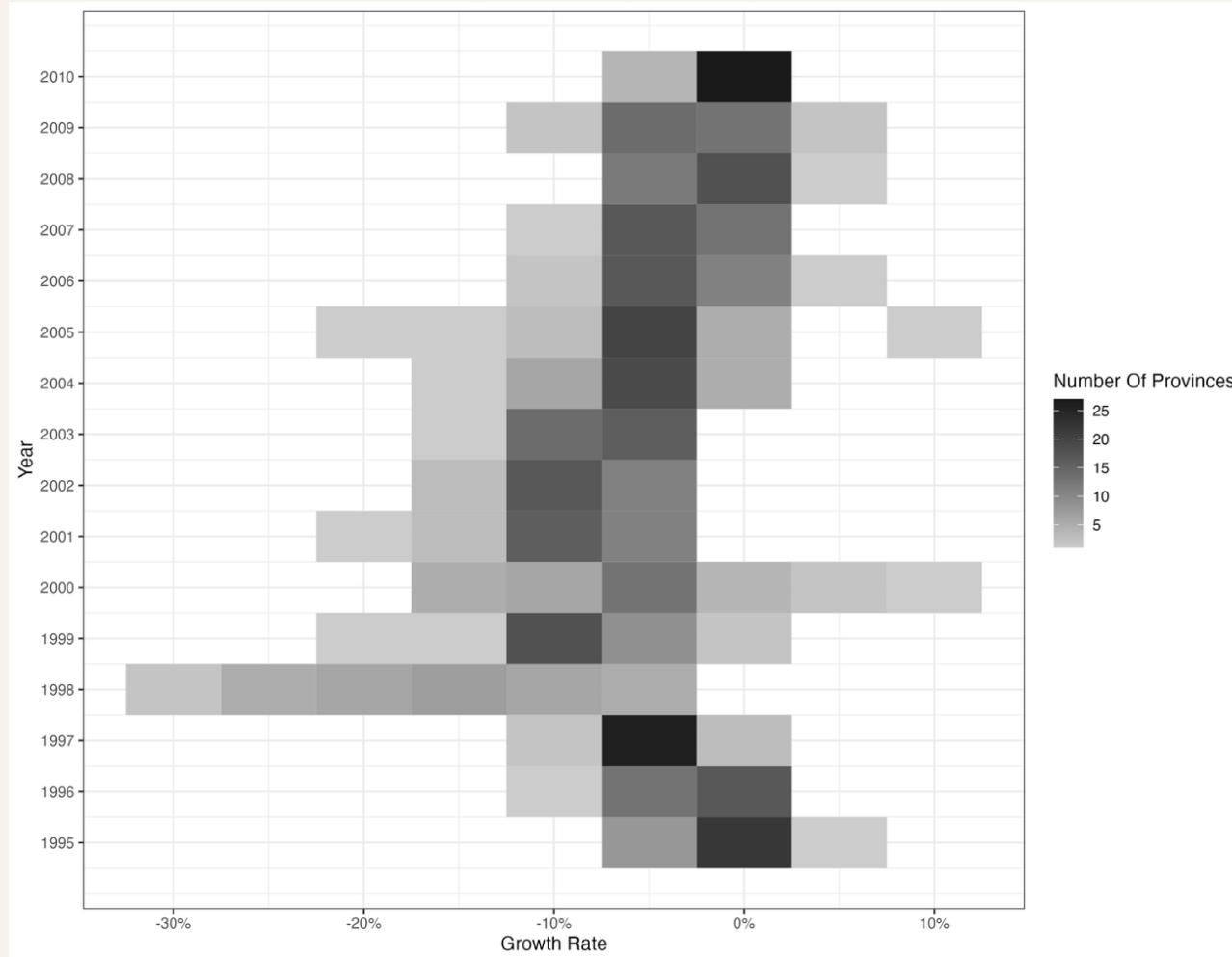
# Three Competing Explanations for China's Path



# The Critical Difference: China Possessed a Vast "Potential Reserve Army of Labor"



# The 'Gradual' Decline Was Punctured by a Concentrated Shock in the Late 1990s



Distribution of Provincial State-owned Unit Employment Growth Rates from 1995 to 2010.

