CHINA'S POST-MAO REFORMS

AND

THE PROSPECTS FOR DEMOCRATIZATION

By

Pradnyawati, B.A.

A Thesis

Submitted to the School of Graduate Studies

in Partial Fulfillment of the Requirements

for the Degree

Master of Arts

McMaster University

CHINA'S POST-MAO REFORMS

MASTER OF ARTS (1996)
(Political Science)

McMaster University
Hamilton, Ontario

TITLE : China's Post-Mao Reforms and the Prospects for Democratization

AUTHOR : Pradnyawati, B.A. (Gadjah Mada University)

SUPERVISOR : Professor Richard Stubbs

NUMBER OF PAGES : vi, 159

ABSTRACT

The downfall of the communist regimes of Eastern Europe and the Soviet Union has given rise to a crucial debate in China, the last major bastion of communist countries in the world. The debate, which places advocates of thorough economic reform against those who wish to preserve the present communist system, has ended in a tacit agreement between them that the Chinese regime should continue with economic reform if the regime is to survive in power. This policy raises the prospect of the link between China's post-Mao reforms and the democratization of the nation, following the logic which holds that as an economy grows rapidly, a stable democracy is likely to emerge and consolidate.

It is, however, apparent that economic development cannot alone determine the prospects for democratization. The case of China demonstrates that while economic activities have increased, the limited political liberalization that took place during the early and mid-1980s has not progressed any further; the authoritarian nature of China's political system has even been strengthened. Therefore, the analysis needs to be expanded to other variables in order to help explain what has been happening in China.

It is argued that due to socioeconomic development, China's political culture and elite politics, the process of political change in China tends to follow the evolutionary authoritarian route which involves a dual transition. The first phase of the transition, which has been under way since the late 1970s, involves a transformation from a politically and economically closed communist regime to an authoritarian regime with a market-oriented economy. This process will continue in the short to medium term after Deng's death.

The second phase will see the transformation of the present authoritarian regime into a democratic government based on a market economy. The preconditions for China's departure from communism to democracy will be the spread of economic prosperity, changes in the political culture, and the emergence of new political elites, most likely the fifth or sixth generation of rulers who will show less aversion to the idea of democratization and put up less resistance to democratizing pressures from below.

ACKNOWLEDGMENTS

This thesis was made possible by the assistance of a number of people who took their time to read all of the chapters in draft and to give me the benefit of their suggestions and corrections. I thank in particular my thesis supervisor, Professor Richard Stubbs, for his contribution of advice, time, and energy throughout the production of this thesis. I would also like to thank the other members of my committee, Professor Kim Richard Nossal who proved to be knowledgeable about both the subject matter of the thesis and the editorial demands of a scholarly work; and Professor Michael Stein for his comments and questions which have strongly influenced the entire thesis. I would also like to extend particular thank to Professor David P. Barrett (Department of History) who has carefully read the draft and saved me from factual errors. I feel lucky to have had the opportunity to work with them.

Finally, I want to express my sincere gratitude to my husband, Iman Pambagyo, and my daughter, Andrea Laksmiwardani, for providing the perfect working environment. I really had the great pleasure of working on this thesis.

Despite the best efforts of all the above individuals, poor judgments and specific errors undoubtedly remain in the text. For this final result, I assume sole responsibility.

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CHAPTER I

INTRODUCTION

A. Background Information

Does it seem possible for an authoritarian regime based on an ideology of Marxism-Leninism, such as China, to transform itself and become democratic? Many observers think that communist systems cannot change their basic natures. One study of proletarian dictatorship regimes proposes that communist systems are inherently stable and unchangeable, because the rulers have total control over ideology, politics and economics, and are willing to use coercion.[1] Moreover, China allegedly has an authoritarian political culture (Confucianism) which is deeply embraced by both rulers and ruled.

However, contrary to that proposition, during the last six months of 1989, the world witnessed the collapse of communism in Europe. Two years later, communism was abolished in the Soviet Union, and the country began to fall apart. The collapse of communism across the former Soviet bloc can be attributed to two interrelated causes: rising citizen demands for greater freedom, and the failure of centrally planned command economies. As a consequence, at present, the countries in the region are conducting a transition

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[1] Carl Friederich and Zbigniew Brzezinski, Totalitarian Dictatorship and Autocracy (Cambridge: Harvard University Press, 1956) cited in Benedict Stavis, China's Political Reforms (New York: Praeger Publishers, 1988), p. 1. Also, the scholarly editors of a three volume study of democratization decided "not to include any communist countries" because "there is little prospect among them of a transition to democracy," Larry Diamond, Juan Linz, Seymour Martin Lipset (eds.), Democracy in Developing Countries: Asia (Boulder: Lynne Reinner Publishers, 1989), p. xix.

to Western-style democracy marked by a fundamental restructuring of the political system and a proliferation of new interest groups and parties.[2] At the same time, all of these new regimes have attempted an economic transition from centrally-planned economies to market-oriented ones. Both of these transitions are uneasy and take a long time. In the meantime the results are indeterminate.

Although less dramatic than the developments in the Soviet Union and Eastern Europe, a startling turn towards democracy also occurred in some authoritarian East Asian countries, namely South Korea and Taiwan, in the late 1980s. One study concludes that, in general, the transition was facilitated by a variety of factors: a healthy economy, an expanding middle class, a political elite which values commitment to a democratic system, and social groups who put consistent pressures upon the elite to initiate the transition.[3] This transition becomes interesting and has captured attention of scholars partly because it has broken the myth that Confucian political culture is incompatible with democracy. In contrast to the first model of transition (the Soviet Union and Eastern European countries) analysts are more optimistic about the prospect of a stable, irreversible and well-functioning democratic system in East Asia, although the transition itself is far from complete.

This thesis will assess the prospects for democratic transition in China. This assessment is prompted by the worldwide failure of communist ideology which has resulted in the first model of transition outlined above. It is also

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[2]David S. Mason, Revolution in East-Central Europe: The Rise and Fall of Communism and the Cold War (Boulder: Westview Press, 1992), p. 3.

[3]Lu Ya-li, "Politics in the Republic of China," in Thomas W. Robinson (ed.), Democracy and Development in East Asia (Washington, D.C.: The AEI Press, 1991), p. 46.

prompted by the fact that China stands a reasonable chance of completing its economic and political transitions to modernity as a result of the country's remarkable economic achievements under the rule of Deng Xiaoping. Under these circumstances, there is a chance China will experience the same pressures as suggested by the second model which, in turn, will lead the country towards democratization.

Nevertheless, this study believes that due to the country's unique socioeconomic conditions, political culture and elite politics, China's path towards democratization might not follow the model of the former communist countries or the model of authoritarian countries in East Asia. Rather, it will most likely consist of a two-phase process of transition: (1) transformation of a politically and economically closed communist regime into an authoritarian regime based on a market economy, and (2) transformation from the latter into some kind of market-economy based democracy. It is argued, then, in the short to medium term the Chinese leaders will not make a significant move toward democratization. Rather, they will focus their attention on continuing their market-oriented economic reforms. In this phase, it is most likely they will, at best, soften their authoritarian features or, at worst, maintain them. In the long term, however, China's economic success should bring about changes in the social, political and cultural character of Chinese society. These changes require the transition of an authoritarian political system into some form of a democratic system one capable of accommodating the new conditions.

The changing regional and international circumstances have compelled China to readjust its domestic and foreign policies. These policy readjustments have created a difficult problem for Chinese leaders, particularly as they are

connected to the continuity of the country's economic modernization, set out in the 8th Five-Year Plan (1991-95) and the 10-year development program for the 1990s. As a consequence of these commitments, China needs to be more actively engaged in the international community if the country is to gain more advantages from trade, aid and foreign investment. In the meantime, it has become common for major Western countries to link their foreign policy to human rights and democratic values. Some people even argue that in the wake of the end of the Cold War and the failure of socialism in the USSR and Eastern Europe, the United States will make China the next target for democratization.[4]

At the same time, internally, China's post-Mao economic reforms have produced tensions and challenges. The challenges in socioeconomic matters can be summarized as high inflation, the widening economic gap between China's advanced regions and the backward regions, the broadening disparity between rural and urban incomes, and the high rate of unemployment in a number of areas. In addition to these challenges, political tensions have also risen to the surface. One dilemma arose as a result of the implementation of economic decentralization policies in a centralized political setting. In the economic sphere, a market mechanism has been introduced which has led to the decentralization of economic decision-making authority. Meanwhile, political decision-making power still exists exclusively within the Chinese Communist Party (CCP). As both bureaucrats and society become more involved in

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[4] The commitment to promote democracy abroad was introduced by Woodrow Wilson in the second decade of this century. It needs to be recalled that President Wilson led America into World War I on the argument that "the world must be made safe for democracy." Laurence Whitehead, "International Aspects of Democratization," in Guillermo O'Donnell, Philippe C. Schmitter, and Laurence Whitehead (eds.), Transitions from Authoritarian Rule: Prospects for Democracy (Baltimore: The John Hopkin University Press, 1986), p. 5.

economic rather than political activities, the eventual outcome of such circumstances is the weakening of the CCP's political control. Such a weakening has already occurred not only in the power of the central government over provincial governments, but also in the control of provincial governments over lower regional authorities, and in the control of work units over individuals.

This condition, which is increasingly complex to manage, invites widespread corruption, a decline in the importance of ideology, and the waning of the CCP's leadership. Corruption is said to be pervasive in all strata of society. Even those who are supposed to monitor corruption, such as the CCP, the army, the judiciary and the public security authority, are not immune to it.[5] At the same time, the CCP cadres would rather move toward management, business, or professional careers, and away from cadre service. Such a situation has led one observer to predict that as "the gang of oldies dies or retires, the younger communist leaders, already committed to capitalist-consumerism, may very well follow Gorbachev's lead and voluntarily move the system in a democratic direction." [6]

Out of this situation, the issue of political reform has arisen. At the Thirteenth Party Congress in 1987, the then General Secretary, Zhao Ziyang,

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[5]Mitsuru Kitano, "The New China: Dynamism and Vulnerability," The Pacific Review, No. 2, February1994, p. 157. Supporting his argument, Kitano quoted a report in the *South China Morning Post*, 1 July 1993 that "a deputy minister at the State Science and Technology Commission was arrested on a bribery charge in relation to a junk bond scandal. He represented only the tip of the iceberg. More than one hundred high ranking officials were said to be involved in this case."

[6]Ronald M. Glassman, China in Transition: Communism, Capitalism, and Democracy (New York: Praeger Publishers, 1991), p. 242.

explicitly acknowledged that "the deepening of the ongoing reform of the economic structure makes reform of the political structure increasingly urgent".[7] Once reforms were initiated, however, students began to demand that government end corruption, overcome bureaucratism, promote further reform, and improve education. This led to the non-violent students' movement in Tiananmen Square in 1989, which was overcome by the use of state violence, thus damaging the image of the Chinese leaders and hampering their move toward political liberalization.

In the 1990s, one of the major issues faced by China has been power rivalries among political elites, particularly with the anticipated passing of Deng Xiaoping. It is far from certain that Deng has succeeded in fully entrenching his two chosen successors, Jiang Zemin and Li Peng, who hold the positions of president and premier respectively. Once Deng is gone from the scene, the power base of these moderate conservative leaders could be challenged by other leaders who are more concerned about the speed of China's political reforms.

B. A Theoretical Framework of Democratic Transition

In order to analyze China's prospects for democratization, we need to develop a framework of analysis constructed from several theories and approaches which deal with the variables which drive democratic transitions.

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[7] Zbigniew Brzezinski, The Grand Failure: The Birth and Death of Communism in the Twentieth Century (New York: Macmillan Publishing Company, 1990), p. 171. For further information about political reform, see also Andrew J. Nathan, China's Crisis: Dilemmas of Reform and Prospects for Democracy (New York: Columbia University Press, 1990), pp. 174-78.

Such a theoretical framework will be developed by reviewing the main arguments of these theories and approaches, and discussing their strengths and weaknesses. But before we proceed with developing such a framework, it is necessary to define some concepts which will be used frequently throughout our discussion.

What we refer to as the transition is the interval between one political regime and another. O'Donnell and Schmitter propose that the typical sign that the transition has begun comes when authoritarian regimes, for whatever reason, begin to redefine rules and procedures in the direction of providing more secure guarantees for the rights of individuals and groups. The process of such a redefining and extending of rights is what they have labelled as liberalization. Regarding this concept, they assert that:

> By liberalization we mean the process of making effective certain rights that protect both individuals and social groups from arbitrary or illegal acts committed by the state or third parties. On the level of individuals, these guarantees include the classical elements of the liberal tradition: habeas corpus, sanctity of private home and correspondence, the right to be defended in a fair trial according to preestablished laws; freedom of movement, speech, and petition; and so forth. On the level of groups, these rights cover such things as freedom from punishment for expressions of collective dissent from government policy, freedom from censorship of the means of communication, and freedom to associate voluntarily with other citizens.[8]

O'Donnell and Schmitter consider that democracy's guiding principle is that of citizenship. Hence, the term democratization refers to the processes whereby the rules and procedures of citizenship are either applied to political

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[8] Guillermo O'Donnell and Philippe C. Schmitter, "Tentative Conclusions about Uncertain Democracies," in O'Donnell, Schmitter, and Whitehead (eds.), Transitions from Authoritarian Rule, pp. 6-7.

institutions previously governed by other principles (e.g. coercive control, social tradition), expanded to include persons not previously enjoying such rights and obligations (e.g. ethnic minorities, women), or extended to cover issues and institutions not previously subject to citizen participation (e.g., state agencies, educational institutions).

This brings us to the definition of democracy. O'Donnell and Schmitter argue that across time and political units, the actual institutions or rules of democracy have differed considerably. While admitting that there are a number of elements of democracy which might be taken into consideration in more advanced democracies, they assert that:

> what specific form of democracy which will be taken in a given country is a contingent matter although given the existence of certain prominent "models" and international diffusion, there is likely to exist a sort of "procedural minimum" which contemporary actors would agree upon as necessary elements of political democracy. Secret balloting, universal adult suffrage, regular elections, partisan competition, associational recognition and access, and executive accountability all seem to be elements of such a consensus in the contemporary world. [9]

Theoretically speaking, the study of democratization is dominated by two competing schools of thought. The first school of the 1960s and the 1970s emphasized economic, social, and cultural factors in looking for the necessary conditions and prerequisites for the emergence of a stable democracy. This school was marked by the works of Seymour M. Lipset, Gabriel Almond, Sidney Verba and other scholars.[10]

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[9] Ibid.

[10] Seymour Martin Lipset, "Some Social Requisites of Democracy: Economic Development and Political Legitimacy," American Political Science Review, no. 53, April

The second school, which has emerged in the past decade, has been concerned primarily with the dynamic aspects of democratic transition and consolidation. This school argues that the main question is not how a democratic system comes into existence, but how it can best preserve or enhance its stability. The major proponents of this school are, among others, Dankwart A. Rustow, Guillermo O'Donnell, and Phillippe C. Schmitter.[11]

Of these two schools of thought, however, neither is on its own sufficient to explain China's condition. Each of them has its strengths and weaknesses and is incapable of a complete explanation of the problems under examination. Therefore, synthesizing and supplementing become indispensable methods in developing our framework of analysis. By following this approach, the end result will provide us with a more feasible framework for analyzing the country under scrutiny.

1. Socioeconomic Variable

To begin with, we will look at Lipset's classic theory of the social requisites of democracy which contributes to one of the most important points of view in the large body of literature about democracy. He argues that democracy is related to the state of economic development.[12] Specifically, he contends that various indicators of economic development such as wealth,

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1959; Gabriel Almond and Sidney Verba, The Civic Culture (Boston: Little, Brown, 1963).

[11] Dankwart A. Rustow,"Transitions to Democracy: Toward a Dynamic Model," Comparative Politics, April 1970; O'Donnell, Schmitter, and Whitehead (eds.), Transitions from Authoritarian Rule: Prospects for Democracy.

[12] Lipset, "Some Social Requisites of Democracy...", p. 75.

industrialization, urbanization and education are closely correlated with democracy. Hence, the higher the levels of these factors, the more conducive they will be to the prevalence of democratic political systems.

Samuel P. Huntington echoed this theory in 1991 in what he called the "third wave" approach.[13] Although Huntington pointed to the role of other factors, such as culture and external actors, in large measure he argued that the third wave was the product of the economic growth of the previous two decades. In this way, he seemed to be in agreement with Lipset in viewing democracy as an end-product of economic development. As Huntington put it, "economic development --industrialization, expansion of literacy and education, urbanization, increased wealth, decreasing inequalities in income and wealth, the emergence of a bourgeoisie and a middle class--has generally played a critical role, particularly in the first and third democratization waves."[14]

However, challenges have come from other theorists who believe that democracy is not necessarily implicit in the definition of modernization. Almond cautions us in that "the movement of modernization might be in a liberal democratic direction, but it might with equal probability be in an authoritarian direction."[15] Another theorist, Dankwart Rustow, points out that an empirical

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[13] Samuel P. Huntington, The Third Wave: Democratization in the Late Twentieth Century (Norman: University of Oklahoma Press, 1991). The notion "third wave" refers to the democratization of Southern Europe in the mid 1970s which has spread to parts of East Asia, Africa, and the former Soviet bloc in the late 1980s.

[14] John Girling, "Democracy and Civil Society: Growth Model and Area Diversity," Contemporary Southeast Asia, vol. 15, no. 2, September 1993, p. 232.

[15] See Gabriel A. Almond, "The Development of Political Development," in Myron Weiner and Samuel P. Huntington (eds.), Understanding Political Development (Boston: Little, Brown, 1987), p. 449.

correlation between socioeconomic factors and political democracy does not imply a causal relationship, nor can the functional explanation be taken as a genetic explanation. In short, they do not tell "how a democratic system comes into being."[16]

Another challenge came from Guillermo O'Donnell in 1973.[17] The experiences of the Southern cone states of Latin America during the 1960s and 1970s demonstrated that they went through major processes of economic development, and yet turned away from democracy. This phenomenon led him to develop his theory of bureaucratic authoritarianism that posited just the opposite of Lipset's theory. O'Donnell argues that economic development, and particularly the strains produced by a heavy emphasis on import substitution, led to the emergence of new, stronger, and more lasting forms of authoritarian rule.

In the case of China, this study accepts the premise of economic development as a factor that affects China's prospect for democratization. But, it argues that although the presence of economic development exerts a strong influence in favor of political freedom, it does not necessarily ensure the making of democracy. Rather, China's prospect for democratization has to be considered in terms of three interacting variables: socioeconomic factors, political culture, and elite politics.

With this argument in mind, we will examine the socioeconomic variable by taking a closer look at Minxin Pei's work which concentrates on China's and

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[16] Rustow, "Transition to Democracy..," p. 337-64.

[17] Guillermo O'Donnell, Modernization and Bureaucratic-Authoritarianism: Studies in South American Politics (Berkeley: Institute of International Studies, University of California, 1973).

the former Soviet Union's abandonment of communism.[18] It advances a view, which this study shares, that unlike other authoritarian countries, the process of regime transition in communist countries must be considered a distinctive dual transition due to their unique political and economic systems.

Broadly, Pei's theory posits that the transition from communism to democracy can proceed through any of three different paths : 1) the evolutionary authoritarian route, 2) the revolutionary double breakthrough, and 3) the simultaneous single breakthrough.[19] It has been the evolutionary authoritarian route which was initiated by the Chinese post-Mao leaders after 1978 and which has characterized China's recent development. It involves a first phase--transformation from a politically and economically closed communist regime into an authoritarian regime based on a market economy--and a second phase--from a market economy authoritarian regime to a market economy democracy.

The scope of reforms is limited by the Chinese reformist leaders to the economic realm, and is aimed at pursuing economic modernization without giving rise to democratization. However, Pei argues that market-oriented

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[18] Minxin Pei, From Reform to Revolution: The Demise of Communism in China and the Soviet Union (Cambridge: Harvard University Press, 1994).

[19] According to the author, the first route is a gradualist approach that begins with market-oriented economic reforms and leads to a combination of a market economy and authoritarian politics. The second route starts with democratizing political reforms driven largely by societal coalitions of opposition forces, and at the same time this route undertakes an instant transformation of a planned economy into a market economy. The third one is simultaneous democratization and marketization and it would be the shortest way from communism to democracy. However, if China and the former Soviet Union and its bloc respectively represent the first and the second route, the third one so far is only an abstraction.

economic reforms produce spillover effects, which weaken the communist pillars of the government and transfer economic resources away from state to society. This process might be accelerated by four factors: the size and arena of an initial opening created by the reformer elite; the activation of major social groups; the formation of takeover coalitions; and favorable external factors.

The evolutionary authoritarian route, inescapably, generates more autonomy for society as the state gradually loosens its monopoly over economic, ideological, and, to a certain extent, political resources. Some specialists, it should be pointed out, have already concluded that an emergent civil society now is taking shape in China, following more than a decade of reforms.[20] A civil society itself can be defined as the self-organization of society through the creation of autonomous, voluntary, nongovernmental organizations such as economic enterprises, religious and cultural organizations, occupational and professional associations, independent news media, and political organizations.[21]

In analysing a tendency towards the emergence of Chinese civil society, this study, following Tong, also borrows from Habermas' concept of public sphere, which is closely related to the concept of civil society. Defined as "a forum in which private individuals come together as a public, debating matters

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[20] See, for example, Gordon White, Riding the Tiger: The Politics of Economic Reform in post-Mao China (California: Stanford University Press, 1993). One study even finds civil society, that old but now ubiquitously fashionable formation, not merely in China today but even in Qing and Republican times. See William T. Rowe, Hankow: Commerce and Society in a Chinese City, 1796-1889 (California: Stanford University Press, 1984).

[21] John Keane (ed.), Civil Society and the State: New European Perspectives (London: Verso, 1988), pp. 19-20.

of general interests,"[22] the public sphere can be viewed as an arena existing between civil society and state, in which the two interact. Although both a civil society and a public sphere may exist independently, neither can function effectively without the other. The relation between the two concepts is described by Yanqi Tong :

> Without a public sphere in which to debate various social interests and to interact with the state and hold it accountable, civil society will have no institutionalized political voice and will remain impotent. Without a coherent civil society, a public sphere will be dominated by a disorganized mass society, in which individuals are not directly related to one another through social groups but are readily available for mobilization by political elites or counterelites. The public sphere will function more effectively if private individuals come together in an organized fashion through a civil society.[23]

In order to adequately reflect the complexity of the relationships between the state and society, various types of civil society and public spheres can be further distinguished. The existence of civil society does not necessarily imply the existence of a specifically political society, which exists only if voluntary associations and social movements emerge to influence state decisions or to obtain a share of state power. Along the same lines, a managerial public sphere, in which private citizens and associations discuss and autonomously regulate the distribution of goods and services, needs to be differentiated from

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[22] Jurgen Habermas, The Structural Transformation of the Public Sphere: An Inquiry into a Category of Bourgeois Society (Cambridge, Mass.: The MIT Press, 1989), p. 27, cited in Yanqi Tong, "State, Society, and Political Change in China and Hungary," Comparative Politics, April 1994, p. 333.

[23] Ibid., p. 334.

a political public sphere, in which public discussions concern the activities of the state.[24]

Regarding the case under examination, this study perceives that in line with China's modernization attempts, the country will move in the direction of a combination of a civil society and a managerial public sphere or, in Yanqi Tong's term, a noncritical realm. In this condition, such a formation may not pose a direct threat to an established regime. However, as the reforms go further, it is not impossible that China's noncritical realm will support the emergence of a critical realm, that is the combination of a political society and a political public sphere. This formation, in turn, may create an environment that facilitates the adoption of a democratic political system.

Two factors that this study believes might help suggest whether the growth of China's noncritical realm is likely to provide favorable conditions for the creation of a critical realm are political culture and the role of elites. In this respect, Ronald Inglehart argues that political culture might help explain why economic development is conducive to, but does not necessarily lead to, the emergence of modern or mass-based democracy.[25]

2. Political Culture Variable

There are two dominant competing approaches in the concept of political culture. The first approach asserts that political culture predetermines both

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[24] Ibid.

[25] Ronald I. Inglehart, "The Renaissance of Political Culture; Central Values, Political Economy and Stable Democracy," cited in Doh Chul Shin, Myung Chey and Kwang-Woong Kim, "Cultural Origins of Public Support for Democracy in Korea, " Comparative Political Studies, vol. 22, no. 2, July 1989, p. 218.

political structure and political behavior in a given country, and that the elements of political culture are relatively impervious to change over time. The strong advocate of this perspective is Lucian W. Pye. In defense of his concept of political culture, which was widely challenged during the 1960s and 1970s, Pye postulates that:

> Culture is a remarkably durable and persistent factor in human affairs. It is the dynamic vessel that holds and revitalizes the collective memories of a people by giving emotional life to traditions. Culture has this vital quality because it resides in the personality of everyone who has been socialized to it. People cling to their cultural ways not because of some vague feeling for their historical legacies and traditions, but because their culture is part and parcel of their personalities--and we know from psychoanalysis how hard (and expensive) it is to change a personality. Cultural change therefore involves true trauma.[26]

The other approach views such cultural determinism with a good deal of skepticism, for the following two reasons. According to this view, theoretically, the causal impact of political culture works both ways; that is, attitudes influence structure and behavior, and this structure and behavior, in turn, influence attitudes. Supporting this perspective, Almond argues that political culture is a relatively soft variable, significantly influenced by historical experience and by governmental and political structure and performance. He refers to Germany as an example. The trauma of National Socialism, a cunningly engineered governmental and political structure, and an effective economy seem to have produced a stable democracy in Germany. On the other hand, he points to the Vietnam War and Watergate scandal as having seriously undermined the democratic culture in the United States. Also, Almond believes that poor

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[26]Lucian W. Pye and Mary W. Pye, Asian Power and Politics: The Cultural Dimension of Authority (Cambridge: The Belknap Press of Harvard University Press, 1985), p.20.

economic performance and declining international prestige have reduced the legitimacy of British political institutions.[27]

The second reason for rejecting a deterministic approach to political culture is empirical. Quoting, among other things, his study of democracy in twenty six developing countries and the recent works of Inglehart and Huntington, Diamond draws the conclusion that although political culture affects the character and viability of democracy, it is shaped and reshaped by a variety of factors including international factors, changes in economic and social structures, and the functioning and habitual practice of the political system itself.[28]

However, before we choose an approach for our framework, it is worthwhile to review some prominent concepts of political culture related to the study of democracy. The paradigmatic work for literature on political culture remains The Civic Culture, which contains an exploration of the underlying bases of stable democracy. In their work, Almond and Verba define the so-called civic culture as "a third culture, neither traditional nor modern but partaking of both; a pluralistic culture based on communication and persuasion, a culture of consensus and diversity, a culture that permitted change but moderated it."[29]

A civic culture combines elements of modernity and traditional culture. Therefore, it encompasses three types of major political culture, namely

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[27] Gabriel A. Almond, A Discipline Divided (Newbury Park: Sage Publications, 1990), p. 145.

