The Bird and the Cage

China's Economic Contradictions

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This book is dedicated to Alden and Rosie

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About the Author

Nicholas Borst is Vice President and Director of China Research at Seafarer Capital Partners. Prior to joining Seafarer, Nicholas was a senior analyst at the Federal Reserve Bank of San Francisco covering financial and economic developments in Greater China. Previously, he was the China Program Manager and a research associate at the Peterson Institute for International Economics. Nicholas has also worked as an analyst at the World Bank.

Nicholas' research and commentary has been featured in the *Financial Times, The Wall Street Journal, The Economist, Bloomberg, and South China Morning Post*. Nicholas was a 2021–2023 Public Intellectuals Program Fellow at the National Committee on U.S.-China Relations and has testified before the U.S.-China Economic and Security Review Commission on multiple occasions.

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CHAPTER 1

Introduction

China's economic policies have long been perplexing due to their seemingly contradictory nature. In the late 1970s, China shocked the world by adopting market reforms and opening up to global trade. Foreign businesses were invited to invest and establish factories in China. Collective farms, a cornerstone of Mao Zedong's economic vision, were dismantled in favor of household plots. Private businesses began to spread across both rural and urban China, bypassing state economic planning. It was a remarkable transformation for a nation that had been engulfed by class struggle and anti-capitalist denunciations only a few years earlier during the Cultural Revolution.

In the first three decades after reforms began, China's ruling Communist Party appeared to be guiding the country toward greater economic liberalization and openness. Private firms and market forces gained increasing influence, with the government closing thousands of state-owned enterprises. China established stock markets, listing shares of state companies for public purchase, and even admitted private entrepreneurs into the Party. Yet, despite this outward embrace of market economics, the Party continually reaffirmed its commitment to socialism.

In 2012, Xi Jinping assumed leadership over China, bringing with him experience from provinces that thrived under economic reforms. His father, Xi Zhongxun, was one of China's chief reformers in the 1980s.

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Initially, many economists interpreted Xi Jinping's early economic policies as indicative of his desire for a stronger role for market forces in China's economy. However, after more than a decade of his rule, China has shifted toward even greater state intervention in the economy and tighter control over private enterprises. As a result of these policies, the Chinese economy has slowed substantially.

What explains the contradictions that define Chinese economic policymaking? Why did the Chinese Communist Party, dedicated to achieving socialism, allow an economy characterized by markets, private enterprises, and trade with the capitalist world to develop? And why, under Xi Jinping, has China seemingly moved to undo the economic reforms that powered its rapid economic development over the past four decades?

Many analysts have grappled with these contradictions. When China's leaders reaffirmed their commitment to Marxism and state economic control, it was often dismissed as outdated rhetoric. Although Chinese leaders paid lip service to socialism, the country's actual economic policies increasingly relied on markets and other key elements of capitalism.

China's economic reforms led many foreign observers to believe the country would gradually embrace a more open, market-based economy. Certainly, as many analysts would acknowledge, China would always be unique due to its history and size. Yet trade, investment, and the spread of ideas would lead the country toward a greater convergence with the Western capitalist economies.

This assumption was shattered by Xi Jinping's large-scale economic crackdowns and interventions starting in 2015, making it clear that the Party aimed to reinforce its control and bolster state-owned enterprises. China was not on an inevitable path toward economic liberalization, leaving foreign observers with a profound sense of whiplash and uncertainty about China's true direction.

Based on careful observation of the Chinese economy over many years, this book is an effort to unravel the complexities and contradictions of China's economic policies. While Chinese economic statistics offer valuable insights into general trends, many economists have underestimated the significance of speeches and statements from Party leaders, which provide a deeper understanding of the leadership's underlying motivations. This is essential because the government wields so much power over economic outcomes, and China's leadership is often explicit in declaring its goals. The book will explore the economic objectives outlined by China's leaders and analyze how these goals have been translated into policy. This approach not only clarifies many of China's economic contradictions, but also highlights a persistent tension at the core of the Party's management of the economy: the uneasy balance between state and market forces.

