

2010

Adaptable Ideology and Policymaking in Contemporary China: A Case Study of the Government Response to the Rich-Poor Gap

Gary Stephen Andrasko
Seton Hall University

Follow this and additional works at: <https://scholarship.shu.edu/dissertations>

 Part of the [Asian Studies Commons](#), and the [Economic Policy Commons](#)

Recommended Citation

Andrasko, Gary Stephen, "Adaptable Ideology and Policymaking in Contemporary China: A Case Study of the Government Response to the Rich-Poor Gap" (2010). *Seton Hall University Dissertations and Theses (ETDs)*. 507.
<https://scholarship.shu.edu/dissertations/507>

**ADAPTABLE IDEOLOGY AND POLICYMAKING IN
CONTEMPORARY CHINA:**

**A CASE STUDY OF THE GOVERNMENT
RESPONSE TO THE RICH-POOR GAP**

BY

GARY STEPHEN ANDRASKO

B.S, UNIVERSITY OF ALABAMA, TUSCALOOSA, AL, 1975

A THESIS

SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS

FOR THE DEGREE OF MASTER OF ARTS

IN THE DEPARTMENT OF ASIAN STUDIES

SETON HALL UNIVERSITY

SOUTH ORANGE, NJ

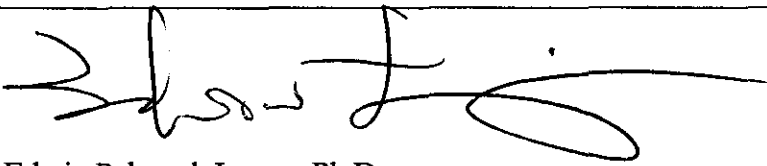
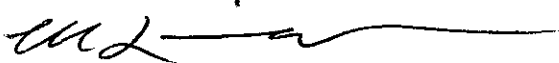
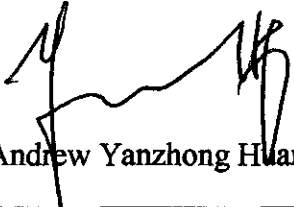
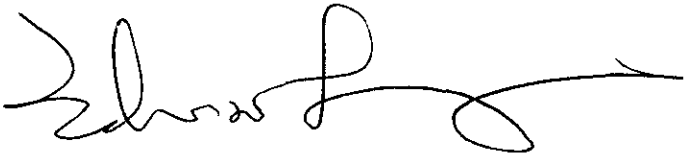
MAY 2010

ADAPTABLE IDEOLOGY AND POLICYMAKING IN CONTEMPORARY CHINA:
A CASE STUDY OF THE GOVERNMENT RESPONSE TO THE RICH-POOR GAP

THESIS TITLE

BY

Gary Stephen Andrasko

APPROVED:	MONTH, DAY, YEAR
 Edwin Pak-wah Leung, Ph.D _____ MENTOR (First Reader)	<u>4/14/2010</u>
 Michael Linderman, Ph.D _____ EXAMINER (Second Reader)	<u>4/28/10</u>
 Andrew Yanzhong Huang, Ph.D _____ EXAMINER (Third Reader)	<u>4/15/10</u>
 Edwin Pak-wah Leung, Ph.D _____ HEAD OF DEPARTMENT	<u>5/10/10</u>

A THESIS SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF MASTER OF ARTS IN THE DEPARTMENT OF ASIAN
STUDIES AT SETON HALL UNIVERSITY, SOUTH ORANGE, NEW JERSEY.

SETON HALL UNIVERSITY

ABSTRACT

**ADAPTABLE IDEOLOGY AND
POLICYMAKING IN CONTEMPORARY CHINA:
A CASE STUDY OF THE GOVERNMENT
RESPONSE TO THE RICH-POOR GAP**

by Gary Stephen Andrasko

Chairperson of the Supervisory Committee: Edwin Pak-wah Leung, Ph.D
Department of Asian Studies

The last 150 years of Chinese history have been marked by major events that can be traced to conflicts arising from wide divisions in class structure. Inequities between peasants and landlords in the nineteenth-century were a core factor in the Taiping Rebellion. In the twentieth-century similar factors were used as a rallying issue in the Communist Revolution. Current economic indicators illustrate a growing disparity in income and living standards between China's eastern coastal provinces and those in the interior of the country. In 1985 urban Chinese earned 1.9 times as much as people in the countryside, home to a majority of the population. By 2007, urban dwellers earned 3.3 times as much as their rural counterparts. Continued stratification of rich and poor raises the possibility of increased social tensions and a possible test of Communist Party rule. Due to the connection between income disparity and social conflict, we may anticipate that these issues will remain a focus of the Chinese government.

Will China's efforts to effect a more even distribution of economic benefits result in greater democratization? Does its modernization model fit into a theoretical construct? What do policies developed to combat the rich-poor gap indicate about China's current and future governing style?

In order to meet the needs of the last thirty years of modernization and to maintain its political legitimacy and relevancy, the Chinese Communist Party has demonstrated a high degree of adaptability in shaping and re-shaping its ideological foundation. The thesis of this paper argues the CCP continues to adapt its ideology to maintain alignment with policies designed to combat the current rich-poor gap. Though the concept of adaptable ideology is not unique to this paper, the academic contribution is found in updating prior scholarship with current data related to rich-poor gap policy initiatives.

KEYWORDS: China Economic History, China Political Theory, China Rich-Poor Gap, Democratization, Modernization

Table of Contents

<i>Acknowledgements</i>	iv
<i>Introduction</i>	1
<i>Chapter One: Historical and Ideological Framework of Modernization</i>	8
1.1: History and Background	8
1.2: Shifting the Ideological Focus	11
1.3: Modernization Policy	19
1.4: Creating the Gap	21
1.5: Current Situation	24
1.7: Harmonious Society	28
1.5: Summary	30
<i>Chapter Two: Theory and China's Modernization</i>	33
2.1: The Broad Context: Modernization Theory	33
2.2: Connecting Economic Reform to Political Reform	37
2.3: Chinese Exceptionalism	41
2.4: Potential Governing Models	44
2.5: Summary	47
<i>Chapter Three: Case Studies</i>	48
3.1: Case Study Methodology	48
3.2: Reforming the <i>Hukou</i> System	49
3.3: The Property Law of 2007	53
3.4 Regional Development	57
3.4.1: "Go West"	58
3.4.2: Revitalization of the Northeast	62
<i>Chapter Four: Analysis of Data</i>	67
4.1: <i>Hukou</i>	67
4.2: Private Property	70
4.3: Regional Development	72
4.4: Summary	74
4.4.1: Central Planning or Market Driven Analysis	74
4.4.2: Ideological Shift Analysis	78
<i>Chapter Five: Conclusions</i>	81
<i>Sources Consulted</i>	90

ACKNOWLEDGEMENTS

Though a project such as this one bears the name of a single author, it is impossible without the aid and support of many other people. First and foremost among those people is my mentor, Dr. Edwin Leung, who has patiently guided me through the thesis process. My readers, Dr. Michael Linderman and Dr. Andrew Huang have my deep gratitude for graciously accepting a time consuming task and for providing valuable feedback on both content and structure. Outside of my review committee, I thank Br. Kevin Tidd, O.S.B., Ed.D, of St. Mary's Abbey-Delbarton for his advice on review of scholarly literature.

Within the Seton Hall Asian Studies community, I extend my appreciation to Dr. Deborah Brown for making time during what amounts to her sabbatical to discuss ideas and concepts. To Dr. Shigeru Osuka, a special "thank you" for re-admitting an old, reread graduate student back into the program. Dr. Xue-Ming Bao, our Asian Studies Librarian, was particularly helpful in critiquing my original outline and providing guidance on research. As I initially started this program in 1977, I would be remiss if I did not recognize two people who were instrumental in my maintaining an interest in Asian Studies - the late Rev. Dr. Frank Podgorski and Dr. W. Scott Morton. Both were gifted, engaging teachers and both kindly assisted me in designing an Asian Studies course in my former teaching days at West Orange High School.

Finally, my family deserves special recognition. My wife Jo Ann has been my chief supporter and has tolerated my strange hours of research and writing without complaint. My daughter Catherine has been unflagging in her encouragement even as she anxiously awaited news of her own graduate school admission, and my son Joseph

(UVA-Darden, MBA'11) found time for weekly "How you doing?" calls from Charlottesville along with providing a couple of impromptu tutorials on "macro-economics for dummies."

To all, my heartfelt thanks for helping me complete a very special task on my "Life's To-Do List."

In memory to:

My parents, Stephen (1910-2002) and Dorothy DuPrey Andrasko (1920-2007)

“Observe the bent of a man’s will when his father is alive and his actions after his father is dead. If during the three years of mourning he does not swerve from his father’s principles, he may be pronounced a truly filial son.”

My friend and mentor, Ronald Ray Robel, Ph.D (1934-2007)

“To learn and to practice on occasion what one has learned – is this not true pleasure? The coming of a friend from a far-off land – is this not true joy?”

"There are no facts, only interpretations."

· - Friedrich Wilhelm Nietzsche

Introduction

“The more China opens its markets, the more it unleashes the power of economic freedom, the more likely it will be to liberate the human potential of its people.” – U.S. President Bill Clinton, October 10, 2000.

Attempting to predict the future is a pursuit that is often described as something between an “inexact science” and a “fool’s errand.” As an illustration, anyone holding an investment of any kind is probably familiar with the disclaimer that states: “Past performance is not an indication of future results.” Given the rapid changes of the modern world, it might be argued that the same counsel can be applied to predicting the future of any country’s policies.

President Clinton’s comments commemorating the normalizing of trade relations with China may have been one of those “relying on past performance” errors. Mr. Clinton could not be blamed for his optimism and he was not alone in his opinion. As a partial justification for increased ties with China, the belief that economic liberalization would lead to an eventual political liberalization was shared by American presidents going back to Richard Nixon. The sentiments also echoed the controversial concept of Modernization Theory that had argued since the 1960s that economic development and modernization tend to push conditions in the right direction to make democracy increasingly likely in non-democratic states.¹ James Mann, in his 2007 retrospective of U.S.-China policy, called this argument the “Soothing Scenario.”² Paraphrasing Mann, should an American policymaker somehow become concerned with the perceived excesses of China’s one-party rule, a more “enlightened” expert reassures the individual

¹Seymour Martin Lipset, “Some Social Requisites of Democracy,” *American Political Science Review* 53, no. 1, (1959), <http://www.jstor.org.ezproxy.shu.edu/stable/1951731>, (accessed January 21, 2010).

² James Mann, *The China Fantasy*, (New York: The Penguin Group, 2007), 2.

that “eventually, increasing trade and prosperity will bring liberalization and democracy to China.”³

It has been ten years since President Clinton’s statement and over thirty years since the onset of China’s economic reforms. The “Four Modernizations”⁴ launched by Deng Xiaoping in 1979 set China on a trajectory of unprecedented economic growth. The impact of the policies on Chinese society has been transformational. Since reform, annual Gross Domestic Product (GDP) growth has averaged over 9 percent and GDP per capita has risen from \$871 (USD) in 1975 to an estimated \$6,000 (USD) in 2008.⁵ China’s admission into the World Trade Organization in 2001 placed it in the mainstream of the world economy. A successful manned mission by its space program in 2003, and hosting of the 2008 Summer Olympic Games serve as benchmarks of national pride and outward indicators of a country that has moved beyond the rudimentary basics of development.

It has been well established in the mass media as well as in academic writing that the stunning growth generated by China’s “market socialism” has not been experienced evenly across the country. In fact, Deng’s famous quote, “Let some people get rich faster,” has been prophetic. During the early period of reform in 1985, urban Chinese earned 1.9 times more than people in the countryside which is home to nearly 60 percent

³ Ibid.

⁴ The “Four Modernizations” refer to: agriculture, industry, science and national defense.

⁵ National Bureau of Statistics, *China Statistical Yearbook: 2008*, <http://www.stats.gov.cn/tjsj/ndsj/2008/indexeh.htm> and *CIA Factbook*, <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>, (accessed November 15, 2009).

of the population.⁶ In comparison, the 2007 ratio indicated urbanites earned 3.3 times as much as their rural counterparts.⁷ In less than thirty years China's economic planning philosophy has shifted from disdaining capitalism to embracing it and its view of the correct social order has been transformed from a single class, Marxist-Leninist model to one that allows for a *de facto* class structure based on wealth.

As a study in policymaking, solving the problem of the gap is a particularly troublesome issue due to its potential volatility. If government policies move toward a rapid redistribution of wealth, especially through increased taxation on the more productive sectors, economic growth could suffer causing problems such as recession and unemployment. Conversely, given the growing frustration of groups who have yet to benefit from the economic boom, non-action could fuel civil unrest that could threaten stability as well as the Party's monopoly on political power. The main research question of this thesis is, "How will China's political leadership accomplish the balancing act?" An initial path to the answer can be found by studying the process of modernization that has been followed to date.

Beginning with Deng's administration in the late 1970s, policymakers established something of a "Hobson's Choice"⁸ in implementing modernization. Successive policies built on previous decisions in a gradualist manner but they maintained an overall

⁶ Alan Wheatley, "Rich Poor Gap Worries Chinese Planners," *New York Times*, November 22, 2008, <http://www.nytimes.com/2008/12/22/business/worldbusiness/22iht-inside23.1.18861664.html>, (accessed October 20, 2009).

⁷ Ibid.

⁸ Thomas Hobson (1545–1631) ran a thriving carrier and horse rental business in Cambridge, England, around the turn of the 17th century. Hobson rented out horses, mainly to Cambridge University students, but refused to hire them out other than in the order he chose. The choice his customers were given was 'this or none'; quite literally, Hobson's choice. (See: "The Phrase Finder," <http://www.phrases.org.uk/meanings/hobsons-choice.html>)

objective of continued economic growth. While deviations and course corrections inevitably occurred, the focus on growth was never abandoned.⁹ In the progression, previous ideology was subject to reinterpretation to meet the prevailing need. Short term policy (the deviations and course corrections) was often reactive to specific issues but by the 1990s, the long term focus - delivering on consistent economic growth - became the selling point of the CCP.¹⁰ The result is that the public face of the CCP looks much like any other political organization that has the primary goal of maintaining its power. In Western-style democracies this type of political behavior usually translates to running on issues that draw votes at the ballot box. In China, the calculus is somewhat different. CCP domestic policy actions that reflect its evolving ideology appear to be designed to either appeal to new constituencies or to co-opt them in an effort to forestall the ballot box.¹¹

The thesis of this paper maintains that an underlying strategy of “adaptable ideology” first developed in the Deng Xiaoping era remains the key element to Chinese policymaking. As such, it will continue to play a prominent role in issues such as addressing the concerns of the gap and it will be reflected in official policies that are adopted. For the purposes of this paper, the definition of the term includes political pragmatism, creative responses to bureaucracy, inclusion and cooptation of new groups

⁹ Barry Naughton, *The Chinese Economy: Transitions and Growth*, (Cambridge: The M.I.T. Press, 2007), 85.

¹⁰ Minxin Pei, “Contradictory Trends and Confusing Signals,” *Journal of Democracy* 14, no.1 (January 2003): 74.

¹¹ Bruce J. Dickson, “Threats to Party Supremacy,” *Journal of Democracy* 14, no. 1 (January 2003): 28.

of elites, and the time honored political practice of revising and reinterpreting past ideology to meet the needs of the current situation.¹²

A review of scholarly literature shows a tendency of research to cluster around specific academic disciplines regarding modernization in general and the rich-poor gap issue in particular. Specifically, articles gravitate toward either political discussions or economic analysis. The perennial political question, reminiscent of Mann and his soothing scenario, asks, "Given the broad and successful economic development, why hasn't China developed a more democratic political system?" Economic analyses weave the requisite quantitative equations with macro-economic theory as they seek an answer to, "How did China do it?" This paper pursues a middle path in focusing on political policy solutions to an economic problem and integrates relevant discussions from both disciplines.

In order to illustrate the paper's thesis of "adaptable ideology," research focuses on three recent policy actions covering diverse but related rich-poor gap issues. These three include: social policy embodied in proposals to reform the *hukou* registration system; rule-of-law policy change found in the passage of the 2007 private property law; and economic policy formulation demonstrated by regional economic development strategies. These three policy actions span a timeframe of approximately ten years (1999 to the present) and have been established by the Chinese Communist Party (CCP) as

¹² Lucian W. Pye, "On Chinese Pragmatism in the 1980s," *The China Quarterly* 106 (1986): 210; Kellee S. Tsai, "Adaptive Informal Institutions and Endogenous Institutional Change in China," *World Politics* 59, Number 1 (October 2006): 118; Bruce J. Dickson, "Cooptation and Corporatism in China: The Logic of Party Adaptation," *Political Science Quarterly* 115, No. 4 (Winter, 2000-2001): 539. See also, Robert Weller's essay "Responsive Authoritarianism," that uses a similar argument and illustrates it with Chinese environmental policy and pre-democratized Taiwan as examples. Robert Weller, "Responsive Authoritarianism." In *Political Change in China*, edited by Bruce Gilley and Larry Diamond, (Boulder, CO: Lynne Rienner Publishers, 2008), 117-133. Andrew Nathan, "Authoritarian Resilience," *Journal of Democracy* 14, no. 1 (January 2003) is yet another example of the basic theme of the CCP's adaptability.

remediation measures for the income gap that has grown as a result of earlier economic reform and modernization policies.

Structurally, the paper will break the study into several parts that move from general background information to specific policy analysis. Content of the first chapter is divided into three main areas. The first section recounts the major historical events leading to the economic policy reforms that paved the way for policies that created the gap. The second section concentrates on ideological shifts attributable to the leadership of Deng Xiaoping and Jiang Zemin. The actions of Deng and Jiang are characterized by this research as a “methodological roadmap” as both can be seen as having shifted ideological paradigms to meet policy needs.¹³ The balance of the first chapter outlines and defines the economic metrics of the gap, frames early policy initiatives that were responsible for its creation, and concludes with a summary of current rich-poor gap economic indicators and a description of China’s national policy response, “Harmonious Society.” Data used to illustrate the quantitative aspects of the gap issue in this chapter is publicly available and accessed from the websites of the National Bureau of Statistics of the PRC, the U.N., the United States Central Intelligence Agency, and the World Bank. Secondary source analysis is used as confirmation that the creation of the gap was the direct result of official policy decisions.

Chapter two is devoted to a discussion of theory and serves two general purposes. One purpose is to present a review of literature related to the formulation of policy and the other is to qualify how this paper’s thesis of adaptable ideology fits into accepted

¹³ Winberg Chai, “The Ideological Paradigm Shifts of China’s World Views: From Marxism-Leninism-Maoism to the Pragmatism-Multilateralism of the Deng-Jiang-Hu Era,” *Asian Affairs: An American Review* 30, No. 3 (Fall 2003): 163.

theoretical constructs. In a larger sense, the theory discussion provides a framework to evaluate and relate the Chinese modernization experience, of which the rich-poor gap plays a significant part, with established theory. In terms of specific content, the chapter begins with a review of classic Modernization Theory and then moves to more specialized discussions of the so-called “East Asian Model” and Chinese Exceptionalism. The chapter’s other topic is a review of potential governing models that may result from policy shifts.

Chapters three and four are complementary and consist of the presentation and analysis of case studies on the *hukou* system, private property law, and regional development. A topical cross-section of social regulation, law, and economic planning has been chosen to allow the study to test for adaptable ideology across a broad spectrum of domestic policymaking. In chapter four, the data from the previous chapter is analyzed to identify examples of adaptable ideology as an overall test of the paper’s thesis. As the purpose of this paper is to probe the methodology and philosophy of policy formulation, the analytical emphasis is on discovering why specific policy initiatives were either proposed or adopted as opposed to evaluating how well the programs have succeeded. Additionally, since most of the programs presented in this research are considered long term (twenty to thirty years for regional development) or works-in-progress, judging results would be premature in any event.