[28] Larry Diamond (ed.), Political Culture and Democracy in Developing Countries (Boulder: Lynne Rienner Publishers, 1993), p. 9.

[29] Almond and Verba, The Civic Culture , p. 6.

parochial, subject and participant political culture. Within a parochial political culture, there are a number of individuals who expect nothing from the political system. Their political orientations are not separated from their religious and social orientations. As for a subject political culture, it contains those who are aware of, and have high frequency of orientation towards the political system. Civic culture also involves the participant political culture--those who tend to be oriented towards an "activist" role of the self in the polity, although their feelings about and evaluations of such a role may vary from acceptance to rejection. However, one main weakness of this concept is that the authors do not suggest the appropriate ratio of the three components of civic culture, which will be conducive to the emergence of democratic political culture.

It has to be noted, then, that civic culture requires some values and norms, such as consensus, diversity, rationalism and traditionalism, on the basis of which the authors believe democracy could develop. In his classic Polyarchy, Dahl also argues that there are a number of values and behavioral orientations underlying democracy, which is defined as a system of mutual security--a system which contains less conflict because of similar perspectives shared by a small elite at first, and which is later expanded to the social strata. These underlying values include such things as tolerance, trust, cooperation, restraint, and accommodation.[30]

The relevance of these particular values to the problem under analysis is that they encourage this study to approach the problem from a point of view that is not deterministic. The main reason for subscribing to this perspective lies in the fact that despite the argument that Chinese Confucianism is alleged to be a

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[30]Robert A. Dahl, Polyarchy: Participation and Opposition (New Haven: Yale University Press, 1971), p. 36-7.

traditional culture, it has some dimensions which, theoretically, can foster democratization. These include self-restraint, trust, harmony, stability and consensus. These elements of Confucianism have clearly presented no barriers to modernization as indicated by the successes of Japan, South Korea, Taiwan, Hong Kong, and Singapore.

This study also strongly supports Diamond's view that besides cultural elements, there are a number of other factors which facilitate democratization, and that political culture is far from an unchanging phenomenon. In other words, social and economic changes, historical experiences, political leadership, and political accommodations can all modify or gradually transform the predominant political values, beliefs and attitudes of a society.

For these reasons this study will explore Confucian political culture--at both the state and the societal levels. The examination will be closely related to the variables which precede and follow this variable (socioeconomic and elite). In this way, attention will be devoted to the development of the Confucian political culture under the Deng administration, taking into account trends which are currently emerging in China.

3. Elite Variable

As a counterbalance to the 'softness' of the political culture concept, it seems to be imperative for us to take a look at the recently fashionable school of thought in theories of democratic transition, namely rational choice theory. The proponents of this school basically downplay socioeconomic and cultural considerations, and emphasize instead the role of the elite. Besides searching for a proportional balance of theories, the main rationale for undertaking this

approach is mostly prompted by Taiwan's experience of gradual democratic reform. The experience has suggested that the key variable for the change is not only the pressures from below, but also the leadership's willingness to accommodate change.

The seminal theories on the political elite coming at the end of the 1960s and in the middle of 1980s were those of Dankwart Rustow and O'Donnell-Schmitter. Drawing on the cases of Sweden and Turkey, Rustow emphasizes the importance of a "prolonged and inconclusive struggle" among well-entrenched elite factions, deliberate elite choices, a willingness to compromise, agreement on procedures (rather than on fundamentals), and a period of "habituation" as indispensable to democratic transitions.[31]

Rustow's model of democracy begins to emerge when a relatively small segment of the elite decide, either in stages over time or in a historical period of fundamental change, "to accept the existence of diversity in unity" and to wage their conflicts peacefully through democratic rules and procedures. Further, he suggests that a variety of mixed motives may play a role in the choice of democracy, but

> ...in so far as it is a genuine compromise it will seem second best to all major parties involved...What matters at the decision stage is not what values the leaders hold dear in the abstract, but what concrete steps they are willing to take.[32]

The emergence of democracy through the choices and strategic interactions of contending elites is also a central theme of O'Donnell-Schmitter's study. They strongly contend that domestic factors play a predominant role in

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[31] Rustow, "Transitions to Democracy..." pp. 337-63.

[32] Ibid., particularly p. 357.

the transition. More precisely, they assert that "there is no transition whose beginning is not the consequence–direct or indirect–of important divisions within the authoritarian regime itself, principally along the fluctuating cleavage between hard-liners and soft-liners."[33]

It is interesting to note that while many authoritarian regimes have lost legitimacy simply because they failed to solve the country's economic problems, O'Donnell and Schmitter recognize the possibility of a regime's success as a context for transitional opening towards democratization. In this period, the soft-liners are likely to push their aims of introducing certain liberalization which may be opposed by the hard-liners, who hope to continue enjoying the perquisites of unchallenged authoritarian rule. To quote O'Donnell and Schmitter,

> The most favorable occasion for attempting liberalization come at periods of widely acknowledged success of the authoritarian regime, including a high economic conjuncture, in which the soft-liners hope that the regime's effectiveness will be transferred into popular support for the regime during the transition.[34]

In this condition, which is termed by Rustow as a "prolonged and inconclusive struggle", the decisive decisions and choices by elite, both from the hard-liners and the soft-liners, are crucial to the success of democratization.

By the same token, another author argues that the most notable feature of recent scholarship is the widespread optimism that democracy can be crafted and promoted in all sorts of places, including those where structural and cultural

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[33] O'Donnell and Schmitter, "Tentative Conclusions...," in O'Donnell, Schmitter, and Whitehead (eds.), Transitions from Authoritarian Rule, p. 19.

[34] Ibid., p. 16.

qualities are deemed unfavorable or even hostile.[35] In general, the advocates of "democratization through elite pact-making" agree that the ideal pre-transition situation for this sort of democratization is characterized by the opening of intra-elite struggle within the regime. This seems to be plausible given that no transition can be forced by opponents against a regime which maintains its cohesion.

The focus on elite disunity as an opening context for pact-making democratization leads to a strong suggestion by Higley and Burton to those who study democratic transitions to look first at the elite, to investigate basic patterns and transformations of elite relationships.[36] Postulating three types of elite structures--disunified, ideologically unified and consensually unified--Higley and Burton assert that only a consensually unified national elite produces a stable regime that may evolve into a modern democracy.

Briefly put, the variable of elite structure needs to be included in our model. This variable might turn out to be a good predictor since the phenomenon of elite factionalism, to a certain degree, exists in China. Increasingly, during the 1980s there was a strong indication that the Party has been incapacitated from within. In the condition which is labelled by Lieberthal and Oksenberg as a "fragmented authoritarian" regime,[37] compounded by

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[35] Doh Chull Shin, "On the Third Wave of Democratization: A Synthesis and Evaluation of Recent Theory and Research," World Politics, no. 47, October 1994, p. 161.

[36] John Higley and Michael G. Burton, "The Elite Variable in Democratic Transitions and Breakdowns," American Sociological Review, vol. 54, February 1989, pp. 17-32.

[37] Kenneth Lieberthal and Michael Oksenberg, Policy Making in China: Leaders, Structures, and Processes (Princeton: Princeton University Press, 1988).

irresistable pressures from society, there is always a possibility for the elite to think about a conscious adoption of democratic rules in the future.

In sum, this theoretical discussion leads to the following conceptual scheme. The dependent variable, democracy, is affected by three sets of independent variables: socioeconomic, political culture, and political elite. While we defined the three variables as independently influencing the prospects for democratization, in practice they are closely interconnected. Moreover, the simplicity of our framework does not necessarily bring us to a narrow explanation at the expense of a sober analysis of democratization since there is ample room to explore not only the internal dimensions, but also the external dimensions of each of the variables.

Thus, Chapter II will follow the general framework, attempting to evaluate socioeconomic changes in China's post-Mao governance. At the core of the evaluation will be major reforms undertaken during the leadership of Deng Xiaoping, which are presented in Pei's framework of the evolutionary authoritarian route. Because the reforms were intended to correct the condition inherited from Mao's governance, it will be necessary to cover relevant experiences of China's sociopolitical and economic development under Mao. Equally important is the need to focus our attention on one particular condition which is perhaps central to the emergence of a democratic political system. This particular condition is the enhancement of the autonomy of Chinese social groups and associations which, in turn, will lead to the emergence of civil society and public sphere.

Chapter III will deal with China's political culture. As background to China's current political culture, the discussion will review the introduction of

the idea of democracy, its loss of appeal and replacement by Marxism, and the decline of Marxism as state ideology. Against this background, we will discuss the elite's attempts to create a new political culture which is conducive to modernization. In this section, attention will be devoted to the transformation of China's noncritical realm into a critical realm. The last section will focus on the political culture of both elite and society, and the likelihood of democratization for each.

Chapter IV will discuss the role of different individuals and structures within China's political elite, including the Party-state, the paramount leader (Deng Xiaoping) and his octogenarian colleagues, the People's Liberation Army (PLA), and the local leaders. This chapter will also identify the challenges confronting the elite today and in the period ahead as well as the strategies to handle these challenges. The analysis takes place against a background of post-Deng succession and Confucian political culture. The concluding section of this chapter will suggest that China will not move towards democratic transition in the short term. Rather, the Party-state elite will concentrate on their efforts to make the country's economy more efficient in order to sustain the economic growth. However, as socioeconomic development proceeds, the elite will face pressures which will bring them to the decision of liberalizing China's political system.

The final chapter will sum up the whole discussion and verify the basic argument of this study. One important conclusion from the analysis is that an authoritarian, backward, and indigenous communist China is, indeed, open to transformation. The democratic transition in China will proceed along a two-

phase process and will be driven by economic development. The process will be evolutionary, cautious and unexciting in nature.

CHAPTER II

CHINA'S POST- MAO REFORMS:

THE CHANGING BALANCE OF ECONOMIC POWER

The emergence of Deng Xiaoping as the dominant political figure after Mao Zedong's death marked a new era of reforms and pragmatism in China. Under his leadership, China embarked on a highly significant and ambitious modernization drive. This led to a period of rapid growth. For example, from 1981 to 1991 China's average Gross National Product (GNP) growth rate was 8.9 per cent. This figure was much higher than the United States' 2.2 per cent and Japan's 4.2 per cent, and even exceeded the Asian Newly Industrializing Countries' (NICs) 7.8 per cent.[1]

Viewed in terms of the relationship between economic growth and regime type, China's economic success is even more pronounced when it is observed that its market economy strategy does not follow the example suggested by advanced Western countries. Nor did it follow that of East European countries where political democratization preceded economic reforms. Rather, China chose to take East Asia's autocratic path by conducting economic reforms before--or even instead of--democratization. Whether China's post-Mao reforms will provide favorable conditions for a transformation towards democracy or not is the question that this chapter will address.

The main argument that will be developed in this chapter is that by improving China's political and, particularly, economic condition, Deng's reforms

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[1] Kitano, "The New China...," p. 153.

bridged the gap between the state and Chinese society that had emerged under Mao. As a result, the reforms have produced unprecedented positive sociopolitical and economic changes. These achievements are so remarkable that they have not only lessened the society's alienation from the state but also shifted the balance of economic power between the state and society, in favor of the latter.

The discussion will be focused primarily on socioeconomic variables, particularly the changes that have been generated by the reforms and their implications for the political system. The chapter will start with a look back to Mao's overall strategy since this will provide a good background for an analysis of Deng's reforms. In the next section, we will examine the course of the reforms and their consequences for the state and society. The last section will deal with the possibility that China will complete the first phase of its evolutionary authoritarian route[2] as advances are made by the society. The discussion will be focused on the reemergence of Chinese civil society as one of the factors most conducive to democratic transition. This chapter will conclude by suggesting that, viewed from a socioeconomic perspective, the reforms will exert strong pressure for an incipient democratization through market forces. However, the socioeconomic changes in themselves do not guarantee such an outcome.

A. Background to Reforms

Basically, the main rationale for Deng Xiaoping to carry out reforms in 1979 was China's stagnant economic condition at the time. However, it would

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[2] See Chapter I, pp. 11-3.

be misleading to think that the internal impulse for change simply grew out of a lack of economic growth. In fact, China had achieved rates of growth which averaged 8.2 per cent per year between 1952 and 1975. In light of such respectable rates of growth, what disturbed Deng's leadership most were the strategies of development adopted under Mao's leadership. They produced not only economic inefficiencies but also political disorder. The following discussion will outline these strategies and for the sake of simplicity, they will be broken down into the command economy strategy and the social mobilization strategy.

1. The Command Economy Strategy

The period right after the CCP took power (1949-1952) was essentially a time of rehabilitation. The CCP's principal tasks were to establish order under its rule, to resume production in industry and agriculture, and to carry out basic land reform in the rural areas of China. Having consolidated their regime, the CCP leadership in 1953 was prepared to launch its first major effort to achieve economic modernization, namely the First Five Year Plan (1953-1957).

In this period, Mao decided to rely heavily on the Soviet Union's models of economic structure and development strategy. The reason for this option was partly that the Soviet Union provided a model--and an apparently successful one--for a backward, peasant society like China. Another reason was that the Cold War had foreclosed the possibility of gaining technology, capital, markets and advice from the West whereas the Soviet Union seemed willing to give China technical assistance and economic aid. Certainly, by the outbreak of the Korean War in 1950 the CCP had no choice since the United States imposed a global embargo on trade with China and isolated it diplomatically.

However, as time went on, it was soon apparent that the CCP's strategy of adopting the Soviet economic model was flawed for the following reasons. First, in accordance with the Soviet model, China's investment pattern prioritized heavy industry at the expense of all other sectors of the economy. Thus agriculture, which in 1952 provided more than 55 per cent of the country's national output and accounted for more than 85 per cent of employment, received only about 7 per cent of investment capital during the first Five-Year Plan period.[3]

Obviously, the intention of this policy was to accelerate the growth of industry, which Mao believed would lead the country to modernization. However, the effect was to retard the development of agriculture, light industry, commerce, and social services such as education, housing and transportation. This delay, in turn, affected the heavy industries significantly since China ended up with bottlenecks in the production and distribution of raw materials and consumer goods. This shifting of priorities caused an immense disparity in growth rates between China's three major sectors of heavy industry, light industry and agriculture.

Second, the adoption of the Soviet model with public ownership as its main characteristic meant a fundamental distortion of traditional Chinese patterns of ownership, which had previously operated successfully in private hands both in industry and commerce. The Soviet model, in this way, served largely to suppress the entrepreneurial qualities of the Chinese urban and rural society.

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[3]Harry Harding, China's Second Revolution (Washington DC: The Brookings Institution, 1987), p. 16.

Third, after the collectivization of agriculture and the nationalization of industry, the state exercised its planning function primarily through mandatory procurement and the allocation of key agricultural and industrial products, and through rigid control of the prices of major goods. This led to economic inefficiency because peasants and enterprises concentrated on the quantity of output in order to accomplish their target, rather than on the quality of product or the efficiency of production. As a consequence, there was a great imbalance between the supply of a product and the demand for it. Many overproduced items remained unsold.[4]

Fourth, the Soviet model meant the unchallenged power of the party, stable state structures, centralized planning, bureaucratic controls, and elitist technocrats as key elements in running industries and other enterprises. In the case of China, the central Party-state bureaucracy was weaker and less inclusive than that of the Soviet Union. Besides, because Mao distrusted the intellectuals and launched a massive campaign to attack them, he relied on revolutionary party cadres to run the economy and industries.[5]

A number of economic problems were caused by the lack of skilled technocrats in China's bureaucracy. One example was the allocation of investment to enterprises. In these cases the bureaucracy most often resorted to political considerations instead of using economic criteria. As a

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[4] Ibid.

[5] Mao's distrust of Chinese intellectuals was reflected in the policy of "hundred flowers" in 1956. In this policy he called upon the educated sections of the society to voice criticism in order to solve problems which had arisen at that time. When the invitation was accepted, however, Mao and his colleagues realized the extent of dissatisfaction among wide sections of the Chinese intellectuals towards the CCP's conduct of the state. This prompted Mao, in 1957, to launch a counter attack against the intellectuals.

consequence, the enterprises could not keep to the proper schedule of production and used equipment inefficiently; as a result, they failed to repay either the grant principal or the interest.

As the first Five-Year Plan drew to a close, Mao had become uneasy with what he regarded as the serious shortcomings in the Soviet model. Another factor causing Mao's dissatisfaction was Khrushchev's de-Stalinization policy in 1956. Mao was of the view that Khrushchev's criticism of Stalin for having put himself above the party and developing a "cult of personality" not only made it difficult for the Chinese leaders to explain their glorification of Stalin but also reflected adversely on Mao's leadership style.[6] Moreover, Khrushchev's policy of peaceful coexistence with capitalist nations and detente with the United States implied that China would have to follow suit as a part of the socialist bloc, or it would have to reject Moscow's stand and break away from the bloc. Mao also came to the conclusion that Khrushchev had deemphasized revolutionary ideology in order to attain higher levels of production at home and coexistence abroad. As a staunch upholder of Marxist-Leninist ideology, Mao could not allow China to accept this revised Soviet path to economic development and international relations.

Mao's personal ideological reaction to this internal and external situation led him to conclude that it was necessary to improve China's model of development by resurrecting the utopian elements in the Marxist-Leninist heritage that he believed Khrushchev had abandoned. Based, among other things, upon these considerations, in 1958 he called for an alternative strategy which reflected China's independent path towards modernization.

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[6]Ranbir Vohra, China's Path to Modernization: A Historical Review from 1800 to the Present (N. J: Prentice Hall, Inc., 1992), p. 198.

2. The Social Mobilization Strategy

This strategy originated as an attempt to escape from the problems that had surfaced by 1957. Industry had grown at 18 per cent per year during the First Five-Year Plan but agriculture only at 4.5 per cent, and at a rate of growth that was declining.[7] Besides, the implementation of the Soviet model of development generated several problems that prompted Mao to introduce the Great Leap Forward campaign.[8] This campaign became distinctive because Mao incorporated utopian features, notable among them was the establishment of rural people's communes. The communes were intended by Mao not only to carry out agricultural and industrial works, but also to bring Chinese society towards a communist society. Therefore, some socialist principles were implemented in the daily operation of the communes, such as egalitarianism, self sufficiency, and populism.

Another important feature of this campaign was a change of emphasis in industry. Rejecting the reliance on heavy industry, Mao called for simultaneous development of agriculture and industry to be combined with a massive social mobilization. This was implemented through massive efforts to build and improve water works and to set up a large number of "backyard steel furnaces"

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[7] Thomas P.Bernstein, "China: Change in a Marxist-Leninist State," in James W. Morley (ed.), Driven by Growth (New York: M.E. Sharpe, 1993), p. 40.

[8] These problems include the growth of bureaucracy and privileged elites, the growing of social inequality, the growing gap between the modernizing cities and the backward countryside, and the increasing number of unemployment and underemployment. See, for example, Maurice Meisner, Mao's China and After: A History of the People's Republic (New York: The Free Press, 1986), p. 219; Roderick MacFarquhar, The Origins of the Cultural Revolution, vol. 2 (New York: Columbia University Press, 1983), p. 3; and A. Doak Barnett, Uncertain Passage: China's Transition to the Post-Mao Era (Washington D.C.: The Brookings Institution, 1974), p. 123.

and small factories in the countryside. All these attempts were aimed at increasing agricultural productivity and making the countryside self-sufficient in simple agricultural machinery. This social mobilization strategy, it has been argued, drew on the successful Yenan strategies of the period during the war against Japan (1935-1947). As one study has revealed, Mao assumed that the key to success in socialist construction, as in waging revolutionary war, was a motivated society. In Mao's opinion "party-led efforts to mobilize and to sustain support should be designed to tap the basic enthusiasm of the people through the implementation of the mass line."[9]

After experiencing some initial success in 1958, the Great Leap Forward campaign failed after that. Agricultural as well as industrial production fell dramatically from 1959 to1962.[10] There is no doubt, bad floods and droughts experienced throughout China during 1959 and 1960 played a role in determining the failure of agricultural policy. Also, the abrupt cutoff of Soviet aid and the withdrawal of all Soviet technicians in 1960 affected China's industrial policy adversely. But, one factor, which appears to be the crucial factor underlying the failure, was that the ideological fervor and strategies worked out in the Yenan years were incongruent with the existing condition of the peasantry and the condition demanded by a developing economy for the reason below.

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[9]Peter Van Ness and Satish Raichur, "Dilemmas of Socialist Development: an Analysis of Strategic Lines in China, 1949-1981," in Bruce Cumings (ed.), China from Mao to Deng (New York: M.E. Sharpe, Inc., 1986), p. 84.

[10]For details, see Meisner, Mao's China and After, p. 211, and R.M. Breth, Mao's China: A Study of Socialist Economic Development (Melbourne: Longman Cheshire Pty Ltd., 1977), pp. 62-3.

Having been defeated by the Nationalists (Kuomintang) troops in 1934, the Communists retreated in one-year Long March to Yenan, the most backward and mountainous part of China. The Communists' survival was at stake since they had been significantly reduced in number because of a series of the Nationalists raids and the hardships of the Long March. In the meantime they still had to face the invading Japanese on one side and the Nationalist menace and economic blockade on the other side. Under these circumstances, the Communists did everything possible to win the support and loyalty of the Yenan peasantry by developing fraternalistic relationship and giving what the peasants needed, such as local peace and agrarian reform. Not surprisingly, the peasants together with the Party and army, carried out self-sufficient economic development, and also guerrilla war, voluntarily. Under such circumstances, ideological exhortations, mobilized spirit, and moral incentives were acceptable. However, in the late 1950s, the power and prestige of the Party had grown enormously after achieving independence and completing land reform. Although it still needed the support of society, the Party's existence was no longer in a critical stage as it had been during the Yenan era. The Party cadres seemed to be less interested in developing close ties with the peasant masses as evidenced by their lack of responsiveness to the peasants' complaints and desires during the Great Leap Forward era. As for the peasants, thanks to the land reform policy, they felt relatively secure from landlords' oppression and were ready to increase their productivity. However, the communization program deprived the peasants' of their newly-won private space, such as private plots, private implements, freedom to choose an occupation they were familiar with, and private desires to increase their material

standard of living or to plan their future.[11] It is not surprising that the policies of the Great Leap Forward failed to make necessary economic advances. Rather, the effects were social dislocation, labor shortages in agricultural fields and the loss enthusiasm among the peasantry.

Mao's strategy also caused an immense famine--the death rate rose from 18.12 per thousand in 1957 to 44.60 per thousand in 1960--as a result not only of declining harvests but also of excessive requisitioning of grain. This was due to the false reports that far more grain had been produced than was actually the case.[12] Another problem was administrative. The excessive intervention of the state in the daily life of individuals and in all economic matters effectively diverted the time and energy of the bureaucrats away from their main tasks of issuing and supervising central economic directives and measures. All these factors, then, added up to increasing inefficiencies in the state's management of the economy as well as personal hardships for the Chinese people.

In such circumstances, when the failure of the social mobilization strategy became evident, opposition to Mao grew. Moderate members of the party believed that more material incentives (piecework, increased wages and larger private plots) were necessary if the communes were to function efficiently. Also, they assumed that there should be an expert managerial class to push forward with industrialisation, instead of relying on the cadres. But to Mao and the Maoists these concepts were ideologically unacceptable. They

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[11] For further information about commune and its impact on the peasantry's life, see two articles by Gargi Dutt, "The Rural People's Communes of China," International Studies, vol. III, no. 1, July 1961; and "Some Problems of China's Rural Communes," China Quarterly, no. 16, October-December 1963.

[12] Bernstein, "China: Change...," in Morley (ed.), Driven by Growth , p. 41.

even accused the proponents of being revisionists. The fear of the threat from the revisionists within the party eventually prompted Mao to launch a political and ideological campaign, namely, the Great Proletarian Cultural Revolution (hereafter cited as the Cultural Revolution).

The goal of the Cultural Revolution was to purify the superstructure of the society rather than to change the economic system. According to Marxism, the superstructure (social consciousness) is a product of the infrastructure (socio-economic base) which is marked by public ownership of the means of production. Suffice it to say that this simplified outline of the Marxist theory suggested that China had a long way to go economically to achieve the necessary preconditions for communist consciousness. Therefore, Mao might be said to have attempted to create the Marxist superstructure through massive ideological indoctrination even before the necessary economic base was fully in place.