Metaphors can often illuminate complex political and economic ideas. Chen Yun, one of China's most influential reformers of the late 1970s and 1980s—second only to Deng Xiaoping in stature—had a talent for using vivid imagery to convey the Party's goals. In 1982, as new reforms swept across China at a breakneck pace, Chen offered a powerful metaphor to frame the Party's approach to economic reform.

"Liberalizing the economy should be done under the guidance of a plan, not independent of it," according to Chen.[1] The Party might embrace market reforms, but it was not relinquishing control. "This is like the relationship between a bird and a cage," Chen explained. "A bird cannot be held tightly in your hand, otherwise it will die. It must be allowed to fly, but only within the cage. Without a cage, the bird will fly away."

Chen likened economic liberalization to a bird that needed space to "fly" for China's economy to grow. The "cage" was the Party's national development plan—the policies designed to shape China's economic path. Chen believed the "cage" could be expanded as needed, allowing reforms to extend across all provinces and even internationally. The structure of the "cage" could also adapt to changing circumstances. However, Chen emphasized, "no matter what, there always must be a cage."

Chen's bird-and-cage analogy captured the Party's approach to managing the economy. The Party recognized the necessity of reforms—market forces needed room to grow and propel China's economic progress toward the goal of national rejuvenation. Yet these forces had to be closely controlled to prevent them from "flying" beyond reach. For Chen, this control was essential to guard against risks like corruption, inflation, and foreign capital threatening China's socialist system. At its heart, the bird and the cage theory highlighted the Party's conflicted relationship with the market economy. The market was necessary but also dangerous. Therefore, the Party must retain strong control over the economy and guide it in the proper direction.

Metaphors have their limits, and Chen's bird-and-cage comparison was never universally accepted within the Party. No single framework can capture every economic decision made in China—a country too vast and complex for generalized explanations. Yet, as this book will show, the tension symbolized by the bird and the cage has influenced many major economic policies over the past half-century, from Deng Xiaoping to Xi Jinping. The Party has struggled to find the right balance between allowing market forces to shape the economy and maintaining its control.

Over time, the cage for the economy has grown larger, giving rise to an economy that is primarily driven by markets and private enterprise. Yet the cage has also gone through periods of contraction. During these periods, China adopted restrictions on markets and private companies to rein in the bird before it flew away. After a few years, these restrictions would begin to stifle the economy and the Party would adjust course and provide more space for market forces to once again drive forward growth.

This book is organized into three main sections, followed by a conclusion. Chapter 2 covers China's initial reform period, beginning in 1978 and extending through Hu Jintao's leadership in the 2000s. It argues that the economic crises of the Mao years created an opening for the Party to embrace market-driven reforms. Recognizing the potential of market forces to rejuvenate the economy and advance national goals, the Party nonetheless feared that unchecked capitalism could threaten China's socialist foundations. As a result, reforms were often contentious, marked by cycles of greater opening followed by tighter restrictions, as the Party continually reassessed the "cage" needed to contain the economy.

Chapter 3 examines Xi Jinping's rise to power and his evolving economic policies. This chapter argues that Xi initially adopted economic policies consistent with his predecessors. Xi pursued modest economic reforms during his initial years in office. However, a series of economic crises led him to shift course back toward tightening controls on the market. Xi's economic crackdown further accelerated due to a deteriorating relationship with the United States. As Xi increasingly viewed China as locked in a geostrategic competition with the United States, he sought to create a tighter cage for the economy to control risks and to direct resources toward competition with the United States.

Chapter 4 delves into recent examples of the Party's attempts to direct the economy across various sectors. This chapter highlights the Party's conflicting economic objectives: stability versus growth, control versus innovation, and self-reliance versus global integration. As China has prioritized stability, control, and self-reliance, these efforts have come at the expense of economic growth and strained relations with the rest of the world.

