Education And Knowledge Absorption Behind China's 1979 Economic Revival From Human Capital Point Of View

Eny Lestari Widarni, Imro'atul Husna Afriani

Abstract: This study aims to understand the role of education from the perspective of human capital in the rise of China's economy in 1979. This study uses the content analysis method with the critical reading analysis method with triangulation using descriptive statistical analysis using the Threshold Autoregressive (TAR) model. We find that education is an important factor behind the revival of the Chinese economy, which began in 1979.

Keywords: Human Capital, China, Education

1 INTRODUCTION

China is a country with a fairly strong economy and can be the strongest to compete with the superpower economy of the United States. China's economy has risen since 1979 (Luo & Xie, 2020). Education and knowledge transfer need to receive information from outside and within the country. China does this by opening itself to foreign countries so that the transfer of information occurs. The growth of human capital through education and training mechanisms in China has a huge impact on the economy. The increase in human capital encourages increased performance and ultimately impacts increasing economic growth. Education is the main driver in increasing human capital because the knowledge obtained through the educational process is based on innovation and technological development, which ultimately improves skills and performance that have economic value (Eppelsheimer & Möller, 2019). Knowledge, skills, and a series of other abilities will be disrupted when human physical health is disturbed. Therefore health is part of the element of human capital that integrates with humans. The Chinese government carries out investments in better health continues to encourage the performance of the Chinese community, which is increasingly developing and is reflected in economic growth (Bolin, et al., 2017).

2 LITERATUR REVIEW

Mao Zedong was the figure behind "the Great Leap Forward" who pushed China's agriculture into industry. However, the "Great Leap" failed to realize Mao Zedong's vision and in the 1958 to 1960 period caused at least 45 million Chinese people to die from starvation (Tibbetts, 2016). Humans need sufficient food so that agriculture, which is an industry that produces food, is not an industry that can be underestimated. Agriculture and food security are vital to human capital. In the Great Leap Forward, Mao Zedong encouraged Chinese farmers to create iron smelting furnaces to produce iron to free China from iron imports with a quota system. Many Chinese farmers sacrificed their agricultural tools to be melted down and deposited by the government. As a result, agricultural tools useful for food production are melted down and transferred to the government back into raw materials. This is what caused the failure of Mao Zedong's Great Leap Forward (Sorace, 2019). Mao Zedong died in 1976 and was succeeded by Deng Xiaoping. Deng pioneered China's economic reform in 1978. Deng improved China's agricultural sector and created a "special economic zone" in 1979 that allowed foreign investors to invest in China and grant business licenses to the Chinese people so that entrepreneurship and China's economy rose together (Guo, 2017). The existence of a "special economic zone" or Special Economic Zone Policy in China allows China to absorb knowledge and technology from abroad and improve the education system to become the main support in increasing human capital in China (Kleinberg, 2019). The Special Economic Zone Policy fully supports foreign investors to do business in China. Cheap labor, equipped with ports and airports so that goods and materials can be easily exported, reduce corporate taxes, and many other supporting goods attract many investors to do business in China. The Special Economic Zone encourages capital flows into the country, thereby encouraging urban development. The inflow of foreign capital boosts the economy, which increases the productivity of the Chinese people. In developing its country, China continues to adopt foreign science and technology and develop it independently in its country so that human capital in China continues to develop. The ease of doing business in China keeps entrepreneurship in China growing. The growth of human resources and entrepreneurship, in the end, can drive economic growth to continue to develop. China combines social capital with Chinese nationalism or communism that is not anti-foreign. China has also built organizational capital for a long time, namely since the enactment of a special economic zone, which has become an organizational capital that has enabled China to encourage human capital and entrepreneurship in China.

3 RESEARCH OBJECTIVE AND METHODOLOGY

This study uses content analysis with the critical reading analysis method. Content analysis is a research method used to analyze and identify content recorded in the analyzed source literature. Content analysis is a systematic method for collecting data from a set of texts, written, both oral, and visual. Content analysis can focus on counting and measurement (quantitative) and/or focus on analysis based on interpretation and understanding (qualitative). Content analysis analyzes words, themes, and concepts in the text by categorizing or encoding the analyzed content (Drisko & Maschi, 2015). The content analysis results are triangulated using descriptive statistical analysis using the Threshold Autoregressive (TAR) model. Descriptive statistical analysis is an analysis based on mathematical and statistical calculations to describe the research object based on the results of mathematical and statistical estimates without only the object being studied without any generalizations outside the object of
research (Bartolucci et al., 2015). So it can be said that this research uses mixed methods. The mixed-method used is a qualitative content analysis and quantitative content analysis using descriptive statistical analysis of the Threshold Autoregressive (TAR) model, adopting research from Bawono et al. (2019) on behavior data or behavioral data analysis. The threshold model allows the variable change process to behave differently when the variable’s value exceeds a certain threshold. The autoregressive threshold (TAR) model is a nonlinear autoregressive (AR) time series model with a segmented model so that between different segments, it is possible to have different AR (autoregressive) models (Weigend, 2018).

5 Results and Discussion
Since 1979 the Chinese economy has steadily grown rapidly. This is due to an increase in human capital and openness to foreign nations so that knowledge and technology can be well absorbed in the Republic of China’s territory. The process of absorbing knowledge and technology is disseminated in the Chinese education system. In China, there is a very rapid growth of human capital from various fields and social elements. This has become an important factor behind the revival of the Chinese economy, which began in 1979. China’s economic growth is accompanied by human development based on human capital through educational mechanisms and cultural exchanges with foreign nations so that Chinese cooperation increases throughout the world. This shows a relationship between human capital investment, especially in education and health, and economic growth. To triangulate the results of content analysis using the critical reading analysis method, variable testing was carried out using descriptive statistical methods with the Threshold Auto Regression model known as the threshold regression model with the following estimation results:

\[
GD_{P} = (22.3559145341 \times IE + 2400.90582574) + (39.2776179098 \times IE - 7855.13973384 \times \text{LOGIT} (0.000972831682246 \times (GD_{P} (-3) - 9649.35872811)) + 27.1933383933 \times IH
\]

The estimation results show that investment in education and health can boost economic growth in China. This can be clarified by the forecasting results of economic growth in China:

![Graph of GDP forecast](image)

Source: Author Computing

The estimation results show that investment in education and health can boost economic growth in China.

6 Conclusion
The content analysis triangulated with the descriptive statistical analysis method shows that education is an important factor behind the revival of the Chinese economy, which began in 1979.

References