The main characteristics of the social mobilization strategy in this period were the revitalization of the socialist system by rearing revolutionary successors and the further development of the egalitarian economy which had been introduced in the previous period. The first goal was to be accomplished by giving young people an experience in substitute revolution. By revolutionizing the youth in the Red Guard movement and encouraging them to remove Mao's opponents from power, thereby plunging the country into chaos, it was clear that Mao risked destabilizing the regime. The period between 1966 and 1969, therefore, was characterized by a massive purge of cadres at all levels including Deng Xiaoping, who was then the CCP's General Secretary.

The second goal was manifested by Mao's policy of eliminating the bonus system which had awarded benefits to the enterprises with a superior performance. This policy intensified remuneration problems created by freezing the differential wages enacted in the previous period. These moves towards an egalitarian economy were underscored by Mao's insistence that all of China's agricultural communes should devote considerable attention to the production of grain, despite differences in terrain and climate.[13] The principle was also seen in Mao's attempt to create self-sufficient provinces across the country in terms of raw materials, machinery and consumer goods.[14] The dismissal of concepts of specialization and comparative advantage tended to increase inequalities rather than decrease them.

Putting all this together, it can be said that the CCP gained its political legitimacy in the period shortly after taking power from the old regime, particularly when the Party conducted land reform and cleaned up corruption in the bureaucracy. However, the following period was marked by challenges to the CCP's legitimacy. These challenges were posed by three large sectors of the Chinese society. The intellectuals were the first group who were intensely critical of the CCP's style of governance. Because of this criticism they were forced to endure the harshest treatment throughout the Mao years.The second group was the urban youth. In mid-1967, after the Red Guard movement had gone too far and produced chaos, Mao ordered the PLA to disband their

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[13] Harding, China's Second Revolution, p. 18.

[14] By the 1970s all but three provinces produced their own motor vehicles, often using the same design, but at extremely different rates of efficiency. A truck produced in a highly industrialized province, for example, might be produced in volume and sold at a profit; the same design manufactured in a more remote region would be, in effect, handmade, produced in small quantities, and sold at a loss. Harding, ibid.

organizations and dispatch their members to remote areas of the country. These experiences had a deep impact on them and, in a later period, transformed many of them into political dissenters, ranging from Mao-type critics of bureaucracy to believers in Western-style democracy. The peasantry embodied the group who suffered from the price scissors policy which favored industry over agriculture. Under this policy the peasants were forced to sell their products to the state at low prices, and were required to pay high prices for many necessary agricultural inputs, such as fertilizers, fuel and machinery, as well as consumer goods.

It is apparent, therefore, that in themselves China's internal political and economic problems were powerful forces for change. These forces for change were reinforced by certain external factors, namely the unfavorable comparison between China's economic performance and that of the rest of East Asia. While China's rate of economic growth declined to an average of 7.4 per cent between 1965 and 1973, growth rates accelerated in Japan (9.8 per cent), Taiwan (10.3 per cent), South Korea (10 per cent), Hong Kong (7.9 per cent), and Singapore (13 per cent).[15] This situation was accompanied by the failures in attempts at economic innovation and technological change, lack of improvements in the quality and variety of output, a failure to improve productivity and efficiency in production, and little improvement in the standard of living.[16]

Overall, China's experience since 1949 has produced some important lessons. First, neither a command economy strategy nor a social mobilization strategy of development could work properly in China's setting. This would be

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[15] Ibid., p. 38.

[16] Bernstein, "China: Change ...," in Morley (ed), Driven by Growth, p. 46.

corrected in the post-Mao period when the leaders opted for a mixture of a planning and the market. Second, an excessive emphasis on ideology and utopian political goals in economic planning and management resulted in neither efficiency nor equity. Rather than produce the intended outcomes, Mao's policy ended up alienating various sectors of society from the state and disrupting intra-elite relations. Presumably, this was the major reason that Mao's successor put economic policy above all else, and attempted not to repeat the same mistakes. Third, the all-inclusive developmental strategy and stifling control exercised by state, bureaucracies and the party tended to inhibit society's enthusiasm for economic matters and to curb economic innovation and increased productivity. In other words, the tendency of the party-state leadership to organize all social life produced an economy that lacked vigour. The policies of post-Mao leaders which were designed to encourage privatization and to decentralize economic decision-making might therefore be interpreted as intending to correct the mistakes in Mao's strategy.

Thus, these initial conditions made it feasible for Deng to carry out China's economic reforms. Mao's legacies may be said to have influenced significantly the success of China's post-Mao reforms for the following reasons. First, despite China's glaring economic inefficiencies, its macroeconomic situation was relatively stable by 1978. The rates of inflation and debt burden were very low because of the strategy of planning and self reliance. Therefore, a macroeconomic stabilization policy, which usually generates considerable social costs and in turn has political consequences for the reformers, was not necessary.

Second, given the size of the state sector, China's economy was considered a backward state-socialist economy,[17] which had a very large agrarian sector and a relatively small urban state labor force. Hence, the economic reform under Deng's leadership, which was initially started in the rural areas, threatened only a small segment of society. As one study indicates:

> ...in China economic reforms created winners before losers and avoided an up-front battle with the entrenched labor and bureaucratic interests of the state sector. In more misdeveloped East European countries and in Russia, economic reforms courted political disaster by hurting a large majority of the population immediately while benefiting a small minority of new entrepreneurs: witness the recent string of defeats that reformers have met at the polls, and the comeback of reconstructed communist parties in most East European countries.[18]

B. The Post-Mao Reforms: Shifting Balance of Economic Power

After the new leadership had consolidated its authority in 1977, a new strategy of socialist development began to take shape. In contrast to the previous strategy, the leadership proposed a combination of market mechanisms with state planning, decentralization of economic decision making, and the integration of China's economy into the world market economy. This

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[17] China's formal state sector employed 78 per cent of the nonagricultural labor force but only 18.6 per cent of the total labor force in 1978; it produced 77.6 per cent of the total industrial output. Compare this figure with the more advanced socialist countries (the former Soviet Union, East Germany, Czechoslovakia, Bulgaria and Rumania) whose the state sector typically generated close to 100 per cent of industrial output, and employs almost 100 per cent of non-agricultural workers. Minxin Pei, "The Puzzle of East Asian Exceptionalism," Journal of Democracy, vol. 4, no. 5, October 1994, p. 97, quoting Statistical Yearbook of China 1990 (Beijing: Statistical Publishing House of China), pp. 29, 49, 113, 414.

[18] Ibid.

strategy of economic development hereafter will be labelled as a "market-socialism strategy."

The major corrective reforms in post-Mao governance can be categorized as political, rural agricultural, and urban industrial reforms. All of these policies were triggered by systemic crises and were undertaken to reestablish the Party-state's legitimacy. However, despite their shortcomings, the reforms generate a transfer of resources from the state to society and thereby significantly eroded the party-state's political and economic institutions. This development needs to be seen as a step towards the gradual completion of the first phase of the evolutionary authoritarian route–transformation from a politically and economically closed communist regime into an authoritarian regime based on a market economy.

1. The Initial Opening

One of the necessary conditions for any change in the relationship between the state and society is the opening up of political or economic systems. This usually takes the form of reforms. In the case of China, politically, post-Mao reforms offered a significant, albeit limited, initial opening. Conversely, in terms of the economy, the reforms provided a large initial opening which produced opportunities for the society to regain what it "lost" in the Mao era.

Since Deng perceived that China's social unrest and poor economic performance were caused primarily by the unresponsive political system, the first reforms had to be political. In general, the political reforms launched in the late 1970s and early 1980s can be grouped into the following three categories.

First, was the reduction and regularization of the state's role. In post-Mao China, the state has attempted to reduce the scope and arbitrariness of political intervention in daily life. As a result, society now enjoys much greater freedom of belief and expression than it had in the past.

Second, the state has increased the opportunities for popular participation. The main characteristics of this policy were the introduction of elections to local legislatures, the expansion of the role of the people's congresses, and growing consultation with various social groups such as intellectuals. However, although there was an advance in popular participation, such as the establishment of workers' congresses and the proliferation of research institutes, this policy remains limited in sensitive issues. For example, the scope of direct elections has never been extended to include delegates to provincial or national people's congresses, or even to include important local executive positions, such as township mayors.

Third, the state has changed the basis of political authority. This was done by reducing the importance of both ideological and charismatic authority in China. Rather, the post-Mao leadership demanded adherence to the four cardinal principles--party leadership, Mao Zedong Thought, the socialist road, and the dictatorship of the proletariat. Of course, this policy often conflicts with that of expanding the opportunities for popular participation. Hence, although there has been intense pressure since 1978 to increase levels of participation further, post-Mao leaders are continuing a policy of strict adherence to the monopoly of power by the CCP's leadership. Thus, although it has been said that the political and legal systems are more open than at any time since 1949, they are still relatively authoritarian by Western standards.

Nevertheless, this limited reform effectively reestablished the political legitimacy of the reformers. Past experiences, notably those in the Cultural Revolution period, prompted some segments of society to support any improvement in the workings of political system. With the aforementioned changes, the Chinese political system has come close to what Juan J. Linz calls "an authoritarian regime", a moderate regime between totalitarian dictatorship and democracy.[19] Again, this development approaches the first phase of the evolutionary authoritarian route stated earlier in this section.

In the economic realm, the Third Plenum of the Eleventh Central Committee in December 1978 marked a substantial reform of agriculture. The new economic strategy focused on concerted efforts to solve the problem of slow agricultural growth by vigorously restoring incentives for the peasantry to produce and to market their product. Compared to the situation in Mao's era, the new system of agriculture displayed several significant improvements.

First, the reform transformed agricultural production from a collective undertaking into a family enterprise. Although land remains collectively owned, plots of land are now contracted to individual farm households for cultivation. Under this system, the peasantry gained more freedom because their obligation to the state was the delivery of a set amount of grain and other agricultural products at a price fixed by the state. Once the quota was met, they were free to retain the rest of their products and sell it at market prices, or pursue any other line of business they chose.

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[19] Juan J. Linz, "Totalitarian and Authoritarian Regimes," in Fred I. Greenstein and Nelson W. Polby (eds.), Handbook of Political Science, vol. 3 (MA: Addison-Wesley Publishing Company, 1975), pp. 175-357.

Second, the reform also encouraged substantial diversification and specialization in rural areas. Chinese leaders under Deng have abandoned the Maoist strategy which emphasized the cultivation of grain regardless of the comparative advantages of different regions. Under this new strategy, the peasants are now allowed to abandon grain and vegetable cultivation in order to engage in more specialized occupations. The result has been a rural division of labor. A number of peasant families produce grain or industrial crops, others engaged in individual or collective industry, and many others provide rural services such as transportation or the use of agricultural machinery that were needed by their neighbours.[20] In this way, the rural reform revived Chinese entrepreneurial qualities and paved the way for the emergence of the rural private sector. This was demonstrated by the rapid growth of township and village enterprises (TVEs) elsewhere in China. Later on, these enterprises turned out to absorb much of the surplus labor power that was being created in the countryside by population growth.

Third, in contrast with the Maoist system, this rural reform, which linked effort and reward directly, eliminated the egalitarianism that had stifled the peasants' initiative for more than two decades. Consequently, because of flexibilities in some production factors (e.g. time, kind of job and resources), some peasant families were free to choose their own priorities and were able to acquire more material goods than others by working harder. The fact that by this new system some people could now get rich more quickly than others was

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[20] Harding, China's Second Revolution, p. 102. See also Chu-yuan Cheng, Behind the Tiananmen Massacre (Boulder: Westview Press, 1990), p. 13-37.

also permitted by the state. This was based on the idea that the prospect of wealth would stimulate everyone to work harder. As asserted by Deng himself :

> ...some people in rural areas and cities should be allowed to get rich before others. It is only fair that people become prosperous through their own hard work. It is good for some people and some regions to be prosperous first, a development supported by everyone.[21]

This elite endorsement set the stage for the peasantry to work harder, increase their mobility and vastly expand their opportunities. The result was an extraordinary acceleration in agricultural output. Agricultural output (net output after subtracting intermediate inputs) grew by 7.7 per cent a year from the end of 1978 through 1984. Part of this increase was due to peasants shifting to higher-valued cash crops and subsidiary products. Over this same period, grain output also grew at 5 per cent a year, reaching a peak output of 407 million tons in 1984. The supply of grain temporarily outstripped demand and China became a net exporter of grain, something that had not happened since the 1950s.[22] The incentive effect of this new system is also quite evident. It has brought about sizable increases in the peasants' income. The average annual income for peasants rose from 133.6 yuan in 1978 to 397 yuan (equivalent to $107) in 1985.[23]

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[21] Deng Xiaoping, "Our Work in All Fields Should Contribute to the Building of Socialism with Chinese Characteristics," in Deng Xiaoping, Build Socialism with Chinese Characteristics (Beijing: Foreign Language Press, 1985), p. 12.

[22] Dwight H. Perkins, "The Prospects for China's Economic Reforms," in Anthony J. Kane (ed.), China Briefing, 1990 (Boulder: Westview Press, 1990), p. 29.

[23] Chu-yuan Cheng, "China's Economic Reform at the Crossroads," in Shao-chuan Leng (ed.), Changes in China: Party, State and Society (New York: University Press of America, 1989), p. 149, quoting The New York Times, 21 February 1987, p. 26.

On the other hand, the state was to pay a high cost for this achievement. The state, under this revised system, increased significantly the price of agricultural output. But in order to avoid urban discontent, the rising cost of agricultural products was not passed on to urban consumers. Not surprisingly, a rapid increase occured in state subsidies for these products. To make matters worse, the TVEs--which under this reform were allowed to keep a share of their profits--retained a larger share of their profits, and were quick to invest them in new projects. This, in turn, seriously affected the structure of the state investment program.

The success of rural reform in improving the peasantry's standard of living prompted the government to make an all-out effort to achieve a similar transformation for urban residents. The urban industrial reforms differed significantly from the previous era in three major ways: (1) the private sector in the cities was revived, (2) the price system was to be reformed, and (3) China's economy was opened up to the West.

First was the revival of the private sector in the cities. Unlike the previous leaders who viewed the private sector as a remnant of capitalism and desired its total elimination, the leaders in Deng's era affirmed the merits of business. During the late 1980s the number of urban private businesses increased. Indeed, during the 1980s the output value of this sector increased much faster than that of agriculture or industry and made life more bearable for Chinese urban residents.

Why did the socialist economy allow these remnants of capitalism to flourish? Thomas P. Gold in his study points to some advantages of the

government's policy.[24] First, the emergence of the private sector directly challenged the existence of state-owned enterprises (SOEs) which under these reforms were supposed to be transformed into independent units. In this way, the private sector served to compel the latter to improve efficiency, productivity and consumer service. Second, as the economy stagnated during the 1970s, the SOEs mostly suffered from having too many employees and they refused to accept more people. Accordingly, private businesses became an alternative solution to this problem since, mushrooming in number, they could absorb many of the unemployed urban workers. Third, private businesses did not drain state resources. Although loans could be made available, most of the start-up capital came from private sources. It means the state could channel its own scarce resources into high priority projects. Fourth, through taxation these private businesses could provide a new source of state revenue.

The quick successes of these entrepreneurs caused other members of society to embark on the same road. This was evidenced by the increasing number of state workers who quit their jobs to start private enterprises. Similarly, some university students established private businesses during their school days, and many started or joined private firms upon graduation.

The second urban industrial reform was the revamping of the price structure. China's prices for goods had been frozen in the Maoist period--in many cases for over two decades. As a result, by 1979 China's price structure did not reflect true relative scarcities in the economy. To make markets work properly in a newly-introduced market-oriented economy, price reform was essential. A dual-track price system was, therefore, adopted in 1983. Under this

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[24] Thomas P. Gold, "Urban Private Business and China's Reforms," in Richard Baum (ed.), Reform and Reaction in Post-Mao China (New York: Routledge, 1991), p. 87-9.

system, goods allocated through central planning channels would still carry state-set prices, but goods sold outside those channels would be priced to bring demand and supply into balance. Initially, however, this policy was designed to provide incentives to managers of the SOEs to increase production without disrupting the government's economic plan. As with agricultural reform, managers were allowed to sell their output--mainly industrial producer goods--above the state-fixed price production quotas at market-set prices. By doing so, the government reduced the burden of controlling the allocation of those goods.

This policy produced effects which eroded the state sector and benefited the private sector. The new incentive structure set by the dual-track pricing system immediately prompted managers of the SOEs to switch an increasing quantity of producer goods away from the state sector into the private sector, since they could get much higher prices for the same goods on the market. Some enterprises even illicitly marketed the portion of their products that was supposed to be sold to the state. Clearly, the state was the party which lost control over scarce resources. By contrast the changes mean that the private entrepreneurs did not have to obtain scarce inputs through illegal means or by paying irrational prices. As for the SOEs who saw their subsidized inputs gradually reduced by market forces, they were compelled to go to the market to purchase such inputs. In this way, the SOEs were forced to compete with the private sector both in the producer goods market and in the consumer goods market.[25]

In addition to the reforms of the rural and urban sectors, Deng also introduced an open-door policy in China's coastal region and a fiscal

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[25] Pei, From Reform to Revolution, p. 97-9.

decentralization policy to support China's modernization efforts. By introducing the former policy, the leadership abandoned Mao's long-standing legacy of isolationism and self-reliance, and replaced it with a set of policies to attract foreign capital and technology. The latter policy gave local authorities the power to collect their own taxes and fund local projects, thus providing them with the incentives to support local private sector activities.

By the mid-1980s, China's coastal region was experiencing an extraordinary burst in economic growth and productivity. However, the success of this policy was achieved at considerable cost. The coastal regions, for example, have imposed a greater burden on the central treasury--in terms of investment allocation--than originally anticipated. They have also given rise to the infusion of unorthodox ideas--including individualism and consumerism, political pluralism and human rights--that according to many leaders will endanger their country's political stability and cultural integrity.

By enacting these reforms the leaders had intended to improve the state sector. One of the measures undertaken by the reformers was the delegation of greater authority to state enterprises. The purpose of this policy was to transform these enterprises into economic units responsible for their own successes or failures. Starting in 1979, a series of government directives and regulations have been put into effect. The measures included: simplifying administrative structures, lodging more decision-making powers at lower department levels, cutting the number of state-set mandatory quotas, levying taxes instead of requiring enterprises to hand over profits to the state, allowing

enterprises to retain after-tax profits, and instituting the practice of "more work, more pay."[26]

These reforms produced some short-run stimulating effects on state enterprise management but did not improve the performance of the SOEs in general. The power of the managers is , indeed, greatly strengthened and that of the local officials correspondingly reduced. Managers have rights to demote and fire workers. Also, they are allowed to raise funds in new ways, such as by issuing stocks. However, the SOEs still have some unfortunate traits. First, they tend to be overstaffed. The government has a hard time laying off workers, even when the companies are losing money. This is particularly so partly because there has been an unresolved problem of the increasing rate of urban unemployment, and partly because the government has not ready yet with some kind of social security system for the laid-off workers. Second, the managers and the employees who enjoy the benefit of a socialist welfare state (food subsidies, free health care, guaranteed employment, and income security), tend not to work efficiently. Third, the government still supports them with enormous subsidies to prevent them from going out of business. This policy, therefore, shows a contradiction between its reformist goals and its retention of the Maoist egalitarianism. As a result, the number of state enterprises operating at a loss remained very high. In 1995, for example, a half of the country's SOEs were in the red. Official Chinese statistics indicate that the return from these enterprises dropped steadily, from 11.8 per cent in 1985 to 1.9 per cent in 1993.[27] The goal of improving the SOE's performance has thus not been successful. This

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[26] For further details, see Cheng, Behind the Tiananmen Massacre, pp. 147-74.

[27] Far Eastern Economic Review, 23 February 1995, p. 18.

consequently drains the government's coffer since the state is to subsidize the losing-money SOEs regularly.

In most cases, the post-Mao leadership has created an initial opening for society to expand its involvement in political and economic matters. But, as the society began to enjoy greater freedom and upward mobility, rising expectations have meant a greater demand for more changes. The consequence has been the activation of the following major social groups.

2. The Activation of Major Social Groups

Modernization scholars have long argued that as a consequence of the fulfilment of the society's economic needs, there would be a change in the attitudes, values, and expectations of people. These changes, in turn, will generate pressures for the fulfilment of non-economic demands (e.g. civil and political needs). Further demands for change will have to be raised by major social groups, if the pressures are to be effective. In this respect, the major groups in Chinese society to be considered are the peasantry and urban entrepreneurs.

To begin with, it is important to recall that the dramatic growth of the private sector was possible because the government endorsed it. The reason for this endorsement was, presumably, because Beijing thought that channelling the society's energy into business gave the society a stake in the country's political stability, economic predictability and continuity. Therefore, Chinese reform leaders felt it was feasible to allow private businesses to flourish, within a planned-economy, for the benefit of all. However, subsequent evidence has suggested that this kind of development is not that simple.

Chinese peasants as well as urban entrepreneurs unprecedentedly took the lead in the speedy development of the private sector and thereby challenged the existence of SOEs and market socialism strategy.

The peasants, who make up 80 per cent of the total Chinese population, engage in the private sector for two reasons. First, most of the channels of upward mobility in the state-dominated sectors--industry, education, and the civil service--were closed to the peasants, leaving the private sector as the only means available to them for advancement. Realizing this and experiencing a hard life as a group that is not protected by the socialist welfare state, the Chinese peasantry has a high motivation to better their lives on their own. Second, the Chinese peasants are endowed with a high degree of skill as entrepreneurs, including a greater willingness to take risks than other groups. This factor makes it possible for them to become fully entrenched in the private sector. All of these led a Chinese scholar to comment that:

> The emergence of a rootless, mobile part of the rural population has created a huge unorganized force. Once they get organizations with an educated leadership and a political program, the floating peasant population could be molded into a political force, a mobile, armed, and formidable anti-social coalition.[28]

The increasing activity of the peasants has been accompanied by one important development in recent years. There has been an upsurge in rural protests, escalating in some cases to open rebellion.[29] These incidents were

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[28] Edward Friedman, "Deng Versus the Peasantry: Recollectivization in the Countryside," Problems of Communism, September-October 1990, p. 37, quoting The Australian Journal of Chinese Affairs, January 1990, pp. 68-69.

[29] Two hundred incidents of rural protest were reported in 1993. See Harry Harding, "On the Four Great Relationships: The Prospects for China," Survival, vol. 36, no. 2, Summer 1994, p. 37, quoting Financial Times, 2 February 1994, p. 11.

triggered by the adverse price scissors policy and by the policies of local officials in certain areas. The peasants suffered from the high price of goods and the tendency of local officials to squeeze them for money and to interpret the central government's instructions according to their own needs. In short, the peasants' experience in the countryside supports the argument that a willingness to include the peasants in any effort to reform would lead to more pressure to open the system.

As for urban entrepreneurs, although less numerous than the peasantry, they increasingly play a more significant role in shaping China's political and, particularly, economic policies. So far, the urban entrepreneurs have been relatively successful in bringing about social differentiation in Chinese society. They have spearheaded the proliferation of horizontal relations between economic actors as market relations have expanded. By doing so, they have changed the traditional Chinese system of social relationships which was based primarily on vertical ties (superiors-inferiors relations) and was responsible for the highly immobile society.

Consequently, it is logical to expect that the increasing economic strength of these entrepreneurs will bring with it increasing political strength as well. In concert they will be able to demand the right to participate in the state administration. To date, scholarly investigations indicate that this group has formed various associations, based on locality, common interest or particular sector. In the future, one may assume that these associations will take a greater role in pushing for political changes given their pivotal position in the relationship between the state and society.

3. Formation of an Informal Takeover Coalition

As noted above, the rapid growth of the private sector stimulated members of other groups to share the success. Shifting jobs and moving from one place to another in order to find a better life was allowed by the government. One group of people who felt they deserved a better standard of living were the local elites (provincial, municipal leaders and local officials within their jurisdiction). They and people in the private sector shared an interest in participating in the growing economy. They were primarily concerned with how to create wealth quickly to meet their respective needs.

There were, at least, two main reasons why local officials turned to the private sector. The first reason was political. The collapse of the collectivization system in China put an end to the use of overt political power in the relationship between local elites and the peasantry. Having been indoctrinated by the central government not to undermine the Party's political power position, these officials were apparently under pressure to develop a new way of maintaining a clientelist relationship in rural areas. The emergence of rural industries provided them with a solution to the problem. A significant number of local elites were quick to build up their personal financial stakes in rural industries, and became either owners or direct beneficiaries of these businesses. The kind of sector produced by such mixed ownership was classified as collective.

The second reason was economic. In the wake of the fiscal decentralization the local elites, as noted, were obliged to collect tax revenues from locally owned enterprises and a more general local tax base. This new system put increased stress on the local elites and made them highly dependent on locally generated revenues. In 1990, for example, despite 6

billion yuan in subsidies distributed by the central government to county governments, nearly half of the 2,182 county governments in China incurred budget deficits.[30] As a result of the dwindling subsidies from the central government, which itself accumulated huge budget deficits in the 1980s, combined with the pressure to seek alternative sources of funding, the local elites were forced to make informal coalitions with the private and quasi-private sectors.