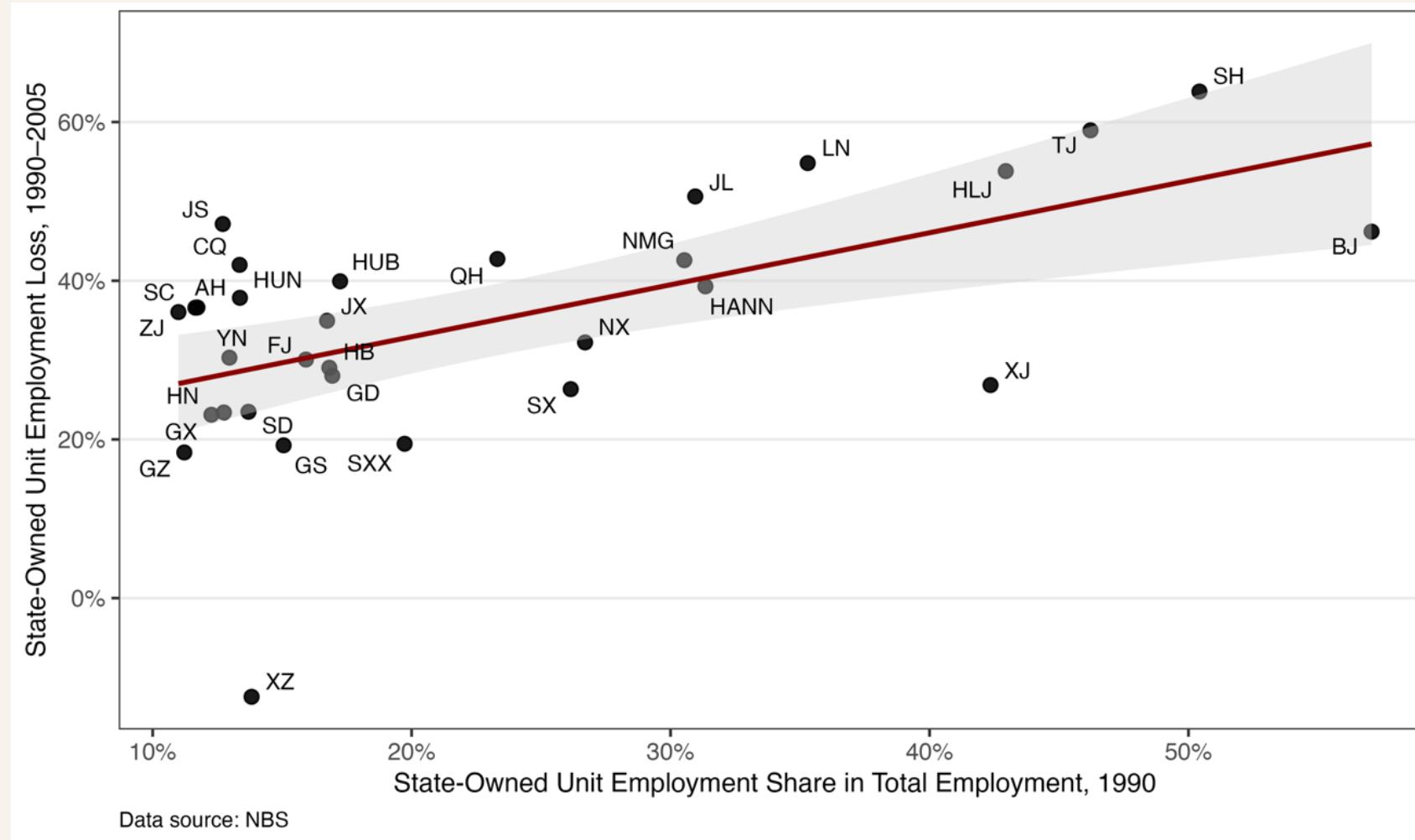
# The 'Gradual' Decline Was Punctured by a Concentrated Shock in the Late 1990s

Year	More Than 10% Decline		More Than 20% Decline	
	Population Share	GDP Share	Population Share	GDP Share
1990	0	0	0	0
1991	0	0	0	0
1992	0	0	0	0
1993	1.1%	4.3%	0	0
1994	0	0	0	0
1995	0	0	0	0
1996	0	0	0	0
1997	0	0	0	0
1998	60.5%	58.6%	16.1%	19.3%
1999	7.1%	4.3%	0	0
2000	20.3%	15.6%	0	0
2001	10.3%	13.5%	0	0
2002	12.7%	15.2%	0	0
2003	0.4%	0.3%	0	0
2004	1.0%	5.1%	0	0
2005	11.9%	11.9%	0	0

Population and GDP Shares of Provinces Experiencing Substantial Annual Declines in State-Owned Unit Employment, 1990-2005.