The book's conclusion considers what the Party's goals suggest for China's future economic trajectory and its relationship with the United States. It argues that a shift in China's approach is unlikely amidst ongoing U.S.-China tensions. Consequently, with limited leverage over the Party's policies, U.S. policymakers should adopt a strategy of strategic prudence, protecting U.S. economic interests while awaiting potential moderation in China's policies.

Note

1. Chen Yun's full quote: "Liberalizing the economy should be done under the guidance of a plan, not independent of it. This is like the relationship between a bird and a cage. A bird cannot be held tightly in your hand, otherwise it will die. It must be allowed to fly, but only within the cage. Without a cage, the bird will fly away. If we say that the bird represents the liberalization of the economy, then the cage represents our national economic development plan. Of course, the size of the 'cage' should be suitable. It can be whatever size it needs to be. Economic activities are not necessarily limited to one province or one region. Under the guidance of the plan, economic activities can cross provinces and regions, even cross continents and countries. Additionally, the 'cage' can be frequently adjusted. For example, the adjustments we make to our Five-Year Plans. However, no matter what, there always must be a cage." 搞活经济是在计划指导下搞活，不是离开计划的指导搞活。这就像鸟和笼子的关系一样， 鸟不能捏在手里，捏在手里会死，要让它飞，但只能让它在笼子里飞。没有笼子，它就飞 跑了。如果说鸟是搞活经济的话，那末，笼子就是国家计划。当然， '笼子'大小要适当， 该多大就多大。经济活动不一定限于一个省、一个地区，在国家计划指导下，也可以跨省 跨地区，甚至不一定限于国内，也可以跨国跨洲。另外， '笼子'本身也要经常调整，比如 对五年计划进行修改。但无论如何，总得有个 '笼子'。See Jiamu Zhu, "*Chen Yun's Thoughts on Reform and Opening Up - in Memory of the 110th Anniversary of Comrade Chen Yun's Birth* (陈云的改革开放思想——纪念陈云同志诞辰110周年)," *Chinese Communist Party News Network* (中国共产党新闻网), August 10, 2015, http://theory.people.com.cn/n/2015/0810/c83854-27437051.html.

CHAPTER 2

State and Market Tensions Throughout China's Economic Reforms

The conventional account of China's economic reforms describes a dramatic ideological shift within the Communist Party in the late 1970s. According to this narrative, the Party jettisoned the extreme ideologies of Mao Zedong and embraced market forces and openness to international trade. Deng Xiaoping was the grand architect of these reforms. He pushed China toward a freer and more open economy, successfully defeating the anti-reform faction within the Party. Deng's successors, Jiang Zemin and Hu Jintao, carried on Deng's vision of economic reform through the 1980s to the late 2000s, albeit with less vigor than he did. China's economic reforms then began to reverse under Xi Jinping as he attempted to reassert the state's power over the economy.

This chapter argues that China's economic reforms were far more politically contentious and complex than the simplistic account outlined above. Rather than Deng and the Party being the grand architects of reform, in many instances, they were reacting to developments occurring at the grassroots level. While some reforms were implemented top-down by the leadership, others started as experiments by local government officials or through the initiative of farmers, taking Beijing by surprise. As reforms started in the late 1970s, the Party viewed selective economic liberalization as a tool to advance its goals. The market could play a greater role in the economy as long as it did not threaten the Party's monopoly

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on power. At several key moments during these decades, the Party intervened to curtail economic reforms in order to reestablish its control. This tension between the market and the state began in the reform era and has since become the defining feature of Chinese economic policymaking over the past fifty years.

To outside observers, the shift in economic policy seems puzzling for a political party that had been dedicated to Marxism since its founding in 1921. However, the shift becomes more comprehensible after recognizing that the Party's goals remained the same, but its evaluation of the best tools to achieve them had changed. Since its founding, the Party has been engaged in a project of "national restoration" for China, seeking to return the country to its former wealth, power, and prestige. After the policies of collectivization and class struggle had thoroughly failed to advance these goals, the post-Mao leadership was willing to change tactics, even if it meant departing from communist orthodoxy. Market-based economic reform emerged as the most viable strategy to address China's backwardness and isolation.