The final chapter contains conclusions on the research presented and evaluates the validity of the paper’s thesis that an underlying strategy of adaptable ideology is the key element to Chinese policymaking.

Chapter One: Historical and Ideological Framework of Modernization

1.1: History and Background

Deng Xiaoping's determination in 1979 to pursue a pragmatic approach to economic modernization over one bound by ideology could well be categorized as one of the boldest decisions of the late twentieth century. In implementing the "Four Modernizations" Deng transformed China from a backward, underdeveloped nation to one equipped to compete with other global powers. Michael Yahuda described the process as "a course that has combined for his country rapid economic development, successful economic reform and openness to the capitalistic international economy with continued dictatorship by the Communist Party."¹

In charting the factors leading to modernization, one encounters a combination of astute political maneuvering, bold leadership, and a subtle, though persistent, bending of ideology to meet modernization planning needs. It is important to note that timing also played a role as it often does in major historical shifts. The first three elements listed are embodied in the person and vision of Deng Xiaoping. The element of timing is the historical crossroads formed in 1976 by the end of the Cultural Revolution, the deaths of Zhou Enlai and Mao Zedong, and the ensuing succession struggle to fill the leadership void.

The Chinese economy of the early 1970s was hampered by a combination of self-imposed isolation of the Cultural Revolution and a misallocation of resources that was a legacy of the Soviet style, planned economy. There was virtually no service economy, no

¹Michael Yahuda , "Deng Xiaoping: The Statesman," *The China Quarterly* 135, Special Issue: Deng Xiaoping: An Assessment (September 1993), <http://www.jstor.org/stable/654102>, (accessed February 20, 2010).

competition in consumer markets, slow job creation, and little or no technological development to aid industrial output.² Cultural Revolution interpretation of ideology, particularly Mao's directives on self-reliance, worked against education reforms that could aid economic development, and that same ideology dismissed foreign direct investment and foreign aid in general.³ The debate on how to modernize would continue until ideology could be aligned with economic modernization policy.

In a speech to the United Nations in April 1974, a recently "rehabilitated" Deng took an early step in redefining ideology in defining the meaning of "self-reliance."

Rather than rejecting foreign influence, Deng's comments included the following:

Self-reliance in no way means "self-seclusion" and rejection of foreign aid. We have always considered it beneficial and necessary for the development of the national economy that countries should carry on economic and technical exchanges on the basis of respect for state sovereignty, equality and mutual benefit, and the exchange of needed goods to make up for each other's deficiencies.⁴

At the time, the speech and its elements were regarded as official policy of the CCP leadership based on the symbolic assembly of most party officials on Deng's departure from and return to Beijing.⁵ The degree of "official-ness," however, needs to be qualified. Deng had yet to consolidate his political power and while his comments on the doctrine of self-reliance may have been blessed by Mao, they were counter to the position held by the more hard line radicals still entrenched in the CCP leadership. Deng would

² Barry Naughton, *The Chinese Economy: Transitions and Growth*, (Cambridge, MA: The M.I.T. Press, 2007), 79.

³ Jonathan Spence, *The Search for Modern China*, (New York: W.W. Norton and Company, 1990), 640.

⁴ Brian Hook and Michael Yahuda, "Quarterly Documentation," *The China Quarterly* 59 (July - September 1974), <http://www.jstor.org/stable/652479>, (accessed February 15, 2010).

⁵ *Ibid.*

shortly fall out of favor with Mao in large part due to attacks by radical factions led by the notorious “Gang of Four” on Deng’s modernization positions. As a result, further attempts to move the country toward an open, economic modernization were temporarily halted when Deng was purged from party leadership for a second time in early 1976.

Mao’s death on September 9, 1976, set off the final chain of events that would inevitably return Deng Xiaoping to power and lead to the full implementation of the Four Modernizations. The succession struggle following Mao’s death between his chosen successor, Hua Guofeng, and the “Gang of Four” highlighted the fragile state of Chinese politics. Though Hua succeeded in displacing the “Gang” by early October, his leadership role could best be described as transitional. The Cultural Revolution had effectively merged the cult of Mao’s personality with the concept of governance in China.⁶ Kenneth Liberthal notes that neither Hua’s personality nor his experience allowed him to duplicate Mao’s style of governing.⁷ His tenuous hold on leadership left an opening for Deng to return one more time.

Deng, having been purged twice from major leadership positions, wasted little time in setting a new agenda. Before being purged in 1976, he had commissioned economic and organizational studies as a basis for introducing new policy initiatives. Two of the principal report writers were Hu Yaobang, Deng’s future, one-time heir apparent, and Deng Liquin, the late, discredited Liu Shaoqi’s former secretary. The

⁶ Kenneth Liberthal, *Governing China From Revolution Through Reform*, (New York: W.W. Norton, 2004), 125.

⁷ *Ibid*, 126.

“Four Modernizations,” which can first be traced to Zhou Enlai in 1965, became the centerpiece of the policy initiatives.⁸

1.2: Shifting the Ideological Focus

Deng Xiaoping’s ideological statements, also known as Deng Xiaoping Theory (Deng’s Thought), provide the guiding principles for the implementation of Chinese modernization. Unlike Mao Zedong Thought which was memorialized in the famous “Little Red Book,” Deng’s Thought is a distillation of his speeches and policy statements that reflect his positions on governing and policy formulation. The six key points include:

1. Avoid ideological entanglement: “Work more speak less...”
2. Speed up leadership transition: leaders and cadres must be young, knowledgeable, revolutionary and with special skills.
3. Follow the socialist path: practice democratic socialism, continue Marxism, Leninism and the Thought of Mao.⁹
4. Immediate goals: economic expansion, Taiwan re-unification and world peace
5. Urban economic restructuring should include: enterprise autonomy, wage differentiation, bonus incentives, separation of government from economics, worker input in decision-making and implementation of a new tax system.
6. Party reform: institutionalization of central collective leadership, abolition of party secretary and institute a retirement system.¹⁰

Viewed in comparison to Mao’s philosophy and policies of societal egalitarianism, continuous class struggle, and strict central control, one can readily see the reversal in course. While taking positions contrary to established Maoism might have been considered heresy at an earlier time, the state of the economy and the mood of the

⁸ See Richard Evans, *Deng Xiaoping and the Making of Modern China*, (New York: Penguin Books, 1995), 204-206, for a more complete discussion.

⁹ This point is part of adherence to the “Four Cardinal Principles.” These include: keeping the socialist road, uphold the dictatorship of the proletariat, uphold the leadership of the Communist Party and uphold Marxism-Leninism and Mao Zedong Thought. (See: Evans, 233).

¹⁰ David Wen-Wei Chang, *China Under Deng Xiaoping: Political and Economic Reform*, (London: The MacMillan Press, 1988), 28.

people allowed Deng to justify the deviation from Maoist practices by separating “Mao the man” from Mao Zedong Thought.¹¹ In analyst and popular terms, the policy quickly became referred to as “pragmatism.” Reflecting on the ideological shift, Lucian Pye observed, “Chinese pragmatism benefits from cultural predispositions which make totally acceptable behavior that is guided by the logic of the existing circumstances and which allows for unsentimental abandonment of past commitments and outdated rationalizations. The culture fuels pragmatic motives by emphasizing the here and now.”¹² Perhaps guided by “existing circumstances,” Deng took a three-pronged approach to change the philosophical basis for governance that included: 1) acting as spokesman/champion of the cause of modernization; 2) promoting the avoidance of factionalism through collective leadership; and, perhaps most significantly, 3) re-examining and re-defining Mao Zedong Thought.

Examining Deng’s speeches and public statements, one can discern a systematic deconstruction of the ideology of the old order and its replacement with a modified ideology that still bears linkage to its predecessor. In 1976, Deng articulated his vision for modernization in talks to various work groups and in speeches at party meetings. His role as a spokesman and/or champion of the process is reflected in the following passage.

There is at present a need to put things in order in every field. Agriculture and industry must be put in order, and the policies on literature and art need to be adjusted. Adjustment, in fact, also means putting things in order. By putting things in order, we want to solve problems in rural areas, in factories, in science and technology, and in all other spheres... At present, there are a good many

¹¹ Evans, 235.

¹² Lucien W. Pye, “On Chinese Pragmatism in the 1980s,” *The China Quarterly* 106, (June 1986), <http://www.jstor.org/stable/653429>, (accessed February 20, 2010).

problems which we cannot solve without great effort. We must be daring and resolute.¹³

While the full text pays the necessary homage to socialist principles and Mao Zedong Thought, the major thrust of concentrating on the task at hand is central. The concept of putting the task first will become a familiar theme in most of Deng's policy statements.¹⁴ His use of the first person, plural pronoun, "we," is also significant as it illustrates a collective decision-making/problem solving approach.

The shift from a rigid, dogmatic approach to one of pragmatism is evident in the following excerpt from an interview with Western scholars. The third sentence is particularly interesting in its definitive linkage of better living standards with the idea of the revolution being a success.

Modernization does represent a great new revolution. The aim of our revolution is to liberate and expand the productive forces. Without expanding the productive forces, making our country prosperous and powerful, and improving the living standards of the people, our revolution is just empty talk... Of course, we do not want capitalism, but neither do we want to be poor under socialism. What we want is socialism in which the productive forces are developed and the country is prosperous and powerful.¹⁵

Note how this passage also links to basic CCP values as it equates the campaign for modernization with revolution. Though Deng was proposing changes for China that had

¹³ Deng Xiaoping, "Things Must Be Put in Order in All Fields," Remarks at a forum on work in the rural areas, September 27 and October 4, 1975, <http://english.peopledaily.com.cn/dengxp/vol2/text/b1090.html>, (accessed February 18, 2010).

¹⁴ Evans, 235.

¹⁵ Deng Xiaoping, "We Can Develop a Market Economy Under Socialism," Excerpt from a talk with Frank B. Gibney, Vice-Chairman of the Compilation Committee of Encyclopaedia Britannica, Inc. of the United States, Paul T. K. Lin, Director of the Institute of East Asia at McGill University of Canada, and others, November 26, 1979, <http://english.peopledaily.com.cn/dengxp/vol2/text/b1370.html>, (accessed February 13, 2010)

not been attempted elsewhere in the socialist world, he maintained linkage to familiar and accepted ideology in proposing the changes.¹⁶

Deng's second emphasis, eliminating factionalism and restoring collective leadership, ran along a parallel path to implementing the Four Modernizations. One can infer how this focus was influenced by Deng's personal experiences of being purged twice due to political infighting. However, in examples such as the following it can also be seen how he uses anti-factional statements to align his programs with his definition of orthodox tenets of Marxism-Leninism and Mao Zedong Thought.

...In order to achieve the four modernizations we must keep to the socialist road, uphold the dictatorship of the proletariat, uphold the leadership of the Communist Party, and uphold Marxism-Leninism and Mao Zedong Thought. The Central Committee considers that we must now repeatedly emphasize the necessity of upholding these four cardinal principles, because certain people (even if only a handful) are attempting to undermine them. In no way can such attempts be tolerated... To undermine any of the four cardinal principles is to undermine the whole cause of socialism in China, the whole cause of modernization...¹⁷

Similar to the previous passage where he ties modernization to established ideology, Deng, summarizes the need for unity under Party leadership by citing the Four Cardinal Principles in the following 1981 address.

Since we began stressing the need to uphold the Four Cardinal Principles, comrades in our ideological circles have become clearer in their thinking. Because of this and also because of the resolute steps taken to get rid of illegal organizations and publications, the situation has improved. But we must remain on the alert. Some people are raising a banner in support of Comrade Hua Guofeng, while actually

¹⁶ Naughton, 86.

¹⁷ Deng Xiaoping, "Uphold the Four Cardinal Principles," A speech at a forum on the principles for the Party's theoretical work, March 30, 1979, <http://english.people.com.cn/dengxp/vol2/text/b1290.html>, (accessed February 18, 2010)

trying to overthrow you know who. Watch out! This shows how complicated the present struggle is, and how necessary it is to sharpen our vigilance... To sum up, our entire Party, army and people should unite as one, march in step, and work hard to achieve further success under the leadership of the Central Committee...¹⁸

The final emphasis, re-defining Mao Zedong Thought, was a complex, yet necessary, component. Chang observes that “implementation of the modernizations required a drastic change of attitude toward a realistic evaluation of the past mistakes both in policy and in ideology.”¹⁹ To accomplish a “realistic evaluation,” and quite possibly to demonstrate his belief in collective leadership, Deng astutely pushed for a formal review of Mao’s accomplishments and Thought as part of a larger study of post-Revolution history performed under the auspices of the Central Committee.

While work groups under the supervision of the Central Committee performed the actual task of reviewing history, Deng embarked on a series of speeches and meetings where he systematically dissected the interpretations of Mao teachings and doctrines. In these settings Deng’s tone was one of respect for Mao’s work and, without fail, the message maintained Mao’s equal place in the Communist pantheon with Marx, Engels, and Lenin. Deng’s task amounted to disproving a commonly held paradigm. From the Cultural Revolution until his death, Mao had reached such a degree of semi-deification that his followers attempted to enshrine a doctrine of “whatever Mao did or said must guide future actions.” Known as the “Two Whatevers,” the doctrine would have all but

¹⁸ Deng Xiaoping, “Concerning Problems in the Ideological Front,” Summary of a talk with leading comrades of the central propaganda departments, July 17, 1981, <http://english.peopledaily.com.cn/dengxp/vol2/text/b1530.html>, (accessed February 18, 2010).

¹⁹ Chang, 34.

prevented the Four Modernizations as the policy departed from Mao's semi-doctrine of self-reliance.

In responding to what he categorized as a misinterpretation of Mao Thought, Deng employed arguments of hermeneutic consistency citing Marx, Lenin and Mao, himself, to make the claim for his version of ideological interpretation.

The "two whatevers" are unacceptable. If this principle were correct, there could be no justification for my rehabilitation... We cannot mechanically apply what Comrade Mao Zedong said about a particular question to another question, what he said in a particular place to another place, what he said at a particular time to another time, or what he said under particular circumstances to other circumstances... Neither Marx nor Engels put forward any "whatever" doctrine, nor did Lenin or Stalin, nor did Comrade Mao Zedong himself.²⁰

In the previous argument Deng cited the full range of Communist ideological orthodoxy to discredit the "Two Whatevers." The next year, while addressing a CCP function in Jilin, he took aim at the doctrine using the specific force of Mao Zedong Thought.

As you all know, there is a doctrine known as the "two whatevers". Hasn't it become famous? According to this doctrine, whatever documents Comrade Mao Zedong read and endorsed and whatever he did and said must always determine our actions, without the slightest deviation. Can this be called holding high the banner of Mao Zedong Thought? Certainly not! If this goes on, it will debase Mao Zedong Thought. The fundamental point of Mao Zedong Thought is seeking truth from facts and integrating the universal truth of Marxism-Leninism with the concrete practice of the Chinese revolution. Comrade Mao Zedong wrote a four-word motto for the Central Party School in

²⁰ Deng Xiaoping, "The 'Two Whatevers' Do Not Accord With Marxism," Excerpt from a talk with two leading comrades of the Central Committee of the Communist Party of China, May 24, 1977, <http://english.peopledaily.com.cn/dengxp/vol2/text/b1100.html>, (accessed February 18, 2010).

Yan'an: ``Seek truth from facts." These four words are the quintessence of Mao Zedong Thought.²¹

Even in its translated form, one can appreciate both the emotional and intellectual force of the argument presented. It is also hard to miss the biting sarcasm of his opening as he frames his opposition to the idea.

In 1981, the Central Committee approved a resolution entitled, "Resolution on Certain Questions in the History of Our Party Since the Founding of the People's Republic of China." The report reversed the verdict on the Cultural Revolution by stating,

The history of the "cultural revolution" has proved that Comrade Mao Zedong's principal theses for initiating this revolution conformed neither to Marxism, Leninism nor to Chinese reality. They represent an entirely erroneous appraisal of the prevailing class relations and political situation in the Party and state.²²

The document went on to bless Deng Xiaoping's policies and overall vision by observing,

The plenary session resolutely criticized the erroneous "two-whatever's" policy and fully affirmed the need to grasp Mao Zedong Thought comprehensively and accurately as a scientific system. It ... decided on the guiding principle of emancipating the mind, using our brains, seeking truth from facts and uniting as one in looking forward to the future. It firmly discarded the slogan "Take class struggle as the key link," which had become unsuitable in a socialist society, and made the strategic decision to shift the focus of work to socialist modernization.²³

²¹ Deng Xiaoping, "Hold High the Banner of Mao Zedong Thought and Adhere to the Principle of Seeking Truth From Facts," Excerpt from remarks made on hearing a work report by members of the Standing Committee of the Jilin Provincial Committee of the Communist Party of China, September 16, 1978, <http://english.peopledaily.com.cn/dengxp/vol2/text/b1220.html>, (accessed February 18, 2010).

²² "Resolution on certain questions in the history of our party since the founding of the People's Republic of China," Adopted by the Sixth Plenary Session of the Eleventh Central Committee of the Communist Party of China on June 27, 1981, <http://www.marxists.org/subject/china/documents/cpc/history/01.htm>, (accessed February 18, 2010).

²³ Ibid.

In adopting the resolution, the Central Committee effectively muted political and ideological debate regarding Deng's plans, essentially established economic pragmatism and the Four Modernizations as official policy, and memorialized Deng's vision as a roadmap for his eventual successors.²⁴ The Central Committee action would eventually enable Deng to introduce the concept of "Socialism with Chinese Characteristics," and endorse the principle of "Primary Stage Socialism" to justify open market reforms.

In 1997, Deng's successor, Jiang Zemin, built on Deng's ideological shift by introducing his own variant, the "Three Represents." According to Jiang, the "Three Represents" recognized: "the development trend of China's advanced productive forces, the orientation of China's advanced culture, and the fundamental interests of the overwhelming majority of the Chinese people."²⁵ In practice, the doctrine opened party membership to entrepreneurs and members of the business class – groups that had been pariahs in early times. Most analysts regard the move as one to co-opt the new class of elites (technocrats, business executives, etc) in China to keep the CCP relevant and insulated against political competition.²⁶ In terms of orthodox Marxist ideology, Jiang's declaration ignored the concept of class struggle (Deng's previous reinterpretations blessed by the Central Committee had made it a non-factor) and redefined the qualifications for CCP membership.

²⁴ Chang, 28. Note: Chang's discussion is limited to Deng, but one later sees the administrations of both Jiang Zemin and Hu Jintao cite not only Marxist-Leninist and Mao Zedong Thought, but also the "Principles of Deng Xiaoping Thought" as legitimizing philosophy when introducing new policy directives.

²⁵ Jiang Zemin, "Three Represents," <http://english.cpc.people.com.cn/66739/4521344.html>, (accessed February 20, 2010).

²⁶ Joseph Fewsmith, "Studying the Three Represents," *China Leadership Monitor* 8 (Fall 2003), http://media.hoover.org/documents/clm8_jf.pdf, (accessed February 20, 2010).

The impact of the shift in ideological focus from Mao to Deng to Jiang cannot be understated. In retrospect, it is difficult to envision that economic modernization would have progressed as thoroughly or as quickly without the ideological changes. Cheng and White describe the change as transforming the Party and the PRC Government “from a ‘mobilizing party’ and a ‘tool of proletarian dictatorship’ into organizations concerned primarily with executive and administrative functions in society.”²⁷ In an article reviewing Deng Xiaoping’s legacy written shortly after his death, Pye pointedly characterized the outcome of Deng’s ideological reset as “the basic essence of the traditional Chinese style of government in which the topmost leaders could solemnly proclaim an ideology which required only lip service; lesser officials could freely practice feigned compliance... and do what they thought best for themselves and their communities.”²⁸

1.3: Modernization Policy

Most observers track China’s modernization in two phases: 1978 to 1993 and 1993 onward.²⁹ A “dual track” economy was established in the first phase that featured a combination of the existent top-down, centralized economy while introducing market reforms in selected sectors. Due to its fundamental importance in feeding the nation, the first of the sectors designated for reform was agriculture. Employing a trial-and-error approach that Deng metaphorically described as “stepping gingerly from stone to stone in

²⁷ Li Cheng and Lynn White, “The Thirteenth Central Committee of the Chinese Communist Party: From Mobilizers to Managers,” *Asian Survey* 28, no. 4 (April 1988), <http://www.jstor.org/stable/2644734>, (Accessed February 20, 2010).