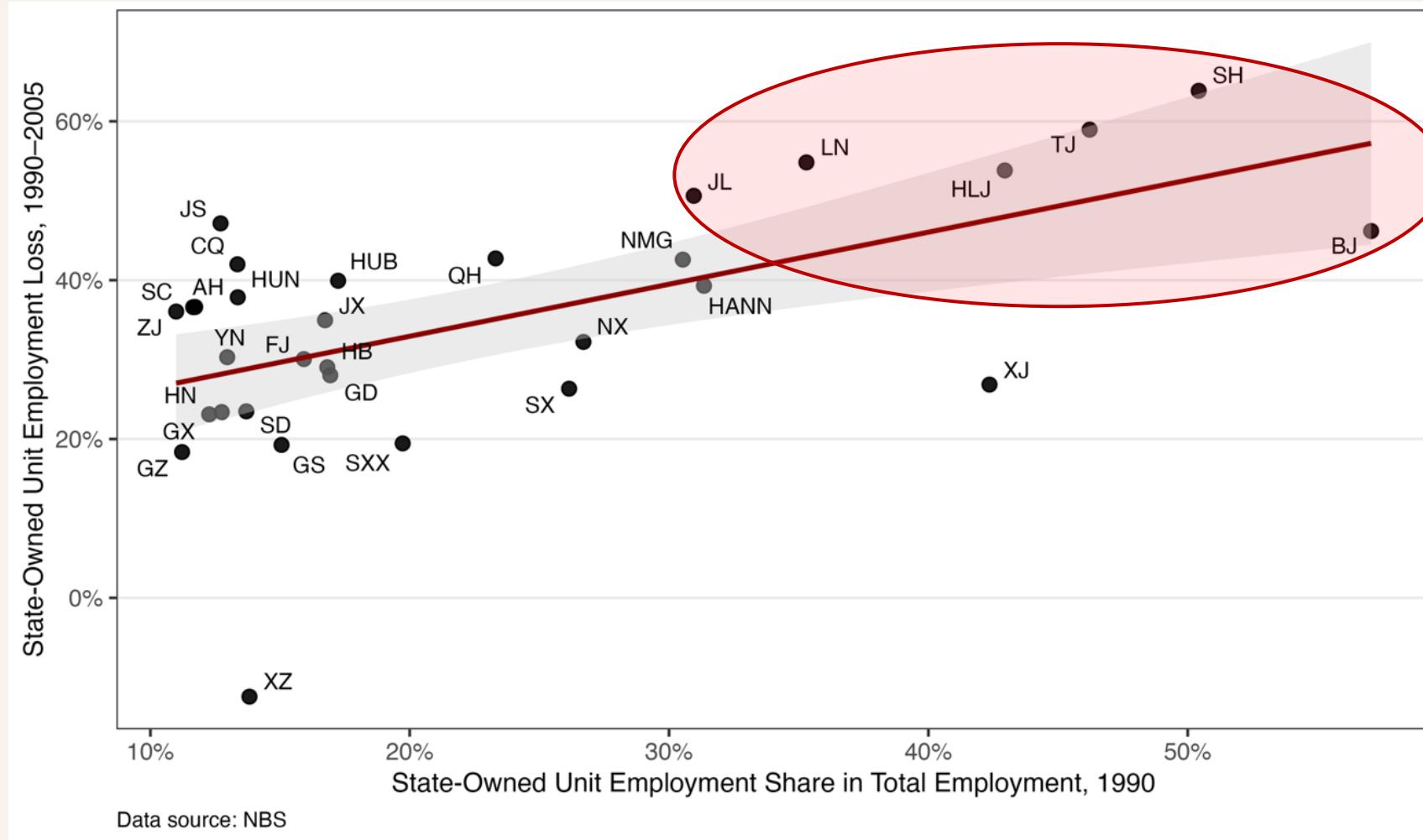
Data Source: NBS (2025) and *China Statistical Yearbook* (NBS 2024 and various years).