Rather than a sudden ideological shift toward markets and openness, China's economic reforms can better be understood as a new set of tools to achieve the same goal: national rejuvenation. The Party, however, never lost sight of the danger that these tools, markets, and other economic reforms, would threaten its control over China. This chapter will recount the history of China's economic reforms, focusing on the struggles between the Party and the Market.

1 The Era of Central Planning and Economic Disaster (1949–1976)

To understand the Party's motivations in embracing new economic policies, it is first necessary to set the context for China's pre-reform economy. Strengthening China and raising the living standards of its people have been core motivating factors for the Chinese Communist Party since its founding. The Party's earliest origins trace back to the May Fourth Movement in 1919, where students protested the Treaty of Versailles in Tiananmen Square. The protests developed into a mass movement in cities across China. The protestors were outraged at the continued violation of China's sovereignty by foreign powers and the backwardness of China's living standards compared to the rest of the world. The nationalist movements in China during this period were driven by a strong sense that

China had fallen from grace. Previously among the wealthiest and most powerful states in the world, China was now being picked apart by foreign imperialist powers. After the loss of the Opium War, Western powers set up foreign concessions in China's most important port cities, including Guangzhou, Shanghai, Tianjin, where their citizens would be immune to Chinese law. Furthermore, China fought and lost a disastrous war with Japan between 1894–1895, known as the First Sino-Japanese War, that resulted in China losing Korea as a tributary state and relinquishing the territory of Taiwan. Moreover, Beijing was occupied by a foreign military coalition, made up of Japanese, Russian, American, British, German, French, Austro-Hungarian, and Italian forces during the Boxer Rebellion in 1900. To settle the conflict, China was forced to pay large indemnities to the foreign occupying powers for its support of the violent uprising. Following the fall of the Qing Dynasty in 1911, China fractured into political chaos and was ruled by warlords, each vying to control portions of the country as personal fiefdoms. These events strongly motivated young Chinese nationalists who were seeking solutions to the country's weakness and disorder.

For a group of radical students and academics, Marxism, an ideology which had recently gained traction in China's northern neighbor Russia, was seen as the answer to China's struggles. Two of the Party's founding leaders, Chen Duxiu and Li Dazhao, were affiliated with Peking University, China's premier university and one that would play a pivotal role in Chinese politics in subsequent decades. The students and intellectuals saw Marxism as a method of analyzing the problems that plagued China, such as poverty and vulnerability to foreign exploitation. The example of the Soviet Union loomed large for the early Chinese Communist Party. Leninism, as developed by Vladimir Lenin during the Russian Revolution, was seen as a plan of action for implementing Marxism under the leadership of a communist party. However, the interpretations of Marxism by the founders of the Chinese Communist Party were relatively flexible and adapted to the specific history and circumstances of China at that time.[1] Most notably, China lacked a large industrial working class that Marx believed was essential to a revolution. Regardless, the Party's early members, including Mao Zedong, believed that centralized leadership under a communist party could mobilize society to achieve its goal of national rejuvenation. In doing so, China could overcome its national backwardness and free itself from domination by foreign powers. While Marxism and Leninism provided a diagnosis and a plan for action, the goal of national rejuvenation would not be held hostage to strict interpretations of these ideologies. In pursuit of national greatness, ideology could and would be adapted as necessary to the unique challenges facing China.

Although the Party was officially established in 1921, it remained largely a fragmented underground organization due to suppression by the ruling Nationalist regime. Circumstances began to change for the Party in the late 1930s as the Nationalist government became engaged in a large-scale war with Japan. The chaos of war and the weakening of Nationalist control over much of the country gave the Party the opportunity to expand. As the Party gained control over more territories, it began to implement economic policies that were heavily influenced by socialist beliefs. One such policy was "land reform" which involved the violent redistribution of land away from landlords to the peasantry. This helped garner popularity for the Party as peasants could see a direct and tangible benefit from Communist rule (e.g., an increase to their land holdings). The implementation of communist policies in regions controlled by the Party varied in severity depending on which CCP leader was in charge and the extent to which they had to accommodate existing local groups.