²⁸ Lucian W. Pye, “An Introductory Profile: Deng Xiaoping and China’s Political Culture,” *The China Quarterly* 135, Special Issue: Deng Xiaoping: An Assessment (September 1993), <http://www.jstor.org/stable/654096>, (Accessed February 20, 2010).

²⁹ Naughton, 90.

a stream,” the market reforms were expanded to additional sectors after successful integration of the pilot sectors.³⁰ The objective of the strategy was to prevent disruptive economic shocks as well as to gradually transition the economy to a market driven system. In practice, keeping both tracks had the impact of providing opportunities for those who participated in the market track to profit while maintaining the planned track provided subsidies to compensate potential losers.³¹ Due to the firewalls in the planned portion, this hybrid model, and the first phase in general, is often described as “reform without losers.”³²

In order to effect the transition to a market economy, planners kept the allocation of resources to the old central plan at a fixed level while the market sector essentially outgrew the planned portion.³³ As an incentive to privatization, the replacement of the part of the economy that moved from the planned sector to the market economy received favorable treatment by a tax and credit mechanism.³⁴ As a result, by 1989, the number of products covered by state planning was reduced from 120 to 60 and the number of materials under state unified planning diminished from 256 to 26.³⁵ By 1993, the market was the dominant sector and subsidies from the planned sector were reduced or eliminated. This signaled China’s move into its second phase of modernization. This

³⁰ Michael Y. M. Kau and Susan H. Marsh, *China in the Era of Deng Xiaoping: A Decade of Reform*, (New York: M.E. Sharpe, 1993), 3.

³¹ Yingyi Qian, “How Reform in China Worked,” William Davidson Working Paper Number 473a, (Ann Arbor: William Davidson Institute - University of Michigan School of Business, 2002), 18.

³² Naughton, 91.

³³ *Ibid*, 64.

³⁴ I-Chuan Wu-Beyens, “The Years of Reform in China: Economic Growth Versus Modernization,” *Civilisations – Revue Internationale D’Anthropologie et de Sciences Humaines* 40, no. 1 (1991), <http://civilisations.revues.org/index1680.html>, (accessed December 1, 2009).

³⁵ “The Chinese Economy in 1988”, *Beijing Review*, February 6-12, 1989, cited in Wu-Beyens.

phase, except for so-called critical industries such as defense, telecommunications, and energy, was de-centralized, market driven and characterized as “reform with losers.”³⁶

Though some of the reform policies, particularly those in the agricultural sector, began to exhibit diminishing returns as early as the late-1980’s, the overall growth in the economy was nothing short of phenomenal. In the years between 1979 and 2007, China could proudly publish positive results that included: a decrease in the poverty rate from 53 percent to 7 percent, 9.6 percent annual GDP growth since 1979, and an increase in life expectancy from 62 in 1970 to 73 in 2007.³⁷ On the negative side of the ledger, income disparity began to grow. In reality it was a direct by-product of the reform policies. Individuals who moved into market sectors first were the biggest winners. Continued subsidies to state owned enterprises, regionally biased policies, certain pricing structures, political favoritism, and corruption have also contributed to the divide.³⁸

1.4: Creating the Gap

As China’s economic growth became increasingly fueled by its export sector, preferential treatment given to the urban, coastal areas helped to widen the urban – rural gap. The gap, expressed as a Gini Coefficient³⁹ rose from .29 in 1980 to .40 in 2004.⁴⁰

³⁶ Ibid, 91.

³⁷ World Bank, www.worldbank.org/cn; National Bureau of Statistics – China, <http://www.stats.gov.cn/english/>; and UNICEF, http://www.unicef.org/infobycountry/china_statistics.html

³⁸ Terry Atlas, “World Watch: China’s Growing Rich-Poor Gap,” *U.S. News and World Report*, September 29, 2005, <http://www.usnews.com/usnews/news/articles/050929/29world.htm>, (accessed September 27, 2009).

³⁹ The Gini coefficient is a measure of statistical dispersion developed by the Italian statistician Corrado Gini and published in his 1912 paper “Variability and Mutability”. It is commonly used as a measure of inequality of income or wealth. Without delving into the calculus behind the coefficient’s equation, simply put it compares income or wealth groupings (deciles, quartiles, etc.). The lower the Gini on a scale of 0 to 1, the more equal the distribution of wealth or income. Two caveats in using the measure include: 1) it is a “snapshot” in time and does not account for lifetime earning; and 2) depending on how a population is segmented, the coefficient will change – more segmentation creates a higher Gini (ex: using deciles as opposed to quartiles).

Regional gaps highlighted by the urban-rural gap can be traced to the creation of Special Economic Zones (SEZ) set up in eastern coastal cities to facilitate foreign trade, and to the concept of regional divisions built into the sixth and seventh five-year plans of 1981-1985 and 1986-1990. The establishment of three economic belts - eastern (coastal), central and western regions - assigned roles to the regions that specified: export oriented industrialization for the eastern region; agriculture for the central region; and animal husbandry and mineral exploitation in the western region.⁴¹

Though analysts cite subtle differences in sub-factor causes, there is little disagreement that the phenomenon was an expected consequence of policy decisions. Fan, using Chinese language sources, lists six preferential policies: 1) larger state investments in coastal regions; 2) creation of SEZs limited to the eastern coastal region; 3) preferential (more flexible) tax remittance practices given to coastal areas allowing for greater fiscal autonomy; 4) higher wages for workers in coastal areas; 5) a “scissors-gap” product pricing structure where coastal areas sell high priced goods to the inland but receive low-priced goods from those regions; and 6) better access to financial capital in coastal regions (better access to loans and financing as well as to private financial institutions).⁴²

Demurger’s analysis also centers on policy initiatives but singles out infrastructure development, or lack thereof, as the major cause of the regional, urban-rural income gap. Demurger contends that the early emphasis on heavy industry allowed

⁴⁰ Ravillion, Martin and Chen Shaohua, “Learning From Success: Understanding China’s (uneven) Progress Against Poverty,” *Finance and Development* (December 2004), <http://www.imf.org/external/pubs/ft/fandd/2004/12/pdf/ravallio.pdf>, (accessed December 5, 2009).

⁴¹ C. Cindy Fan, “Uneven Development and Beyond: Regional Development Theory in Post-Mao China,” *International Journal of Urban and Regional Research* 21, no. 4 (1997): 623.

⁴² *Ibid*, 625.

the coastal areas to develop better transportation and communications infrastructure. As Chinese planners moved to a comparative advantage⁴³ model, Demurger asserts that the planners failed to make the transportation and communications infrastructure investments in non-coastal regions to effectively tie the economy together.⁴⁴ This failure effectively prevented any expansion of development or “trickle-down” effect to the more rural areas.

Yang takes a more quantitative approach to the issue but once again maintains that central planning (heavy industry development in the urban coastal regions at the expense of the agricultural sector) is the central issue. Yang’s analysis substantially reinforces Fan’s thesis but adds the factor of rural land tenure rules. These rules have a punitive effect on rural families who temporarily leave agriculture to work in cities as migrant industrial workers by not guaranteeing future land use allocations should the family return to agricultural.⁴⁵

Though criticism of uneven development policy can be traced to the mid-1980s, formal recognition and attempts to address the issue began with the Ninth Five-Year Plan in 1996.⁴⁶ The Tenth Five-Year Plan (2001-2005) repeats concern for the problem. Included as key plan objectives to address the issue were, “Bring the development disparity between regions under effective control, and raise levels of urbanization,” raise

⁴³ In simple terms, comparative advantage planning leverages the economic strengths of a given region or area to build synergies within a national economy. The “three economic belts” would be an example of a comparative advantage strategy.

⁴⁴ Sylvie Demurger, “Infrastructure Development and Economic Growth: An Explanation for Regional Disparities in China?,” *Journal of Comparative Economics*, Number 29 (2001), <http://www.idealibrary.com>, (accessed November 10, 2009).

⁴⁵ Yang, Dennis Tao, “Urban-Biased Policies and Rising Income Inequality in China,” *American Economic Review*, May 1999, <http://www.aeaweb.org/aer/contents/may1999.html>, (accessed November 17, 2009).

⁴⁶ Fan, 620.

income levels of both urban and rural citizens by 5 percent and improve medical and health services in both urban and rural areas.⁴⁷

1.5: Current Situation

As early as 1996, a United Nations report warned of the rising income inequality gap in China.⁴⁸ By 2005, Chinese media openly carried articles on the subject. A sampling of recent on-line economic data published by China's National Bureau of Statistics (NBS) for 2007 illustrates the nature of the gap. The national average per capita income of urban households was calculated at 13,785.8 RMB (approximately \$1,969 US) while rural household net income was 4,140.4 RMB (\$586 US).⁴⁹ On a regional basis the figures become more disparate. Urban families living in the eastern coastal provinces averaged 16,974 RMB (\$2424 US) compared to rural households of the western provinces whose average disposable income was calculated at 3,028 RMB (\$433 US).⁵⁰

Quality of life measures follow a similar pattern to those shown for income. On the most basic level, spending for food as a function of total living expenses (Engel's Coefficient) amounted to 36.3 percent for urban residents as opposed to 43.1 percent for

⁴⁷ Letian Pan (editor), "The Tenth Five-Year Plan (2001-2005)," http://www.gov.cn/english/2006-04/05/content_245624.htm, (accessed February 20, 2010).

⁴⁸ Barbara Crossette, "U.N. Survey Finds World Rich-Poor Gap Widening," *New York Times*, July 15, 1996, <http://www.nytimes.com/1996/07/15/world/un-survey-finds-world-rich-poor-gap-widening.html>, (accessed December 3, 2009)

⁴⁹ National Bureau of Statistics, "Table 1-6: Main Indicators of National Economic and Social Development by Eastern, Central, Western and Northeastern Provinces (2007)," *China Statistical Yearbook 2008*, <http://www.stats.gov.cn/tjsj/ndsj/2008/indexeh.htm>, (accessed March 8, 2010). Note: Eastern refers to Shanghai, Jiangsu, Zhejiang, Guangdong, Beijing, Hebei, Tianjin, Shandong, and Fujian. Central is composed of Anhui, Henan, Hubei, Hunan, Jiangxi, and Shanxi. Western includes: Chongqing, Gansu, Guangxi, Guizhou, Inner Mongolia, Ningxia, Qinghai, Shaanxi, Sichuan, Xinjiang, and Yunnan. Northeast is Liaoning, Jilin, Heilongjiang.

⁵⁰ Ibid.

rural residents in 2007.⁵¹ Both sectors have substantially reduced this percentage since economic modernization began, but it is noteworthy that the urban sector passed below the current rural expenditure percentage in 2000. Urban and rural households spend a similar portion of their income on items such as household articles and services, healthcare, and transport and communications, but diverge, again, on educational, cultural and recreation services. The table below illustrates the comparison of overall spending patterns by category provided by the NBS.

Total Consumption Expenditures (%)⁵²		
<u>Item</u>	<u>Urban</u>	<u>Rural</u>
Food	36.29	43.08
Clothing	10.42	6.00
Residence	9.83	17.80
Household Facilities, Articles and Services	6.02	4.63
Health Care and Medical Services	6.99	6.52
Transport and Communications	13.58	10.19
Education, Cultural and Recreation Services	13.29	9.48
Miscellaneous Goods and Services	3.58	2.30

⁵¹ See National Bureau of Statistics, *China Statistical Yearbook 2008*, Table 9-2. Note: Engel's Coefficient is defined as: total expenditure on food /total consumption expenditure x 100%

⁵² National Bureau of Statistics, *China Statistical Yearbook 2008*, Table 9-7 and Table 9-25.

Taking the assessment one step further, the next table compares ownership of select, durable, consumer goods between urban and rural households.

Durable Goods: Units Owned per 100 Families⁵³

<u>Item</u>	<u>Urban</u>	<u>Rural</u>
Automobile	6.06	N/A
Washing Machine	96.77	45.94
Color TV	137.79	94.38
Computer	53.77	3.68
Refrigerator	95.03	26.12
Telephone (fixed)	90.52	68.36
Telephone (mobile)	165.18	77.84

A cursory analysis of the data provides an insight into the buying power of the discretionary income of the two groups which again is slanted toward the urban areas.

In terms of basic access to health care, the eastern part of the country had one licensed doctor for every 598 people while the composite average of the more rural central and western provinces had one licensed doctor for every 713 people. Similarly, the eastern area had more hospital beds and clinical facilities than the total for the central and western regions combined. Yet the eastern population was 66 percent of the total of the other regions.⁵⁴ It should be noted China's Household Registration System (*Hukou*) which will be addressed later in this paper has traditionally imposed limits on access to healthcare programs on rural migrant workers living in urban areas. This factor would further skew the established statistics on healthcare access even more toward the benefit of the urban side. It is estimated that there as many 150 million migrant workers.⁵⁵

⁵³ National Bureau of Statistics, *China Statistical Yearbook 2008*, Table 9-12 and Table 9-30.

⁵⁴ National Bureau of Statistics, *China Statistical Yearbook 2008*, Table 1-6.

⁵⁵ "China's Measures on Improving People's Livelihood," http://english.gov.cn/2009-12/27/content_1497754.htm ,(accessed March 12, 2010).

Among other economic and development indicators from the *2008 Yearbook*, the more urban east accounted for 55.3 percent of the gross domestic product (GDP), 56 percent of real estate development, 89 percent of foreign trade, 54.2 percent of the value of domestic trade, and the highest percentage of the PRC's college graduates (40.4 percent) of any region.⁵⁶ Clearly, the official statistical data provided by the PRC illustrates a country that is divided by economics. Thirty years of reform and growth have primarily benefited the eastern section of the country but it has not translated into development of the entirety. As evidence, a 2005 report prepared by the Research Institute of Economy, Trade and Industry (RIETI) transposed individual provincial data from China into the U.N.'s Human Development Index which combines factors such as per capita income, literacy rate and life expectancy and ranks 177 countries in total. The study placed the most developed areas of China - Beijing and Shanghai - on par with countries such as Portugal (#27) and Argentina (#34). At the bottom of the scale, the southwestern province of Guizhou was estimated at about the same level as the African country of Namibia (#125).⁵⁷

The current Eleventh Five-Year Plan maintains a goal of balanced development and devotes an entire chapter to "Building a New Socialist Countryside," as well as one entitled, "Promoting Balanced Development Among Regions."⁵⁸ Both chapters include dominant themes of urbanization, centrally funded infrastructure development,

⁵⁶ National Bureau of Statistics, *China Statistical Yearbook 2008*, Table 1-6.

⁵⁷ "Regional Disparities Have Gone Beyond Acceptable Limits – The Path to an All-Around Well-Off Society Remains Distant," Research Institute of Economy, Trade and Industry, November 29, 2005, <http://www.rieti.go.jp/en/china/05112901.html>, (accessed March 4, 2010). Note: Per RIETI, citing the U.N. study, China's national rank on the index was 85 – virtually in the middle.

⁵⁸ National Development and Reform Commission, "The Outline of the Eleventh Five Year Plan," http://en.ndrc.gov.cn/hot/t20060529_71334.htm, (accessed December 9, 2009).

environmental protection, and the provision of social safety nets in the form of social security and improved access to healthcare. However, little specific detail is provided regarding how these objectives will be met.

1.6: Harmonious Society – The National Response

Those familiar with American History might find, the scope, positioning, and the national, strategic nature of “Harmonious Society” reminiscent of initiatives such as the 1960s “Great Society” in the United States.⁵⁹ National policy statements tend to provide sweeping, but vague, national goals. For example, the Great Society targeted the elimination of poverty and racial injustice as national goals and sought to support those goals by formulating specific programs and entitlements to improve education, medical care, urban problems, and transportation.⁶⁰

China’s goals for Harmonious Society are identified in the “Decisions by the CCP Central Committee on Building Socialism and Harmonious Society, and Other Important Issues” by the Central Committee during the Sixth Plenum (October 2006).⁶¹ The communiqué is short on specifics but sets a generally populist tone. In characterizing the goals of Harmonious Society the official *Xinhua* news agency reported:

As the economy grows, people's living standards should increase gradually. As the essence of a harmonious society is affluence, the development of a country should go from

⁵⁹ Harmonious Society in China is a by-product of reform of the economic system and the Great Society was a result of reforming the U.S. legal system through the Civil Rights Act of 1964. Both programs share the broad goal of correcting inequalities within their respective national systems.

⁶⁰ Lyndon B. Johnson, “President Lyndon B. Johnson’s Remarks at the University of Michigan,” May 22, 1964, <http://www.lbjlib.utexas.edu/johnson/archives.hom/speeches.hom/640522.asp>, (accessed March 4, 2010).

⁶¹ Yongnian Zheng and Sow Keat Tok, “Harmonious Society and Harmonious World: China’s Policy Discourse Under Hu Jintao,” China Policy Institute: Briefing Series - 26, October 2007, <http://www.nottingham.ac.uk/CPI/publications/policy-papers/2007/index.aspx>, (accessed November 30, 2009).

being moderately well-off into being well-off and affluent; from having big gaps in income to narrowing gaps; from dealing with poverty to eliminating poverty...⁶²

Excerpts from official press releases such as the one issued by the Press Office of the Chinese Embassy in Washington, D.C. provide additional detail and define the initiative in the following manner:

A harmonious society in China is a society that always puts people first... A harmonious society in China means a society with, for instance, a stable political environment, a sustainable prosperity, people living in peace with fair opportunities for work or study, and a society of better welfare... Many programs are hence introduced with more resources from both public and private sectors in a bid to help communities improve infrastructure, enhance education and job training, strengthen medical care and clean streets and waters. The gap between rich and poor draws great attention and efforts are being made to narrow it sooner and faster.⁶³

The press release also mentions goals of coordinated and sustainable development, balancing the interests of different sectors, upholding the principle of governing the country by law and building a legal system, increasing income opportunities, perfecting a social security system and increasing wages in order to raise the size of the middle-class – all while eliminating social ills and corruption.⁶⁴ In a twist of irony, it has been observed that the concept of Harmonious Society aligns closely with Confucian values that were the object of scorn and derision during the Cultural Revolution.⁶⁵ The

⁶² Xinhuanet, “What is a Harmonious Society,” March 23, 2005, http://news.xinhuanet.com/english/2005-03/21/content_5278045.htm, (accessed November 28, 2009)

⁶³ Press Office of the Chinese Embassy, “Put People First and Build a Harmonious Society in China,” October 24, 2009, <http://www.mfa.gov.cn/eng/errorpath/t622335.htm>, (accessed November 11, 2009)

⁶⁴ Ibid.

⁶⁵ Daniel A. Bell, “China’s Leaders Rediscover Confucianism,” *New York Times*, September 14, 2006, <http://www.nytimes.com/2006/09/14/opinion/14iht-edbell.2807200.html>, (accessed April 30, 2010).

presentation and “sale” of Harmonious Society to the Chinese public has been supported with quotes from Confucius in speeches by key leaders including President Hu Jintao.⁶⁶

1.7: Summary

This chapter has endeavored to show that China’s decision to pursue a path of modernization was due to the confluence of historical, economic, and ideological changes. The historical events included leadership changes from the original revolutionary cadres to the so-called “second, third, and fourth generation” leaders. The poor state of the Chinese economy, especially in the aftermath of the Cultural Revolution, necessitated economic changes. However, ideas such as the precept of self-reliance in the existing Maoist ideology ran counter to the needs of modernization. As ideology is a basis for enlisting political support and motivating people to action, especially in the Chinese model, aligning ideology with modernization policy was critical.⁶⁷ The methodology for adapting ideology - the systemization of “Deng Xiaoping Theory” and “The Three Represents” - accomplished the alignment objective and established a potential framework for future revisions, if needed.⁶⁸

Data presented illustrates that the modernization program has delivered phenomenal economic growth but has also generated the growing rich-poor gap. However, at the outset of the transition period to a market economy, levels of poverty were so high that income inequality was not an important concern. In a special report, the *New York Times* noted, “...as long as the rising tide of economic growth was lifting

⁶⁶ Ibid.