# The National Shock Was Composed of Radically Different Provincial Experiences



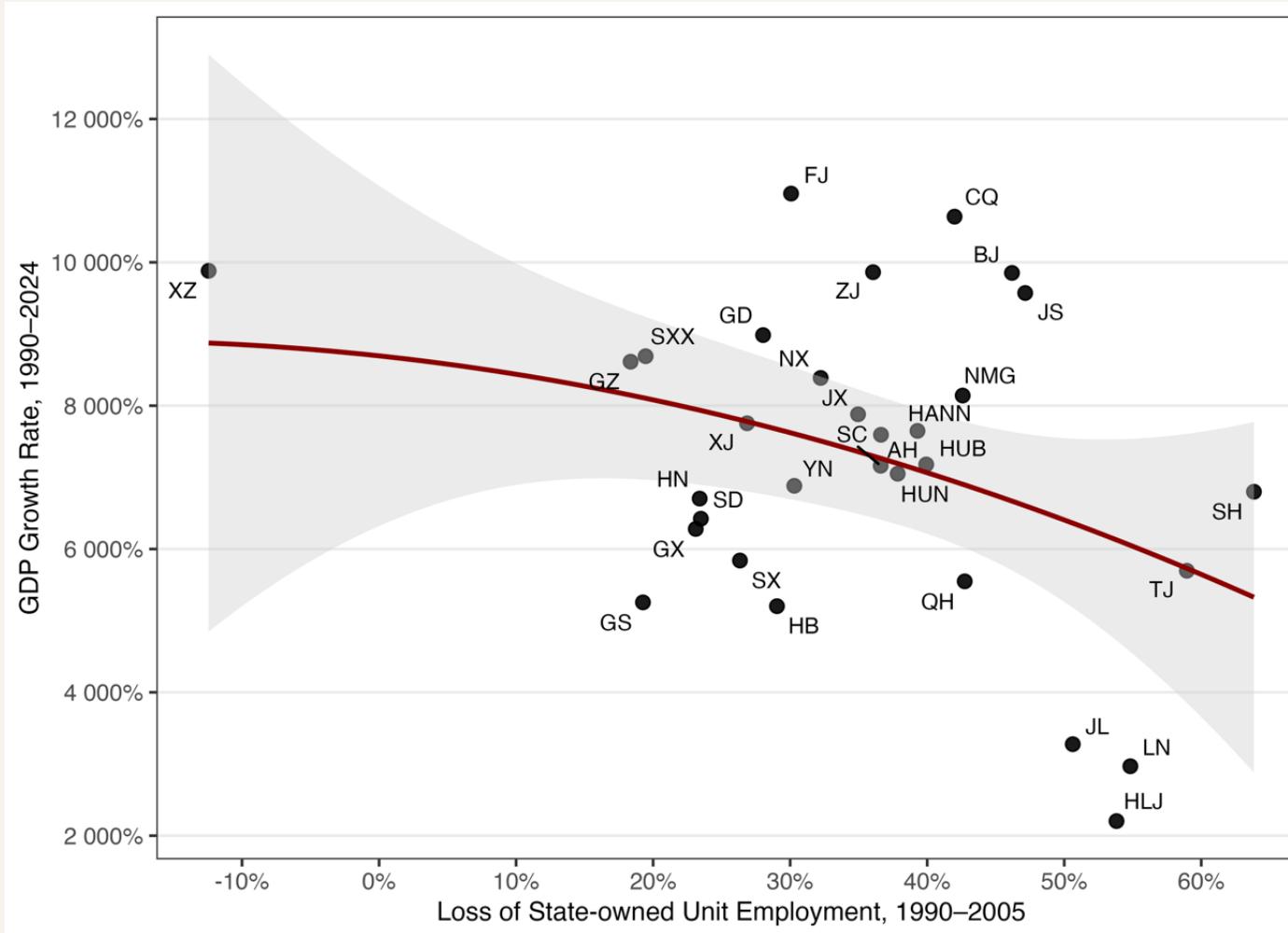
Share of State-owned Unit Employment in Total Employment in 1990 and Subsequent State-owned Unit Employment Loss, 1990-2005.

# The Burden of Shock Fell Systematically on China's Old Industrial Heartland



Share of State-owned Unit Employment in Total Employment in 1990 and Subsequent State-owned Unit Employment Loss, 1990–2005.