After the Communist Party seized power in 1949, it had the ability to implement its policies on a nationwide scale. Over the next decade, the Party would centralize economic planning, force farmers into communal farm brigades, and nationalize industry and place it under the control of state-owned enterprises. However, the Party moved slowly in the first few years it took power, offering the nation a welcome respite from the turmoil and destruction of World War II and China's Civil War. China's new communist leaders recognized the need for a period of reconstruction and economic recovery. As a result, the Party did not immediately move to implement the most radical of its policies, such as the collectivization of agriculture or the abolition of private property.

However, the Party did expand its land reform campaign nationwide. The countryside was divided into social classes ranging from laborer and poor peasant (considered "good") to landlords and rich peasants (considered "bad"). Millions of those classified as landlords or rich peasants were beaten and murdered and their land was redistributed to peasants in their local community. Despite the turmoil of the land redistribution campaign, China was able to enjoy a period of relative economic stability in the early and mid-1950s. This was largely due to the cessation of large-scale conflicts, such as the Japanese invasion and the civil war, and the end of hyperinflation which had occurred under the Nationalist regime due to excessive currency printing to pay for war expenses.

However, this period of relative calm and economic recovery was short-lived. In the early 1950s, China began to implement the collectivization of agriculture. Peasant farmers were assigned, often through violent coercion, to collective farming units. Private property and businesses were nationalized and converted into state-owned enterprises. The few foreign businesspeople that had not left the country were expelled. In 1957, Mao Zedong launched the Anti-Rightist Campaign to attack those critical of the Party and who were suspected of supporting capitalism. Mao turned to Deng Xiaoping to implement key parts of the crackdown which ultimately targeted more than 500,000 people, with many being imprisoned, beaten, or killed during public struggle sessions ordered by the Party.

China's implementation of radical economic policies accelerated in 1958 with the launch of the Great Leap Forward, initiated by Mao Zedong. Motivated by a desire to rapidly increase China's national power, Mao sought to supercharge the country's industrial development through this nationwide campaign. Mao believed that through mass mobilization and absolute obedience to national economic planning, China could catch up to the Western Powers, primarily the United States and United Kingdom, in terms of steel and other industrial output. However, the movement was characterized by reckless and wasteful policies. Peasants were forced into large-scale farming communes. Party leaders ordered farmers to abandon their crops and focus on operating backyard smelters to boost China's steel production. The steel produced by these backyard smelters was worthless and the resources diverted away from agricultural production toward steel production led to a massive famine that is estimated to have killed tens of millions of people.

Facing economic devastation, the Party attempted to backtrack from the disastrous Great Leap Forward in the early 1960s. Facing pressure and criticism, Mao Zedong stepped away from day-to-day governance but retained his leadership over the Party. Liu Shaoqi and Deng Xiaoping implemented more moderate economic policies designed to undo the excesses of the Great Leap Forward. As economic policy tacked back away from ideological extremism, China experienced a brief period of stability and recovery in the early to mid-1960s. However, before China could completely recover from the disastrous Great Leap Forward, Mao Zedong unleashed the Cultural Revolution. Mao was concerned that he was being quietly shunted aside by others in the Party. In response, he used his status as the leader of China's revolution to mobilize millions of young supporters to attack the Party and had his political rivals arrested. For the next several years, China was beset by waves of political violence that closed universities, killed or imprisoned many government officials, persecuted and exiled the educated, and created widespread economic disruption.