⁶⁷ Chai, 164.

⁶⁸ Ibid, 169.

all boats, the widening gap between rich and poor was generally tolerable.”⁶⁹ The general public’s perception of the definition of “poverty” has also evolved in China with the bar being set much higher than it was in 1978. Lean economic times, especially the current worldwide downturn, magnify the issue as the lower earning segments of Chinese society are more adversely affected and the gap is more readily apparent.⁷⁰

One indicator of the growing gravity of the problem is the documentation of social unrest in both Chinese and international sources. A 2006 report authored by the Congressional Research Service noted a 50 percent rise in the social disturbances between 2003 and 2005 (58,000 incidents in 2003 to 87,000 in 2005) with most of the unrest attributed to economic conditions.⁷¹ Citing Chinese officials in Hunan Province in March 2007, the UK *Daily Mail* published a report entitled “20,000 Farmers Riot in China over Widening Gap between Rich and Poor.”⁷² Even the July 2009 turmoil in Xinjiang appears to have economic as well as ethnic origins. The inciting incident is attributed to the lack of an official response to the violent deaths of two ethnic Uighur migrant workers in Guangdong. However, contributing factors appear to include income inequality and hiring discrimination.⁷³ As recently as 24 December 2009, the annual report of the Chinese Academy of Social Sciences stated that social unrest and crime

⁶⁹ Wheatley.

⁷⁰ Ravillion and Chen, 19; Wheatley.

⁷¹ Thomas Lum, “Social Unrest in China,” Document RL33416, (Washington DC: Congressional Research Service, May 2006), 1-3.

⁷² Mail Online, “20,000 Farmers Riot in China Over Widening Gap Between Rich and Poor,” *London Daily Mail*, March 12, 2007, <http://www.dailymail.co.uk/news/article-441748/20-000-farmers-riot-China-widening-gap-rich-poor.html>, (accessed December 9, 2009).

⁷³ Christina Larson, “How China Wins and Loses Xinjiang,” *Foreign Policy*, July 9, 2009, http://www.foreignpolicy.com/articles/2009/07/09/how_china_wins_and_loses_xinjiang?page=0,2, (accessed January 31, 2009). Note: Larson references PRC data that shows Xinjiang remains one of the highest in income inequality among China’s provinces.

were increasing, and the main reason given was growing income gaps, “especially the chronically lagging incomes in the countryside versus the richer cities.”⁷⁴ How the CCP reacts in dealing with this issue may determine whether or how long it can maintain its monopoly on political power.

⁷⁴ Shai Oster, China Think Tank Sees More Unrest,” *China Realtime Report*, December 24, 2009, <http://blogs.wsj.com/chinarealtime/2009/12/24/china-think-tank-sees-more-unrest/>, (accessed January 5, 2010).

Chapter Two: Theory and China's Modernization

To accomplish modernization of a Chinese type, we must proceed from China's special characteristics. – *Deng Xiaoping*

2.1: The Broad Context - Modernization Theory

Social scientists have had thirty years to analyze and evaluate China's model of modernization. As might be expected, a heavier volume of academic papers seem to cluster around the times of leadership change but the flow of work has remained fairly constant over the last three decades. To date, while certain trends can be traced in the scholarly community, it is fair to state that a consensus has yet to be reached on many aspects of the Chinese modernization model, and especially on its long term impact.

The most frequent areas of analysis include: 1) Why hasn't China shown some signs of democracy or political reform to complement the economic reforms?; 2) Does the Chinese modernization model fit into any current theoretical framework and is there such a thing as "Chinese Exceptionalism?"; and 3) What type of government can one expect in China in both the short term and in the more distant future?

In order to properly position a discussion of China-specific development theory, it is helpful to look back at some of the earlier work on development and modernization. Though not China-specific, the concept of linkage between economic development and political behavior has been both popular and debated since the nineteenth century. Since the 1960s, several Western theorists, Seymour Lipset and Walter Rostow in particular, have specifically focused the connection on the process of democratization. Lipset viewed the process from a sociological perspective while Rostow was an economist and political theorist.

Lipset argued for a set of conditions that allow democracy to emerge. The conditions (more accurately, the correlation of conditions) include an acceptable level of wealth, urbanization, education and industrialization.¹ In methodology, common economic and demographic measures (per capita income, percentage of agricultural workers, educational attainment levels, urban versus rural residence) are used to quantify the topical categories.² However, acceptable levels of the factors needed to promote democratic transition are not absolutely defined. Rather, comparisons between “stable democracies” and dictatorships are utilized to illustrate how democracies have considerably higher scores in the four categories.³

Rostow, in theorizing “The Five Stages of Economic Growth,” added economic content to the theory. The five stages include: “1) traditional society - one whose structure is developed within limited production functions, based on pre-Newtonian science and technology; 2) pre-conditions for take-off (emphasis on building an effective centralized national state); 3) take-off - the interval when the old blocks and resistances to steady growth are finally overcome; 4) drive to maturity - a long interval of sustained if fluctuating progress; and 4) the age of mass consumption - leading sectors shift towards durable consumers' goods and services.”⁴

¹ Seymour Martin Lipset, “Some Social Requisites of Democracy,” *American Political Science Review* 53, no. 1, (1959), <http://www.jstor.org.ezproxy.shu.edu/stable/1951731>, (accessed January 21, 2010), 75. Note: Lipset defines democracy as a “political system which supplies regular constitutional opportunities for changing the governing officials.” (See page 71)

² Ibid, 76.

³ Lipset provides charts of data on pages 76-77.

⁴ W.W. Rostow, *The Stages of Economic Growth: A Non-Communist Manifesto* (Cambridge: Cambridge University Press, 1960), Chapter 2, “The Five Stages of Growth--A Summary,” <http://www.mtholyoke.edu/acad/intrel/ipe/rostow.htm>, (accessed February 28, 2010).

Criticism of Modernization Theory centers on several issues consisting of its perceived Eurocentric – American bias, its Cold War / anti-communist orientation, a tendency to “package” factors, and minimizing the contributions of non-western people. On the issue of Eurocentric – American bias, Dean Tipps observed, “Certainly, by virtue of its overriding concern with political stability, its often explicit anti-Communism, and its indifference to the entire issue of economic and political imperialism, there is little in the modernization literature that would seriously disturb White House, Pentagon, or State Department policymakers.”⁵ Reinforcing his criticism, Tipps also notes that many of the academics associated with the theory were also consultants to the U.S. State Department, CIA or other government agency.⁶ Regarding criticism of its Cold War orientation, Colin Leys notes a “pro-capitalist” orientation that aligns with the objectives of United States foreign policy supported by European allies.⁷ Tipps and Jane Jaquette take the “packaging” to task as a structural issue arguing that the attributes need not be introduced in the manner the Modernization Theorists specify. They contend that the factors (industrialization, urbanization, etc.) may be “unbundled and absorbed selectively.”⁸ The linear constructs of both Lipset and Rostow would fall under this criticism.

The minimization of indigenous people and women is addressed by Jaquette and Arif Dirlik. Jaquette notes that the theory either ignores or categorizes women as a

⁵ Dean C. Tipps, “Modernization Theory and the Comparative Study of Societies: A Critical Perspective,” *Comparative Studies in Society and History* 15, no. 2 (March 1973): 210.

⁶ Rostow, for example, served as President John Kennedy’s National Security Advisor.

⁷ Colin Leys, “The Rise and Fall of Development Theory,” in Marc Edeleman and Angelique Haugerud, *The Anthropology of Development and Globalization*, (Malden, MA: Blackwell Publishing, Ltd, 2005), 112.

⁸ Tipps, 215, and Jane S. Jaquette, “Review: Women and Modernization Theory: A Decade of Feminist Criticism,” *World Politics* 34, no. 2 (January 1982): 268.

“backward element,” and Dirlik adds that using capitalism and ignoring local custom and practice as the basis for the theory is antithetical to Post-Colonialist intellectuals.⁹

Clearly, there are flaws in the theory subject to criticisms such as the ones presented. Rostow, for example, does indeed support the five stages with illustrations from the American experience. However, the purpose in presenting Modernization Theory is due to its influence on several of the theorists whose ideas will be presented later in this paper, Lucian Pye and Samuel Huntington among them. Vestiges of the theory can also be seen in the work of contemporary scholar Minxin Pei.¹⁰

Additionally, the democratization of governments in South Korea and Taiwan have sparked a resurgence of interest in the theory as both transitions followed extended periods of economic development. In 1997, Francis Fukuyama commented, “there are in fact good empirical grounds for thinking that modernization is a coherent process that produces a certain uniformity of economic and political institutions across different regions and cultures.”¹¹ Supporting Fukuyama’s assertion, research presented in 2004 by Adam Przeworski found that no democracy that has reached a per capita income of \$6,055 (\$US) has ever fallen while forty-seven poorer democracies have failed since 1946.¹² Political economist Robert Barro arrived at a similar conclusion in 1999 research

⁹ Jaquette, 269 and Arif Dirlik, “The Postcolonial Aura: Third World Criticism in the Age of Global Capitalism,” *Critical Inquiry* 20, no. 2 (Winter 1994): 335.

¹⁰ Sheri Berman, “What to Read on Modernization Theory,” *Foreign Affairs*, March 12, 2009, <http://www.foreignaffairs.com/features/readinglists/what-to-read-on-modernization-theory>, (accessed February 6, 2010). Note: Berman’s reading list includes selections from Huntington. Pei’s book, *China’s Trapped Transition* is dedicated to Samuel Huntington. See also, Mark T. Berger, “Decolonisation, Modernisation and Nation-Building: Political Development Theory and the Appeal of Communism in Southeast Asia, 1945–1975,” *Journal of Southeast Asian Studies* 34, no. 3 (2003): 421–448.

¹¹ Francis Fukuyama, “The Illusion of Exceptionalism,” *Journal of Democracy* 8, no. 3 (1997): 146.

¹² Adam Przeworski, “Democracy and Economic Development,” <http://as.nyu.edu/docs/IO/2800/sisson.pdf>, (accessed February 28, 2010).

that found, “more prosperous places are more likely to be democratic.”¹³ A dissenting view is held by Acemoglu, *et al.* In their analysis of former European colonies, the positive correlation between income and democracy is only present over a 500 year span but disappears in a 100 year review when historical factors influencing both political and economic development are included.¹⁴

2.2: Connecting Economic Reform to Political Reform

A recent feature article on China appearing in *The Economist* asked as its title, “What are they afraid of?”¹⁵ The article, noting political stability and economic growth, proceeded to document a series of repressive moves against political dissent. The question posed by *The Economist* is something of a subset of the “why not democracy?” question.. Neither question seems to have an easy answer. Positions on political reform range from pessimistic to guardedly optimistic. The reasoning behind the positions varies from cultural antipathy toward democratization to characterizing lack of reform as an event that may come at some future, unpredictable, date.

More optimistic views of potential political reform and possible democratization were found in the 1990s, but continued forward into the first years of the twenty-first century. Rapid economic growth anticipated the rise of the middle class. In theory, the emerging middle class would recognize democratic processes, institutions and the rule of law as fundamental values and thus the group would become the agent of political

¹³ Robert J. Barro, “Determinants of Democracy,” *The Journal of Political Economy* 107, no. 6, Part 2: Symposium on the Economic Analysis of Social Behavior in Honor of Gary S. Becker (December 1999): S166.

¹⁴ Daron Acemoglu, Simon Johnson, James A. Robinson, and Pierre Yared, “Income and Democracy,” Unpublished Paper (February 2005), http://www.people.fas.harvard.edu/~jrobins/researchpapers/unpublishedpapers/jr_IncomeDemocracy.pdf, (accessed February 21, 2010).

¹⁵ “What are they afraid of? The Politics of Repression in China,” *The Economist*, February 20, 2010, 37.

change.¹⁶ To date, the predicted assertion of the middle class has yet to materialize. With little discernible activity on the national level, most literature citing political reform is focused on the local level.

Kevin J. O'Brien and Lianjiang Li studied the history of the limited experiment in village elections between 1980 and 2000. While their study emphasizes that village elections have no bearing on national policy, their findings are still of interest. Over the twenty year period they conclude that village elections went from creating a form of grassroots democracy initially with limited scope to a semi-institutionalized and accepted practice.¹⁷ Though acknowledging the limitations of the local elections, they see the practice as a "tantalizing sign" of reform at higher levels of government.¹⁸ Baogang He came to a similar conclusion after observing village assemblies in 2001. He observed that villagers used the village assembly as a check on party power, village decision-making and to fight official corruption resulting in a government that was "more balanced and more responsive to the needs of villagers."¹⁹

The intellectual middle ground of the state of Chinese political reform recognizes that China is still ruled under an authoritarian system but concurrently finds reasons for varying degrees of optimism.²⁰ Andrew Nathan, for example, cites as positive, policy and/or institutional changes: "(1) the increasingly norm-bound nature of its succession

¹⁶ Gongqin Xiao, "The Rise of the Technocrats," *Journal of Democracy* 14, no. 1 (January 2003): 63.

¹⁷ Kevin J. O'Brien and Lianjiang Li, "Accommodating 'Democracy' in a One-Party State: Introducing Village Elections in China," *The China Quarterly* 162, Special Issue: Elections and Democracy in Greater China, (June 2000): 487.

¹⁸ *Ibid*, 489.

¹⁹ Baogong He, "The Theory and Practice of Chinese Grassroots Governance," *Japanese Journal of Political Science* 4, No. 2: 309.

²⁰ The middle ground position is reminiscent of James Mann's "Soothing Scenario" described earlier in this paper.

politics; 2) the increase in meritocratic as opposed to factional considerations in the promotion of political elites; 3) the differentiation and functional specialization of institutions within the regime; and 4) the establishment of institutions for political participation and appeal.”²¹ While Nathan speculates that these may be positive signs for future reform, he also cautions that the resiliency shown by the CCP may suggest that “authoritarianism is a viable regime form even under conditions of advanced modernization and integration with the global economy.”²²

Harry Harding, also writing within the middle of the theoretical spectrum, takes the position that China is a “soft” or consultative form of authoritarian system.²³ Echoing several of Nathan’s “positives,” Harding adds that China is “a far freer society (than thirty years ago), with a more extensive and effective legal system, and a narrower political spectrum, in which most political debate is over the details of policy rather than the overall course of reform.”²⁴ He concludes that China of 2009 is “very different than it was in 1978 – certainly more pragmatic and liberal, even if neither pluralistic nor democratic.”²⁵

The more pessimistic scholars group around a position that Minxin Pei describes as “political decay.”²⁶ Bruce Gilley, who is also representative of the pessimistic group, maintains that while others may interpret orderly succession and perceived merit based

²¹ Andrew Nathan, “Authoritarian Resilience,” *Journal of Democracy* 14, no. 1 (January 2003), 6.

²² *Ibid.*, 16.

²³ Harry Harding, “Thirty Years of Political Reform in China,” April 23, 2009, <http://thinkingaboutasia.blogspot.com/2009/04/thirty-years-of-political-reform-in.html>, (accessed February 27, 2009).

²⁴ *Ibid.*

²⁵ *Ibid.*

²⁶ Minxin Pei, “Contradictory Trends and Confusing Signals,” *Journal of Democracy* 14, no. 1 (January 2003), 78.

promotions as institutionalizing the rule of the CCP, the level of institutionalization is “faint and unlikely to strengthen.”²⁷ Gilley offers as support for his thesis research that has shown:

- China’s anti-crime campaigns that boast high conviction rates violate due process which the state is simultaneously promoting.
- The orderly transition of leadership power from Jiang Zemin to Hu Jintao “had more to do with the powerful legacy of Deng Xiaoping than it did with institutionalization.” (Deng had effectively anointed Hu in 1992.)
- Meritocracy may be present in the lower levels of government, but seven of the nine top leadership positions in 2003 could be traced to factional or personal loyalty as opposed to outstanding performance.²⁸

Gilley’s summary characterization is that “the problems traditionally associated with non-democratic regimes—illegitimacy, misgovernment, corruption, and elite instability remain legion in China.”²⁹ Gilley leaves open the option that reform may still occur but it may happen due to negative events that build a coalition of stakeholder groups - not as a progressive initiative of the presently constituted CCP.

Yet another position on the pessimistic side of reform suggests that a further ideological shift is underway. This viewpoint observes that the current administration of Hu Jintao has signaled a shift back to a more orthodox, Leninist position. Tony Saich notes that Hu’s policies have diverged from those of his predecessor by being “more people-centered,” but he has also tightened control over dissent in the name of “preserving social stability as the key foundation for continued economic growth.”³⁰ As a further

²⁷ Bruce Gilley, “The Limits of Authoritarian Resilience,” *Journal of Democracy* 14, no. 1 (January 2003): 18.

²⁸ *Ibid.*, 20-21.

²⁹ *Ibid.*, 23.

³⁰ Tony Saich, “Governance and Politics of China,” Web Update, <http://www.palgrave.com/politics/saich/docs/update1.pdf>, (accessed January 17, 2010).

indication of a more orthodox leaning, Saich associates Hu with the traditional CCP leadership position that “China will never follow a “Western” model of democracy.”³¹

The sampling of literature in this section, though hardly exhaustive, illustrates the lack of consensus among scholars as to why the limited freedoms of economic reform have not blossomed into more comprehensive political reforms. There appears to be relative agreement, even among the pessimists, that potential for reform does exist, but the motivations for it happening differ considerably.

2.3: “Chinese Exceptionalism?”

China’s rise as an economic power has provoked considerable comparisons to other regional development situations. Unlike the former Soviet bloc, China has followed a path of gradualism and has maintained its one-party rule. The rapidity and seeming uniqueness of its transition from a poor, undeveloped country to a global economic power has led some to question if the uniqueness constitutes a case of “exceptionalism.”

The theory of Chinese Exceptionalism also falls under the framework of East Asian Exceptionalism. In considering the development of other Asian countries, the term refers to economic reform preceding political reform. In China (and Vietnam), the definition is modified to mean economic reform without political reform. In either case, all the players started with authoritarian political regimes. The intellectual discussion concerning the political aspect of the term most often devolves into a debate regarding the relationship between regime type and the sequencing and effectiveness of economic reform. Randall Peerenbloom and Weitseng Cheng outline the East Asian Model as a five phase process that starts with economic growth and evolves to constitutionalism. In

³¹ Ibid.

between the first and fifth phases countries experience pragmatic reforms, investment in human capital that builds institutions of civil society followed by some form of democratization.³² Citing Taiwan and South Korea as recent examples of how East Asian countries move from authoritarianism to functioning democracy, the authors use Taiwan in particular as a possible role model for China.

In related research, Pei observes that “highly publicized booms” associated with economic restructuring in authoritarian or communist states such as China convey an impression of what one might call “autocratic superiority.”³³ The implication of the term is that placing market-oriented reforms ahead of democratization is the better alternative. Though the absolute results seemingly speak for themselves, Pei contends that other factors reduce the superiority claim to the category of “simple generalization.”³⁴ However, he does concede that authoritarian rule does minimize or eliminate the problems that a democratic regime faces from economic issues when dealing with an electorate.³⁵ Though Pei rejects the concept of autocratic superiority by placing greater weight on factors such as giving priority to comparative advantage sectors such as agriculture, promoting an export economy to link to the world economy and avoiding ideological battles, he does lend credence to aspects of the concept of exceptionalism. One of the principal reasons is his assessment that the somewhat unique, “transnational

³²Randall Peerenbloom and Weitseng Chen, “Developing the Rule of Law: Political Change in China.” in Bruce Gilley and Larry Diamond (editors), *Political Change in China*, (Boulder, CO: Lynn Rienner Publishers, 2008), 136-137.