Because of the importance of these sectors both to the performance and wealth of the local officials, the two parties tacitly cooperated. The main contribution of the local elites to the coalition was twofold: protection and facilitation. Protection was needed when the local elites felt that certain central measures would threaten the private sector interests in their areas. Facilitation would be afforded to all efforts to expand the private sector, not only because this sector created jobs and paid local taxes, but also because it was thought that local units would satisfy local interests. As grass-roots level democracy develops, local constituents will increasingly vote based on the fulfilment by governments of local interests . For these two reasons, it is not surprising that the local officials would offer all kinds of preferential treatment to enterprises, and even secretly back practices that violated central government regulations.

This ongoing informal coalition involving the government and the private sector has been strengthened by the fact that other assets have been obtained by society from the SOEs. By 1991, China's collective rural industrial firms had, by offering higher pay and other benefits, recruited more than 1.3 million engineers and technicians from the state sector, representing about 12 percent

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[30] Pei, From Reform to Revolution, p. 106, quoting People's Daily, 25 May 1992, p. 1.

of the technical elite in China.[31] In short, this diversion constituted another form of state-to-society resource transfer and directly contributed to the strengthening of society and the erosion of the state.

4. Favorable External Factors

The preceding discussion has revealed the growth of the private sector and the rise of local power. These developments are promoted by external factors as well. Although these factors are not decisive, they are obviously important in analysing change in China. It makes sense, therefore, to begin with China's policy of opening up to the outside world and to touch on the role of the overseas Chinese, and the impact of the regional and global economic environment on China's economy.

The effects on Chinese daily life of the policy of opening up have been extraordinary. People are now preoccupied with endeavours to increase their material standard of living. The revolution in communications also contributes significantly to exposure to the world and to global ideas. The Chinese have become more aware that their country lags behind other regional countries in terms of political and economic development. In the political realm, the best example of the possibility of change was the success of the people's revolution in the Philippines and the democratizing reforms in Taiwan and South Korea. These experiences have clearly inspired an interest in the feasibility of similar changes in China.

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[31] Ibid., p. 61, quoting People's Daily, 11 May 1992, p. 1; and Statistical Yearbook of China, 1991, p. 737.

The influence of external factors on internal actors can also be found in the operation of Special Economic Zones (SEZs). The formation of SEZs was mainly aimed at attracting foreign funds. As investments poured in, power over economic decisions inescapably flowed away from Beijing to local levels of government and local Chinese entrepreneurs, as well as overseas Chinese and other foreign investors. Private businesses, for example, started to make their own deals within China and abroad. Foreign investments were secured without going through the central government. The local governments declined to provide basic information about the real economy for fear that the centre would try to capture their profits. In short, the establishment of SEZs and later open cities in nearly all parts of China undermined the importance of central planning and central directives, and by 1993 only 25 per cent of the economy was covered by the state plan.

This trend towards the increasing regional independence has also been strengthened by another development. As a part of the reforms, Beijing deliberately decentralized decisions on economic matters, including foreign trade. Evidence shows that recently there has been a vast increase in cross-border trade. This cross-border trade has boomed whether in Central Asia, along the northern frontier or along the coast. This fact has led one author to argue that China is being pulled in different directions by the surrounding countries.[32]

This phenomenon is frequently mentioned as the creation of China's Natural Economic Territories (NETs). These NETs link different parts of China to Hong Kong, Taiwan, Southeast Asia, Japan, Korea, Russia/Mongolia, and

[32] See the discussion in Geral Segal, "China Changes Shape," Adelphi Papers (special edition), no. 287, March 1994, p. 34-53.

central Asia. This new tendency emphasizes the fact that there is a growing economic gap between China's advanced regions (the Southeast coastal areas) and the backward regions (the Northeast and portions of the Southwest). Presumably, because there are few benefits for the former in trading with the latter and because the backward regions wish to ensure that the rich regions do not exploit their natural resources, there is little inter-provincial trade between the rich and poor regions.

Another factor which is unique and cannot be replicated in other countries is the presence of over 50 million overseas Chinese. Scattered in Hong Kong, Taiwan, Macao, and Southeast Asia, this group has developed an increasingly important role in revitalizing China's private sector. They possess capital, management expertise, experience in foreign investment, and far-reaching business connections in the world trading system. One estimate put the worth of liquid assets controlled by overseas Chinese at between $1.5 trillion to $2 trillion.[33] Concluding that it was this group's investment that appears to have both reassured capitalists from Western countries and spurred their investment, Pei describes the role of this group in these words:

> Attracted by new business opportunities presented by Deng's open-door policy, motivated by deep emotional attachment to the land of their ancestors, and facilitated by their local connections, knowledge of the language and culture, these overseas Chinese private investors provided the most crucial *initial* sources of foreign direct investment when the actual investment climate in China might have discouraged non-Chinese overseas investors.[34]

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[33] The Economist, 18 July 1992, p. 21.

[34] Pei, From Reform to Revolution, p. 108. This explains the fact that between 1983 and 1990, about 60 per cent of foreign investment came from Hong Kong and Macao alone.

Another significant factor affecting changes in China's economy is the regional and global economic environment. Certain changes in East Asian economic strategy at the end of the 1970s and early 1980s coincided with China's opening up to the West and the shift in China's development strategy from import-substitution industrialization to export-oriented industrialization. As the East Asian NICs shifted their strategy of export-oriented industries from low-margin, labor-intensive consumer products to higher-margin, more capital and technology-intensive products, an opportunity to replace them in the labor-intensive consumer products market was created for China's private sector.

At the same time, the expansion of the consumer markets in the West has also enhanced the private sector in China that specializes in producing low-cost consumer goods. For example, in 1991, 85,000 TVEs were engaged in export production, compared to 48 such firms in 1981. In 1992, total exports from rural industries amounted to 120 billion yuan, whereas in 1981 they reached only 8.5 million yuan. Between 1985 and 1990, export earnings from rural industries accounted for 30 per cent of the net growth in China's exports.[35] Thus, rural private industry had gradually become a major player in China's export-oriented economy.

To sum up, it can be concluded that China's post-Mao economic development was marked by the shifting balance of economic power from the state to the private sector. Measured in terms of gross industrial output, during 1983-1986, the state sector's share dropped from 74.44 per cent at the end of 1982 to 62.27 per cent by 1986--a drop of 12.17 per cent in four years. The share of the private and collective sectors rose from 25.56 per cent to 37.73 per

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[35] Ibid., quoting China Daily; Business Weekly, 21 April 1992, p. 1; People's Daily, 24 September 1991, p. 1; and World Journal, 25 November 1991, p. 10.

cent. In the same period, the size of the private industrial sector rose 90 fold (measured in gross output), while the collective rural industries grew by 315 per cent.[36]

However, as this study has argued, attempts to improve China's post-Mao condition have also produced a number of problems. Often cited by analysts, the most notable among them have been inflation and official corruption. The far-reaching effects of skyrocketing inflation started to have an adverse impact on the entire population, particularly on those who depend on fixed incomes. This factor, among other things, triggered a huge demonstration in Tiananmen Square in 1989. The other factor was blatant corruption. The economic reforms have obviously created numerous opportunities for the country's privileged classes to enrich themselves "because of access to foreign currency, because they control scarce inputs monopolized by the state or because they are able to exploit the complex price system of state, market, and negotiated prices."[37] Needless to say these difficulties with the reform process decreased public support and the party-state's political legitimacy.

C. The Implication of Reforms: Democratization or Marketization?

The above discussion has shown that the decentralization of economic decision-making and the dispersion of power to regional officials have led to the pluralization of political power. The intriguing question now is, strengthened by the acquisition of resources, capital, and market share, and emboldened by the

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[36] Ibid., p. 74, quoting Statistical Yearbook of China, 1991, p. 396.

[37] Far Eastern Economic Review, 13 October 1988, p. 96-7.

declining popularity of the Party-state, will the societal forces be able to encourage a transformation towards democracy?

To answer this question, we need to assess two routes available to generate what Pei has called "societal takeover". The first route is by using political power. This route to societal takeover has turned out to be successful in forcing communist rulers in some Eastern European countries to make a compromise which has led to the establishment of new democracies. Unfortunately, the crackdown of Tiananmen movement in 1989 proved completely that this route is unlikely to accomplish its mission in China.

Although the student-led attempts to push for democratization failed to bring the expected results, the incident itself echoed, to some extent, Huntington's concern about rapid economic growth.[38] He believes that rapid economic growth is likely to erode rather than promote political stability if the political institutions do not prove capable enough to resolve problems associated with political participation.The Tiananmen Square incident suggests that China still needs to make political adjustments commensurate with its economic advances. The only mechanism working at that time was the octogenarians' decision-making power and it proved that China's political system did not operate properly to produce an appropriate decision. This has led Halpern to argue that rather than conducting political reforms, the Chinese leaders have only implemented political rationalization, that is "reforms that

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[38] See, Samuel P. Huntington, Political Order in Changing Societies (New Haven: Yale University Press, 1968), ch. 1.

alter the workings of the political system without significantly depoliticizing social life or increasing mass social mobilization and popular control."[39]

In the wake of the crackdown, the government has made no significant move toward democratization. Indeed, it has instituted a more authoritarian regime. The leaders' stand is obvious in that they view democratization as an obstacle to China's economic modernization. They point to the lack of favorable conditions in China which would support a democratic political system. They also refer to the nascent democracies in the Soviet Union and Eastern Europe which are still struggling with their complex problems. Deng Xiaoping's view on this issue was very explicit :

> The conditions are now immature in a huge country like ours, where the population is so large, interregional differences so enormous, and nationalities so numerous. First, our cultural development is not good enough...We cannot afford to have a Western two-house system; we cannot afford to have a Western multiparty system... Even public opinion in the West agrees that, in a large country like China, many things will be impossible without a center to lead the nation.[40]

In the meantime, China's economy has boomed. A small dissident movement continues to press for political reform, but the overall situation in urban China has been more stable than many analysts predicted after the dramatic events of 1989. Party Secretary Jiang Zemin has noted two reasons why the regime has been able to stabilize itself: economic growth and political control. He called for increasing the rate of economic growth while maintaining

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[39]Nina P. Halpern, "Economic Reform, Social Mobilization, and Democratization in post-Mao China," in Baum (ed.), Reform and Reaction in Post-Mao China , p. 39.

[40]Pei, From Reform to Revolution, p. 20,

one-party dictatorship and strengthening the army and police.[41] Sustained repression by the government has also been marked by tight control over the expression of political opinion in the press, suppression of independent political organizations, and the imprisonment of individual dissidents.[42]

In this environment democratization by political means seems to be more difficult to realize. At least two reasons can be offered to support this argument. First, the Beijing regime has been successful in diverting society's attention from political to economic matters. The government has explicitly encouraged acquisitiveness by promising that the goal of the reforms is to make everyone prosperous. As a consequence, a large number of urban and rural Chinese now prefer to enrich themselves by plunging into economic activities rather than rocking the political boat. Second, should economic prosperity raise popular demand for participation, it would be based on regionalism. This would be prompted by the widening income gap among China's regions, which shapes differences in levels of education, urbanization, and attentiveness to non-economic matters. For example, in China's coastal areas, where the rate of economic growth is similar to that found in the Asian NICs, aspirations for a move towards democracy might soon surface, while the economically backward countryside has not yet reached this stage. Thus, China's vast size hinders the development of simultaneous pressure by all regions from below. This fact distinguishes China's path towards democratization from that of, say, Taiwan.

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[41] Andrew J. Nathan, "China's Path from Communism," Journal of Democracy, vol. 4, no. 2, April 1993, p. 30.

[42] Harry Harding, "On the Four Great Relationships..," p. 37, quoting Cheng Ming (Hong Kong), no. 183, 1 January 1993, p. 25. According to this report, public security forces have suppressed more than 60 anti-government organizations since the middle of 1986, with names suggesting political orientations ranging from the far left to the far right.

Therefore, the only route to democratization that is available is through market forces. Despite its drawbacks (gradual, silent and unexciting), this vehicle has a number of advantages. First, the improvement of living conditions is obviously a remedy for a society that has long suffered from economic hardship. The prosperity created by the flourishing of market forces serves to undermine the past rigidity of party officials. Rather than prevent the growth and the expansion of the private sector, the local officials have participated in it and taken full advantages of their position.

Second, market forces unconsciously promote civil rights within society in that individuals have more autonomy to decide their preferences in life (e.g. job, religious activity). This process enhances the existence of Chinese social groups and associations and, in turn, leads to the emergence of civil society.

Third, market forces have turned out to be repression-proof. A number of Chinese political movements which were supposed to exert their demand by direct action have had their members put to jail. The Tiananmen Square solution demonstrated that in handling political unrest Beijing is not highly responsive, or subject to, strategic considerations including outside pressure. By contrast, the expansion of the private sector with all its political consequences, has continued relentlessly. The government has tacitly acknowledged that any attempts to intimidate this sector would bring economic ruin to the entire country.[43]

Related to the above analysis, Gordon White observes a tendency towards an incipient civil society which has flourished in the context of economic reforms. There has been the development of new forms of social

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[43] Pei, From Reform to Revolution, p. 71.

organization which are an integral response to the spread of market relations in the economy.[44] These emerging social organizations are new in the sense that they are "the organizational consequence of the changing balance of power between state and society and of the spread of market relations in the economy."[45] This "consequence" involves a proliferation of horizontal ties between enterprises and a diversification in the ownership system. However, in order to be effective the organizations need to come together to regulate their economic interests and engage with the state.

In line with White's proposition, Mayfair Yang argues that civil society in China, which was engulfed by the Communist party-state after 1949, is now reemerging as a result of economic reforms in the last decade.[46] She is careful to distinguish between civil society as a "realm of non-governmental private economic activities and sectional economic interests" and as a realm of "public and voluntary associations such as religious and cultural organizations, independent newspapers, occupational and professional societies, and local

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[44] Gordon White, Riding the Tiger, pp. 218-19.

[45] Ibid. p.225.

[46] Yang believes that late imperial China had what can be characterized as a distinct premodern civil society because of its legion of self-regulating corporate groups. These groups included "guilds, native place (locality) associations, clans and lineages, surname associations, neighborhood associations and religious groupings such as temple societies, deity cults, monasteries, and secret societies." These organizations had a commitment to independent civic activity and, at the same time, became increasingly vocal in their criticisms of the government's foreign and domestic policy. See Mayfair Mei-hui Yang, "Between State and Society: The Construction of Corporateness in a Chinese Socialist Factory," Australian Journal of Chinese Affairs, July 1989, p. 35. Also, David Strand, "Protest in Beijing: Civil Society and Public Sphere in China," Problems of Communism, May-June 1990, p. 4.

self government."[47] She maintains that greater autonomy for private and collective enterprises has made it possible for civil society in the first (economic) sense to reappear. Meanwhile the emergence of civil society in the second (social and political) sense is blocked by the control of the CCP. Up to this point, she supports the argument set forth above that in China's setting the only route available to initiate a political transformation is through market forces.

White's preliminary investigation suggests that there are three types of associations in China which are based on market economic power. They are, first, professional associations which link together specialists from different institutions with common interests and skills; second, the associations of enterprise managers (from state and non-state enterprises); and third, the associations of private business people and entrepreneurs based on sector or locality. It should be noted that none of these associations is wholly autonomous or represent civil society in any fully-fledged form; rather they represent tendencies in that direction.[48] Besides these types of organizations, he indicates a broader flowering of associational life over the past decade both in the countryside and in the cities. These include consumers associations, marketing associations, and cultural activities associations. Although many of these organizations are described as non-governmental, the amount of real autonomy they enjoy is varied. Some are no more than creatures of state organs while others have some freedom of maneuvre. Either way, they have to have a formal link with a relevant state agency which has the responsibility for

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[47] Yang, "Between State and Society...," p. 35.

[48] White, Riding the Tiger, p. 226.

supervising their activities.[49] This development shows that China is moving in the direction of a combination of a civil society and a managerial public sphere, or a noncritical realm. In this condition, such a realm may not pose a direct threat to an established regime but in itself, this realm is indispensable to any changes in China's political future since it may turn into a critical realm if the circumstances make it possible. We will discuss this issue further in Chapter III.

To sum up, it seems to be clear that the reforms have produced unprecedented sociopolitical and economic changes which undermine effectively the political and economic foundations of the CCP's rule. To a large extent, this condition has unconsciously been created by the government by fostering economic diversification, tolerating material inequality, and encouraging greater mobility. In light of the recent changes in the sociopolitical and economic climate in China, should there be moves toward a political compromise which includes democratization, they are likely driven by the emerging civil society and through the elites prompted by, among other things, the increasing power of market forces. This development might be time-consuming and evolutionary in process. However, the first phase of China's evolutionary authoritarian route has been started and there seems to be no reversal.

Finally, the key question is: are there any possibilities for China to complete its transition route towards democratization? A number of other factors must be brought into the analysis if we are to gain a clearer perspective on this issue. To end this chapter, suffice it to say that although China's economic development engenders democratization impulses, it does not

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[49] Ibid., p. 228, quoting Susan Whiting, The Non-Governmental Sector in China: a Preliminary Report (Beijing: The Ford Foundation, 1989).

necessarily guarantee the making of a democracy. To establish such an outcome requires facilitating political culture of elite and society, and, most of all, a consensus between the rulers and the ruled on a new set of political arrangements as indicated by O'Donnell et. al.

CHAPTER III

POLITICAL CULTURE IN CHINA'S MODERNIZATION

It has been noted in Chapter II that political and economic reforms undertaken during Deng's leadership were intended, among other things, to bridge the gap between state and society. The unprecedented results of these reforms have shown that the Chinese government has not only addressed the issue of the Chinese society's alienation from the state but also produced significant trends which have helped in the development of society. These trends coupled with other factors have obviously stimulated changes in Chinese political culture.

The purpose of this chapter is to shed light on the question of whether or not current Chinese political culture, both at the elite and mass levels, is conducive to democratization. To that end, this chapter will argue that in the short to medium term, both state and society political cultures will not be supportive of democratization. This is due to the fact that what Almond and Verba have termed the "parochial"[1] component is dominant in both culture. This parochial component has prevented the development of an autonomous civil society and thereby makes it difficult for a civil society to play a significant role in fostering democratization. It is suggested, however, that, in the long term, the fulfilment of economic needs will bring appropriate changes in both political cultures. Under these circumstances, the prospects for democratization will be much better.

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[1] Almond and Verba, The Civic Culture, p. 6.

The following discussion will be divided into three sections. The first section will discuss the rise and decline of the communist ideology as a factor reshaping the development of contemporary Chinese political culture. The second section will discuss how the leaders encouraged the adoption of a more pragmatic new political culture which, in turn, transformed the noncritical realm into the critical realm and enhanced the prospects for democracy in the period before 1989. The last section will be devoted to an examination of civic culture and civil society, in the aftermath of the June 1989 crackdown, and their links to the viability of democratization.

A. The Rise and Decline of Communist Ideology

Many scholars have come to agree that ideology in the communist regime constitutes an important, if not the central, aspect of political culture. Franz Schurmann, for example, points to the significant role of ideology as a deeper and relatively fixed theoretical layer of basic beliefs, values and concepts and a more contingent and flexible layer of operational ideas and practices which govern the day-to-day world of politics and policy-making.[2] The following discussion will show how Marxism triumphed over the idea of democracy and won popular acceptance in China, and then lost its credibility and appeal.

The intriguing question that often emerges when talking about ideology in China is why the Confucian code of ethics which had been deeply rooted in Chinese society for thousands of years and which had brought glory to the country was replaced by a foreign ideology. The reason can be attributed to

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[2]Franz Schurmann, Ideology and Organization in Communist China (London: Cambridge University Press, 1968), ch. 1, cited in White, Riding the Tiger, p. 148.

both internal and external factors. Internally, there is no doubt that the old order in China before the arrival of the West in the nineteenth-century was a remarkably stable one. China's political system, state ideology, social and economic structure were unchanging, although the rulers were replaceable--they came and went in the form of a dynastic cycle--prior to the modern period. However, this stable condition was disrupted by a number of problems as the population increased rapidly, and as China's contact with Western nations increased during the eighteenth and the nineteenth centuries. During these times, in the view of the society, the Qing dynasty bureaucrats appeared ever more inefficient, corrupt and selfish. The elite, both in urban and rural areas, were no longer performing their role as benevolent rulers but were preoccupied with their efforts to preserve their position and interests by using Confucianism as a justification. They became increasingly divorced from society and oppressive towards a huge mass of poor peasants. Not surprisingly, this situation gave rise to the peasantry's unrest and rebellion. A number of rebellions spread rapidly, stimulated by increasing overpopulation, a concentration of land in the hands of rural elites, as well as endemic poverty and the government's inability to solve the resulting problems.

It was during this time when the situation was deteriorating that the Western powers arrived in China and became the external factor which would undermine the old order. Successive military and political defeats at the hands of foreign powers after 1840 created a crisis of confidence in China's leadership. The military defeats highlighted the Chinese technological backwardness, whereas the political defeats, characterized by the creation of foreign concessions and treaty ports, formed the basis of Western penetration

and intrusion on China's soil. As a consequence, Confucian values and traditions became increasingly discredited for their contribution to China's failure to keep up with Western achievements.

This development gave rise to the widespread emergence of what Meisner termed a combination of nationalism and cultural iconoclasm.[3] It is hardly surprising that Chinese society, particularly the intellectuals, were highly nationalistic at the time. The Qing dynasty which came from Manchuria was still "foreign" in the eyes of the society despite the fact that it had been completely "sinified." Having realized that social grievances were beginning to threaten its authority, the government took a number of measures. First and foremost the government abolished the national examination system in 1905. This system was believed to be a major source of the gap between the educated elite and the peasant masses. Besides abolishing the examination system the government also reorganized the army along Western lines. This was done in order to cope with the Western powers. At the same time the government created a centralized railway network commensurate with China's growing economy. Rather than reducing popular disillusionment, these allegedly "nationalistic" policies angered Chinese intellectuals and the local elites since the government used foreign loans and gave concessions to Westerners, while squeezing society to extract more economic surpluses in order to finance the projects.

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[3]Meisner, Mao's China and After, p. 11. The notion "cultural iconoclasm" refers to the tendency developed among Chinese intellectuals to reject Confucian values and traditional institutions. They saw these values and institutions as incapable of responding effectively to the threat of foreign imperialism.

The emergence of nationalism coinciding with strong iconoclastic impulses in China can be considered a distinct phenomenon. Indeed, the rise of nationalism in some segments of society could easily be understood as a logical consequence of foreign humiliation. But, nationalism itself is usually connected with, and is expressed through symbols, thoughts and attitudes which glorify the country's historical and cultural heritage. However, this was not the case for modern Chinese nationalism. Rather than reviving China's national pride, the intellectuals harshly rejected the cultural past , seeing it as the sole source of the country's weaknesses.

One factor underlying the upsurge of this nationalistic-cultural iconoclasm was the spreading of Western political thought (including the idea of democracy) among the students and intellectuals in urban China. This occurrence can be seen as early as 1895. In this year, China signed a disastrous peace treaty with Japan to end the Sino-Japanese War. Having been disappointed with this treaty, a significant number of students, merchants, and other educated citizens outside the government staged a protest to claim the right to influence government policies. They were convinced that the nation's survival could no longer be left in the hands of Imperial officialdom.

A leader of the protest, among others, was Liang Qichao, who was one of the first Confucian scholars to study Western political thought. He, at first, believed in the virtue of democracy as a political system. However, he moved to a more authoritarian position in the first decade of the new century. When he visited the United States in 1903 Liang was appalled by American democracy. What Liang witnessed was an immature polity, whose democratic system was corrupted by party machines, political bosses, and crass, self-made

millionaires.[4] For a Confucian-trained Chinese, who was in search of an alternative political system, the United States' political system was hardly the model to emulate since it did not offer order and harmony. He was also struck by the fact that the American Chinese were highly factionalized. He had expected to see overseas Chinese who were far more advanced than those at home since their economic and educational standards were higher and they enjoyed the benefits of freedom. Instead, they had developed bad traits and were divided by factional battles over every issue. This made him doubtful of his people's readiness for Western-type democracy. Liang believed that the most pressing problems in China were the lack of social order and of a national-interest outlook on the part of the people. Democracy would be difficult to implement, or, if adopted, it would quickly degenerate into mob rule with corrupt elections and incompetent politicians.

From his observations, Liang eventually came to the position of advocating an autocratic system or "enlightened despotism." This is the position that has won out in China to date. However, for a short period, in the 1910s and 1920s optimism about democracy still existed and possibly increased. A number of democrats, associated with Sun Yat-sen and the founding of the Kuomintang Party, continued to feel hopeful that democracy eventually could be implemented in China. After the collapse of the Qing dynasty, Sun established a short-lived parliamentary government in 1912 based on nationalism and democratic principles. Soon Sun found that the pressing

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[4] Andrew J. Nathan, Chinese Democracy (New York: Alfred A. Knopf, 1985), p. 59. According to Liang, the constant change of officials at all levels made it impossible to carry out a coherent national policy. He deplored the constant electioneering--the presidency every four years, the House every two, many state and local offices annually. Every election offered an opportunity for more corruption. See, ibid.

problem of the time was not the realization of democracy but the political reality of a China divided militarily among a number of powerful warlords, and the European and Japanese imperialists, who still held privileged positions in the coastal cities and the northern provinces. Thus, Sun Yat-sen's republican parliamentary regime in 1912, which allowed for free speech and the formation of opposition parties, was ineffective, not because the Chinese could not cope with democracy, but because the warlords and the imperialists did not recognize the authority and legitimacy of Sun's regime and actively opposed it militarily.[5]

China's nationalism, iconoclasm and democracy gained their most politically significant expression in the years 1915-1919. This period marked the political and cultural awakening of society characterized by the publishing of progressive periodicals and the flourishing of political study groups. One of the enduring influences that this period conveyed to the generation of young students, including Mao Zedong, was the notion that "a complete cultural and moral transformation was the primary prerequisite for meaningful social reform and political action."[6]

Therefore, it can be said that it was not a renovation of traditional culture as such that they demanded, for most saw little or nothing in the Chinese past worth preserving or renovating. Rather, what they wanted was the total annihilation of all the culture, values, traditions and customs of the past and their replacement by a wholly new culture based on the values of "democracy"

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[5] Ronald M. Glassman, China in Transition, p. 209, quoting Li Chien Nung, The Political History of China, trans. Ssu-Yu Teng and Jeremy Ingalls (Stanford: Stanford University Press, 1956).