The chaos and turmoil of the Cultural Revolution left deep scars upon the Party and the millions of people who suffered abuse during its campaigns. It also created tremendous dislocation within Chinese society and the economy. Figure 1 shows China's precipitous economic decline. In the early nineteenth century, China accounted for around a third of all global economic activity. Civil war and foreign invasion over the next century caused China's share of global GDP to plummet. The Party's victory in 1949 did little to reverse this. In 1978, after nearly 30 years of communist rule, China had fallen to 5% of global GDP despite more than a fifth of the world's population.

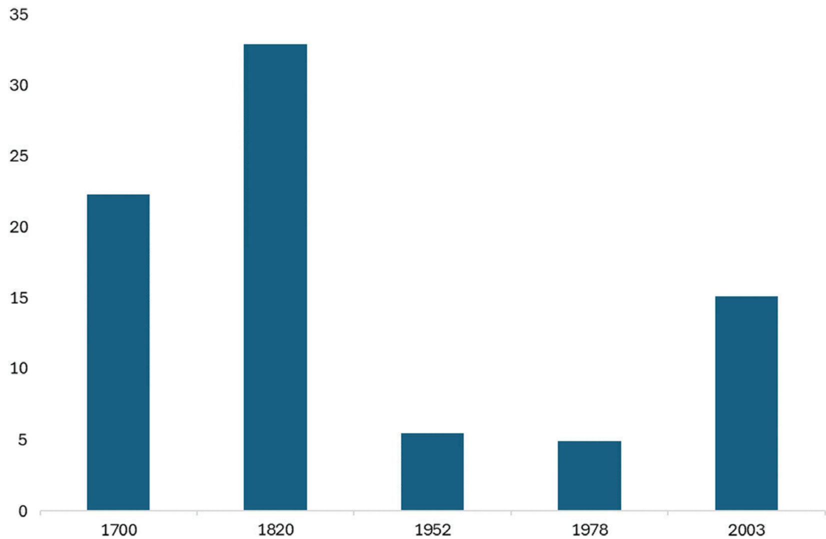

Fig. 1 China's share of global GDP (*Source* OECD)[2]

Not only had China's global economic influence declined, its people remained desperately poor. While the Party styled itself as the champion of rural peasants, the majority of Chinese society experienced little or no improvement in their living standards during the two decades between 1957 and 1978.[3] In 1970, China and Sub-Saharan African countries had equivalent levels of GDP per capita.[4] The Mao period came to a close with China far away from achieving its goal of wealth and power. Instead, China was economically backward and isolated from the rest of the world.

2 Early Reforms and the Private Sector's Struggle for Recognition (1977–1988)

The death of Mao Zedong in 1976 and the imprisonment of his most radical supporters paved the way for a major change in China's economic policy. Contrary to popular perception, China's economic reforms did not begin with Deng Xiaoping. Mao's immediate successor, Hua Guofeng, supported economic reform and opening to a degree but lacked the political strength to make a sharp break with the policies of Mao. Hua supported greater foreign trade and investment and sent senior Party leaders on inspection tours of Western Europe and Japan to learn about foreign technology and production methods.[5] He called for China to "absorb foreign technology and capital in order to greatly speed up our development and catch up with the world's achievements."[6]

Compared to Deng and other senior leaders who had helped lead China's revolution in 1949, Hua's base of support within the Party was weak due to his youth and relative inexperience. As such, Hua still exercised considerable caution in pursuing economic reforms, especially those that might provoke backlash from conservatives in the Party. While advocating for new economic policies, Hua also hewed closely to Mao's legacy and promulgated the "Two Whatevers" Policy, a public declaration to follow all policies and instructions given by Mao.

Hua's power was quickly eroded by the changing political environment in China. There was a strong backlash against the extreme policies of the Cultural Revolution within the Party and the foreign study trips contributed to a growing realization of how far China lagged behind the rest of the world. The country was eager for a shift away from the chaos of the Mao Era and to focus on improving living standards. Within the Party, there was a hunger for rehabilitation of the thousands of officials that had been purged by Mao during his numerous campaigns. Hua was cautious in meeting this demand, concerned that bringing back senior officials would undermine his already fragile power. His suspicions proved correct, the rehabilitations paved the way for Deng Xiaoping, the most senior of the purged officials, to return to power and sideline Hua. In doing so, Deng would create the conditions for a wholesale shift from the radical policies of the Mao Era.