³³ Minxin Pei, “The Puzzle of East Asian Exceptionalism,” *Journal of Democracy* 5, no. 4 (October 1994): 91.

³⁴ Ibid.

³⁵ Ibid.

character of China and East Asia's entrepreneurial society"³⁶ facilitated the movement of capital across national borders.³⁷

While Pei's work addresses political theory, Wing Thye Woo approaches the question of exceptionalism from the perspective of China's economic model. His findings, like the political analysis of Pei, are mixed. The economic elements identified as "exceptional" include: dual-track pricing, state-owned enterprise (SOE) contracts, and fiscal contracts.³⁸ Woo theorizes that if China's model is indeed exceptional, then WTO membership would pose an impediment to increased growth since post-accession, certain key elements of the model would have to conform to WTO requirements.³⁹ In part, Woo's findings indicate part of China's claims of success due to economic model exceptionalism is actually attributable to privatization of certain sectors and not to dual track pricing or to labor contracts.⁴⁰ On the positive side, fiscal contracts that allow local governments to invest in local development are highlighted by his paper.⁴¹

Fukuyama explores the concept of cultural exceptionalism. China's historical concept of the "Middle Kingdom" as well as its contemporary surges of nationalism lend credibility to a sense of cultural exceptionalism, but Fukuyama tends to take a more negative position. He notes that some East Asian cultures contend that Confucian

³⁶ "Transnational" in this usage refers to linkage with an overseas diaspora, especially with regard to capital flows and business networks.

³⁷ Ibid, 95.

³⁸ Wing Thye Woo, "Recent Claims of China's Economic Exceptionalism: Reflections inspired by WTO Accession," *China Economic Review* 12 (2001): 107.

³⁹ Ibid.

⁴⁰ Ibid, 115.

⁴¹ Ibid, 127.

tradition lends itself to favoring a “certain kind of political authoritarianism.”⁴² His counter argument, however, cites “Chinese and other Asian communities in Canada, Britain, and the United States remain in some deep sense culturally Asian within the context of a modern democracy.”⁴³

Summarizing the literature reviewed on exceptionalism, one finds elements of the concept in the political, economic, and social theoretical writing. Transnationalism, as defined by Pei, appears to be a valid argument while economic models and social perceptions of the concept are open to debate.

2.4: Possible Governing Options

Scholarly literature addressing the answer to future governing options is often couched in disclaimer. No literature predicted the near term demise of communist party control and those authors who did venture ideas on a potential form did so in broad terms. The more common analysis ventured at predicting characteristics and elements of future governing styles. A representative commentary is embodied in the following analysis by Shaun Breslin.

In recent years, debates over political reform and the need to democratise (albeit to democratise with Chinese characteristics) have been at the forefront of political debates amongst intellectuals – many of them with close links to the Party...When the Chinese talk about democratisation, what they are really referring to is making the existing one-party state more democratic – increasing transparency, predictability and the rule of law – and more efficient.⁴⁴

⁴² Fukuyama, 148.

⁴³ Ibid, 148.

⁴⁴ Shaun Breslin, “Democratising One-Party Rule? Political Reform, Nationalism and Legitimacy in the People’s Republic of China,” Working Paper 67, www.fride.org, (accessed February 27, 2010).

Harry Rowen opted to propose a timetable related to the Freedom House Index. In an article written in 2007 that was an updated version of one published in 1996, Rowen maintains that China will earn a “partly free” score by 2015, and achieve a “free” grade by 2025.⁴⁵ Rowen’s basis for the prediction is the continuing rise in per capita income. He aligns with theory of Lipset and cites the empirical work of John Barro and Adam Przeworski in support. While Rowen’s paper may be classified as optimistic, he adds the necessary cautions that external or internal events could derail the process.

Bruce Dickson, while not predicting government form or setting a timetable, shares research thoughts on the continued adaptation of the CCP. Dickson notes,

The Party has been recruiting the kind of economic and technical expertise needed to promote economic modernization. The rationale here is itself two-fold: First, the CCP wants to be connected with the types of people it needs to achieve continued growth, which is a main source of the Party’s contemporary claim to legitimate rule.⁴⁶

Dickson attributes the recruiting to “party building” that maintains relevance in a changing world and, ultimately, preempting the new elites from forming potentially rival organizations.⁴⁷

Gabriella Montinola, *et al*, provide more specific guidance in their paper by proposing a concept of “Federalism, Chinese Style.” The main tenet of this theoretical approach asserts that “democratization does not encompass all aspects of political

⁴⁵ Harry S. Rowen, “When Will the Chinese People be Free?,” *Journal of Democracy* 18, no. 3 (July 2007): 38.

⁴⁶ Dickson, 28.

⁴⁷ *Ibid.*

reform.”⁴⁸ They contend that economic reforms have essentially “enhanced the powers of local government and altered central-local government relations in several critical ways that are difficult, though not impossible, to reverse.”⁴⁹ The resulting style of government in their model is a power sharing scheme that basically leaves local decisions at the local level but maintains the CCP as the central authority. As evidence that the system already exists in an informal sense, the authors cite the relative operating freedom in terms of taxing authority and development policy of local governments in SEZs.⁵⁰

The work of one other author, Yongnian Zheng, is worthy of consideration. Zheng, whose article is now somewhat dated, addresses the possibility of China adopting a neo-authoritarian form of government. Considering the failure at Tiananmen, Zheng reflected in 1994, that there was significant sentiment among “scholars and many politicians, both old and young” that China needs an authoritarian government.⁵¹ Zheng discusses several options including federalism and full western style democracy. However, based on public opinion data he concludes that the public default position leans toward an authoritarian model. As his empirical data shows economic issues at the forefront of the Chinese public, he reasons: “An authoritarian system is more likely than a democratic one to be compatible with greater economic equality among different regions and individuals.”⁵² Though neo-authoritarianism fell out favor during the more liberal Jiang Zemin administration, the significance of Zheng’s conclusion has interesting

⁴⁸ Gabriella Montinola, Yingyi Qian, and Barry R. Weingast, “Federalism, Chinese Style: The Political Basis for Economic Success,” *World Politics* Volume 48, no. 1 (1996): 51.

⁴⁹ Ibid.

⁵⁰ Ibid, 62.

⁵¹ Yongnian Zheng, “Development and Democracy: Are They Compatible in China?,” *Political Science Quarterly* 109, no. 2 (Summer 1994): 236.

⁵² Ibid, 258.

consequences for this paper and its discussion of the impact of economic inequality on policy formulation.

2.5: Summary

The presentation of theory provides a possible framework for later evaluation of the policies that will be discussed in the next chapter. Modernization Theory, though subject to critique for its perceived pro-Western bias, is offered as a benchmark to assess the possible outcomes of China's modernization. "Chinese Exceptionalism" provides a possible alternative since it is "China-specific." The "East Asian Model" that includes Taiwan and features countries that have moved from authoritarianism to democracy by way of economic development is yet another possible construct for comparison purposes.

A recapitulation of the scholarly literature reviewed in this section finds that there is a conspicuous unknown nature to the future of Chinese politics and government. Most authors appear to see change on the horizon but qualifying it is elusive. The opinion on "what comes next," varies from reformation of the communist party to a potential wholesale change in the governing structure. As with the passages on theory, scholarly literature in this section provides a basis for comparison and will be used in the concluding chapter to test the adaptable ideology thesis.

Chapter Three: Policy Case Studies

3.1: Case Study Methodology

The policy of Harmonious Society is now approaching its fifth year. Evaluating the current successes and/or failures of the initiative is outside of the scope and is not the purpose of this research. However, analyses of selected sub-programs that support multiple goals of the initiative provide an indication of ideological direction or possible paradigmatic shift. Therefore, the next three sections will examine separate programs that have remediation of some aspect of the rich-poor gap as a main objective. The programs can be also seen as part of, or absorbed under, the general heading of Harmonious Society. Programs analyzed will mirror three of the objectives of Harmonious Society: migrant worker equality, rule-of-law, and regional economic development. Elements presented in this chapter include: 1) the program objectives; 2) the official rationale or ideological justification (if any); and 3) the desired economic, social or political impact of each program.

This paper's introduction posed an initial research question that asked how Chinese leadership will manage balancing an objective of continued economic growth with narrowing the rich-poor gap. The short case studies presented provide answers to that question and will also provide qualitative data for evaluating of this paper's thesis of adaptable ideology as the key element to Chinese planning strategy. The choice of subject matter was relatively random but in order to avoid undue bias from any single discipline or domestic factor a representative cross-section of information from programs targeting diverse domestic sectors was assembled. Structurally, the content is presented in a descriptive form and a more in-depth analysis of the data will follow in chapter four.

3.2: Legislating a Policy of Social Change – Reforming the Hukou System

“It is not easy to realize how strange it is when you live in an existing system, but when you have the chance to talk with people from other countries, you realize the huge difference...I enjoyed my talk with my great friends tonight, and we talked about the Resident Permit (*Hukou*) system in China. To be honest, I didn't feel it too strange before I explained it with my own mouth. After that, even I think it is not reasonable at all, and astonished to hear what came out of my own mouth.” – *Wang Jianshuo, Chinese Blogger*¹

Household registration systems or *hukou* (戶口) have existed in China since imperial times. Earliest versions can be traced from the Warring States Period (475 BCE–221 BCE) to the Baojia of the Ming (1368 – 1644 CE) and finally to the modern forms used in the twentieth century by both the Nationalists (on the Mainland and on Taiwan) and the CCP.² Historically, the household registration (or perhaps more accurately defined as a residency permit) has served an assortment of purposes including providing data for taxation, aiding law enforcement powers, determining available manpower for military conscription and, in its current iteration, maintaining a desired balance (and control) in the geographic spread of population.³ The main reasons given for migration that the system regulates include: surplus labor in rural areas and the rural-urban income gap. Age (usually less than thirty-five), gender (predominantly male), and marital status (single) are important variables in the migration decision.⁴

In their observations of the current *hukou*, developed and promulgated in the 1950s, Tiejun Cheng and Mark Selden assert that the PRC version of *hukou* was

¹ Wang Jianshuo, “Hukou System in China,” http://home.wangjianshuo.com/archives/20060610_hukou_system_in_china.htm, (accessed March 26, 2010).

² Tiejun Cheng and Mark Selden, “The Origins and Social Consequences of China's Hukou System,” *The China Quarterly*, Number 139 (September 1994): 648.

³ Fairbank and Goldman, 297; Cheng and Selden, 644.

⁴ Zhong Zhao, “Migration, Labor Market Flexibility, and Wage Determination in China: A Review,” *The Developing Economies* 43, no. 2 (June 2005): 300.

established to control population movement, especially to restrict in-migration to urban areas as a means to manage urban unemployment, enforce permanent exile of urban residents sent to the countryside, and institute population controls to facilitate collectivization.⁵ Fei-ling Wang describes the PRC *hukou* as “an administrative system with sketchy legal foundations... designed to collect and manage the information of citizens' personal identification, kinship and legal residence and two ‘unique missions’: to control internal migration through managing temporary residents/visitors; and to have a tiered management of *zhongdian renkou* (targeted people) in the population.”⁶ Peter Alexander and Anita Chan pointedly characterize the system as rural–urban “apartheid,” creating a system of “cities with invisible walls.”⁷

As the system blocks free movement from rural to urban areas but does not have similar prohibitions regarding urban to rural movement, the policy has been identified as a factor underlying the current rich-poor gap.⁸ Cheng and Selden observe, “the *hukou* system made it possible to bind China's rural population in a subaltern position on land it did not own and could not leave.”⁹ At the same time, urban areas received an assortment of social services (including health care and education) and subsidies that were not

⁵ Cheng and Selden, 645.

⁶ Fei-ling Wang, “Reformed Migration Control and New Targeted People: China's Hukou System in the 2000s,” *The China Quarterly*, Number 177 (March 2004): 117.

⁷ Peter Alexander and Anita Chan, “Does China Have an Apartheid Pass System?” *Journal of Ethnic and Migration Studies* 30, No. 4 (2004): 609; Kam Wing Chan and Will Buckingham, “Is China Abolishing the Hukou System?” *The China Quarterly* 195 (September 2008): 583.

⁸ Dennis Tao Yang, “What Has Caused Regional Inequality in China?,” *China Economic Review* 13 (2002): 332; Cheng and Selden, 652; Wang, 116.

⁹ Cheng and Selden, 668.

similarly provided to rural areas that, in Maoist terms, were expected to be self-sufficient.¹⁰

With the reforms of the 1980s, the system was relaxed to some extent but blogger Wang Jianshuo cites that migrants have continued problems with access to state subsidized medical insurance, job discrimination, and personal safety as residual impacts of the system.¹¹ The observations made in the blog post align closely with conclusions of a 2005 study done using data from the cities of Harbin, Changsha and Yinzhou which found that migrant workers were considered a burden to the locality (by local officials interviewed) and that anti-discrimination policies in the areas of education, health care and employment were loosely interpreted and selectively enforced by local officials.¹²

In March 2010, *China Real Time Report*, an internet affiliate of the *Wall Street Journal*, published an article illustrating one of the everyday frustrations of the system. The article, entitled “The Trials of Migrant Schools in Beijing,” addressed the issue of education for the children of migrant workers.¹³ The story is set in Cuigezhuang village which is outside the Fifth Ring Road in northeast Beijing. It was the home to migrant workers and their families who did much of the manual labor developing facilities for the 2008 Olympics. The authors recount that the area’s population was once around 30,000

¹⁰ Ibid, 645.

¹¹ Wang Jianshuo.

¹² Gloria Davies and Gaby Ramia, “Governance Reform towards Serving Migrant Workers: The Local Implementation of Central Government Regulations,” *China Quarterly* 193, (March 2008): 140-149. Note: An interesting finding of the study was the common complaint by local officials of “unfunded mandates.” It appears that some of the same local/national disputes over budgetary funding are as common to China as they are to the United States and other Western countries as they attempt to legislate social reform.

¹³ Sky Canaves and Sue Feng, “The Trials of Migrant Schools in Beijing,” *China Real Time Report*, March 5, 2010, <http://blogs.wsj.com/chinarealtime/2010/03/05/the-trials-of-migrant-schools-in-beijing/>, (accessed April 1, 2010).

but now it is almost empty due to evacuation on orders from the local government which is clearing Cuigezhuang in an urban renewal plan. Part of the urban renewal plan calls for the demolition of schools used by the migrant children. The article documents that “across the capital, a total of around thirty migrant schools serving 10,000 students are threatened by development plans, representing 10 percent Beijing’s estimated 300 migrant schools. Of the total, only sixty-four are licensed.”¹⁴

The school closures add to an already difficult situation for migrant parents. In order to send their children to the local public schools in cities such as Beijing, they must pay non-resident fees that most cannot afford. The only other local choice is the unlicensed “private” schools (which are unprotected in urban development). The remaining option is to send children back to their hometowns to be educated where they have their *hukou*. In the last option, due to work obligations and travel costs and distances, parents can only manage to see their children once a year usually during the Lunar New Year holiday.¹⁵

A 2002 report of the *The China Business Review* listed the following issues as typical problems faced by migrant workers:¹⁶

- Laborers do not have contracts with their employers and have limited negotiating power for working conditions and pay due to surplus labor supply.
- Long / Illegal work hours (average 11 to 12 hours per day, seven days per week - China's Labor Law guarantees workers 8-hour workdays, 40-hour workweeks, and at least one day off per week).
- Migrant wages are often well below the local legal minimum wage.
- The majority of migrant laborers do not enjoy benefits such as medical insurance and social welfare services to which citizens with a local *hukou* are entitled.

¹⁴ Ibid.

¹⁵ Ibid.

¹⁶ Zhang Ye, Joe Young and Virginia A Hulme, “Hope for China's Migrant Women Workers,” *The China Business Review* 29, no. 3 (May/June 2002): 30.

- Workplace injuries and exposure to industrial hazards.
- Most nonstate-owned factories are non-union; no organized advocate to ensure rights.

The report also noted that female workers are especially prone to workplace sexual harassment and discrimination.

3.3: Private Property Rights and the Rich-Poor Gap

Only when people's lawful property is well protected will they have the enthusiasm to create more wealth and will China maintain its economic development...

- Jiang Ping, former president of the China University of Political Science and Law

The story of private property reform in China is similar to several other aspects of the rich-poor gap issue. Like the basic market reforms, the early stages of private property rights began in the urban coastal areas.¹⁷ As market reforms progressed during the 1970s and 1980s, control of enterprises and their assets (including worker housing) became increasingly, though informally, decentralized.¹⁸ In the decentralized environment, urban land, whether rented or transferred, became a marketable commodity since local governments could grant land use leases for up to fifty years.¹⁹

The ensuing waves of business privatization created a similar market for urban housing in the 1990s.²⁰ Apartments previously owned by now privatized SOEs were sold to workers who, after a nominal waiting period of five years, were able to sell them at a

¹⁷ Naughton (a), 118.

¹⁸ Ibid. Note: Naughton comments that the delegation of authority came about due to the proliferation of small enterprises that were too numerous to be managed by the central government. While in theory the state still owned these enterprises and their assets, a *de facto* system of property rights emerged with control vesting at the local level.

¹⁹ Ibid, 119.

²⁰ Carl T. Delfeld, "China Passes Law Bolstering Private Property Rights," *Seeking Alpha*, March 27, 2007, <http://seekingalpha.com/article/30810-china-passes-law-bolstering-private-property-rights>, (accessed March 23, 2010).

substantial profit.²¹ Along with the potential for financial gain derived from the sale of housing, another study found that private ownership of housing and, specifically, untying of housing from state employment allowed workers greater mobility to move from state jobs to more lucrative ventures in the private sector.²² In essence, urban property policies facilitated wealth creation for residents.

The history of rural land rights varies considerably from the urban experience. Whereas urban property rights were administered by bureaucrats who reported directly to the central government hierarchy, in rural areas agricultural collectives owned the land (in theory) as well as any non-agricultural businesses occupying the land.²³ A formal system of property rights did not exist. Rather, after de-collectivization individual farmers negotiated and contracted with local authorities for land use leases.²⁴ Re-distribution of land, usually based on demographic changes or production needs, was common in most areas, but the re-distribution activities do not appear to have caused farmers to become landless.²⁵ Land registration regulations were promulgated in the 1980s and 1990s, but the ownership language in the regulations has been characterized as “ambiguous” to allow for administrative flexibility in the developing economy.²⁶

Privatization brought benefits of a marketable commodity (sale of private housing) and greater flexibility in employment choices to urban residents, but the lack of

²¹ Naughton (a), 123.

²² Lakshmi Iyer, Xin Meng, Nancy Qian, “Unbundling Property Rights: Urban Housing Privatization and Labor Mobility in China,” Working Paper, February 2009, <http://igov.berkeley.edu/China09papers/Unbundling%20Property%20Rights.pdf>, (accessed March 23, 2010).

²³ Naughton (a), 119.

²⁴ Ibid, 120.

²⁵ Peter Ho, “Who Owns the Land?,” *The China Quarterly*, Number 166 (June 2001): 397.