[6] Meisner, Mao's China and After, p. 14.

and "science" that they admired. This cultural iconoclasm obviously set the stage for the rise of China's well-known popular movement of May 4, 1919.

In the broadest sense, the May Fourth movement was a cultural renewal that started several years before the demonstration of 1919 and lasted several years after it. In the narrowest sense, May Fourth refers to a student demonstration staged in Beijing to protest the decision of the Versailles Peace Conference.[7] The decision decreed that the former German concessions in Shantung province should be transferred to Japan, rather than back to China. Not surprisingly, this decision aroused bitter resentment within a society which yearned for genuine independence and national unity.

The deep disillusionment toward Western countries combined with a growing nationalism-iconoclasm led to a rapid erosion of the former admiration and faith of the superiority of Western "science" and "democracy." The old image of Western countries as a model for China in gaining power and technology was replaced by a new image of Western countries as no more than colonialist-imperialist powers. It was during this period that a division began to grow between the intellectuals, who were more liberal in their point of view, and those who preferred to look more to a different Western theory, Marxism.

Marxism appealed to a significant number of Chinese intellectuals because they believed Marxism to be the most appropriate remedy for China's ills. First of all, Marxism as an ideology offered them "the possibility of judging and criticizing the capitalist West from a Western point of view."[8] Marxism

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[7] See Lucien Bianco, Origins of the Chinese Revolution 1915-1949 (Stanford: Stanford University Press, 1971), p. 32.

[8] Benjamin Schwartz, Chinese Communism and the Rise of Mao (Cambridge: Harvard University Press, 1952), p. 15.

seemed to leave ample room to channel the intellectuals' resentments against Western imperialist countries, while, at the same time its "Western" character still promised to elevate it over China's old ideology. Second, Tang Tsou argues that Marxism is a theory of total crisis which "envisions a total transformation of the society in the near future."[9] In this way, Marxism met the Chinese desire for immediate political action and wholesale transformation in the near future. Third, many intellectuals now refused to accept the Western liberal-democratic model for China. The reason for their refusal was that this model presupposes a stable political system and a well-differentiated society with a significant middle class. Hence, because of China's sociopolitical backwardness, the model could not be established in China with ease.

It was for these reasons that a number of Chinese intellectuals converted to Marxism and started to organize a communist party. However, Confucianism, to some extent, contributed to Marxism's winning acceptance within the Chinese society. In some cases Confucian and Marxist practices share common denominators. These include "the reliance upon socialization, even of the very young, to mold correct ideas, the high moral tone of politics, and a single hierarchical ordering of authority (as opposed to the competition between church and state in the West, for instance)."[10]

This ideology, adjusted by Mao to take into consideration China's conditions (Mao Zedong's Thought), has governed China in the post-1949 period. Attacking the traditional Confucianism, Mao developed various

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[9]Tang Tsou, The Cultural Revolution and Post-Mao Reforms (Chicago: The University of Chicago Press, 1986), p. 262.

[10]Bruce J. Dickson, "What Explains Chinese Political Behavior?," Comparative Politics, vol. 25, no. 1, October 1992, p. 112.

concepts in order to attain the goal of a socialist community. One example was the mass line approach. This approach involved a populist democratic process of "going to the people" to find out their problems, concerns, and worries. Having listened to the people, the leaders should incorporate their findings into their decision-making process. Afterwards, once the policies had been implemented, there would be no reason for the society to question them. By implementing this approach, Mao and his followers hoped to eliminate Confucian paternalism in their political behaviour.

Mao also propounded the establishment of a revolutionary culture.The values at the core of Maoist culture were, among other things, unselfishness, dynamism, and egalitarianism. In Mao's view, selfishness lay at the root of the exploitation the Chinese had experienced. Therefore, individual desires should be subordinated to collective goals. Another value was dynamism. From Mao's perspective, a dynamic society was imperative if that society was to undergo improvement. A state of passivity and inertia reflected a dangerous condition. Finally, Mao was committed to realizing egalitarianism. This presupposed the smashing of elitism and special privilege and the encouragement of mass participation, since participation reduced inequality and increased unity within the society. Mass participation reached its highest intensity in Mao's period, particularly during the Great Leap Forward and the Cultural Revolution, as briefly explained in Chapter II. In the words of one scholar, the Cultural Revolution, which broke out in 1966, was "a particularly strong indicator that some segments of the population had been sufficiently resocialized with

participatory values to take action even when the costs of political dissent must have appeared extremely high."[11]

However, Marxist ideology, in its radicalized Maoist version, was increasingly incongruent with China's changing condition. Mao seemed preoccupied with the conflict he had with his colleagues over how to operationalize Marxist ideology. This, coupled with other factors such as the underlying tensions in society and the power struggles, ended up in the crisis of the Cultural Revolution. The consequences were catastrophic.[12]

The decline of Communist ideology in China, then, was, to a considerable extent, facilitated by the traumatic experience of the Cultural Revolution. This decade of uncertainty has left lasting impressions both on the elite and society. First, the experience has shattered the people's belief in the potency of ideology and, most importantly, it has left them profoundly cynical about Marxism-Leninism-Mao thought. Second, the experience also taught the Chinese that the dangers of anarchy were very real. This impression worked to intensify their deeply-held cultural fears of disorder or *luan.* And, third, members of society became cynical about the constant changing nature of the government's policies. This helps to explain why Chinese society has appeared quite enthusiastic about taking advantage of the opportunities offered by recent

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[11] Nina P. Halpern, "Economic Reform...," in Baum (ed.), Reform and Reaction in Post-Mao China, p. 146.

[12] The Cultural Revolution was one of the most bizarre events in history in terms of the brutality and the overall impact on society. Something like one hundred million people were active participants in it, many of them as victims, while at least five hundred million people can be said to have been significantly affected by it. This is not to mention the destruction of Chinese civilization, e.g. books, temples, art, etc. For a succinct discussion, see, for example, John K. Fairbank, The Great Chinese Revolution, 1800-1985 (New York: Harper & Row Publishers, 1987), pp. 316-41.

reforms. For one thing, they have been worried that the government's policies will suddenly reverse and become more cautious and conservative ones. For another, people clearly had experienced enough collective political and economic works and now they were ready to focus on their private concerns.

As was discussed in Chapter II, the CCP under Deng undertook political and economic reforms to rebuild its power and authority damaged by the Cultural Revolution. The Party redefined its primary task as modernizing China by marketizing and privatizing the domestic economy and opening it to foreign investment and trade. The Party also greatly reduced its ideological politics, both by relaxing its pervasive control over the daily life of society, and by emphasizing pragmatic matters in place of ideological ones.

The pragmatic stand of the post-Mao leaders was first broached in the early 1960s by Deng when he made his famous remark that it does not matter whether the cat is black or white as long as it catches mice. This "two cat" theory indicated that Deng was unencumbered with ideological constraints and regarded efficiency and results as his guiding principles.[13] By abandoning the more ideological of Mao's economic policies after Mao's death, and by giving primacy to economic efficiency, Deng has set the stage for a new political culture conducive to China's modernization. Thus, the current order of the day was no longer "politics in command", but "getting rich is glorious."

B. The Creation of a Political Culture Conducive to Reforms

The following discussion will show that in creating political culture conducive to economic growth during the reform period, the Party-state has

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[13]Lucian W. Pye, "China's Political Culture," The China Quarterly, no. 135, September 1993, p. 440.

loosened its penetration of the citizen's daily life. This more relaxed sociopolitical and economic atmosphere made it possible for China's noncritical realm to transform itself into a critical one.[14] One consequence of this transformation, the June 1989 Tiananmen crackdown, proved that the political supremacy of the Party-state could not be challenged. This event also marked the reassertion of Confucian values within the elite; in the Maoist years the regime had declared itself unalterably opposed to these values.

1. The Transformation of China's Noncritical Realm into a Critical Realm

As noted earlier, in the aftermath of the Cultural Revolution, Deng's leadership has repudiated Maoist political culture because it was perceived as hampering the implementation of China's reforms. Replacing the Maoist political culture was the new political culture with its emphasis on values supportive of economic development. Hence, individualism, competition, and materialism in the economic field were not only to be encouraged but also rewarded.[15] In the political field, however, the Party-state, while improving somewhat the state-society relationship disrupted by the Cultural Revolution, still maintained the position that the Party 's supremacy should remain unchallenged. This position was embodied in the Four Cardinal Principles--adherence to the Party

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[14] For definition of these terms, see Chapter I, particularly pp.13-5.

[15] Deng's leadership now positively appreciates these "foreign" values, asserting officially that "specialization, comparative advantage, individualization and even inequality--all up to a point--will stimulate healthy competition, helping to achieve the four modernizations for society and an improved life for all Chinese." Perry Link, Richard Madsen, and Paul G. Pickowicz, Unofficial China: Popular Culture and Thought in the People's Republic (Boulder: Westview Press, 1989), p. 176.

leadership, Mao Zedong Thought, the socialist road, and the dictatorship of the proletariat--formulated by Deng at the outset of the reform era.

It has been noted in the previous chapter that in the mid-1980s the loosening of the Party-state control of socioeconomic, ideological, and, to a certain extent, political resources created a space between the state and society in which a civil society and a managerial public sphere could grow. One example of this is the abolition of the system of class labelling which was created to maintain the tensions of class struggle and to control society. The Party also acknowledged that a belief in Communism was required only for party members, not for ordinary citizens.[16] Meanwhile, control over access to information was greatly relaxed and people enjoyed more exposure to the outside world.

At the elite level, the pragmatic reformist group within the Party began to acknowledge the idea that "the Party should not be a player or even a referee in socio-economic affairs but should become the 'referee general' who supervises all the other referees."[17] They also came to the conclusion that the Party should be the last to be brought into day-to-day business. Only when difficulties exceed the capabilities of the managerial public sphere was the government to step in.

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[16] Tong, "State, Society and Political Change," p. 336 quoting "Resolution of the Central Committee of the Communist Party of China on the Construction of Socialist Spiritual Civilization," Hongqi, no. 19, 1986, p. 2-9.

[17] Tong, "State, Society and Political Change," p. 338 quoting Chen Yizi, "Political reform is the guarantee for economic reform," World Economic Herald, July 13, 1987; and "Reform is the objective request of the socialist modernization," World Economic Herald, Aug. 10, 1987. Because of the Tiananmen incident of 1989, Chen is now a dissident residing in the United States.

This development, in fact, was unprecedented and brought about new hope for other changes to the more educated segments of the society.

On the other hand, the conservative group within the Party felt uneasy with such relaxation. From time to time they tried to reassert their influence by, for example, launching a series of ideological campaigns. These campaigns were aimed at destroying "bourgeois liberalisation" and "spiritual pollution" and at strengthening a "socialist spiritual civilisation". They were implemented using Maoist methods. These included selecting targets for criticism, removing from their positions Party leaders or prominent members of the intellectuals, raising the political temperature in society by increasing demands for ideological and political education and saturating the media with ideological themes.[18]

However, as the reforms continued, society was no longer interested in "utopian" rhetoric. People have become firmly committed to improving their standard of living, and are unlikely to turn their attention back to ideological promises. More importantly, any ideological propaganda, in the view of society, was powerless and increasingly hypocritical as more people encountered rampant official corruption and the abuse of power.

At the same time, because of the increase in economic dynamism and encouraged by a supportive political culture, the development of a civil society and a managerial public sphere became inevitable. This development was tolerated by the government partly because the civil society was the product of social demands to protect the societal interest, and partly because it helped the government to perform its tasks effectively. Based on this mutually beneficial relationship, it is understandable that the state allowed the growth of the

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[18] White, Riding the Tiger, p. 164.

Chinese noncritical realm, that is a combination of a civil society and a managerial public sphere.

What made this noncritical realm change into a critical one, then, was the seeming endorsement of a more liberal political culture by the CCP. This impression was signalled by, among others, the then General Secretary of the CCP, Zhao Ziyang, whose argument may be summarized as follows:

> traditional Marxist concepts about the transition to socialism should be abandoned; it should be recognized that China, as an underdeveloped country in which the commodity economy was weak, was merely in 'the initial stage of socialism' in which the sole priority in the economic sphere should be modernization of the means of production. During this period, a wide range of economic forms and policies were admissible as long as they fostered economic growth.[19]

This argument, to a certain degree, reflected an 'ideological confusion' within the elite with respect to communist goals and the means to achieve them. Zhao's explanation would appear to be basically a rationalisation of the current policies of the CCP leadership. In this sense, communist ideology was losing its role as the comprehensive view of the future; instead it was being compromised by economic policies and interests.

This change in the role of ideology, coupled with other evidence of political liberalization,[20] paved the way for the creation of a critical realm. The

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[19] Ibid., p. 162. This theory of "the initial stage of socialism" was delivered by Zhao as the ideological explanation of the reform era at the Thirteenth Party Congress in October 1987.

[20] Such evidence included, among other things, a series of Deng's speeches in 1986 calling for political reform, and the establishment of World Economic Herald--an official newspaper in which the public could debate various economic, social and political issues. Topics ranged from the development of political checks and balances to the creation of a multiparty system.

more educated members of society could not but assume that some of the Party leaders were willing to undertake significant political change. As a result, beginning in April 1989, the students and citizens of Beijing took to the streets to voice their concern over the scale of government corruption and the slow pace of political reform. They occupied Tiananmen Square and discussed political issues. They showed a capacity for public spiritedness and spontaneous public order. In the meantime, the press started to report the events with greater freedom and accuracy. This development led observers to suggest that a political public sphere was in the making in China. At the same time, a political society began to emerge as numerous independent political organizations came into existence.[21] The combination of a political society and a political public sphere, or critical realm, finally took shape and demanded democratization, albeit for just a short period.

2. The Reassertion of Confucian Culture

There are good reasons to believe that amidst China's ideological confusion, there are some members of the elite who have tried to revive Confucian values. They have resorted to this partly to preserve their own power and interests in the Party-state, and partly because they are troubled by what they perceive as "unhealthy tendencies." For example, Confucian values reappeared in a number of policies. First, the Party-state showed its consonance with the past mandarin-bureaucracy in that its members assumed an all-embracing responsibility and role which included defining correct ethical

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[21] To mention some examples: the Autonomous Capital University Student Union, the Capital Autonomous Workers' Union, and the Autonomous Association of Intellectuals. Tong, "State, Society and Political Change," p. 344.

values. The aforementioned recurrent campaigns launched by the CCP in the 1980s were the manifestations of this phenomenon. Second, Deng has shown that, to a certain degree, he supported the Confucianist-reformers' contention by undertaking a strategy to import science and technology needed for China's modernization without bringing in "bourgeois" values and ideas. This kind of thinking, known as "Chinese learning for the fundamental principles, Western learning for the practical application,"[22] tolerates Western science and technology without sacrificing China's traditional culture. Third, the decision to use military force to suppress the Tiananmen movement demonstrated the traditional elite's fear of *luan* or disorder. A perceived inability to overcome the danger of *luan* could result in the withdrawal of popular consent from the government. Fourth, the decision itself reflected the elitist and paternalistic nature of China's traditional rulers in the sense that the leaders' word was law. By taking this action, the Chinese elite reinforced the Confucian characteristic of "rule by man" and undermined the pragmatists' attempts to introduce rule by law.

Putting all this together, it can be said that the reform period has tended to polarize Chinese political culture into a political culture of the general society and a political culture of the elite. It is clear that these two political cultures adopt different perspectives in viewing the post-Mao policies of relaxation. Having enjoyed relatively wide exposure to the world and global ideas, educated members of society became more aware of the way China lags behind other countries in terms of political and economic development and

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[22] Stephen White, John Gardner, George Schopflin, Tony Saich (eds.), Communist and Post-Communist Political Systems: An Introduction (London: Macmillan Education Ltd., 1990), p. 80.

consequently started to demand further change. Meanwhile, in the view of the state, relaxation of controls did not necessarily mean autonomy for society. The state, which was willing to grant society more scope to manage its affairs, proved to be reluctant to allow much freedom for fear that the population as a whole might try to subvert the Party-state control. This brings us to the notion of Chinese dual political culture.

C. Chinese Dual Political Culture and the Prospects for Democratization

China's 1989 traumatic experience, coming little more than a decade after the end of the Cultural Revolution, turned out to be a milestone for assessing Chinese political culture. The following section will show that in the aftermath of the 1989 crackdown, two kinds of Chinese political cultures have become profoundly entrenched. Interestingly, the two cultures tolerate the existence and activities of each other so long as their own "private domain" is not disturbed. In the following discussion, we will examine these cultures and link them to the likelihood of democratization.

1. Chinese Dual Political Culture

An argument for the existence of two political cultures in China has been made by Lucian W. Pye. Such a conclusion came to him after he had noticed that in the aftermath of the Cultural Revolution, both the leaders and the led could contribute towards rapid economic growth without any significant confusion in terms of values and behavior. This evidence led Pye to conclude

that "there must somehow be 'two Chinas,' or maybe it is 'one China, and two political cultures.'" [23]

It has been suggested in the previous section that some Confucian characteristics infuse China's current political practices. This prompts us to look into Confucian values further in order to define elite behavior. Such values are mostly derived from the Confucianist concept of governance, which takes the family as its model. First, relations between the leaders and the led are seen as analogous to those between parent and child. Under this relationship, the leaders put great emphasis on providing internal stability, security, and unity. Greater stress was placed on preserving internal order than on attaining external goals. This helps explain why, in the Tiananmen incident, the state, on the one hand, seemed to overreact in suppressing political dissidents, while, on the other hand, appearing unconcerned by outside pressures. With the square full of foreign journalists, Deng must have known that China's relationship with its trade partners would be jeopardized if he ordered the PLA to attack student demonstrations. However, the repressive action made it clear that Deng gave priority to internal stability over economic considerations.[24]

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[23] Lucian W. Pye, The Mandarin and the Cadre: China's Political Cultures (Ann Arbor, Mich.: Center for Chinese Studies, 1988), p. 37.

[24] Another recent case in point was the rearrest of the foremost dissident and Nobel Peace Prize nominee, Wei Jingsheng. Wei is considered a particularly problematic dissident. A 15-year prison stay failed to silence him and he refuses to go into exile. His adherence to multiparty democracy principles has earned him a high profile abroad. However, his rearrest for another 14 years on a charge of "conspiring to subvert the government" highlighted the fact that the leaders find international opinion less important than internal stability.

Second, the linkage between the leaders and the led is based on networks of paternalistic relationships. These relationships required that the rulers be omnicompetent, and able to look after the interests of the ruled. Thus, as seen below, the leaders will do everything possible to keep the national economy going. At the same time, the elite expects and consistently encourages society to leave administration and political matters to the government. This kind of thinking, to a significant degree, precludes society from political participation.

Third, Deng's style of leadership appears to be more traditional than that of other recent Chinese national leaders. Confucian teaching emphasizes that the rulers should take the ideal father as their model, and the people should think of themselves as dutiful children.[25] A father-like ruler was expected to be aloof and distant, but, at the same time he must be benevolent and solely responsible for the family's fortune. He was to be stern, frightening, and relatively uncompromising; he demanded obedience, and he could neither ask for sympathy nor ask anyone to share his burdens.[26] Deng's style of behind-the-scenes leadership fits well into this category. The idea of the benevolent ruler was also signalled by Deng's southern trip to Guangdong province in 1992. In his widely-covered trip, Deng firmly rejected any reliance on ideological tools for economic development, rather he encouraged society to go further and faster in their economic activities.[27] In this way, Deng not only strengthened the

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[25] Pye and Pye, Asian Power and Politics, p. 73.

[26] Ibid.

[27] Stephen M. Young, "Post-Tiananmen Chinese Politics and the Prospects for Democratization," Asian Survey, vol. xxxv, no. 7, July 1995, p. 653.

tradition-based idea of the leader's responsibility for people's welfare, but also signalled the virtual victory of economic pragmatism over ideological commitment.

Taken as a whole, it is obvious that the elite political culture in the post-Tiananmen period has moved away from liberalization. The elite reversion to a more authoritarian form of rule was not only triggered by the Tiananmen incident but was also influenced by the global collapse of communism and the ideological vacuum at home. In the wake of these events, the source of the government's legitimacy now rests increasingly on "performance legitimacy." This notion refers to the ability of a government to provide physical security, social stability and economic prosperity. In order to maintain this fragile source of legitimacy, the ruling elite, willingly or not, has to cooperate with the changing society. But before we discuss this issue, we should examine the political culture of Chinese society.

At the level of society, there are some traditional characteristics underlying the general values, attitudes and behavior towards politics. The most important of these is what Pye terms "dependency feeling."[28] It is often mentioned that Chinese children are brought up in an environment that emphasizes respect for the aged. Individuals achieved their identities solely through family membership which carries with it the obligation of deferring to the collectivity in decision making. They are taught to stress the importance of group interests over individual interests and of duties over rights. In the case of disputes, the young were expected to subordinate themselves to their elders and to endure bitterness without complaint. This creates in them feelings of

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[28] Pye and Pye, Asian Power and Politics, particularly pp. 320-344.

dependency which is reflected at two different levels of the society: first, in the family, village, work unit, and company; and, second, at the national level. Hence, one need not be puzzled by the fact that most members of Chinese society feel they have little scope for political expression and, after enduring several traumatic experiences in recent history, have come in particular to believe that "the better part of wisdom is to leave the affairs of government to their political superiors."[29]

At the same time, it is interesting to take note of the cultural influences spreading throughout China which are having an impact on the development of the political culture of society. It is the so-called popular culture which comes from Hong Kong and Taiwan and includes music, film, television shows, and literature. This popular culture is clearly commercial and for a number of reasons it has wide appeal in Chinese society.[30] First, it is not burdened by ideological themes or great thoughts of the motherland or reform. Rather, it is intensely personal and expresses individual emotion with which people can identify. Hence, it can lift consumers out of the generally harsh reality of life on the mainland. Second, the products of this culture are accessible for the large number of mainland Chinese since they are in the Chinese language. It is a hybrid of modern Western culture and East Asian traditions, but being in the Chinese language it is easier to comprehend. Third, since the culture comes from outside China, it is considered foreign and modern. Moreover, the

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[29] Pye, The Mandarin and the Cadre, p. 55.

[30] Thomas B. Gold, "Go With Your Feelings: Hong Kong and Taiwan Popular Culture in Greater China," The China Quarterly, no. 136, December 1993, p. 914.

mainland Chinese view Hong Kong and Taiwan as models of a modern Chinese lifestyle worthy of emulation.

These factors helped to spread this popular culture from the coastal areas to the interior. The party-state elites have failed to stem this phenomenon. Their strong propaganda of Maoist -Yenan values as well as Confucian virtues appears increasingly hypocritical and ludicrous as gossip about corruption among the elites and their children spreads.[31] Thus, although the regime still relentlessly engages in political and ideological rhetoric, in society's view the political language of the elite has lost contact with reality.[32]

What is important about the widespread popular culture is that it institutionalizes what Gold has called "the zone of indifference." He indicates that "it [the zone] does not provide the release of frustrations which a safety valve might, but does offer an outlet for simply ignoring the authorities and opting out of the world they continue to try to dominate."[33] This brings him to the assumption that currently there is some kind of tacit agreement between the regime and society. On the one hand, the regime resists both eradicating popular culture and imposing its official culture monopolistically. On the other hand, society is expected to continue making money, to 'censor' itself, and not to transform its dissatisfactions into unrest. This 'nonaggression pact', for the time being, seems to meet the needs of both elites and society at large. On

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[31] Ibid., p. 920.

[32] The leaders, for example, keep warning the society that "Western capitalist nations have never relinquished their goal of plundering China," while these same leaders simultaneously call for more foreign investment. Lucian W. Pye, "China: Erratic State, Frustrated Society," Foreign Affairs, vol. 69, no. 4, Fall 1990, p. 60.

[33] Gold, "Go With Your Feelings," p. 924.

the one hand, the elites need to deal with further reforms since they are staking their authority on a successful outcome of their policies. On the other hand, society, preoccupied with its private interests, also needs a government which can provide and assure stability and public order. Therefore, at least in the short term, the pact seems capable of guaranteeing the continuity of China's internal stability and economic growth.

2. An Examination of the Concepts of Civic Culture and Civil Society

So far, we have reviewed Chinese views of democracy since the first decade of this century. It is important to remember that the Chinese popular movement did not suddenly begin with the Tiananmen Movement in 1989, but has roots reaching back into the imperial period. The previous chapter also suggests that the existence of civil society was prevalent well before the Communists took power. All of this evidence adds up to the fact that although the elite political culture leaves little room for society in general to participate actively in political matters, society has not been as inert as people might think. Perhaps it was this point that led McCormick and his colleagues to argue that "Chinese culture and tradition are not just authoritarian,but contain elements of civic culture and cooperation...."[34] The question that arises, then, is what likelihood is there that the two cultures will generate a democratic transition.