Deng's Views on Economic Reform: As with other early communist revolutionaries in China, Deng was a firm believer in the Party's historical mission of delivering wealth and power to the country. For much of his life, he had been a trusted acolyte of Mao, believing that Mao's policies would guide China toward these goals. However, as the failures and human costs of Mao's leadership became undeniable, Deng broke with Mao and began to advocate for more pragmatic policies. The most notable example of this was following the Great Leap Forward when Deng and Liu Shaoqi attempted to undo the worst excesses of Mao's radical policies by restoring the focus of economic policy to agricultural development and consumption.[7] He would pay for this "disloyalty" by being removed from his positions by Mao and subjected to brutal criticism campaigns. Deng's critics, urged on by Mao, branded him a "capitalist roader" who was secretly working to restore capitalism in China. Despite this abuse, Deng never publicly opposed Mao, and Mao never permanently exiled Deng. At his core, Deng remained firmly committed to Party and the necessity of its unchallenged leadership of China.

In the wake of failed experiments in collectivization and highly centralized planning, Deng had become an enthusiastic supporter of economic reform. Deng's overarching framework was that of the "Four Modernizations," which called for reforms in agriculture, industry, defense, and science. Deng believed that by pursuing advances in these areas, China's economy could be revived and its national power increased. The Four Modernizations were not initially formulated by Deng. China's first Premier, Zhou Enlai advocated for them in the early 1960s and Hua Guofeng revived the idea in the late 1970s. The Four Modernizations was an acknowledgment that China had fallen desperately behind in many key areas that are the core of national power. Deng argued that China lagged the rest of the world in science and technology, by as much as 50 years in some areas.[8] To catch up, China must open up to foreign trade and investment and experiment with economic reforms at home. One early example of this was reactivating student exchanges. China would begin sending thousands of students abroad to study new concepts and technology. Yet Deng firmly stated that China's adoption of foreign technology was not an embrace of capitalism, but rather a necessary step to transform China into a powerful socialist state capable of defending its system against foreign aggression.[9]

Despite becoming China's paramount leader, Deng faced deep constraints on his power. The most immediate challenge Deng faced was pushing aside Hua Guofeng, who still wielded the legitimacy of being Mao's handpicked successor. Deng gradually weakened Hua's influence without directly opposing him, advancing his own policies and placing his allies in key positions. By 1981, Hua had been sidelined and replaced by Deng's ally, Hu Yaobang. In the early years of Deng's leadership, he also faced opposition from a faction Mao loyalists, who remained influential within the Party and resisted economic reforms. This faction was still influential in the years immediately after Mao's death, but the rehabilitation of purged Party officials eventually undermined their power. However, the most significant and longest-lasting challenge Deng faced throughout his leadership was opposition from conservative economic reformers.

The most prominent of the conservative reformers was Chen Yun, a veteran Party member who served as Vice Chairman under Mao in the 1950s and 1960s. Chen had tried to moderate the worst of Mao's economic policies and advocated for a more cautious approach. Like Deng, he had been purged from power during the Cultural Revolution. In the wake of Mao's death, Chen and the other conservative reformers knew the economy was in desperate need of reform. However, they also harbored deep suspicions that proceeding too rapidly would lead to inflation and economic disorder. In 1979, only a few years into economic reform, the conservative reformers pushed for a period of economic retrenchment, reducing foreign borrowing and lowering investment targets. Chen and the other conservative reformers believed strongly in the need for centralized planning of the economy. In a phrase that he would become well known for, Chen argued that the economy was "like a bird" that cannot be held too tight but also cannot be allowed to fly away. Thus a cage was required to maintain control over the bird while giving it enough space to grow and develop. During the 1980s, Deng and Chen would frequently clash over the correct size of the cage for the market economy in China.