²⁶ Ibid, 414.

defined property rights in the countryside denied those same benefits to rural dwellers. Land cannot be used as lending collateral (urban housing can) and the rural market for land use rights has been slow to develop.²⁷ Urban sprawl and expropriation of land for village development projects further complicated matters and has fueled resentment in rural communities.²⁸ Official reports vary, but it is estimated between 40 million and 60 million farmers lost their land due to urbanization between 1990 and 2007.²⁹

The problem of land expropriation, though perhaps linked more to a person's livelihood in the rural areas, can also be found in the cities. Author and journalist Duncan Hewitt recounts the story of a friend from Beijing whose family home was claimed in a development project. His friend, Mr. Zhao, had lived in his Ming-era house for over fifty years. It was located in one of the old *hutong* sections of Beijing that would be a cultural landmark in many of the developed nations of the world.³⁰ While Mr. Zhao, an octogenarian retiree, would eventually be moved to an apartment in another part of the city, a three generation family home and a piece of history were lost in exchange for minimal compensation to the owner and a parking lot for developers.³¹

After five years of debate and revision, China enacted its current private property law in March 2007. As most classical economists regard secure private property rights as a fundamental principle for a genuine market economy, the passage of the law is a

²⁷ Naughton (a), 120

²⁸ Xiaolin Guo, "Land Expropriation and Rural Conflicts in China," *China Quarterly*, Number 166 (June 2001): 423.

²⁹ Matthew S. Erie, "China's (Post-) Socialist Property Rights Regime: Assessing the Impact of the Property Law on Illegal Land Takings," *Hong Kong Law Journal* 37, No. 3 (2007): 921.

³⁰ Duncan Hewitt, *China: Getting Rich First*, (New York: Pegasus Books, LLC, 2008), 6

³¹ *Ibid.*

significant step in China's stated goal to continue along its market-based course.³² At the same time, liberalizing private property rights represents a clear divergence from the ideology of collectivism that is a major tenet of socialism and was the official policy of the PRC dating back to shortly after its founding in 1949.³³

The process that has brought China to this point is both a reflection of its on-going modernization process as well as a window into the workings of its leadership. A timeline of significant events leading up to passage of the new law includes the following:³⁴

- 1978: The collective system is dismantled in the countryside and replaced with the Household Responsibility System. Agricultural collectives allocated land use rights to individual households while retaining ownership of the land. As part of the agreement, families are required to meet sales/production goals.
- 1984: Time limit of fifteen years established for family land use rights.
- 1988: Articles Ten and Eleven of the Constitution revised by Seventh National Peoples Congress (NPC) to permit transfers of land use rights and to officially allow the private sector to exist as "a complement to the socialist economy."
- 1992-93: Article Fifteen of the Constitution changed from "state practices a planned economy" to "state practices a socialist market economy."
- 1993: Land tenure rights extended to thirty years.
- 1998: Land Management Law mandated all levels of government to formulate land management plans. To discourage expropriation for commercial purposes, required that 80 percent of land be reserved as "basic arable land protection zones" (any encroachment requires State Council approval). Absent were specific rights of the land user.

³² Yasheng Huang, *Capitalism with Chinese Characteristics*, (New York: Cambridge University Press, 2008), 31.

³³ Edward Cody, "Chinese Lawmakers Approve Measures to Protect Private Property Rights," *Washington Post*, March 17, 2007, <http://www.washingtonpost.com/wp-dyn/content/article/2007/03/16/AR2007031600512.html>, (accessed March 16, 2010).

³⁴ List is a composite of Erie, 927-928 and Kellee Tsai, *Capitalism Without Democracy*, (Ithaca, NY: Cornell University Press, 2007), 67-68.

- 1999: Article Eleven of Constitution amended to include, “Individual, private and other non-public economies...are major components of the socialist market economy.”
- 2002: Rural Land Contracting Law becomes the first PRC law to deal exclusively with issues of rural land tenure and first to codify specific land user rights, particularly fair compensation for land lawfully expropriated.
- 2004: Article Eleven of Constitution amended to read, “The state protects the lawful rights and interests of the private sector.” Article Thirteen introduces the idea, “...the lawful private property of citizens shall not be encroached upon.”

3.4: Regional Development Policies

Developing China’s regions outside of the coastal areas is neither new nor is it historically tied to a specific political ideology. Dwight Perkins lays out a pre-1978 timetable that notes efforts in the mid-nineteenth century to develop the interior, post-1949 era attempts to counter the perceived residue of capitalist-imperialist east coast bias, and 1960s and 1970s proposals that can be traced to national security needs.³⁵ Post-1978 modernization reforms actually started in the countryside with an emphasis on agriculture and the development of township village enterprises (TVE). However, Yao concludes that state policies shifted away from rural development by 1985 and, in effect, used “the success of rural reform to subsidize the restructuring of the urban economy.”³⁶

Expanding on the pro-east bias in planning, Lin and Chen maintain that China, like most other countries, has inherent, differentiating, regional factors such natural resource endowments, production technologies, and industrial structures, but “the Chinese

³⁵ Dwight Perkins, “Designing a Regional Strategy for China.” in Ding Lu, William A. W. Neilson, *China's West Region Development: Domestic Strategies and Global Implications*, (Singapore: World Scientific Publishing Co. Pte. Ltd, 2004), 17.

³⁶ Shujie Yao, “China’s Rural Economy in the First Decade of the 21st Century: Problems and Growth Constraints,” *China Economic Review* 13 (2002): 355.

experience also has its own unique factors, such as economic reforms and government policies that are peculiarly Chinese.”³⁷

At the present time, there are several on-going domestic strategies that target rural development. Planning and implementation is a function of the National Development and Reform Commission (NDRC) and issues most commonly addressed include: social services, infrastructure projects, migrant labor, health services, education and the environment.³⁸ Two large and coordinated efforts, the Western Development Program (WDP) and the “Plan of Revitalizing Northeast China,” provide insights into the emphasis and direction of the PRC’s strategic planning and thinking vis-à-vis regional development. The historical and spatial circumstances underlying the two programs are fundamentally different. However, it is interesting to note that the NDRC remediation plans for both incorporate a central planning aspect. Both programs pre-date Harmonious Society, but have been integrated into national policy as evidenced by having departmental status within the NDRC.³⁹

3:4.1: “Go West”

The most recognizable geographic / topographic features of the western region are mountains and desert. It is estimated that 96 percent of the land is not cultivated due to desert in the northwest section and poor water and soil resources in the southwestern section.⁴⁰ The natural conditions result in limited agricultural development except for

³⁷ Wuu-Long Lin and Thomas P. Chen, “China’s Widening Economic Disparities and Its ‘Go West Program,’” *Journal of Contemporary China* 13, Issue 41 (November 2004): 672.

³⁸ The list is a composite drawn from articles and press releases appearing on the official PRC website. See: http://www.gov.cn/english/special/rd_index.htm.

³⁹ See “Main Functions of Departments of NDRC” located on the NDRC website, <http://en.ndrc.gov.cn/>.

⁴⁰ Lin and Chen, 673.

areas in Sichuan and Shaanxi provinces. At the start of the WDP, western industrial ventures, though never as developed as the east, were dominated by underperforming SOEs.⁴¹ Transportation and communication infrastructure has lagged behind the rest of the country which in turn has impeded the region's efforts to attract foreign and domestic investment.⁴² In terms of strategic geography, two-thirds of China's international borders are found along the western and central regions.⁴³

In launching the WDP as official policy as part of the Tenth Five Year Plan, Premier Zhu Rongji characterized the policy as being of "great significance to the country's economic development, national solidarity and social stability" as well as "a key step in achieving the country's strategic goal of building a well-to-do society in all areas of life in the new century."⁴⁴ Scholarly literature, while not disagreeing with Zhu's comments, varies in its findings when describing the motivations for promulgating the WDP. Qunjian Tian cites domestic "political complications" of unequal development as a major reason and asserts an active lobbying effort of the central government by western leaders to grant them similar policies to those granted to eastern provinces.⁴⁵ Lin and Chen come to a similar finding but simply state, "the need to develop western China grew out of concern about widening disparities."⁴⁶ Goodman, citing leadership and media statements, considers developing state capacity and nation-building, especially regarding

⁴¹ Hongyi Harry Lai, "China's Western Development Program: Its Rationale, Implementation, and Prospects," *Modern China* 28, no. 4 (October 2002), 443.

⁴² Lin and Chen, 673.

⁴³ Lai, 448.

⁴⁴ Zhu Rongji, "Premier Zhu Rongji's Explanation of 10th Five-Year Plan Drafting," <http://www.china.org.cn/e-15/15-3-g/15-3-g-1.htm>, (accessed March 14, 2010).

⁴⁵ Qunjian Tian, "China Develops its West: Motivation, Strategy and Prospect," *Journal of Contemporary China* 13, Issue 41 (November 2004): 621.

⁴⁶ Lin and Chen, 668.

the assimilation of non-Han Chinese indigenous to the western provinces, as the true rationales.⁴⁷

The analysis of underlying factors behind the western strategy also considers world events and their potential impact on China. In particular, this line of thought tends to contextualize Premier Zhu's comments regarding "social stability." The launch of WDP in 1999 -2000 occurred not long after the fall of Communism in the former Soviet Union, and ethnic fighting and an ensuing international intervention in the former Yugoslavia. Within the same timeframe, China experienced an increase in ethnic, separatist unrest in the western provinces of Tibet and Xinjiang.⁴⁸ As Chinese leadership would hope to avoid a replay of these types of events within China, the policy shift could be judged as reactive.

At the five year mark in 2004, Naughton observed that the WDP was more of a realignment of established policies (re-packaging with more publicity), as opposed to a sudden policy shift.⁴⁹ The argument is supported when considering actions of the Eighth and Ninth Five-Year Plans (1991-1995, 1996-2000) where one finds projects such as the Three Gorges Dam, water control projects, railroad building, and energy projects in the form of development of oil and natural gas fields in Xinjiang.⁵⁰ The official website of the WDP lends additional credence to Naughton's supposition when reviewing its list of

⁴⁷ David Goodman, "The Campaign to 'Open up the West': National, Provincial-level and Local Perspectives," *The China Quarterly*, No. 178 (June 1, 2004), <http://www.proquest.com.ezproxy.shu.edu/>, (accessed March 14, 2010).

⁴⁸ Tian, 620.

⁴⁹ Barry Naughton, "The Western Development Program," in Barry J. Naughton and Dali Yang (editors), *Holding China Together: Diversity and National Integration in the Post-Deng Era*, (New York: Cambridge University Press, 2004), 255.

⁵⁰ Tian, 617.

“10 Years’s Achievements.”⁵¹ While the first three topics of achievements (economic growth, people’s livelihoods, and environmental protection) paint an improving picture of conditions in the west, the largest section is devoted to infrastructure construction that includes: the completion of high speed rail links between Xian and Zhengzhou, railways in Xinjiang, Guizhou and Tibet, airports in Sichuan, Tibet and Gansu, energy related projects (thermal, hydroelectric, solar, and natural gas pipe lines) in at least three provinces, and new highway construction throughout the region.⁵² By the end of 2007, China had started ninety-two key construction projects in the western region, with a total investment of more than 1.3 trillion yuan.⁵³

⁵¹ See: http://en.chinagate.cn/features/Western_Development/node_7084033.htm#, (accessed March 10, 2010).

⁵² List distilled from press releases found at: http://en.chinagate.cn/features/Western_Development/node_7084035.htm, (accessed March 13, 2010).

⁵³ Wang Hongjiang (editor), “China to launch 10 key projects in western regions,” *China View*, June 21, 2008, http://rss.xinhuanet.com/newsc/english/2008-06/21/content_8413779.htm, (accessed March 10, 2010).

3:4.2: Revitalizing the Northeast

Against the backdrop of glaring growth in the eastern and southern regions, the struggling northeast becomes more noticeable. The central government is well aware of the region's problems. After the western development campaign was launched, the issue of northeast China's development topped the agenda. The Communist Party of China's 16th National Congress in November 2002 pledged to support the transformation of the northeastern industrial bases.

-Official Communique, July 19, 2005

The other regional program of note is situated in the northeastern section of China. Appropriately named, "Revitalizing the Northeast," the program is concerned with re-development of the provinces of Heilongjiang, Jilin and Liaoning. The development needs of this part of China differ considerably from those of the western provinces. Whereas the west suffered from a historical lack of economic development, the northeast was one of China's original industrial areas. Today, like many original but now declined industrial areas in many parts of the world, it is often referred to as a "rust belt."

The northeast is the traditional home of China's heavy industries – steel plants, metal mines, oil refineries, and shipbuilding factories.⁵⁴ Jon Sigurdson notes that the modernization policies of the past thirty years have yet to produce a full industrialization in China and, similar to the western area, northeastern China has been left out of the development process due to the coastal policy bias.⁵⁵ Complicating matters, the region has been dominated by SOEs which have thus far been unable to restructure into market driven enterprises. Specific reasons given for the failure to effectively modernize

⁵⁴ Cheng Li, "China's Northeast: From Largest Rust Belt to Fourth Economic Engine?," *China Leadership Monitor* 9 (Winter 2004), <http://www.hoover.org/publications/clm/issues/2904601.html>, (accessed January 17, 2010).

⁵⁵ Jon Sigurdson, "Northeast China – Cradle of Change," *Journal of Technology Management in China* 1, no. 1 (2006): 54.

include: obsolete equipment and technology, social obligations such as health care and worker pensions, management skills that are unsuited to the new economy, and a longstanding, entitlement attitude of regional residents regarding the SOE culture.⁵⁶

While economic indicators such as per capita income do not reflect the rich-poor gap one finds in other interior provinces, an alarming statistic shows the region's contribution of industrial output as a percentage of the national total decreased from 17 percent in 1978 to 9 per cent in 2002.⁵⁷ In a 2004 interview, Premier Wen Jiabao characterized the problem as a "gap in development" between the northeast and southeast as well as an "over-reliance on one sector."⁵⁸ The latter statement was a reference to the region's high percentage of SOE employment. The depletion of natural resources, many of which have been exploited since the period of Western and Japanese imperialism, have challenged cities that are essentially focused on a particular enterprise. Not unlike Detroit, Buffalo or Scranton in the United States, this in turn has made it difficult for these cities to modernize urban infrastructure and address the issue of restoring the local environment.⁵⁹

The job of revitalization is no small task. It amounts to recasting the area's economy by modernizing heavy industries with market-driven management methods and modern technology. The transformation also requires attracting capital, both foreign and

⁵⁶ Ibid, 55, and Jonathan R. Woetzel, "Reassessing China's State Owned Enterprises," *McKinsey Quarterly*, (July 2008), http://www.mckinseyquarterly.com/Reassessing_Chinas_state-owned_enterprises_2149, (accessed May 28, 2009).

⁵⁷ Sigurdson, 55.

⁵⁸ Wen Jiabao, "Premier Wen Jiabao of the State Council Receives an Interview by Russian Journalists," September 22, 2004, <http://www.fmprc.gov.cn/eng/topics/wjacfdo/t160394.htm>, (accessed March 15, 2010).

⁵⁹ William Mako (editor), "China Facilitating Investment and Innovation: A Market-Oriented Approach to Northeast Revitalization," World Bank Report No. 34943-CN, February 15, 2006, http://go.worldbank.org/TIEHLVS2D0_, (accessed February 11, 2010), 6.

domestic, to effect sustainable development. As with other areas of China, the northeast is mandated to maintain environmental protection as it modernizes. The two biggest elements of downside risk in the process are the cost of modernization and the potential job losses arising from greater efficiencies. Sigurdson summarizes the challenges as: 1) resistance to economic reform due to dominance of traditional industries and/or big SOEs; 2) serious employment issues; 3) weak infrastructure and services discouraging FDI; and 4) local authorities who are “inward-looking, resistant to operate with the surrounding environment and often corrupted.”⁶⁰

The official objectives of the Northeast Development Strategy (NDS) articulated in various government publications in 2004 include: 1) upgrade and rebuild outdated industries; 2) agricultural development (raise food production, manufacturing, agricultural product processing); 3) improve environment of mining areas; 4) develop third service industries (modernization of finance, advancement of private economy, establishment of social welfare system); 5) enhance investments; 6) build basic infrastructures such as transportation, resources, and irrigation; and 7) transform Dalian into an international harbor in Northeast Asia.⁶¹ The initial plan set a deadline of 2020.

Early analysis, such as that of Li, characterized the plan as “structural adjustments in terms of ownership reform, industrial redistribution, and state-owned enterprise reconstruction.”⁶² However, rather than “structural adjustments,” a 2006 World Bank study concluded a more active and dominant role of central government planning in stating, “the program for Northeast revitalization emphasizes continued direct

⁶⁰ Sigurdson, 71.

⁶¹ Yoon Hwy-tak, “China’s Northeast Project: Defensive or Offensive Strategy?,” *East Asian Review* 16, No. 4 (winter 2004), 101, footnote 4.

⁶² Li, 4.

government intervention in directing support to favored sectors and firms, especially to SOEs.⁶³ The report listed central planning impacts in:

- *Finance*: Direct support, in the form of financing from treasury bonds, for approximately 100 projects in 2003, 197 in 2004 and 40 in 2005.
- *Tax Relief*: Industrial sectors including: equipment manufacturing, petroleum and pharmaceuticals, metallurgy, shipbuilding, automotive production, agricultural products, military goods, and high-tech industry were selected for a pilot reform of the value-added tax (VAT) in July 2004. Other forms of tax relief included: reduction of the enterprise income tax (faster depreciation of fixed assets and faster amortization) and reduction of resource-depletion taxes for some Northeast mines and oil fields.
- *Lending Practices/Access to Capital*: China's four large state-owned commercial banks (SOCBs) and three policy banks were given greater flexibility to restructure or write-off non-performing loans to SOEs. Preferential lending was granted to large SOEs for restructuring and loan guarantees were given to laid-off workers.
- *"Pillar Industries:"* Preferred status given to: equipment manufacturing, petrochemicals, energy, food processing (including tobacco and soft drinks), pharmaceuticals, and forestry.⁶⁴

Additionally, public / private partnerships were established at the outset to address issues such as: pension support, subsidies for laid-off workers, minimum urban subsistence payments (dibao), social security subsidies, bankruptcy, and social services previously administered by SOEs.⁶⁵

In terms of assessing how the NDS went from planning to implementation, the Chinese Government Official Web Portal provides a listing of programs, announcements

⁶³ Mako, 7.

⁶⁴ Ibid, 7-8.

⁶⁵ Ibid.

and achievements related to the NDS. The announcements indicate inflows of foreign direct investment from at least twenty-six countries in 2005, most of which is dedicated to the industrial sector.⁶⁶ For the 2007 accounting period, reports listed 19,166 FDI projects with funding of over \$93 billion (\$US).⁶⁷ Among economic activities, the site features announcements of oil production goals being met (2005), nuclear power plants built (2006), transportation improvements (high speed rail and new rail lines in 2006) and increased, more efficient production in the automobile industry.⁶⁸ Also prominent among the economic announcements are reports of projects rejected due to environmental concerns and successful environmental reclamations.⁶⁹ The site's lead article summarizes the first five years of the NDS effort by noting that in 2007 Liaoning Province's GDP exceeded one trillion yuan joining Guangdong, Shandong, Jiangsu, Zhejiang, Henan, Hebei provinces and Shanghai Municipality in the one trillion yuan GDP club.⁷⁰ The article concluded, "With the support of the central government, Liaoning has seen fast expansion in the equipment manufacturing business characterized by machine tools and shipbuilding."⁷¹

⁶⁶ See, "NE China Reports Double Digit Rise in Overseas Investment Inflow," http://english.gov.cn/2005-07/25/content_23666.htm, (accessed March 14, 2010).

⁶⁷ National Bureau of Statistics, *China Statistical Yearbook 2008* Table 17-19, <http://www.stats.gov.cn/tjsj/ndsj/2008/indexeh.htm>.

⁶⁸ See http://english.gov.cn/special/ne_03.htm

⁶⁹ Ibid.

⁷⁰ "China's Efforts to Rejuvenate Northeastern Rust Belt Pay Off," http://english.gov.cn/2008-01/13/content_856810.htm, (accessed March 16, 2010).

⁷¹ Ibid. Note: Liaoning is the largest of the provinces and possesses the port of Dalian. Heilongjiang and Jilin lag considerably behind. It should also be noted that Jilin's economic base is primarily agriculture.