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[34]Barrett L. McCormick, Su Shaozhi and Xiao Xiaoming, "The 1989 Democracy Movement: A Review of the Prospects for Civil Society in China," Pacific Affairs, vol. 65, no. 2, Summer 1992, p. 201. As outlined in Chapter I, a civic culture, in Almond and Verba's sense, is a mixed political culture containing both modern and traditional values. This was argued to be a favorable condition for democratization.

It is quite useful to draw on the results of a survey conducted in China in 1990, not only because it claims to be "the first scientifically valid national sample survey done in China on political behavior and attitudes," but also because it can serve as a balance to the "interpretive approach" used extensively in this chapter.[35] The survey focused on three dimensions of political culture which the researchers believe are fundamental to democracy, namely the perceived impact of government on society, political efficacy, and political tolerance.

First of all, the findings reveal that members of Chinese society were relatively unaware of the impact of the government on their lives. Although the situation of post-Mao China has been changing, this finding is still remarkable given that China's political system allegedly exercises close control over society. With regard to the mechanisms which are at work to produce this condition, Nathan and Shi seem to be unsure "whether the regime manages to make its subjects overlook its control over their daily lives or whether the citizens contrive to ignore the regime's control as a way of managing the psychological tension that it induces."[36] In any case, the study goes further by suggesting that "the Chinese regime enjoys a 'safety cushion' of popular underestimation of its role, which may to some extent blunt demands for democracy."[37]

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[35] Andrew J. Nathan and Tianjian Shi, "Cultural Requisites for Democracy in China: Findings from a Survey," Daedalus, vol. 122, no. 3, Spring 1993, p. 95- 123. What they mean by interpretive studies are the studies that are characteristically based on documentary sources, interviews, and field observation.

[36] Ibid., p. 104.

[37] Ibid.

Second, the study uncovers the fact that society has relatively low levels of political efficacy. Interestingly, the survey notes that there is a difference in perception between educated and less educated people in viewing their capacities to both understand and influence the government. As for the educated people, the researchers put it as follows:

> Although the educated people are most likely to be aware of the influence of government and are more confident of their ability to understand and engage in politics, they are least likely to expect fair treatment from the government. They know that government policy can have a great effect on their lives, but they do not expect government officials to treat them equally.[38]

This attitude, according to the survey, may create psychological tension akin to what Ted Gurr calls "status reversal," which is considered conducive to the outbreaks of rebellion.[39] If this is the case, it helps to explain why this group has been the most likely to engage in regime-challenging activities and why they may do so again.

As regards the less educated people, the cultural profile is virtually the reverse. They have a relatively low sense of the government's impact, a relatively low sense of political efficacy, and a relatively high sense that the government will treat them equally. In short, they are somewhat insulated from the government and are more satisfied with it. This fact helps to explain why political dissatisfaction among the more educated people has not ignited any spark among the broader population, especially in rural areas where the less educated people are concentrated. And the failure to win mass popular support

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[38] Ibid., p.115.

[39] Ibid., quoting Ted Robert Gurr, Why Men Rebel (Princeton, N.J.: Princeton University Press, 1970).

becomes one of the reasons why China's political movements have never produced the intended results.

Third, the findings suggest that the Chinese have low levels of political tolerance. It seems that there is a congruity between this finding and Pye's. He points out that Chinese political culture knows no equals, only superiors and inferiors, and that the Chinese perceive a sharp divide between friend and foe.[40] This fact is not favorable for democratization because, as admitted by the authors, people may lack motivation to engage in politics and may favor the repression of ideas that they do not agree with. As for the more educated members of society, the findings go on to suggest that:

> It is not clear whether the educated elite have sufficiently high levels of political tolerance to set an example for the rest of the population. Although educated Chinese are more likely to be aware of the impact of government, to feel able to understand and influence government, and to tolerate political speech by disliked groups, they are substantially less likely to hold democratic orientations than people of the same educational levels elsewhere.[41]

This proposition has recently been reinforced by an observation of one of Beijing's scholars. He states that many liberals, disillusioned by the failure of the 1989 democracy movement, have shelved both liberal democracy and communism as foreign ideas not suitable to China. Favoring something closer to the Singaporean style of authoritarianism, he was reported to say "[n]ow

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[40] Lucian W. Pye, The Spirit of Chinese Politics (Cambridge, Mass.: Harvard University Press, 1992), pp. 67-84.

[41] Nathan and Shi, "Cultural Requisites," p. 115.

these (liberal democracy and communism) are all considered radical, and radical idealism is thought to be the reason they failed."[42]

Since the cultural conditions for the emergence of democracy have deteriorated, this requires us to return to the issue of civil society. It has been indicated in Chapter II that although there has been a broad flowering of associational organizations over the past decade, they are not wholly autonomous, and do not represent civil society in any fully-fledged form. The following reasons ground this proposition.[43] First, the existence of such organizations requires the state's acceptance of their necessity and legitimacy. Second, most organizations still lack important resources which can be provided by the state, and, to a lesser degree, traditional organizations, such as clan or kinship organization. The resources are, among other things, organizational expertise, technical facilities, financial resources, and connections. Third, in the case of conflicts of interest among organizations, state intervention remains one of the major means of solving problems.

These conditions led Frolic to label China's civil society as "state-led civil society." This kind of civil society, according to him, has the following main characteristics:

> First, the new associations and groups are not against the state but are a part of it. Second, they function as intermediaries between the state and the society and serve as training grounds for the development of civic consciousness. Third, state-led civil society is not riven by any conflict between its components and the state. It is a marriage of convenience, rather than a catalyst for citizen resistance. Fourth, mutual perception of strength and weakness plays a key role. Elements in the state perceive the

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[42] Far Eastern Economic Review, 9 November 1995, p. 28.

[43] Tong, "State, Society, and Political Change," p. 339-41.

> need for change and these social organizations can be functionally useful, without threatening the state's hegemony. Those within the social organizations perceive a slightly weakened state, but are more interested in short term economic gains than individual autonomy at the expense of state power. Neither wants the state to collapse.[44]

These characteristics, then, add up to supporting the existence of "a non-aggression pact" or "tacit agreement" between the state and society mentioned before. Mechanisms that seem to be at work to produce such a distinctive civil society are the elite's paternalistic culture and society's feeling of dependency. These mechanisms intertwine closely so as to bring the maximum benefit for each. Or to put it bluntly, the state as a benevolent father will provide resources and protection for the members of civil society to pursue their private ends in exchange for their loyalty. Similarly, society as dutiful children is supposed to behave in accord with what is expected by the father-like ruler if they are to be successful in performing their tasks. Under this unequal relationship, both parties enjoy a favorable condition that facilitates their commitment to the goals of economic and physical security. As a consequence, it is hardly surprising that a trade-off between citizens' economic rights and noneconomic rights (e.g. civil rights and political rights) occurs in these circumstances.

This feature certainly contributes to one of the weaknesses of China's nascent civil society. Without a strong and autonomous institutional base China's civil society cannot be expected to serve as the basis for the limitation

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[44]B. Michael Frolic, "An Examination of Civil Society in China," paper commissioned by the Canadian International Development Agency as part of the Research Program on Regional Economic Integration in Eastern Asia, Joint Centre for Asia-Pacific Studies, University of Toronto-York University, April 1994, p. 17.

of state power as demonstrated by the experience of Eastern European countries. Some scholars have cautioned that it would be misleading to expect China's civil society to develop in a manner similar to its European counterparts, since "Confucianism sanctioned successful revolutions, but allowed no room for the regularized politics of opposition that we associate with pluralism."[45] Thus, the argument continues, "if we are to use the concept of civil society in the Chinese context we must emphasize its behavioral (rather than its purely organizational) connotation."[46]

Overall, then, it seems to be clear that in order to rebuild its legitimacy in the aftermath of the Cultural Revolution, the Party-state repudiated Maoist political and cultural legacies to a significant degree. This created an unprecedented environment that prompted society to become involved more actively in political matters. However, the dramatic events of 1989 made it clear that the political supremacy of the Party-state is not open to challenges. As a consequence, the leaders have resorted to the authoritarian nature of Confucianism in order to maintain their eroded political authority. Meanwhile, society has learned the lesson that its capacity to influence politics is insufficient. Having so little sense of political efficacy, the majority of society prefers to focus on the improvement of their material standard of living and they have thereby become increasingly indifferent towards the political realm.

Finally, to illuminate the question of the likelihood of China's current political culture generating democratization, this study comes to the following

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[45] Elizabeth J. Perry and Ellen V. Fuller, "China's Long March to Democracy," World Policy Journal, vol. VIII, no. 4, Fall 1991, p. 666.

[46] Ibid.

working conclusion. In the short to medium term, the indications are that there are potential difficulties if the Chinese political system begins to democratize. A political culture, containing "subject," "participant" and "parochial" components,[47] does indeed exist in China. It has been suggested by the authors that a civic culture tolerates the existence of a parochial component, but, although they did not mention this, logically the proportion of the parochial component does not exceed the proportion of subject and participant components since the prevalence of these two components are crucial for the development of a modern political system. However, as will be shown below, the parochial component is dominant in China's political culture.

The parochial political culture has not only been adopted by society which, by and large, is still considered backward, but it has also been encouraged by the elite. This is evident by the fact that both the members of society and the elite are so preoccupied with the idea of working hard and getting rich that they pay little attention to any change in the political system. The majority of society, having long suffered from poverty, seem satisfied enough to be enjoying their economic rights, and they expect nothing in return from the state but internal stability. Meanwhile, by reasserting the authoritarian aspect of Confucianism, the conservative segment of the elite reinforces the parochial culture in that "their political orientations are not separated from their religious and social orientations."[48] Highlighting this point is the fact that, in

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[47] As defined in Chapter I pp. 17-8, "subject" political culture contains people who are aware of, and have high frequency of orientation towards the political system. "Participant" political culture contains those who tend to be oriented towards an activist role of the self in the polity. And "parochial" political culture contains those who expect nothing from the political system. See Almond and Verba, The Civic Culture, p. 6.

[48] Ibid, p. 17.

general, the elites have benefited from the prevailing circumstances, so that they become more resistant to change.

Although not easily measurable, the polling which has been discussed also suggests that the parochial component exceeds that of subject and participant components. More importantly, the existence of political culture which is dominated by parochial components is certainly not supposed to be found among the elite whom Dahl expected to develop values which reinforce democracy. These democratic values would then be filtered down to society.[49] The biggest obstacle, presumably, is that the conservative elite continues to hold a monopoly of political power. Integral to this is the continuing effort to restrict channels of political opposition, including the placing of sharp limits on the freedom of the press.[50]

However, in the long run, China's prospects for democratization do not seem to be that dim. The regime has to maintain the country's rapid economic growth since its legitimacy is based on economic performance. This condition will engender the following possible scenario. First, as China reaches a high level of economic and social development and develops a more educated and politically sophisticated society, demands for political change will surface. As a large share of society feels more secure about its material needs, a political culture is likely to emerge which will put more emphasis on nonmaterial needs. Second, Deng's passing will mark a significant break between the elite and the

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[49] Dahl, Polyarchy: Participation and Opposition, p. 36.

[50] Young, "Post Tiananmen Chinese Politics...," p. 665.

revolutionary generation. Therefore, in the future one can expect to see in power elites with different historical experiences and educational backgrounds. Their political behavior will also be different in these changing circumstances. It is not impossible they will steer the political system away from authoritarianism, if they think the cost of repression far exceeds the benefits. The history of political succession in China from Mao to Deng and in other similar authoritarian regimes, such as Taiwan, makes it almost certain that the future political elites will calculate the costs and benefits of the various strategies in order to preserve their power. In the final analysis, the more important question is no longer whether or when democratization will take place in China, but how this transition might come about. The answer to this question clearly lies not only in the cultural aspect, but also in the institutional aspect of China's political structure. We will examine this in Chapter IV.

CHAPTER IV

ELITE POLITICS IN POST-TIANANMEN CHINA

The discussion in previoucs chapters has focused on social, economic, and political culture variables. Basically, it indicates that although the achievement of reform undermines the economic, and increasingly political, authority of the Party-state, Chinese nascent civil society is unlikely to expand its role into the political realm in the near future because both elite and mass political cultures are not conducive to such a process taking place. However, underlying all other questions about reform and its impact on state-society relations is the fact that China today is in the midst of an extremely important period of change as the country approaches the post-Deng era. The leadership which emerges from the succession politics, combined with its efforts to obtain legitimacy and handle developmental problems, will shape both the nature of the Chinese regime and the direction of its policies in the period ahead.

Elite politics, therefore, will be the main focus of this chapter. This will include discussions of China's national elites and their patterns of interaction. Pressing problems faced by the leadership today and in the foreseeable future will be identified. Also, strategies which may be used to handle these problems will be assessed. The main argument to be developed in this chapter is that due to the need to maintain domestic stability in the post-Deng era and to tackle China's mounting developmental problems, in the short to medium term the Party-state elites will continue their policies of maintaining an outwardly-

oriented economy and preserving an authoritarian political system. In this protracted authoritarian period, the regime will find it difficult to resist increasing pressures for change generated by both internal and external factors. This, in turn, will require the regime to improve its political system by, among other things, strengthening the legal framework and widening political participation. This strategy will enhance the long-term prospects for democratization.

The following discussion will be divided into three sections. The first section will assess the configuration of Chinese post-Tiananmen elites and their patterns of interaction. The second section will identify the problems confronting the current leadership. The final section will discuss the future of China by assessing the possibilities of some commonly-discussed scenarios. This section will be concluded by suggesting that China's path towards democratization is most likely to proceed along a two-stage process of transition: (1) transformation of a politically and economically closed communist regime into an authoritarian regime based on some kind of market economy in the short to medium term, and (2) transformation from the latter into a fully-fledged market-economy based democratic regime with Chinese characteristics in the long term.

A. The Politics of Compromise: Interaction of China's National Elites

There is a need to have a clear picture of the configuration of China's national elites and their interrelations before assessing the country's prospect for democratization. The reason is that, theoretically, as stated in Chapter I, democratic transitions are usually preceded by disunity among elites within the

regime.[1] This section, therefore, will discuss the role of the most important elites in China, namely the Party-state elite, the paramount leader (Deng Xiaoping) and the octogenarians (the revolutionary leaders who are in their eighties), the PLA, and the local leaders. However, since the assessment of these political players will take place in the context of the current political constellation of events, it might not be possible to separate them out completely.

1. The Party-state Elite

Simply speaking, there are two contending elite factions within the Party-state emerging from the Tiananmen crisis, namely the conservatives and the reformers.[2] The conservative faction, led by Premier (and member of the Politburo Standing Committee) Li Peng, favors an authoritarian political system with ideological and economic orthodoxy. The reformers, associated with Vice-Premier (and member of the Politburo Standing Committee) Zhu Rongji, tends to accept authoritarian political rule but prefers a more deregulated, market-oriented economy. Besides these two prominent figures, there is Jiang Zemin--Deng's designated successor--who is widely believed to be an ineffectual figure oscillating from one faction to the other.[3] In reality, of course, the elite

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[1] See, Chapter I, particularly pp. 21-2.

[2] Hereafter, the terms "conservatives" and "reformers" will be used to replace the terms "hardliners" and "softliners" used in Chapter I. The reason is that the first pair of terms is common to be used in scholarly works of China.

[3] Jiang had previously been a relatively obscure Mayor of Shanghai. After graduating from the Faculty of Electric Motors at Shanghai Jiaotong University in 1947, he went as a trainee to the USSR to study at the Moscow Stalin Automobile Plant. Jiang had no major power base of his own. His previous roles as engineer and regional administrator have provided him with little significant experience or influence in any of the major national

configuration is not that simple. Living in a Confucian society, each leader usually enjoys the patronage of one or more of the octogenarian leaders. Li Peng, for example, has always been associated with Chen Yun--the late prominent conservative--whereas Jiang and Zhu Rongji have enjoyed the support of Deng Xiaoping. The same culture, with its specific values as explained in Chapter III, also prompts each potential leader to build his own political base by developing a network of paternalistic relationship all the way down through the different levels of the Party-state.

In the immediate aftermath of the Tiananmen crisis political and economic reforms in China seemed to be in retreat. In the political realm, the program of limited political liberalization announced at the Thirteenth Party Congress in 1987 had been quietly abandoned.[4] It was replaced by the CCP's campaign against "bourgeois liberalization", which was directed against both foreign influences and domestic critics. In the economic realm, the retrenchment program to overcome China's overheated economy was fully implemented. This program not only slowed down the overheated economy, but also rolled back the progress made towards privatization, marketization and, extensive economic interaction with the rest of the world.[5] It can be said, in short, that the conservatives gained the upper hand at the time.

Beginning in the summer of 1990, there was increasing debate over the economic policies pursued by the state since the retrenchment program did not

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sources of power in China: the Party, State Council and the PLA. Tony O'Grady, "China's Post-Deng Leadership," Current Affairs Bulletin, vol. 71, no. 6, April/May 1995, p. 14.

[4] The content of this limited political reform is briefly explained in Chapter II, pp. 40-2.

[5] Harding, "On the Four Great Relationships'," p. 24.

make significant progress in solving the economic problems. This debate ushered in a period of confrontation between the conservatives and the reformers. Perhaps in order to prevent another upsurge of social protest because of elite factionalism, Jiang made efforts to align himself with Li Peng. It was reported that Jiang adopted a harsh position on ideological matters by stepping up the campaign of "purifying the ranks of the Party" and promoting orthodox ideologues to the leading propaganda posts. These measures, according to one interpretation, were intended not only to reassure the octogenarians that Jiang was loyal to the Party and its ideology, but also to send strong signals to Li Peng that Jiang was serious about the alignment.[6] In this period, the dominance of the conservatives was checked, but the reformers still could not reestablish their pre-Tiananmen position.

The disintegration of the USSR and the collapse of the Communist Party of the Soviet Union in 1991 intensified the division between the two factions. The reformers argued that the crisis in the Soviet Union and the fall of communist countries in Eastern Europe were caused by the failure of these countries to carry out thorough economic reform. On the other hand, the conservatives believed that the crises were caused by their deviance from socialism.[7] In the midst of this growing division, the reformers, led by the paramount leader, carried out the famous Southern tour in February 1992. Preferring to speak in the most economically developed part of China, Shenzhen Special Economic Zone (SEZ), Deng asserted that despite the

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[6] You Ji, "Jiang Zemin's Formal and Informal Sources of Power and Chinese Elite Politics After 4 June 1989," China Information, vol. VI, no. 2, Autumn 1991, p. 9.

[7] Joseph Fewsmith, "Reform, Resistance, and the Politics of Succession," in William A. Joseph (ed.), China Briefing, 1994 (Boulder: Westview Press, 1994), p. 7.

Tiananmen crisis the danger from 'leftism' (orthodox Marxist and Maoist ideas) was greater than from 'rightism' (liberal Western values).[8] In this maneuver, Deng showed his support for Chinese society and encouraged them to go further and faster in economic activities. This development created a more favourable climate for pushing China once more along the road to reform. Even such economic conservatives as Li Peng began to echo Deng's call for accelerated reform.[9] Meanwhile, Jiang was quick to make a self-criticism in the Politburo meeting of March 1992 stating that he had neither sufficiently promoted reform in recent years nor sufficiently opposed leftism.[10]

Deng's maneuver was partly intended to show his preference for China's economic direction, and to create a political atmosphere conducive to the convening of the Fourteenth Party Congress in October 1992. In Deng's view, this event was highly important because it would select a leadership that supposedly would carry on Deng's policy after he passes from the scene. The results of the Congress reflected some important developments in elite politics. First, the most powerful body in the Party, the Politburo Standing Committee, is now dominated by the reformers or officials regarded as sympathetic to reform. Second, older officials at both central and provincial levels were persuaded to step aside. Third, the major institutional body from which veteran cadres usually

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[8] See, for example, Tony Saich, "Peaceful Evolution with Chinese Characteristics," in William A. Joseph (ed.), China Briefing, 1992 (Boulder: Westview Press, 1993), pp. 9-34, and Suisheng Zhao, "Deng Xiaoping's Southern Tour: Elite Politics in Post-Tiananmen China," Asian Survey, vol. 33, no. 8, August 1993, pp. 739-56.

[9] Richard Baum, "Political Stability in Post-Deng China: Problems and Prospects," Asian Survey, vol. XXXII, no. 6, June 1992, p. 497.

[10] Harding, "On the Four Great Relationships'," p. 20.

exercise their influence, the Party's Central Advisory Commission, was abolished.[11] With few exceptions in the military, one of the consequences of these developments was that a younger generation began to occupy leadership positions. Also, the successors have more formal and technical education than the earlier generation. They are in some ways products of the bureaucratic system and not its creators or builders; they have limited horizontal contacts and breadth of experience and have spent most of their careers in one bureaucracy and functional area. In addition, they also have few contacts with the military.[12]

In the national government circle and its key organ, the State Council, Jiang was appointed as the State President, but the more conservative Li Peng holds the key position of Premier. Li's power, however, was balanced by the appointment of Zhu Rongji to the position of Senior Vice-Premier. Thus, although the effectiveness of this coalition remains in question, it is clear that the conservatives and the reformers have been forced to reach some political compromises in making decisions. This condition is what we term the politics of compromise.

Overall, this development marks a new pattern in Party-state elite politics for the following reasons. First, for the first time in its history, China is to be ruled by technocratic elites rather than by revolutionaries or political generalists

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[11] The Central Advisory Commission created by the 12th Party Congress in 1982 as a means of honorary semiretirement for veterans of the revolution. Since then, the body had become a bastion of conservative opposition to reform. Carol Lee Hamrin, China and the Challenge of the Future: Changing Political Patterns (Boulder: Westview Press, 1990), p. 229.

[12] David Bachman, "The Limits on Leadership in China," Asian Survey, vol. XXXII, no. 11, November 1992, p. 1050.

as in the Maoist era. Second, viewed from the composition of personnel, there seems to be a firm commitment to continue some degree of economic reform. Third, China's elite political spectrum has been substantially narrowed compared to the 1980s, let alone the 1970s. This was reflected in Jiang's report to the Congress, which warned that factionalism would not be tolerated, and emphasized that "the Party's life lies in its unity."[13]

2. The Paramount Leader and the Octogenarians

The politics of compromise needs a "balancer" to reinforce the rules. This role has been played by Deng Xiaoping since 1978, although not always skillfully and successfully. In the mid-1980s, he appeared to side with the reformers in economic decentralization policies. In this position, his insistence on a rapid overhaul of commodity prices in 1988 directly led to inflation, one factor triggering the 1989 students' demonstration.

Officially retired in 1980, Deng, from behind the scenes, has made sure that neither of the factions can dominate the other, either through force or coalition building. Ian Wilson and You Ji argue that this kind of intervention from the paramount leader who has retreated to the "second line" contributes to the inability of the paramount leader to orchestrate a smooth transition of power.[14] The reason is that this intervention effectively undercuts the authority of those

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[13] Tony Saich, "The Fourteenth Party Congress: A Programme for Authoritarian Rule," The China Quarterly, no. 132, December 1992, p. 1145.

[14] Ian Wilson and You Ji, "Leadership by 'Lines': China's Unresolved Succession," Problems of Communism, Jan-Feb 1990, pp. 28-44.This succession formula was devised by Mao Zedong and arranges for the supreme leader to retreat to the second line, leaving his senior colleagues in the first line to govern the country on a day-to-day basis and to build up their own bases of support.

nominally in charge and prevents them from establishing independent power to function effectively without the paramount leader's support.

Deng shares his power with a few veteran leaders from his generation (the octogenarians). These elders continue to reassert their particular views about the future and cultivate their proteges or successors. Beyond this capacity, these retired leaders also retain power to select the Politburo members, assign them their duties, and give final approval to important Politburo decisions.[15] Not surprisingly, the authority and the sustenance of the officeholders depend largely on the support and confidence of these powerful leaders. This situation has prompted Jiang Zemin to state recently that the party must focus on political and ideological development rather than the economy. This controversial speech was interpreted as a response to the report of one octogenarian (Deng Liqun) which called for an expansion of the number of "experts in politics and Marxism" in the top leadership.[16]

3. The PLA

In addition to its dependence on the support of the elder leaders, the success of the Chinese leadership also depends on the establishment of control over the military. This is based on the fact that by holding control over the PLA, the CCP will be able to guarantee its continued political hegemony in the face of internal and external enemies. This has been proven by the events during and after the Tiananmen crisis. When the political situation was at its most

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[15] Suisheng Zhao, "The Structure of Authority and Decision-Making: A Theoretical Framework," in Carol Lee Hamrin and Suisheng Zhao (eds.), Decision-Making in Deng's China: Perspectives from Insiders (New York: M.E. Sharpe, 1995), p. 236.

[16] "China in Transition," Far Eastern Economic Review, 25 April 1996, p. 29.

dangerous, the Party could successfully suppress the pro-democracy movement because it retained control over the PLA. What seems to be the problem now is how to guarantee the loyalty of the PLA to the current and future Chinese political leadership.

There are a number of possible mechanisms to exert the Party's control over the PLA, but two of them are worth mentioning. First, the Party may resort to the ordinary military discipline of the PLA which, like other military organizations, has a propensity for carrying out orders given from above. Second, the party may cultivate the personal networks of patronage which extend down into the PLA from individuals of political significance.[17] However, events during the Tiananmen crisis suggest that the first mechanism, military discipline, cannot by itself guarantee the loyalty of the PLA to the CCP. Some of the PLA's important figures demonstrated their ambivalence in carrying out the CCP's order to implement martial law and to suppress the demonstration. Part of the reason for this was that the basic ethics of the PLA tend to prevent it from carrying out duties for which it is not technically responsible. Internal security had been, since 1984, the domain of the People's Armed Police (PAP).[18]

The second mechanism of party control is loyalty networks. Again, the Tiananmen crisis demonstrated that the patronage network of Party elites in relation to the PLA could become troublesome. China and the world witnessed the deep cleavage within the PLA manifested by clashes between troops which, to some degree, reflected the political power struggle between factions within

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[17] Chistopher Tuck, "Is the Party Over? Political Instability in Post-Deng China, Contemporary Review, vol. 266, no. 1552, May 1995, p. 249.