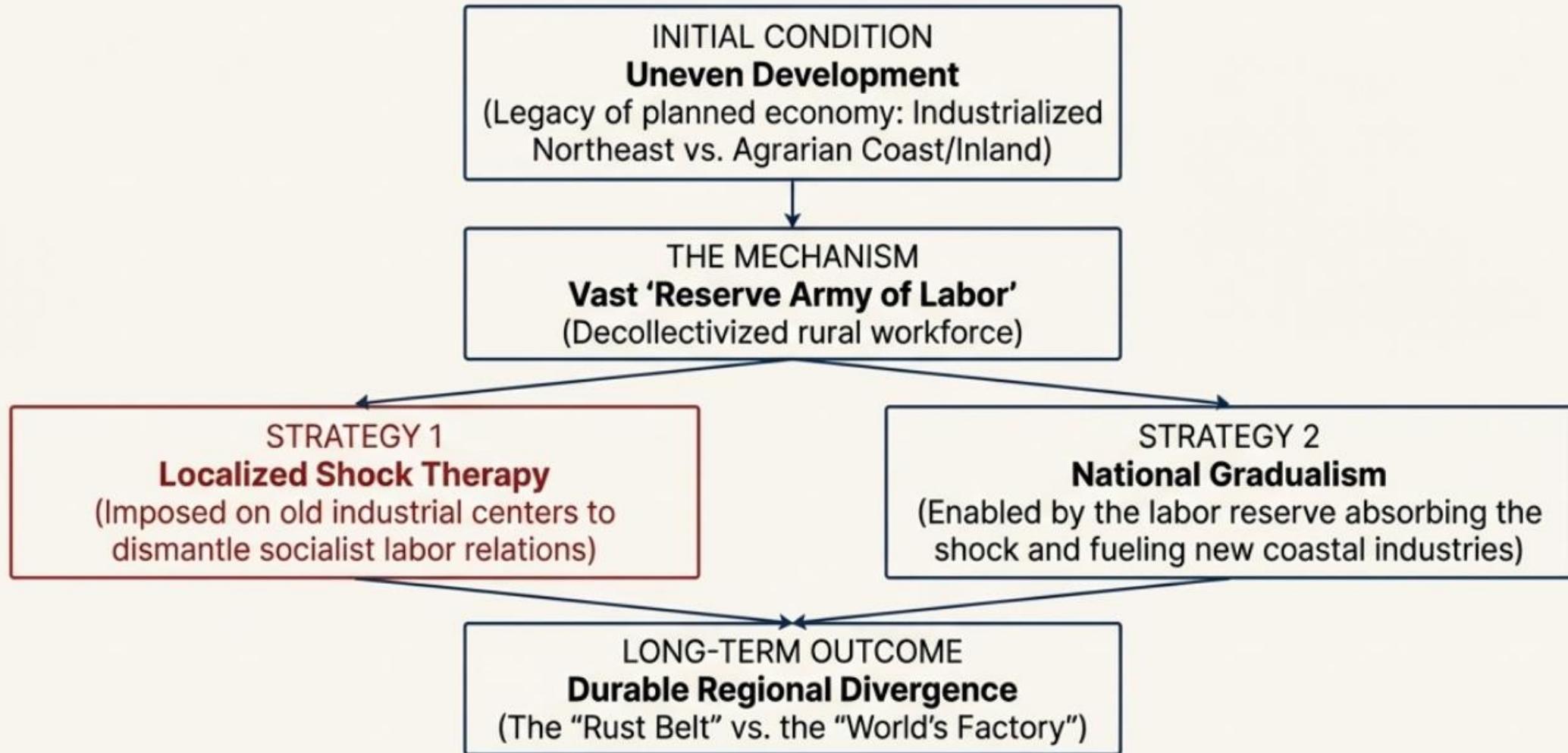
# The Restructuring Shock Created a Lasting Economic Divergence Between Regions



Loss of State-owned Unit Employment and Long-Run GDP Growth

Data Source: NBS (2025) and *China Statistical Yearbook* (NBS 2024 and various years).

# A New Framework for China's Economic Transition



# Conclusion: Beyond the Myth of Uniform Gradualism

- China's reform was a **hybrid**.
- The distribution of reform costs followed **socialist legacies and class structure, not efficiency or growth potential**.
- The costs of shock therapy are **durable**.
- This analysis offers a **correction to mainstream narratives** and provides a more critical foundation for understanding neoliberal reforms globally.