Chapter Four: Data Analysis

China watchers should now address some fundamental questions in Chinese politics: who gets what, when, and why. – *Cheng Li, Hoover Institute*

4.1: *Hukou*

As mentioned in the narrative of Chapter 3, since the beginning of economic reforms in the 1980s that required a bigger pool of cheap labor, some larger cities have moved toward a general, but uneven relaxing of the *hukou* restrictions. The central government took preliminary steps in 2003 and 2004 issuing regulations that instructed municipal governments to: 1) simplify the application process for migrant workers in search of work; 2) assist trade unions in securing collective contracts for migrant workers on the basis of “equality and consultation;” and 3) mandate employers to compensate migrant workers for work-related injuries.¹ Job training is also a part of the 2003-2004 reforms but it is the responsibility of local governments to provide the service. Other reforms originating at the national level since 1998 include:

- Children may be registered at the location of the *hukou* of either parent.
- Senior citizens (man over sixty, or a woman over fifty-five) with rural *hukou* registration may obtain an urban *hukou* based on a son or daughter’s registration provided the senior has no dependents in the rural area.
- A person with rural *hukou* registration may qualify for urban registration based on business investment or apartment purchase in an urban area.²

Though most of the publicized reform activity has been legislative in nature, Lijiang Zhu notes that there has been substantial activity in judicial cases challenging the *hukou* system especially since the passage of Law of Legislative Procedure of the

¹ Davies and Ramia, 142.

² Lijiang Zhu, “The Hukou System of the People’s Republic of China: A Critical Appraisal under International Standards of Internal Movement and Residence,” *Chinese Journal of Law* 2, no. 2 (2003): 546.

People's Republic of China in 2000.³ The case of Sun Zigang, who was beaten to death in a jail after being arrested for not carrying his registration papers, is cited as the impetus for review and replacement of the “Measures for Custody and Repatriation of Urban Vagrants and Beggars” which had been a principal enforcement tool of *hukou* since 1982.⁴ While general instructions from the central government have been enacted, *hukou* reforms vary from place to place, essentially de-centralizing the policy. Basic qualifications for obtaining an urban *hukou* require a fixed residence and a minimum residency period working in the specific urban area.⁵

Representative examples of local requirements are those currently in force in Shanghai. To qualify for permanent residency in Shanghai applicants: 1) must have a Shanghai residency certificate and have been in the city's social security system for at least seven years; 2) must be taxpayers; 3) need to have obtained vocational qualification of medium or high levels; 4) have never violated family planning policies; and 4) have clean credit and criminal records.⁶ To put the requirements in perspective, 3,000 people were reportedly eligible for a Shanghai *hukou* last year and Shanghai has a population of 6 million people who do not have permanent residency.⁷

In 2007, Hebei, Liaoning, Heilongjiang, Shandong, Guangxi and Chongqing, were among twelve provinces to participate in a trial phase out of differentiated rural and urban *hukou* and Beijing and some cities in Guangdong Province have relaxed some of

³ Ibid, 547.

⁴ Ibid, 550.

⁵ Zhang Ye, Young and Hulme, 32.

⁶ “Shanghai May Further Relax *Hukou* System,” *China Daily*, March 16, 2010, http://www.china.org.cn/china/2010-03/16/content_19616205.htm, (accessed March 28, 2010).

⁷ Ibid.

the restrictions that previously hindered people from changing their *hukou*.⁸ However, articles appearing in 2009 on the *Wall Street Journal's China Real Time* website featured report titles that read, "Public Housing in Beijing, Non-Residents Need Not Apply," and "Great Wall of Shanghai: Chinese Metropolis Wants (Some of) You."⁹ Clearly, reform is an on-going and unsettled issue.

One analysis of *hukou* reforms concluded that they are "effectively merging a system of institutional exclusion based on place of residence with one based on individual wealth."¹⁰ The study of Davies and Ramia concludes that the central government, rather than abolishing *hukou* "despite the recognition that the system produces *de facto* institutionalization of class segregation and discrimination," has chosen a path "to reform it through new policies aimed at facilitating the greater movement of rural residents into towns and cities and providing them with entitlements previously enjoyed only by urban residents."¹¹ Along the same line of thinking, Chan and Buckingham note that the *hukou* system is a core institution and a legacy of the planned economy.¹²

With an estimated 100 million to 150 million internal migrants, the issue of *hukou* reform is approaching a tipping point. On March 1, 2010, thirteen newspapers in the

⁸ Rong Jiaojiao, "Hukou 'An Obstacle to Market Economy'," *China Daily*, May 21, 2007, http://www.chinadaily.com.cn/china/2007-05/21/content_876699_2.htm, (accessed March 26, 2010).

⁹ See *China Real Time Report*, <http://blogs.wsj.com/chinarealtime/tag/hukou/>, (accessed March 29, 2010).

¹⁰ Congressional-Executive Commission on China, "China's Household Registration System: Sustained Reform Needed to Protect China's Rural Migrants," October 7, 2005, <http://www.cecc.gov/pages/news/hukou.pdf>, (accessed March 26, 2010), 12.

¹¹ Davies and Ramia, 142.

¹² Chan and Buckingham, 606.

PRC called for abolition of the system.¹³ Though several papers would later retract the article, the initial printing of the editorial was significant in that most media in China is still largely state controlled.¹⁴

4.2: Private Property

Taken in sum, the events leading to the new law reflect an orderly, evolutionary process carried out by legislative actions and constitutional changes. An interesting aspect of the legislative portion is the amount of time and debate that was needed for final approval. The *Washington Post* in describing final passage of the 2007 law noted: “...opposition, reaching into Communist Party ranks, led President Hu Jintao's government to pull back an earlier draft of the bill during last year's legislative session.”¹⁵ Also noting the open differences of opinion but emphasizing the work needed to achieve “ideological consensus,” Matthew Erie observed that from start to finish, the Property Law Draft went through “a rare six readings in the NPC and in formulating the various provisions, forty-seven central government departments, sixteen large companies, twenty-two academic institutions, and no less than 11,500 members of the public had been consulted.”¹⁶

¹³ Wen Liao, “The Princeling and the Paupers,” *Foreign Policy*, March 5, 2010, http://www.foreignpolicy.com/articles/2010/03/05/the_princeling_and_the_paupers, (accessed March 26, 2010).

¹⁴ Ibid.

¹⁵ Cody.

¹⁶ Erie, 934.

The thrust of the law is to provide equal protection to state, collective and personal property.¹⁷ Some saw its passage as an accommodation to entrepreneurs who have come to dominate the market economy.¹⁸ Another reason given within the reporting community was that the measure represented a concession to rural farmers who have been frustrated over the expropriation of farm land without, in the farmers' opinion, consistently just compensation.¹⁹ Though some Chinese academics and "New Left" politicians claimed the law was unconstitutional in that granting personal property rights is antithetical to socialism, the current administration of Hu Jintao proceeded with its passage.²⁰ In a speech to the National Peoples Congress (NPC) in March 2007, Vice-Premier Wang Zhaoguo articulated the official reasons for adopting the law as:

- The need to uphold the basic socialist economic system.
- The need to regulate the order of the socialist market economy – a clear-cut definition of property and fair competition are the basic requirements for developing the socialist market economy.
- Safeguard the immediate interests of the people - people's living standards have improved in general, and they urgently require effective protection of their own lawful property accumulated through hard work.
- Achieve the goal of establishing a Chinese-style socialist legal system by 2010 - Property law is an important component part of the civil code.²¹

¹⁷ Angela Wang, "Property Rights in China Under the New Property Law," *World Law Direct*, April 2007, <http://www.worldlawdirect.com/article/3149/property-rights-china-new-property-law-2007.html>, (accessed March 21, 2010).

¹⁸ Cody.

¹⁹ "China's Next Revolution," *The Economist*, March 8, 2007, http://www.economist.com/opinion/PrinterFriendly.cfm?story_id=8815075, (accessed March 23, 2010).

²⁰ Ibid.

²¹ Wang Zhaoguo, "Explanation on the Draft Property Law of The People's Republic of China," Speech to the Fifth Session of the Tenth National People's Congress on March 8, 2007, *Peoples Daily*, March 8, 2007, http://english.people.com.cn/200703/08/eng20070308_355491.html, (accessed March 23, 2010).

While the law does not abolish the principle that all land belongs to the state, it institutes new protections covering private homes, businesses, and farmers with long-term leases on their fields.²² Article 42 of the law allows for land expropriation in the name of “public interest.” However, as a condition it specifies that compensation be paid for the land and, specific to the agricultural sector, it provides monetary resettlement allowances designed to protect the future livelihood of farmers.²³

4.3: Regional Development

At the start of the WDP, Bruce Gilley observed that the central government’s main contribution to the effort would be monetary.²⁴ It appears Gilley was prophetic based on the inflow of government capital reported. However, local officials interviewed for the article held that government policy was “misguided” and what was really needed was an equalization of economic policies between the east and the west.²⁵ Though three SEZs have been created in the region, the WDP still does not employ the same range of free market tools found in east and the program is largely a top-down, central planning design.

It has also been observed that the aims and content of the campaign have often appeared poorly defined and subject to the competing priorities of the PRC’s decision-making process.²⁶ It is estimated by some that the program will need to continue for at least another twenty years in order for the west to approach eastern levels of prosperity.²⁷

²² Cody.

²³ Erie, 943.

²⁴ Bruce Gilley, “Saving the West,” *Far Eastern Economic Review* 163, Issue 18 (May 2000): 1.

²⁵ *Ibid.*, 2.

²⁶ Lin and Chen, 683, and Goodman, 317.

²⁷ *Ibid.*

The program of re-development of the northeast presents something of hybrid model. While one witnesses the evident hand of the central government in the process, there is also an emphasis on privatization from the same central government. This may be explained by a recent study that looked at SOEs as a whole and concluded several recent government initiatives appear aimed at re-establishing central government authority over key SOEs.²⁸ A legal factor that keeps the rust belt tied to the larger SOEs is their strategic classification. Currently, complete state ownership or control occurs in SOEs involved in defense, power generation and distribution, telecom, oil and petrochemical, coal, civil aviation, and shipping industries which are considered “strategic.” So-called “pillar industries” such as machinery, auto, information technology, construction, steel, base metals, chemicals, land surveying, and research and development are allowed shared ownership but the state still maintains a controlling stake relative to the industry’s importance.²⁹ A quick reading of the two lists finds many of the principal industries of the northeast.

Though direct monetary infusion by the central government is not as apparent in the northeast as it is with the western infrastructure projects, preferential policies in lending by state controlled banks, favorable tax policies that can only be granted by the central government, and ultimate state control of strategic SOEs display the hallmarks of a high degree of central planning in the NDS program. FDI and market drivers are

²⁸ Mikael Mattlin, “Chinese Strategic State-Owned Enterprises and Ownership Control,” *BICCS Asia Paper* 4, No. 6 (2007), [http://www.vub.ac.be/biccs/site/assets/files/apapers/Asia%20papers/Asia%20Paper%204\(6\).pdf](http://www.vub.ac.be/biccs/site/assets/files/apapers/Asia%20papers/Asia%20Paper%204(6).pdf), (accessed March 16, 2010).

²⁹ *Ibid.*

evident in non-strategic industries, but, at the present time, it would be a stretch to consider Anshan Steel or Shenyang Aircraft as subject to market forces.

Though the market reforms of the revitalization program do not compare in scale with the models found to the south, it can be seen as an updated version of modernization that is more suited to the comfort levels of both the local residents and the current central planners. In a way, the modernization (especially into high tech) and diversification are somewhat prescriptive as a source of social stability by providing new, local opportunities for a populace that is traditionally accustomed to a relatively high living standard.

4.4: Summary

In the first chapter, it was noted that in the thirty years that have passed since the implementation of Deng Xiaoping's modernization reforms, China has undergone a paradigmatic shift in its domestic policy, moving from a centralized, command economy to accepting a more open, market-driven model. The next two sections of this paper evaluate the rich-poor gap programs described earlier on the basis of whether the initiatives, 1) represent continuity with the established market approach; and 2) whether any shift in ideology can be discerned.

4.4.1: Central Planning or Market Driven?

In 2005, the Minister of the National Development and Reform Commission, Ma Kai, stated China has basically completed the transition to the socialist market economy from a highly centralized planning economy.³⁰ Mr. Ma's definition of socialist market economy is a "system in which the public ownership economy plays the leading role and

³⁰ "China Has Socialist Market Economy in Place," *Peoples Daily Online*, July 13, 2005, http://english.peopledaily.com.cn/200507/13/eng20050713_195876.html, (accessed March 29, 2010).

co-exists and shares opportunities with the economy in various other ownerships.”³¹ This definition differs from the so-called “invisible hand” of the market defined by Adam Smith but serves to frame this discussion in determining whether the rich-poor gap initiatives outlined in paper are market driven or central planning.

The continued maintenance of *hukou* appears to be a clear cut example of an anachronistic legacy of central planning in that the central government controls the flow of labor which is an important element of production. Various authors point out that abolition of the system would improve economic efficiency, arguing that efficient industrial production requires a settled, more highly skilled workforce.³² However, market forces have also had a telling impact on both the mechanics of the system and its preservation. The decentralization of *hukou* allows localities to set specific criteria. Economic growth and development resulting from modernization has created regional competition for resources, particularly investment capital. The new qualification measures implemented by cities such as Shanghai and Beijing reflect the competition by allowing mobility for the more skilled, educated and wealthy segments of the labor pool.³³ At the other end of the spectrum, urban areas exhibit protectionism in controlling surplus numbers of migrants that would drive down wages and conditions for the existing workforce.³⁴ Controlling the migrant flow also allows municipalities to manage consumption of direct and indirect public services.

³¹ Ibid.

³² Alexander and Chan, 623.

³³ Fei-ling Wang, 129.

³⁴ Alexander and Chen, 620.

Due to the very public debate surrounding its passage, private property reform provides a considerably different perspective from the evolving reform of *hukou*. In considering the timeline of events that led to adopting the reform measure, one can draw parallels to the process of modernization in general. In many respects, the change in the law can be seen as heavily influenced by market forces. Legal reforms provide the structure necessary for contracts and investment.³⁵ In practical terms, privatization of business enterprises led to privatization of housing and ensuing opportunities to create wealth through a housing market. Wealth generation occurred faster than expected, particularly in urban areas, and before an efficient property rights infrastructure could be firmly established.³⁶ Though many corporate enterprises developed a comfort level with informal rights from partner localities, private entrepreneurs, a growing class, did not have the same degree of confidence.³⁷

The lack of structure also presented the potential for corrupt practices and state predation.³⁸ In fact, the increased demand for land needed for urbanization and development serves as a negative criterion for property rights. Specifically, low compensation for land taken and the practice of local governments and developers using land for commercial purposes in violation of the original public purpose has threatened

³⁵ Erie, 926.

³⁶ Andrew Sheng, Xiao Geng, and Wang Yuan, "Property Rights and 'Original Sin' in China: Transaction Costs, Wealth Creation, and Property Rights Infrastructure," Stanford Center for International Development (SCID) Working Paper 291, October 2004, <http://siepr.stanford.edu/publicationsprofile/1067>, (accessed March 20, 2010).

³⁷ Xiaobo Zhang, "Asymmetric Property Rights in China's Economic Growth," Conference Paper, American Economics Association Meetings, Boston, January 6-8, 2006, http://www.aeaweb.org/annual_mtg_papers/2006/0108_1300_0204.pdf (accessed March 16, 2010), 3.

³⁸ Jiahua Che and Yingyi Qian, "Insecure Property Rights and Government Ownership of Firms," *The Quarterly Journal of Economics* 113, no. 2 (May 1998): 467.

social stability in some rural areas.³⁹ It has been noted that Chinese legislative action often memorializes established informal practices.⁴⁰ Without the positive and negative market forces brought by modernization, it is hard to imagine that China would have promulgated the new law. Hence, the finding for this topic is that change was market driven.

At face value, the two regional development programs appear to present different answers to the question. The western program with its heavy emphasis on building infrastructure with central government funding could rightly be categorized as a product of central planning. The program for the northeast, however, has encouraged transfers in ownership of large SOEs to stock-holding companies, privatization of a large number of small and medium-sized firms, and capital funding from private sources.⁴¹

At least two elements temper classifying the northeast project as market driven. The first involves conversion of large SOEs to stock companies. When conversion occurs CCP officials frequently dominate the corporate boards and the local party secretary or similar high official becomes the chairman.⁴² The second mitigating factor relates to financing. As previously discussed, domestic lending is a function of state controlled banks. Data suggests that the region has benefited from favorable lending practices. However, it should also be noted that the northeastern area has done well in attracting substantial amounts of FDI for developmental financing to counter the relatively small amount of direct central government spending.⁴³ In this analysis regional

³⁹ Zhang,, 15.

⁴⁰ Erie, 929.

⁴¹ Li, 6.

⁴² Minxin Pei, *China's Trapped Transition*, (Cambridge, MA: Harvard University Press, 2006), 31.

⁴³ Li, 5.

development emerges as a hybrid – small and medium SOEs in the northeast are left to market forces while the underdeveloped west and the key industry SOEs of the northeast maintain vestiges of central planning.

Taken in their sum, the three areas of policymaking reflect the influence of market forces combined with varying degrees of central planning. This observation, in fact, comports with the definition of market socialism attributed to Minister Ma at the beginning of this section, “a system in which the public ownership economy plays the leading role and co-exists and shares opportunities with the economy in various other ownerships.”

4.4.2: Ideological Shifts?

The three programs of reform analyzed cut across different facets of China’s policymaking agenda. Given the differentiation, proposals provide indicators of possible shifts in ideology. The objectives of the programs will be used as the main focal point.

Hukou reform is a reactive initiative and constitutes the central government’s awareness that the system contributes to the stratification of society and presents the potential for social unrest. Legal reform, in the form of property rights, was described earlier in the paper as reactive to the needs of the growing entrepreneur class and the frustrations of rural residents over land expropriation. The objective of regional development falls under the general strategy of “building a well-off society” by the middle of the twenty-first century but can also be characterized as the central government’s effort to compensate the interior areas for their subordinate role during the

development of the coastal regions.⁴⁴ Of the three areas of reform the most apparent break with existing ideology, and the most controversial, is the subject of private property legal reform. Allowing equal treatment of state, collective and private property is contrary to the idea of state ownership that was embedded in the founding philosophy of the PRC. To a lesser extent, Minister Ma's quote declaring the completion of the first phase of market socialism is also indicative of ideological change in that it signals the next phase, one of more equal distribution and regional parity, will begin. Mr. Ma's statement combined with the apparent objective of creating greater equality through the three policy initiatives reflects a shift toward a more populist approach.

Hukou reform initiatives, while not abolishing the practice, appear to attempt to soften some its more draconian impacts. The study of Davies and Ramia provides evidence of simplification of application and movement toward equalization of social benefits in some areas.⁴⁵ Regarding private property law, Matthew Erie comments, "One reason for creating the legislation was to address one of the major externalities of China's development and the main source of social unrest in the country today: the problem of illegal land takings."⁴⁶ Again, one can infer from the analysis that there is an awareness of a serious, grass-roots problem as well as the political initiative to take action. In his discussion of regional development, Li Cheng notes, "Hu and Wen seem to be more aware of China's daunting challenges than their predecessors were, and more-balanced regional economic development, with favorable policies toward the western and

⁴⁴ Heike Holbig, "The Emergence of the Campaign to Open up the West: Ideological Formation, Central Decision-Making and the Role of the Provinces," *The China Quarterly*, Number 178 (Jun., 2004): 337.

⁴⁵ Davies and Ramia, 146.

⁴⁶ Erie, 920.

northeastern regions, has become the defining feature of the Hu-Wen administration.”⁴⁷

The emphasis of all programs aligns with the Harmonious Society objective of social stability. Implicit in the stability objective is the on-going injection of nationalism and national pride into policy formulation.⁴⁸

⁴⁷ Li Cheng, 3.