[18] Ibid., p. 250.

the CCP. Despite the fact that the conservatives had managed to secure the support of six of the seven military regions, the commander of Beijing military region, who was a protege of the reformer Minister of Defence, continued to oppose the implementation of the conservatives' martial law.

Regarding the decision to use the PLA to crush the Tiananmen demonstrators, there is a view that sees the decision as harmful to the hegemony of the CCP. Jencks argues that Deng has practically destroyed the arrangements he had been leaning on to assure a peaceful transition of power after the end of his government, and has left China's future in the hands of the PLA. This, he contends, is the very error that Mao made years before:

> Deng's basic mistake, the one that Mao made before him, was that, although he wished the party to control the PLA, he used the military to buttress his own power and enforce his own policy preferences, overriding the party's internal decision-making and control mechanisms.[19]

Because Deng realized the grave consequences of giving the military a stake in internal stability, he has actively strived to retain the loyalty of the military since June 1989. The result is the ever-increasing budget for military modernization and the heavy involvement of the military in economic activities.

This fragile relationship between the civilian leadership and the military has led Deng to treat this matter cautiously. In the Fourteenth Party Congress of 1992, the selection of Liu Huaqing, an old ally of Deng, as vice-chairman of the Central Military Commission (CMC)[20] came as a surprise (the CMC had been

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[19] Seth Diehl, "Changing of the Guard: Chaos Likely in Post-Deng China," Harvard International Review, Fall 1994, p. 86.

[20] The CMC is a powerful body of the CCP which has the highest decision-making power in military affairs and is usually headed by the Party General Secretary. This arrangement

headed by Jiang Zemin since the immediate aftermath of Tiananmen). At the same time, 79-year-old Zhang Zhen was named as second vice-chairman of the CMC. These appointments removed Yang Baibing--who, with his brother Yang Shangkun, were widely believed to have a powerful base in the PLA-- from the command of CMC.[21] This is the exception to the regeneration pattern of the current leadership mentioned before. Also, it was reported that in August 1994 Deng met with the Politburo and the octogenarian leaders to reiterate his support for Jiang and to stress the importance of PLA support for Jiang.[22]

Soon after the Congress it became clear that Yang Baibing's removal marked the beginning of a large scale military purge of high-level military commanders associated with him.[23] However, such a maneuver was not enough to guarantee the loyalty and support of the PLA to the civilian leadership. Jiang

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reflects the fact that the military's first job is to protect the party rather than the government. Kenneth Lieberthal, Governing China: From Revolution Through Reform (New York: WW Norton&Company, Inc., 1995), p. 78. See also Yan Jiaqi, "The Nature of Chinese Authoritarianism," in Hamrin and Zhao (eds.), Decision-Making in Deng's China: Perspectives from Insiders, p. 5.

[21] In fact,Yang Baibing and Yang Shangkun have long standing reputations as Deng loyalists. However, there are at least two reasons for their removal. First, the Yangs presided over a conclave of military leaders around the time of the 14th Party Congress. This meeting was to discuss what to do when Deng dies. Deng resented this action, charging them with being too eager for power. Second, personal relations between Jiang and Yang Baibing were not good. In the period following Tiananmen, Yang had cultivated his network of followers by personally handing out promotions to senior military officials, thereby bypassing Jiang, the head of the CMC. Fewsmith, "Reform, Resistance, and the Politics of Succession," p. 13

[22] O'Grady, "China's post-Deng Leadership," p. 14.

[23] This was one of the largest military purges in the history of China. Over 60 percent of officers above the level of major-general were affected. About 700 of Yang Baibing's supporters were disciplined, demoted or arrested. BBC Summary of World Broadcasts, Part 3: Far East/1565 as cited in The China Quarterly, no. 133, p. 119.

still has to work hard to consolidate his position and to maintain a good relationship with the new PLA leadership group. To these ends,

> He has presided over increased budgets for the PLA; he has allowed it great freedom to participate in lucrative commercial activities; he has supported major development plans for the navy; he has introduced new regularization of career paths for officers; in 1994 he appointed nineteen new generals and he has attended and spoken at numerous PLA functions.[24]

The bargaining positions of the civilians and the military are also mirrored in China's current foreign policy. A case in point was the 1996 Taiwan crisis. It is widely believed that Jiang's toughness on the Taiwan issue was caused by the need to appease the army. Reportedly, Jiang's relations with the PLA suffered in 1995. The generals blamed him for the "Cornell incident" in June 1995, when Taiwan President, Lee Teng-hui, visited his alma mater in the United States.[25] According to the military, his conciliatory speech on Taiwan early in that year was so moderate that it stirred Lee to embark on a triumphal round of vacation diplomacy.[26] As a consequence, Jiang was compelled by the PLA to take a harder line on this issue which resulted in the March 1996 military

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[24] O'Grady, "China's post-Deng Leadership," p.16.

[25] Matt Forney, "Man in the Middle," Far Eastern Economic Review, 28 March 1996, p. 14.

[26] In fact, many Taipei government officials as well as many Taiwanese are convinced that Jiang is a pragmatic moderate figure. A senior Taipei government official was reported to have stated "we have evidence, both public and private, that Jiang is sending conciliatory messages...He says his hands are tied but that he wants to be reasonable. He indicates that it will take some time and that we should be patient." Jiang's speech itself did not renounce the assertion of Beijing's sovereignty over Taiwan nor the usage of military force if that claim were denied. But he offered to protect the rights of the island's people and acknowledged their "legitimate aspirations." Julian Baum, "Change of Face," Far Eastern Economic Review, 28 March 1996, p. 18.

maneuvers in the Taiwan Strait. Jiang's acquiescence to the hard line approach increasingly looks like appeasement. Thus, the situation appears to be that either he backs the coercive line on Taiwan the PLA is pursuing, or the PLA could withdraw its support for him. Yet, the evidence thus far shows that the PLA remains more committed to its ambition of enhancing defense modernization than directly engaging in day-to-day political affairs.

4. The Local Leaders

It has been noted in Chapter II that post-Mao economic reform has significantly altered the balance of economic power between the central leadership and the local leaders. Economic reform has, certainly, increased the autonomy of the local leaders by :

> ...granting them greater control over personnel appointments in their jurisdictions, a larger share of national tax revenues and the profits of state enterprises, enhanced power over domestic investment decisions, and greater authority to approve imports, exports and foreign investment projects.[27]

This growing autonomy and power of the local leaders has encouraged them to be more assertive in pursuing their economic interests in their areas. This assertiveness is demonstrated in various ways, ranging from creating their own financial instruments and accumulating capital, to engaging in tax evasion and almost openly defying central decisions with which they disagree.[28] In this

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[27] Harding, "On the Four Great Relationships'," p. 33

[28] The governor of Liaoning province, for example, took the initiative of opening a stock market and formulating a bankruptcy law for his province. Also, at least seven provincial governments have sought the advice of the Chicago grain exchange in planning their own exchanges. Meanwhile, the governor of Shandong province insisted that local authorities must be consulted by Beijing on policy matters before any attempt is made to implement

way, they have become strong proponents of rapid economic growth, and, consequently, oppose conservative measures which, in their view, undermine economic reform.

Realizing the growing power of these local leaders, Deng Xiaoping has tried to use this power as an effective force to help sustain the momentum of reform. Hence, he created possibilities for the provincial leaders to become reformers and thus counterweights to the more conservative members of the central leadership.[29] These included attempts to increase the number of local representatives in central organizations. From another perspective, the appointment of the most powerful local leaders to central organizations was also necessary to give them a stake in national affairs and, hence, to control them better.[30]

This policy made the level of local representation a controversial issue in the 1992 Party Congress. The reformers wanted to increase the provincial representation in the Politburo and the Central Committee. The conservatives, by contrast, wished to keep the level of provincial representation relatively low. The result demonstrated that no fewer than six provincial and municipal

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them. Maria Hsia Chang, "China's Future: Regionalism, Federation, or Disintegration," Studies in Comparative Communism, vol. XXV, No. 3, September 1992, pp. 215-6.

[29] This argument is made by Susan L. Shirk, "'Playing to the Provinces': Deng Xiaoping's Political Strategy of Economic Reform," Studies in Comparative Communism, vol. XXIII, nos. 3/4, Autumn/Winter 1990, p. 227.

[30] Yasheng Huang, "Why China Will Not Collapse," Foreign Policy, no. 99, Summer 1995, p. 61-2. His research shows that the political status of provincial officials limits their power. In 1991, for instance, the governor of Guangdong derailed Li Peng's proposal for tax hikes was widely interpreted as Guangdong flexing its economic muscle. However, in 1993, Guangdong's party leader accepted the same tax proposal. The difference lies in their political backgrounds. The former came from one of the politically powerful families, while the latter was a Politburo member.

leaders--from Tibet, Shanghai, Beijing, Shandong, Guangdong and Tianjin--were added to the Politburo. Similarly, the proportion of the Central Committee members drawn from the localities rose from 25 per cent at the 13th Party Congress in 1987 to 60-65 per cent at the 14th Congress.[31] Since the Central Committee serves the function of "electorate" to choose the Party leadership, the increasing number of representatives highly committed to economic development will secure the market-oriented reforms from retrogression.

Overall, the above analysis suggests a new form of interaction among elites after the 14th Party Congress. First, Deng has succeeded in securing the reformers' political base by placing key figures who are strongly committed to rapid economic growth in the Party-state organs and the PLA. Second, the recent tendency indicates that the reformers and the conservatives within the Party-state work together to support the collective leadership with Jiang Zemin and Li Peng at the core. Third, the interaction between the Party and the PLA thus far demonstrates great compromise and consensus on key policies.

The image of unity among the leadership is needed to prevent sociopolitical instability. Past experiences of disunity have given ample lessons to the Chinese leaders. These include the possibility that intra-elite division might permit assertive demands for political liberalization by society (e.g., student mobilization in late 1986 and student uprising in 1989), and that a divided leadership might invite the military to step in (as in the Cultural Revolution). However, the cohesion of the current political players (the Party, State, and the PLA) is unfavorable for democratization in the short term. This is particularly so because, theoretically, the ideal pre-transition situation for a

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[31] Harding, "On the Four Great Relationships'," p. 33.

regime-initiated democratization is characterized by the opening of intra-elite struggle within the regime.

B. Political Agenda in the 1990s

Chapter II has shown how the reforms conducted in Deng's era have contributed significantly to rapid economic growth. However, since the mid-1980s, serious problems have emerged from this socialist market system. The following discussion divides the economic issues confronting China during the remainder of the 1990s into two broad groups. The first group includes the problems that have a political impact on the capacity of the Party-state, while the second group covers problems that must be resolved in order to sustain China's high rate of growth.

1. Issues of the Waning Capacity of the Central Leadership

The first problem that constitutes a serious threat to the capacity and stability of the leadership is inflation. The economy of China under Mao was characterized by stable prices. The state controlled both the prices of products and the level of production. But as the state control was replaced by a gradual introduction of the market mechanism in the Deng era, China's economy has become more susceptible to inflation. As of 1995, with 90 per cent of the prices in retail sales determined by the market, the official rate of inflation was 15 per cent.[32] The figure is believed to be higher in the large coastal cities.

One condition which contributes to inflation is the loss of control of the central government over the money supply. Virtually every year the government

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[32]Rod Mickleburgh, "Chinese Embracing Capitalism with Vigour," The Globe and Mail, 10 February 1996, p. A8.

ends up expanding the money supply far more rapidly than it had planned. Local branches of the People's Bank of China and other specialized banks (agriculture, industry, etc.) are in theory subject to lending limits imposed by their superiors in the banking system. But, as part of the reform, the central government relaxed the previous system under which it directly specified the amounts of investment permitted and the enterprises that would receive the investment.[33] In all but a few cases of national priorities, these decisions were delegated to local levels.

Local authorities, then, use their autonomy to get the most benefits they can for local interests. They lean heavily on bank officials to lend money to their favored projects, most of which are designed to bring quick returns, such as hotels and light industrial, consumer goods plants. When bank officers prove reluctant to comply with these requests, the local Communist party committee uses its power to secure compliance. This is possible because, as one scholar points out,

> while the bank as a financial institution is under the jurisdiction of the next higher level bank, the bank's Communist party committee is directly under the authority of the Communist party committee of the locality in which the bank is located. The local party committee is not supposed to dictate business decisions to the bank. But since the party committee via its organization department *determines who will head the bank*, its influence over lending decisions is enormous.[34]

Therefore, the local banks tend to lend funds beyond their prescribed quotas. Since much of this money is given out on a political rather than

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[33] Lieberthal, Governing China, p. 270.

[34] Ibid. Emphasis added.

economic basis, the rates of default are high. Local banks then turn to the central government to provide the funds to keep them solvent and enable them to meet the obligations they continue to assume.[35] Because of this consideration and because the local authorities are quick to remind Beijing of the potential unrest if the government halts the local economic development, the central government has been forced to print new money. This creates the conditions for chronic inflation, as too much money is available to pursue too few goods.

The great concern about inflation made the state take firm measures in 1993. Under Zhu Rongji's austerity program, the state relied on administrative methods such as squeezing credit, forcing state employees to buy government bonds by means of payroll deductions, forcibly cancelling construction projects, and closing down development zones.[36] These attempts were unsuccessful for the following reasons. First, southern provinces as well as state industries objected to the squeezing of credit, because it raised the specter of economic slowdown and social unrest. Second, local banks which were ordered to recall improper loans they had made failed in most cases to meet the order. Only one-third of such loans were called in, mostly from the large-scale state enterprises whose profits went to the higher levels of the state rather than from the small-scale collective enterprises whose profits fund the local level of the state administration. Third, it became obvious that financial discipline had to be loosened since the State-owned Enterprises (SOEs) proved to be the ones

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[35] Ibid.

[36] Yumei Zhang, "China: Democracy or Recentralization," The Pacific Review, vol. 8, no. 2, 1995, p. 258.

which were hit hardest and many found themselves unable to pay their employees.[37] Fourth, Deng exhorted a "go-fast" policy again, which forced Zhu to suspend the government's anti-inflation policies.

The difficulties with managing the economy are further compounded by the phenomenon of corruption. Although it is difficult to measure the scale, a number of observers have come to believe that corruption in China has increased significantly. Corruption itself, as noted in Chapter II, is largely the result of a mixture of market and planned economy. In this system, those with political connections can buy scarce goods or raw materials cheaply from the state and then sell them on the open market at higher prices. It also reflects the extent of government officials' intervention in the economy in a way that makes it possible for them to demand bribes and other favours in return for access to licences, tax advantages, and rationed materials.[38]

In February 1995 intellectuals signed a petition to the National People's Congress (NPC), calling on the Congress to mount an all-out campaign against corruption.[39] For a brief period, Jiang Zemin was apparently set to make an attack on corruption as the basis for a claim to retain his position after Deng's death.[40] However, as the attack on corruption moved quickly out of the capital

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[37] Ibid. See also, Lieberthal, Governing China, p. 272.

[38] Harry Harding, "China at the Crossroads: Conservatism, Reform or Decay?," Adelphi Papers no. 275, March 1993, p. 44.

[39] New York Times, 26 February 1995.

[40] For example, Jiang forced a chairman of a massive conglomerate, who was a close confident of Deng, to resign suddenly. Shortly afterwards, Jiang's son, who is said to be a business partner of one of Deng's sons, was detained for investigation. In 1995, an even more notorious case surfaced with the news of the suicide of the vice-mayor of Beijing. He and others in Beijing were accused of having extracted bribes.

and spread into the provinces, Jiang discovered that "he risked putting in jeopardy supporters critical to his effort to retain his grip on the helm."[41] As a result, the campaign gradually waned. This, obviously, weakened the legitimacy of the regime in the eyes of society.

The grave consequences of Beijing's loss of control can be seen not only in domestic affairs but also far beyond the Chinese borders. In terms of domestic politics, one of the consequences has been the increasing social inequality which, in turn, threatens social stability. It has been reported that violent crimes, train robberies and the black market for selling and buying women and children are all rising steeply. In the meantime, as stated in Chapter II, there is an increasing number of peasants throughout the country who are subject to all sorts of abuses by corrupt local cadres. The peasants are getting so desperate that some of them have resorted to kidnapping, beating and even killing village officials.

In terms of regional and international politics, Beijing's ineffective control over local activities is worrisome. A case in point is an increase in arms sales from China to a potentially dangerous country, such as Iran. What has often worried the regional and international community is the fact that "the decentralization of trade, compounded by problems of *guanxi* [personal connection] and corruption, has meant that some transactions are carried out without the knowledge of the government."[42] This problem is aggravated by the fact that "[m]any weapon sales and purchases involving foreign suppliers or

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[41] John Bryan Starr, "China in 1995: Mounting Problems, Waning Capa Survey, vol. XXXVI, no. 1, January 1996, p. 18.

[42] Zhang, "China: Democratization or Recentralization," p. 261.

customers occur without specific approval from the CMC."[43] In this respect, an ineffective central government has generated potential disasters for both regional and international security.

2. Issues of Economic Efficiency

China, during the remainder of the 1990s, will confront significant problems in sustaining its economic growth. One study reveals that by the mid-1990s China could become a regular net importer of both food and energy.[44] This will not only mean the end of the export earnings from petroleum that have played a significant role in China's foreign trade, but will also increase substantially the country's import expenditure simply to maintain the supply of basic needs.

In the meantime, international trends suggest a strong possibility that China's exports will face greater trade barriers in the North American and European markets. China, therefore, has to join the newly-formed World Trade Organization (WTO) if the country is to reduce barriers to international trade. However, in order to participate in this institution China has to first dismantle its protectionist system. So far, the only progress worth mentioning is that in 1992 China signed a market-access agreement with the United States which specified the steps Beijing should take between 1993 and 1996 to make its market more open.[45]

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[43] W. Frieman, "China's Defence Industries," The Pacific Review, vol. 6, no. 1, 1993, p. 54.

[44] Lieberthal, Governing China, p. 260.

[45] Ibid.

This market-access agreement with the United States and China's intention to enter the WTO will create a number of problems in the future. First, there will be no protection for domestic, less competitive Chinese enterprises, especially those in the state sector of the economy. During the reform era, these enterprises have been protected from foreign competition and partly from internal competition. Upon entering the WTO, Chinese industry will have to abide by specific rules on transparency and non-state interference with markets.[46] Second, Beijing has to be able to impose conditionality to guarantee market transparency at the provincial and local levels so as to ensure compliance with international rules set up by the WTO.

With respect to China's regional economy, Beijing needs to devise ways to overcome the widespread problem of local protectionism. Informal coalitions between local authorities and enterprises, as explained in Chapter II,[47] have made the former protect their own economic units against competition from other localities. Such behaviour influences adversely the efficiency of the Chinese economy. Many cities reportedly protect local parts and components manufacturers by preventing large factories from procuring these goods from elsewhere. As a result, the country is unable to benefit from economies of scale and from appropriate levels of standardization. Thus, production costs remain far higher than necessary while the quality of the products might be less competitive. A case in point is the Shanghai and Shandong textile mills. The factories in Shanghai now must import much of their cotton from abroad, as

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[46] Gerald Segal, "Tying China into the International System," Survival, vol. 37, no. 2, Summer 1995, p. 65.

[47] For reasons of these informal coalitions, see Chapter II, pp. 48-50.

their traditional supplier, Shandong province to the north, insists on producing finished textiles from its own local cotton. Not surprisingly, Shandong textiles lack the quality and style of their Shanghai counterparts.[48]

Another problem faced by China since the mid-1980s has been the fact that the reform has over-emphasized the light industrial and consumer goods sectors. Local authorities and enterprises have particularly strong incentives to expand productions in these sectors because they require less capital and have a quicker economic returns. On the other hand, energy and resource sectors as well as the transportation sector are under-capitalized because they are more costly and provide slower economic returns than investment in the light industrial and consumer goods sectors. However, as discussed earlier, the vast expansion of capital in the light industrial and consumer goods sectors has caused a tremendous waste of national financial resources and has perpetuated the bottleneck problem. The already-scarce energy and resource materials coupled with the poor transportation system retard the economic potential of the light and consumer industrial sectors. This is demonstrated by the fact that due to the shortage of electricity, it is estimated that 20 per cent of Chinese industrial capacity is deliberately kept idle. Meanwhile, shortages in the transportation sector have caused a loss in industry valued at 100 billion yuan yearly.[49]

It is likely that in the long run, the unguided expansion in light and consumer industrial sectors will also bring about another detrimental effect.

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[48] Lieberthal, Governing China, p. 264.

[49] Baohui Zhang, "Institutional Aspects of Reforms and the Democratization of Communist Regimes," Communist and Post-Communist Studies, vol. 26, no. 2, June 1993, p. 167.

These sectors are usually labor-intensive and employ low-end technologies. The over-expansion will neither technologically advance the Chinese economy, nor make it a major power in the next century. This condition will be harmful to the economy since China's position as the low-cost producer is not secure over the long run. Wage rates along the Chinese coast have increased considerably since the late 1980s, and land prices are rising rapidly with a burgeoning real-estate market. In the meantime transportation deficiencies make shifting production to the interior provinces costly. All of these conditions point to the fact that China is gradually losing its attractiveness as a good place for foreign investment if it is compared to, for instance, Vietnam.[50]

China thus must follow the examples of its East Asian neighbours and begin marching up a technology ladder.[51] This requires developing the proper incentives for higher education and producing a research community which is closely tied to production processes. Included in this effort is changing current attitudes on the part of both elite and society toward education. During the reform era, education began to lose the high esteem in which it had been traditionally held. As one scholar describes it, "[t]he number of school dropouts increased once money became the standard for measuring success; families are willing to sacrifice their children's schooling if early employment is available."[52]

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[50] The five SEZs are reported to attract just $5 billion in foreign investment in 1995 or 13 per cent of the country's total foreign investment. In 1994, they attracted investments of $6.2 billion, making up 18 per cent of the national total. Meanwhile, the annual average since 1980 is about 20 per cent. Far Eastern Economic Review, 25 April 1996, p. 29.

[51] This point is suggested by Lieberthal, Governing China, p. 262.

[52] Link, Madsen, and Pickowicz (eds.), Unofficial China, p. 193.

Putting all this together, the picture shows that despite having survived the immediate crisis of Tiananmen, the Chinese leaders now face a series of interlocking socioeconomic and political problems. These problems may prove far more intractable than the democracy movement of 1989. With the capacity of the leadership gradually waning and with the possibility of the paralysis of the political system once the paramount leader dies, the forecasts about China's prospects in the post-Deng era are, by and large, pessimistic. However, to shed light on the question of China's prospects for the future, we need to know the measures taken by the leadership to deal with these grave problems.

C. The Future of China: Two-Phase Process of Transformation

In the face of such socioeconomic and political stresses and strains, no one can predict with any confidence the course China's political development will take after Deng's death. Nevertheless, we may venture a brief assessment of the possible political outcomes in China by examining recent phenomena.

1. Possibilities in the Short to Medium Term

One panel study commissioned by the Pentagon in 1995 reveals that most of the 15-20 participating China experts predicted that, for the first two years or so after Deng's passing, the country will be kept on course by a collective leadership. Subsequently, half the panel thought that the country will experience a "Soviet-style break-up" within seven years of Deng's death. Meanwhile 30 per cent of the panelists thought China will continue on its present course indefinitely, and 20 per cent predicted that Beijing will pursue

the path of liberal reform.[53] The report suggests that the break-up could proceed in five ways. China could move towards democratization, command socialism, the emergence of a nationalist strongman, regions breaking away from central control, or total collapse.[54]

However, this study believes that following the post-Deng succession, the Chinese leadership will not make any attempt towards democratization. China will also neither collapse nor fragment geographically. The fact that China is unlikely to proceed along these paths is based on the following reasons. First, the conducive opening context for democratization--elite disunity--is not present in China. So far, the current national elite emerging from the 14th Congress has been able to maintain its cohesion. The central leadership will do everything possible to sustain this cohesion because the elites should appear solid and strong in the post-Deng era for the reasons of domestic stability mentioned in section A.

Second, viewed from the socioeconomic perspective, a prospect of immediate democratization after Deng's death is unlikely. A democracy requires a high degree of both elite and societal political awareness and widespread popular participation. This cannot be realized in a society in which the vast majority of the population is still engaged in a struggle for material existence. Kitching puts the case strongly when he argues that

> it is impossible to construct meaningfully democratic societies in materially poor societies, because of the need for people in poor societies to bend both physical and intellectual efforts either to

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[53] Nigel Holloway, "For Whom the Bell Tolls," Far Eastern Economic Review, 2 February 1995, p. 15.

[54] Ibid.

> mere survival or to the attainment of a minimal degree of security and upward mobility in a sea of poverty.[55]

Immediate democratization is even more unlikely if one considers the problems faced by the leadership. China's size and the magnitude of its social and economic problems are simply too great for the government to consider relaxing its political power. A democratic political system that allows pluralism of ideas and divergence of interests may only exacerbate the government's attempts to solve these problems.

Third, viewed from political culture dimension, the working conclusion in Chapter III suggests that there are some potential difficulties if China's political system begins to democratize. These difficulties point to the fact that the political cultures of both elite and society are still essentially parochial cultures, in the sense that their political orientations encompass authoritarian aspect of Confucianism as well as materialist issues.

Fourth, based on the above reasons, "fundamental political pacts" as emphasized by O'Donnell and Schmitter[56] between the reformers within the regime and the moderates within opposition institutions are not possible. On the one hand, the reformist leaders within the regime have not given any sign that they will open further China's political system. They clearly tolerate the present authoritarian political system which includes the use of repression to maintain

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[55] Gavin Kitching, Rethinking Socialism: A Theory for a Better Practice (London: Methuen, 1993) pp. 49-50, cited in Gordon White, "Democratization and Economic Reform in China," The Australian Journal of Chinese Affairs, no. 31, January 1994, p. 82.

[56] O'Donnell and Schmitter, "Tentative Conclusions...," in O'Donnell, Schmitter and Whitehead (eds.), Transition from Authoritarian Rule, p. 19.

internal stability and stricter control over the media.[57] On the other hand, it is equally unlikely that important societal forces will emerge to create a strong civil society for the reasons discussed in Chapter III.[58]

It is also unlikely that the scenarios which suggest the collapse of the Party-state and China's descent into regionalism will take place. There are a number of arguments which support this assertion. First, the possibility of an East European or Soviet Union-style collapse is dim. There are substantial differences between the Chinese and East European political situations. One of them is the nature of the party. While most of the East European parties were foreign transplants, the CCP has an independent national history and is much more deeply rooted in society, particularly in the countryside where the vast majority of the population lives. Another point is that China lacks a tradition of a strong civil society and prior experience with democratic governance, two factors that facilitated the replacement of the ruling parties of Eastern Europe. In addition, although there are separatist forces demanding change, the fact that China is composed of 90 per cent of ethnic Han means that this issue cannot be compared to the ethnically-based nationalist groups which have torn apart the Soviet Union. Moreover, the economic impact of the reforms in China has been impressive, unlike East Europe and the Soviet Union, where they came too little or too late.[59]

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[57] See, for example Matt Forney, "Signs of Struggle," Far Eastern Economic Review, 1 February 1996, p. 14; and Far Eastern Economic Review, 7 March 1996, p. 26.

[58] See, Chapter III, pp. 94-6.

[59] White, "Democratization and Economic Reform in China," p. 90.

Second, although the civilian central leadership appears weak, the Party still commands powerful organizational resources they developed to govern the communist system, namely control over top official appointments and over the substantial coercive resources. The Politburo Standing Committee still appoints and dismisses members of the Party Central Committee (the body which elects the main organs of the Party) and top leaders in the provinces. The Party also reigns over the PLA's crack units that are loyal to Beijing and can be called in if necessary. These units receive better equipment, higher pay, and superior training than other units within the PLA, and their officers are trusted by the central leaders.[60] Besides, the central leadership has two civilian security agencies which reach down to the basic levels, namely the public security system and the state security system. The public security system is by far the larger, but it is quite decentralized. The state security system, which became a separate agency in the 1980s as a vehicle to fight espionage, has remained highly centralized but it has developed a nationwide "reach."[61]

Third, Beijing does not rely on force alone. Despite reform, the central government retains significant leverage over the country's economy through the allocation of certain economic resources. The resources include "a portion of the energy supplies, a share of scarce raw materials, government investments, loans from foreign governments and international agencies, and central budgetary subsidies"[62] that are vital for most of the provinces. These allocations

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[60] Lieberthal, Governing China, p. 317.

[61] Ibid.

[62] Harding, "On the Four Great Relationships'," p. 35.

are determined by negotiation between the central government and provincial leaders that may include many other issues in central-provincial relations.

Fourth, the central government is also a source of expertise on economic development issues. As has been emphasized, local leaders have engaged in the expansion of their light and consumer industrial sectors. Meanwhile, pressures are mounting for many locations to develop higher technology industries in the face of domestic and international competition. However, according to Lieberthal, "the Center still has a significant edge in areas of advanced research, and thus many local authorities seek technical and other assistance from the Center as they try to march up the technology ladder."[63]

Fifth, the central government can also wield some more conventional macroeconomic tools. Beijing can control growth by cutting back sharply the money supply, as it did in 1989. The central government is also able to establish the regulatory environment by manipulating, for example, import tariffs, nontariff trade barriers, exchange-rate rules, taxation of state enterprises, and rules governing foreign direct investment.[64] Although there are considerable risks in the enforcement of many of these policies, this list shows that the central government is capable of substantially influencing the economy in terms of the central-provincial relationship.

Finally, if all else fails, the central government can also dispatch top offficials or special work teams to particular places to investigate problems and rectify local actions. These teams may conduct investigations that result in the imposition of fines, dismissal of officials, and the prosecution of offenders. This

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[63] Lieberthal, Governing China, p. 318.

[64] Ibid.

has recently been proven by the on-the-spot dismissal by Zhu Rongji of the first secretary of the Party committee of Hubei province because of his defiance of Beijing's directives.

These resources combine to provide the Party-state with strong leverage in the system. Based entirely on these strengths, the post-Deng leadership will proceed toward further modernization in the short to medium term. The role of the state is crucial because China in the remainder of this decade and into the next century will face what White has termed a double challenge: a developmental task of organizing economic modernization and improving welfare in a large, complex and poor society, and a systemic task of changing the previous state-socialist system of directive planning into some form of market economy.[65]

The experience of Eastern Europe and the Soviet Union has suggested that the latter task can be economically destabilizing and politically disruptive.[66] Given these inherent difficulties, transformation of the economy will require a strong state. A strong state is needed to enforce a regulative framework for solving developmental problems, a step that is not always popular in the eyes of society. Such a strong state is also needed to counter opposition and manage social conflicts derived from the increasingly complex economy.

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[65] White, "Democratization and Economic Reform in China," p. 80.

[66] This is not only because of the economic difficulties in moving from a socialist command economy to a market economy, but also because of political difficulties which derive from the opposition of both the conservatives and society at large. In the socialist command economy, society is accustomed to the provision of non-market benefits such as subsidized prices, job security and welfare services. Therefore, its members are reluctant to support the market economy system since their security will be threatened. Ibid.

This, of course, is not to suggest that China should return to a centrally planned economy and totalitarian political system. Rather, a more plausible variant of this scenario is that China will implement more comprehensive economic reforms but will combine them with tighter controls over both political and economics issues. Such measures which include the anti-crime campaign in the political realm, and the reimposition of price controls on a number of staple food products, the tightening up on credit, and the clampdowns on luxury building projects in the economic realm have already begun to be implemented.[67]

This authoritarian approach may be favored by the post-Deng regime since there is a trend in the international world to separate politics and economics when dealing with China. Recent evidence shows that despite street protests in Paris denouncing Beijing's policies on Tibet and Taiwan, Premier Li Peng, on his visit to the city, could easily downplay the protests and sign contracts worth $2 billion with French firms. On this occasion, Beijing also allowed France to reopen its consulate in Guangzhou after France promised not to make the Chinese uncomfortable by raising human-rights issues.[68]

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[67] Mickleburgh, "Chinese Embracing Capitalism with Vigour," p. A8

[68] This stand is taken by France because its relations with China soured after 1992 when France sold Mirage fighter bombers and frigates to Taiwan. By taking this position, France follows in the steps of Germany which initiated the policy of separating trade and politics. The European Commission in Brussels has reportedly encouraged European countries to follow the German and French lead. Meanwhile, although European governments have joined the U.S. in proposing a resolution in the United Nations that condemns China for abusing human rights, in general, the European Union says that it is better to voice human-rights concerns in private. Shada Islam, "It's a Deal," Far Eastern Economic Review, 25 April 1996, p. 16.

At the same time, the pressing need for strengthening political institutions is inevitable as the national economy grows. First is the rule of law. The reformers within the elite have become increasingly aware of the critical importance of the rule of law as a foundation for sustained economic reform. They recently accelerated efforts to institutionalize it. One scholar has documented that since March 1993 China's legislative body, the National People Congress (NPC), acting under new leadership has given a new urgency to legal reforms. For example, its chairman identified as the top priority:

> the enactment of laws protecting property rights, maintaining openness and competition in the marketplace, strengthening the state's capacity for macroeconomic control, and providing a social safety net.[69]

This development was also reinforced by the national Justice Minister's statement which declared that :

> the legal system must be developed simultaneously with the market economy in order to safeguard the autonomy of the market, enforce contracts, and maintain market credibility, competition, integrity, and compliance with international standards.[70]

Additional evidence that points to the increasing attention to the rule of law were the enactment of the Administrative Litigation Act in 1990 and the enforcement of contracts. Under this Act Chinese citizens are allowed to sue the government for administrative action deemed illegal. Official data to date shows that a significant portion of the suits that were filed against the

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[69] Minxin Pei, "'Creeping Democratization' in China," Journal of Democracy, vol. 6, no. 4, October 1995, p. 70

[70] Ibid.

government had to do with private property rights and economic freedom.[71] This development signals a promising trend of citizens becoming politically active. In concert, these developments mark significant progress toward the laying of an institutional foundation for a market economy and constitutional government.

The second institutional change is the increasingly important role of the NPC in the political arena. Traditionally, NPC leadership positions were given to aging officials as consolation posts before retirement. Now, these positions have been given to younger officials with real power.[72] Also, in the past, the NPC's approval of the government policies was always automatic in the sense that the NPC used to rubber-stamp key decisions made by the government. But, events at the NPC session in 1995 witnessed the largest number of deputies than ever who either voted against, or abstained on, key government-sponsored legislation. These included situations in which:

> A third of the deputies voted against or abstained during the passage of the Central Bank Law (draft), feeling that the law would give the State Council too much power over the Central Bank and the country's monetary policy. A quarter of the deputies refused to endorse the Education Law (draft). About 20 percent of the deputies did not approve the reports of the Supreme Court and the Supreme Procurator's Office.[73]

Another development is that, beginning in 1988, provincial and municipal People's Congresses have succeeded in electing their own candidates for key

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[71] Sample cases and statistical data are detailed in ibid. p. 69.

[72] The chairman, Qiao Shi, is a member of the Politburo Standing Committee and is one of the most powerful men in the country. His two deputies, Tian Jiyun and Wang Hanbin, are full and alternate members of the Politburo, respectively. Huang, "Why China Will Not Collapse," p. 61.

[73] Ibid., p. 72.

local government positions (e.g. deputy mayorships and deputy provincial government) and defeated those designated by the CCP.[74] These changes, perhaps, constitute only minor steps towards the democratization of China. However, they should not be ignored as they represent progress toward political tolerance, an attitude which is fundamental to democracy. In the long term, there is a possibility that due to the generational changes, pressures from society, and a rise in the educational levels of the deputies, the NPC will move towards a more independent role, capable of performing the function of checking and balancing the power of the Party-state.

The third institutional change has taken place in rural areas. It has been indicated in Chapter II that rural reforms have led to a deep erosion of the institutions and authority of the Party-state in the countryside. This decline, along with the ineffectiveness of the CCP's affiliated organizations (e.g. the Youth League and the Women's Organization), has led to the growing crisis of governability due to the deteriorating relations between rural cadres and the peasantry. As a consequence, starting from the mid-1980s, there have been numerous reports of various forms of peasant resistance against rural cadres. Two main factors contributing to this crisis are the massive corruption of local officials and the arbitrary imposition of taxes and fees for which the peasants receive no government-provided services and over which they exercise no control.

This situation has greatly alarmed the central leadership. Hence, in November 1987 the NPC passed the Organic Law of the Villagers' Committees of the PRC. The passage of this law formally endorsed the formation of the

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[74] For details, see Pei, "'Creeping Democratization' in China," p. 71

spontaneously-formed Village Residents' Associations (VRAs) and Villagers' Committees (VCs) which, since 1982, have existed as grassroots civic organizations. Although the political repression following the Tiananmen incident in 1989 temporarily slowed the pace of the expansion and institutionalization of this form of village self-government, the momentum resumed in 1992. By the end of 1992, all 30 provinces had begun to experiment with village-level self government, with 59 counties and municipalities chosen as "demonstration jurisdictions."[75]

The experiments showed some encouraging signs of grassroots democratization. As Minxin Pei noted:

> Voter turnout was high: samples from seven provinces show a rate of about 90 percent. Many villagers appeared to take these elections seriously. The level of competition varied across regions. In some areas, competition was fierce, with many candidates running against one another. In other areas, elections were uncontested. An indication of the openness of the elections was that non-CCP candidates won about 30 percent of the chairmanships of VCs in demonstration jurisdictions in three provinces. In some cases, the CCP incumbents were defeated when running for reelection. Data from eight counties and municipalities in five provinces show that non-CCP individuals account for an average of 40 percent of the VC members.[76]

Regarding the effectiveness of the VCs, the Chinese press has reported extensively on how freely-elected VCs were able to restore law and order, implement government policies, and provide social services to rural residents.

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[75] Ibid., pp. 74-5.

[76] Ibid., quoting China Rural Villagers' Self-Government Research Group and the Chinese Rsearch Society of Basic-Level Government, Study on the Election of Villagers' Committees in Rural China: Main Report (Beijing: Chinese Social Science Publishing, 1993), pp. 76-7

The most important results of this process were Beijing's commitment to democratize the countryside by 2000, the establishment by elected village officials of a transparent system of fiscal accounting, and the holding of public discussions and village referendums on proposals for major public expenditures.[77]

Yet, overall the gains in grassroots democratization in Chinese villages have been meager. In some villages, elected VCs have wide popular support and are effective. In others, they have been dominated by one or two large clans. However, this development shows, at least, that the peasantry can be motivated to increase their level of participation. The maturation of the rule of law, the NPC, and village self-government, therefore, are important in the gradual process of democratization in this evolutionary authoritarian route.

2. Possibilities in the Long Term

Changes in the socio-economic, cultural and institutional realms combined with the passing of revolutionary leaders and the emergence of a new generation of pragmatic-technocratic elites will gradually reduce the autocratic-Confucian type of governance which has prevailed in China for two millennia. The lack of dominant figures with traditional charisma will also motivate the post-Deng leaders to rely upon their own capabilities and, increasingly, institutional rules and legal norms. This brings us to the issue of elites choosing to adopt democratization as the possible course in the future.

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[77] Ibid., p. 76. See also Lincoln Kaye, "Flourishing Grassroots: Village-Level Democracy Blooms," Far Eastern Economic Review, 19 January 1995, p. 23.

There are two kinds of democratization that are likely to emerge in the next century: top-down democratization and pact-making democratization. Similar in nature in that they are initiated by the regime, these types of democratization are differentiated by some important factors as shown below. The first type is a top-down democratization. An authoritarian regime for various reasons may initiate gradual democratization of the political system while still maintaining control over the scope and speed of the process. The cases of democratization in South Korea and Taiwan provide examples. Although this type of democratization may not immediately result in democracy, as the regime may suspend the process, one study has shown that when certain conditions exist a stable democracy may be attained.[78]

One of these conditions is that an authoritarian regime should enjoy wide support from the society. Only with wide support can a regime, particularly its conservative element and the military, have confidence that their political interests will still be secured under a new system. Societal support usually depends on whether the regime can perform successfully in economic development and in improving the living standards of the population.[79] Another condition that is crucial for a successful top-down democratization is that a regime must be able to maintain strong control over the process. If a democratization process gets out of control, it can quickly assume a populist nature and undirected mass participation will greatly increase. The conservatives within the regime and the military will most likely try to suspend or

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[78] Zhang, "Institutional Aspects of Reforms and ...," p. 179.

[79] Ibid.

even reverse the process because they believe that their basic interests will not be protected.[80]

China in the long term is likely to take the path of top-down democratization. Due to the irresistible internal pressures generated within an economically and culturally advanced society and the external pressures resulting from international economic interdependence, China may try to co-opt the unrest by making preemptive political reforms. The leaders may try to establish a pluralized political system with a free press and multi parties but still maintain the hegemony of the CCP which would exert strong leverage in a market economy. Relatively strong state institutions could be maintained under this type of transition system and could effectively tackle the socioeconomic problems of the country.[81]

The second type of democratization is a pact-making democratization. This type particularly emphasizes the central role of fundamental political pacts between elites, which explicitly define the rules of the game during and after a transition. This type of democratization is believed to have greater chances of survival because the pacts result from prolonged negotiations between reformist elites within the regime and moderate elites within the opposition. Such pacts "usually restrict the scope of direct mass participation during the transition stage and so lessen the fears of authoritarian elites and their incentives to

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[80] Ibid.

[81] This type of governance is known as Asian democracy or soft authoritarianism. The countries which have practiced the soft authoritarian system are, for example, Indonesia, Singapore and Malaysia.

reverse the transition process."[82] The best example for this type of democratic transition is the democratization of Poland in 1988-1989.

Pact-making democratization, therefore, requires some conditions which are crucial for democratic transition. The first condition is the existence of a strong institutional opposition (e.g. influential political forces outside the establishment) or a fully-fledged civil society capable of making some compromises. The second condition is the ability of the elites to exclude the mass from direct participation in the transition process, especially during the pact-making stage. And the third condition is the ability of opposition elites or the civil society to impose these pacts on the population.[83]

It seems that China will be less likely to adopt this type of democratization. For one thing, it does not guarantee that the CCP will remain in power. There is always a possibility that the opposition or representatives of civil society will win a democratic election. For another, it is hard to imagine that either opposition forces or a strong civil society will be allowed to challenge the hegemony of the CCP. This, however, is not to suggest that it is impossible for this kind of democratization to take place in China.

Either way, it would be misleading to suggest that Chinese democracy will fit into the Western definition of liberal democracy, with its emphasis on competitive elections and maximum participation by the citizenry. Rather, because of its political culture and the overwhelming problems the country faces in economic development and nation building, Chinese democracy will

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[82] Baohui Zhang, "Corporatism, Totalitarianism, and Transitions to Democracy," Comparative Political Studies, vol. 27, no. 1, April 1994, p. 111.

[83] Ibid., p 112.

capture certain characteristics of liberal democracies without abandoning the present system's strong state, authoritarian components. This combination may work effectively in the context of Chinese society since Confucianism, as indicated in Chapter I, can be viewed as both supportive and nonsupportive of democracy, in the sense that "with its stress on hierarchy and reverence for those in power, Confucianism favors authoritarian rule but in its emphasis on harmony, stability, and consensus, it fosters democracy."[84] Thus, if the above analysis is valid, the democracy that will emerge in China in the long term will be a Chinese democracy characterized by, among other things, communitarianism rather than individualism, and a dominant political party rather than a competitive multi party system.

[84] Clark D. Neher, "Asian Style Democracy," Asian Survey, vol. XXXIV, no. 11, November 1994, pp. 949-61.

CHAPTER V
CONCLUSION

This thesis has sought to explore the post-Mao reforms and the prospects for democracy in China. While it is difficult to form any definitive conclusion about the likelihood of democratization in China, this thesis argues that due to China's socioeconomic conditions, political culture, and elite politics, the country's route to democratization will consist of two phases. In the first phase (the short to medium term) the regime will persist in its authoritarian type of political governance while continuing to implement more market-oriented economic reforms. However, as the economy grows, the regime will be unable to resist the pressing need to develop China's political institutions commensurate with the country's expanding economy. Pressures for improvements in the political system, when combined with changes in socioeconomic conditions and changes in political values and attitudes will eventually give rise to demands for democratization in the second phase (the long term).

It has been indicated that the post-Mao reforms have shifted the balance of economic power from the central government to the private sector and the local level. This shift has been made possible by the decentralization of economic decision-making including decision making with regard to foreign trade, the decentralization of fiscal policy, and the diversion of human resources from the state sector to the private sector. One consequence is the increasing assertiveness of the private sector, and particularly the local leaders, in

promoting their economic interests. The private sector as well as the local leaders can, for example, lobby effectively for favorable decisions and can evade central policies they dislike.

The reforms have also eroded the capability and legitimacy of the Party-state. This has led to the decline of the communist ideology on which the Party is based, the deterioration of the Party's control over the daily life of society, and blatant official corruption. These phenomena, coupled with the shift in the balance of economic power, make it possible for an incipient civil society to flourish fostered by the spread of a market-oriented economy.

Many people expect that China's nascent civil society will develop following the direction of its counterparts in the East European countries. However, the Tiananmen crackdown in 1989 has made it obvious that the Party-state views democratization attempts as obstacles to domestic stability and economic development. Indeed, for two years or so after the Tiananmen crisis, the Party-state reverted back to a more authoritarian form of governance. Amidst the decline of ideology as a basis of the Party-state's legitimacy, the conservative members within the regime resorted to the parochial characteristics of Confucianism in order to guarantee the internal stability necessary for economic growth. In this way, for the reasons discussed in Chapter III, the Party-state has been capable of dominating or co-opting China's civil society and thereby severely limiting its growth.

The fact that China's civil society has been prevented from becoming autonomous by the Party-state is also reinforced by the fact that there are parochial characteristics which exist in the political culture of society. These include such attitudes as feeling of dependency, low levels of political tolerance

and low levels of political efficacy. In combination, these attitudes produce a dependent and politically indifferent civil society. Under these circumstances, it is difficult to project that China's civil society will play a more important political role in the near future.

Briefly put, the most important political impacts of the post-Mao economic reforms include the shift in economic power from the state to society, the deterioration of the capability and the legitimacy of the Party-state, and the presence of a state-led civil society. Consequently, in order to assess the implications of the reforms for China's democratization, attention should be paid to the national elite since they still play a decisive role in the political sphere despite their waning authority.

One important fact worth noting is that the Chinese leadership is arguably more stable today than at any other time in the 47-year history of communist China. To be sure, there exist differences of opinion among the elite over policies in several areas, but they are not of a deeply divisive nature. The politics of compromise seemingly exist. In this way, following the studies of O'Donnell-Schmitter and Higley-Burton, elite cohesion precludes the prospect of any moves towards democratization in the short term.[1]

In the meantime, the national elite will have to confront various challenges in the coming years. These challenges revolve around the questions of how to secure the authority of the central government *vis-a-vis* the localities, how to make the economy more efficient, and how to complete the transition from a planned economy to a market-based economy. Considering the magnitude of the country's problems, in order to cope with them the government

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[1] See Chapter I, pp. 20-1.

needs to be strong both politically and economically. This proposition provides support for the argument about China's evolutionary authoritarian route to democratization put forward in the theoretical chapter of this thesis.

Thus, in the first phase, which has been under way over the past decade and is likely to continue in the short to medium term after Deng's death, the Chinese leaders will not make any significant moves toward democratization. For the reasons discussed in Chapter IV, immediate democratization may further weaken the capability of the Party-state to solve China's mounting problems. Rather, the leadership will concentrate on further economic reforms and, to a lesser degree, specific political reforms. This is so because without effective economic reform, not only will the authority of the Party-state continue to decrease, but also the rapid economic development will be affected adversely. At the same time, without further adjustments to the political system, especially the development of a legal framework and the creation of institutions responsive to the needs of society, the political capability of the Party-state will continue to decay.

Therefore, within the first phase of evolutionary authoritarian strategy, marketization will proceed further, partly because the Party-state is staking its credibility on the successful outcome of economic development, and partly because continuing marketization is the only possible way for China to democratize. During this phase, it is likely that the Party-state will implement conservative measures, characterized by the reimposition of administrative controls over the economy and society. These measures have, to some extent, been implemented during the 1990s. However, one observer sees that "in general these conservative measures will be stronger in politics than in

economics, but will have limited impact on either sphere. Neither a return to central economic planning nor the revival of totalitarianism will be possible."[2]

Finally, how can the first phase of transition to democracy be linked to the second phase? First, let us consider the preconditions for China's political liberalization which are supposed to be achieved in the first phase of transition. The first of these is the attainment of economic prosperity by a significant portion of Chinese society. As these people will no longer be preoccupied with the pursuit of economic goals and will feel more secure about their material needs, there will be changes in their sociopolitical and cultural based attitudes. In these circumstances, it will be more likely that post-materialist issues of civil rights and political participation will arise from below since the majority of the members of Chinese society will be no longer satisfied with the state of political inertia.

Second, the nature of the Chinese leadership will be more independent in the sense that there will be no dominant strongman to interfere in the policy-making process. This point is supported by the fact that, to date, there is no indication that a single prominent leader will emerge from the pool of Deng's potential successors and play a dominant role. However, if this were the case, obviously the future strongman "will have significantly less power and fewer political resources at his disposal than did Deng Xiaoping, who in turn has had significantly fewer power resources than Mao Zedong."[3] Hence, it is highly

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[2] Harding, "China at the Crossroads...," p. 48.

[3] This argument is suggested by Bachman, "The Limits on Leadership in China," pp. 1046-62. He measures the qualification of three generations of leaders in China according to their power resources. The power resources include such values as experience, history, military support, charisma, vision, self-confidence etc.

likely that the political system will be more institutionalized in the sense that it will be governed by rules and that it will limit the individual leader's power.

Third, economic advancement will prompt other political sources--such as civil society or a free press--to play their role effectively. Governing an increasingly sophisticated society, the Party-state will need some checks and balances to enable them to keep the economy growing, to solve developmental problems, and to prevent potential sociopolitical upheaval.

Only when these minimum preconditions are met, will either top-down democratization or pact-making democratization be possible in the second phase. The basic purpose of each will be to break the deadlock in China's socioeconomic and political problems, by designing a system of political democracy capable of accommodating the complexities of a full-fledged market economy. The most likely type of political democracy which will emerge in the long term--twenty years or so after Deng's death--will be a form of democracy along Asian lines with a competitive political system that might still be dominated by one hegemonic political institution. This "Chinese democracy" will be accompanied by a capitalist economy with a significant degree of state involvement and a society permeated throughout by paternalistic networks.

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