⁴⁸ Yoon Hwytak, “China’s Northeast Project: Defensive or Offensive Strategy?,” *East Asian Review* 16, no. 4, (Winter 2004): 100.

Chapter Five: Conclusions

Without the confidence of the people no government can stand at all.

– Confucius

Since the implementation of the Four Modernizations in 1979, the one constant in China has been change. The degree and rapidity of change is reflected in a recent social history of China that begins with the observation that “a year in China is equivalent to five years anywhere else.”¹ Given the impact of the events of the last thirty years it is doubtful that Mao would recognize or, one might speculate, that he would approve of the modern China his revolution set in motion. One might also question if Deng Xiaoping, the architect of modernization, foresaw the magnitude of change that has occurred in such a relatively short time.

An observation of this research finds that political leaders in the PRC of the last thirty years are not dissimilar to their counterparts in most other countries in at least one regard - leadership change brings with it a change in policy priorities, favored projects, and its own sense of vision. As national policy formulation is an indicator of the direction of change, this research has concentrated on qualifying the scope, direction, and impetus of specific policy initiatives in contemporary China. Though the thesis of this paper - an underlying strategy of adaptable ideology as the key element to Chinese policymaking - does not qualify as original research, the examination of the concept using analysis of current policies targeting the issue of the rich-poor gap reinforces the concept. While the individual policies of *hukou* reform, enactment of private property rights, and the implementation of regional development strategies do not constitute the

¹ Hewitt, xi.

magnitude of ideological change compared to Deng's original pivot from Maoist practices, the initiatives do reflect adaptation of existing ideology to meet current needs by injecting a populist, "people's benefit" element. This is especially evident with regard to the regional development and *hukou* proposals. In equalizing property rights under the justification of advancing the "socialist market economy," Hu and Wen move even further away from Marxist doctrinal orthodoxy and the collective society established by Mao after the 1949 Revolution.

One also discerns an institutionalized methodology for revising ideology in the recent policy actions. The opening chapter devoted a lengthy analysis to the formulation of Deng Xiaoping Theory. In crafting the theory, Deng's use of hermeneutic consistency to critique what he regarded as incompatible (with modernization) ideology established pragmatism² as the principal governing element to guide interpretation. A conclusion drawn by this research contends that Deng's disconnection with the practice of blindly following past interpretation of doctrine allowed for future leaders to do likewise. The three policy actions researched for this paper exhibit a pragmatic quality either by their populism or by their break from Marxist orthodoxy. The infusion of populism and the break from orthodoxy exemplify a succession from the earlier actions of Deng in setting the modernization agenda and Jiang in redefining the requirements for CCP membership. Furthermore, Hu's citing of a modified interpretation of the "Three Represents" to further his agenda is similar to Deng invoking Mao's Thought to overcome the concept of the "Two Whatevers" that allowed him to proceed with the original modernization plan.³ In

² Deng's definition includes Mao's quote, "Seek truth through facts," as well as the directive to "liberate the mind." See footnote #20 on page 16.

³ "Hu Jintao Addresses Symposium on 'Three Represents,'" <http://www2.sinoss.com/portal/webgate/en-us/CmdNewsDetail?newsId=543>, (accessed, April 4, 2010).

essence, one sees the current evolutionary stage of Deng's ideological pragmatism in the policies of Hu as well as linkage to a defined methodology for ideological revision.

In commenting on the ideological shift evident in "Harmonious Society," the national policy that is supported by the individual rich-poor gap remediation programs, several analysts identify a resurrection of Confucianism. A 2006 *New York Times* editorial announced, "Marxism no longer serves as Chinese society's guiding ideology," and made the case that in order to better connect with all classes of Chinese society China's leaders, including Hu Jintao, had begun employing Confucian principles in presenting their programs to the people.⁴ It is interesting to note that the concept of a harmonious society (lower case) is itself a Confucian precept.⁵ The current leadership's public embrace of concepts of a philosophy that was the epitome of "reactionary thought" less than forty years ago is yet another sign of ideological adaptation.⁶

The research presented leads to several other observations related to the thesis statement. *Hukou* reform, though still an open issue, directly broaches the thorny subject of individual rights. The multi-year debate on private property represents a more assertive, transparent legislative branch that in the past had a reputation as a "rubber stamp" for the upper leadership.⁷ With regard to regional development, while national objectives such as border security, domestic stability, and natural resource extraction

⁴ Daniel A. Bell, "China's Leaders Rediscover Confucianism," *New York Times*, September 14, 2006, <http://www.nytimes.com/2006/09/14/opinion/14iht-edbell.2807200.html>, (accessed, April 30, 2010).

⁵ Chenyang Li, "The Confucian Ideal of Harmony," *Philosophy East & West* 56, No. 4 (October 2006): 583.

⁶ Sunny Lee, "Confucius Resurrected in China," *The Grinnell Magazine*, Fall 2008, <http://www.grinnell.edu/car/communication/magazine/extras/confucius>, (accessed, April 30, 2010). Note: Lee's article suggests that ideological adaptation has moved to "ideological appropriation" in the case of the CCP's current use of Confucianism.

⁷ Erie, 920.

(particularly coal, oil, and natural gas) are facilitated by the western and northeastern strategies one also witnesses a government responding to an emerging political process. Qunjian Tian's documentation of "lobbying" of the central government by western provincial officials, even though the officials are selected and not elected, is an element of at least a nascent representative process.⁸ Whether these different political behaviors represent a shift toward a more democratic or representative system is open to debate. Pessimistic opinions, including those of some "New Left" deputies in the National Peoples Congress, interpret some of the reform activity as opportunities for increasing the spread of corruption.⁹ Another, less harsh opinion characterizes the behavior as maintaining a dependency on central authority in return for prosperity.¹⁰ In American colloquial terms of political patronage and deal-making, the regional development policies appear to be the Chinese equivalent of the time honored method of solidifying political alliances and public support known as "pork barrel politics." Considered collectively, this research finds the rich-poor gap policies indicative of a maturing, possibly more pluralistic, political process.

Though papers such as this would like to report a breakthrough in social science predictive modeling, using rich-poor gap policies to draw definite conclusions about China's modernization model fitting into an existing theoretical model is an unsettled topic. Part of the reason for this assessment is the long term horizon of the remediation programs. An additional factor, especially for evaluating against classic Modernization Theory, is the still low level of development in many of the affected areas. Similarly, this

⁸ Tian, 621.

⁹ See: "China's Next Revolution," *The Economist*, March 8, 2007.

¹⁰ Dorothy J. Solinger, "Business Groups: For or Against the Regime?." in Bruce Gilley and Larry Diamond (editors), *Political Change in China*, (Boulder, CO: Lynn Rienner Publishers, 2008), 100.

research could not draw any definitive conclusions regarding claims of “Chinese Exceptionalism,” other than finding that programs such as regional development or *hukou* reform are unique products of China’s economic or societal needs. Yasheng Huang’s view of China’s modernization plan as the product of conventional political-economic policies allowing “private sector dynamism (rise of entrepreneurial enterprise), a friendly financial environment, and increased recognition of property rights” is also the most applicable conclusion for the implementation of the policies outlined in this paper.¹¹

Among other theoretical constructs, potential or partial matches lean toward the so-called East Asian Model and/or parallels to the development process of Taiwan. In the five steps of the East Asian Model (economic growth, pragmatic approach to reforms, investment in human capital including institutions like rule of law, democratization, constitutionalism), China’s rich-poor gap policies are positioned between the second and third stages. Reinforcing the East Asian comparison, Albert Keidel maintains that China is currently in a phase similar to South Korea in the 1970s or Japan in the 1950s and that future political institutions will mature gradually in concert with the level of economic development.¹² The Taiwan comparison is especially intriguing in maintaining both the Mainland and Taiwan start with authoritarian Leninist governing systems and proceed through similar economic reforms though at different points on their development

¹¹ Yasheng Huang, *Capitalism with Chinese Characteristics*, (New York: Cambridge University Press, 2008), 55.

¹² Albert Keidel, “China’s Economic Rise – Fact and Fiction,” *Policy Brief 61* (July 2008), The Carnegie Endowment for Peace, <http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=20279>, (accessed November 18, 2009).

timelines.¹³ The comparison may be difficult to sustain, however, since Taiwan had a substantial external influence (the United States) and the Mainland does not.

Regarding whether any linkage could be established between rich-poor gap policies and possible changes in governance style, research indicates a more specific trend favoring this paper's thesis of adaptable ideology rather than any of the theoretical work reviewed. The regional development and private property rights law are indications of increased centralization on the part of the Hu-Wen administration. Favoring an emphasis on the central planning side versus the public market is a distinct shift from the Jiang Zemin era. However, in the Jiang era policy was essentially focused on the more developed coastal areas where market forces originally developed with state incentives such as SEZs and not on the less developed interior.

As policy priorities in any country are often reflective of leadership, it should be pointed out that Hu Jintao came up through the ranks of leadership by way of rural assignments. The policy emphasis on the outlying provinces may be attributable to his earlier experiences in places like Guizhou province. Hu's subtle yet populist re-interpretation of predecessor Jiang Zemin's "Three Represents" ("...the CPC should dedicate itself to the interests of the public and govern for the people's benefit...") may also be a reflection of Hu's rural roots.¹⁴

It is unknown whether Hu's emphasis on more balanced regional development and his more populist leaning programs will continue after he retires in 2012. Some suspect a return to Jiang-type policies favoring the coastal sector when Vice President Xi

¹³ Peerenbloom and Chen, 137.

¹⁴ "Hu Jintao Addresses Symposium on 'Three Represents'", <http://www.sinoss.com/portal/webgate/en-us/CmdNewsDetail?newsId=543>, (accessed April 4, 2010).

Jinping is expected to assume the top leadership spot. Xi, a “princeling” and an adherent of the so-called “Shanghai School” of development, is considered to be on the opposite side of the debate from Hu regarding domestic issues.¹⁵ It is altogether possible, even probable, that a potential Xi administration will re-interpret some aspect of past ideology to justify a different policy direction. Governing style, be it the current collective leadership model or something different, may be signaled by a re-interpretation or a rapid policy shift.

In 1984, President Ronald Reagan on his return from a visit to China provoked a political controversy in the United States by referring to China as a “so-called communist” country.¹⁶ While much of the press and many in the political opposition took issue over his dismissal of the label “communist” as applicable to China, history has shown that Reagan’s speech had indeed identified a paradigmatic shift in China. The evolving definition of a “socialist market economy” indicates that shifting and adapting of ideology is still on-going. China is still a country with a Leninist-style authoritarian government but the classless society prescribed by Marxism is a thing of the past. Official rhetoric still maintains much of the classic Marxist verbiage but policies such as those analyzed in this paper appear to be designed to foster wealth generation and, to borrow a phrase from the United States Constitution, “ensure domestic tranquility.”

In the bigger picture, will adaptable ideology lead to democratization? The answer appears to be a “definite maybe.” Adopting policies like those of the rich-poor gap that aid in the generation of personal wealth and the rise of a middle class make

¹⁵ Wen Liao. Note: A “princeling” is a descendent of China’s Revolutionary “Old Guard.”

¹⁶Ronald Reagan, “Remarks at a Luncheon With Community Leaders in Fairbanks, Alaska,” May 1, 1984, <http://www.reagan.utexas.edu/archives/speeches/1984/50184d.htm>, (accessed April 3, 2010).

possible many of the conditions Samuel Huntington and others describe as “necessary for democracy.” By the same token, Huntington is quick to point out that although favorable conditions may exist it doesn’t ensure the process of democratization will necessarily occur.¹⁷

Perhaps more to the point is the response of a former United States Defense Attaché to Beijing. Major General Bernard Loeffke grew up in the country of Colombia, attended West Point as a foreign cadet, and served in Beijing in the mid-1980s. In retirement he obtained a degree as a physician’s assistant and has frequently spent summers in Shaanxi province teaching emergency medical techniques. When asked about the prospects for democracy in China, General Loeffke’s response was a quick, “No, other things come first.” He then added three words in Spanish, “*techo, trabajar y taco*” - shelter, work, and food.¹⁸

The policy response to the rich-poor gap, while perhaps not an immediate catalyst for democratization or system change, reflects the ability of the CCP to adapt at several different levels to the changing needs of the Chinese populace. If the programs outlined in this paper are continued in subsequent administrations they appear to have the potential to diversify wealth generation and raise living standards. If all goes according to plan the CCP leadership will see a much larger middle-class and, potentially, a more pluralistic society. The recent debates over the private property law and reform of the *hukou* system have shown less than unanimity among the governing elite. The increase in stakeholder groups created by successful growth and development will tend to make similar debates of the future even more complex.

¹⁷ Samuel Huntington, *The Third Wave*, (Norman, OK: The University of Oklahoma Press, 1991), 28.

¹⁸ Major General Bernard Loeffke, USA (Retired), Telephone Interview, October 12, 2009.

Chinese dissident Liu Binyan has described the process of Chinese modernization as a “welding of Western capitalism with Marxism-Leninism and even aspects of Confucianism” while concurrently attempting to resist the influences of democracy and freedom.¹⁹ In a similar vein, Minxin Pei has observed that historically, “CCP fear of independently organized social interests does not prepare it for the emergence of the interest groups that a more developed society inevitably creates.”²⁰ A “more developed society” is clearly the goal of the specific programs described in this thesis and of China’s overall modernization strategy. As China moves closer to that goal it will be interesting to see if the CCP’s adaptable ideology helps the Party to maintain its hold on power or if that same adaptability ironically proves to be the principal reason for its downfall as a political monopoly.

¹⁹ Liu Binyan, “Civilization Grafting: No Culture is an Island,” *Foreign Affairs* 72, No. 4 (September/October 1993): 20.

²⁰ Minxin Pei, *China's Trapped Transition*, (Cambridge, MA: Harvard University Press, 2006), 8.

SOURCES CONSULTED

Primary Sources

All China Data Center. China Data Online, <http://www.chinadataonline.org/>

Website offers an assortment of raw macroeconomic data. It also provides links to the statistical yearbooks cited below.

Asian Barometer. <http://www.asianbarometer.org/newenglish/introduction/default.htm>

The Asian Barometer (ABS) is an applied research program on public opinion on political values, democracy, and governance around the region. The regional network encompasses research teams from 13 East Asian political systems. Website contains results of public opinion surveys and interpretative essays. Some material requires registration.

Central Committee of the Peoples Republic of China. "Resolution on certain questions in the history of our party since the founding of the People's Republic of China." Adopted by the Sixth Plenary Session of the Eleventh Central Committee of the Communist Party of China on June 27, 1981.

<http://www.marxists.org/subject/china/documents/cpc/history/01.htm>.

Site contains the text of the Central Committee's 1981 resolution signaling ideological shift from Maoism.

Central Intelligence Agency. *CIA Factbook*. <https://www.cia.gov/library/publications/the-world-factbook/geos/ch.html>.

CIA Factbook is a statistical compilation produced by the Central Intelligence Agency of the United States. Material is cited for background and comparison purposes.

_____. "China's Efforts to Rejuvenate Northeastern Rust Belt Pay Off." http://english.gov.cn/2008-01/13/content_856810.htm, accessed, March 16, 2010.

2008 press release from official Chinese government website contains an appraisal of progress on the Northeastern development program.

_____. "China's Measures on Improving People's Livelihood." http://english.gov.cn/2009-12/27/content_1497754.htm, accessed March 12, 2010.

2009 press release from official Chinese government website provides background on the progress of regional development efforts.

Deng Xiaoping. *Deng Xiaoping's Works*.
<http://english.cpc.people.com.cn/66106/index.html>.

Website contains three chronological volumes of transcribed speeches and interviews. In aggregate, this body of work is often referred to as "Deng Xiaoping Theory," and is regarded as the ideological basis for post-Mao modernization.

Johnson, Lyndon B. "President Lyndon B. Johnson's Remarks at the University of Michigan." May 22, 1964.
<http://www.lbjlib.utexas.edu/johnson/archives.hom/speeches.hom/640522.asp>, accessed March 4, 2010.

Web page provides a direct transcription of a speech made by President Lyndon Johnson that describes the goals and objectives of the Great Society legislative program of the 1960s. It is used in this research as a comparison to China's Harmonious Society.

National Bureau of Statistics. *China Statistical Yearbook: 2008*.
<http://www.stats.gov.cn/tjsj/ndsj/2008/indexeh.htm>.

Website contains the most recent compilation of economic statistics assembled by the Chinese government. Current *Yearbook* includes historical data.

National Development and Reform Commission. "The Outline of the Eleventh Five Year Plan." http://en.ndrc.gov.cn/hot/t20060529_71334.htm.

Translation of the Eleventh Five-Year Plan.

_____. "NE China Reports Double Digit Rise in Overseas Investment Inflow."
http://english.gov.cn/2005-07/25/content_23666.htm, accessed March 14, 2010.

Press release from official Chinese government website regarding Northeastern development plan.

Pan Letian (editor). "The Tenth Five-Year Plan (2001-2005)."
http://www.gov.cn/english/2006-04/05/content_245624.htm. [Translation of the Tenth Five-Year Plan]

Press Office of the Chinese Embassy. "Put People First and Build a Harmonious Society in China." October 24, 2009. <http://www.mfa.gov.cn/eng/errorpath/t622335.htm>. [Official press release outlines main points of Harmonious Society initiative]

Reagan, Ronald. "Remarks at a Luncheon With Community Leaders in Fairbanks, Alaska." May 1, 1984.
<http://www.reagan.utexas.edu/archives/speeches/1984/50184d.htm>, accessed, April 3, 2010.

Transcribed text of Reagan speech on China.

UNICEF. "China Statistics." http://www.unicef.org/infobycountry/china_statistics.html, accessed November 18, 2009.

Basic statistical data compiled by the U.N.

Wang Zhaoguo. "Explanation on the Draft Property Law of The People's Republic of China." Speech to the Fifth Session of the Tenth National People's Congress on March 8, 2007." *Peoples Daily*, March 8, 2007.
http://english.people.com.cn/200703/08/eng20070308_355491.html, accessed March 23, 2010.

Transcription of policy speech on property law reform.

Wen Jiabao. "Premier Wen Jiabao of the State Council Receives an Interview by Russian Journalists." September 22, 2004.
<http://www.fmprc.gov.cn/eng/topics/wjacfdo/t160394.htm>, accessed March 15, 2010.

Transcription of interview on regional development.

World Bank. "China Quarterly Update."
<http://web.worldbank.org/WBSITE/EXTERNAL/COUNTRIES/EASTASIAPACIFICEXT/CHINAEXTN/0,,menuPK:318956~pagePK:141159~piPK:141110~theSitePK:318950,00.html>.

Country specific data and interpretative articles compiled by the World Bank.

World Bank. "From Poor Areas to Poor People; China's Evolving Poverty Reduction Agenda - An Assessment of Poverty and Inequality in China." March 2009.
http://siteresources.worldbank.org/CHINAEXTN/Resources/318949-1239096143906/China_PA_Report_March_2009_eng.pdf.

Report, compiled by the World Bank, is a comprehensive study of Chinese anti-poverty programs between 1981 and 2004. Chapter 2, which provides technical data and a non-partisan analysis of the rich-poor issue, is especially helpful to the research of this thesis.

Zhu Rongji. "Premier Zhu Rongji's Explanation of 10th Five-Year Plan Drafting."
<http://www.china.org.cn/e-15/15-3-g/15-3-g-1.htm>, accessed March 14, 2010.

Transcription of quotes from cited speech.

Secondary Sources

Acemoglu, Daron, Johnson, Simon, Robinson, James A., and Yared, Pierre. "Income and Democracy." February 2005.

http://www.people.fas.harvard.edu/~jrobinson/researchpapers/unpublishedpapers/jr_IncomeDemocracy.pdf, accessed February 21, 2010.

Criticism / revision of empirical data supporting Modernization Theory.

Alexander, Peter and Chan, Anita. "Does China Have an Apartheid Pass System?" *Journal of Ethnic and Migration Studies* 30, Number 4, (2004): 609-629.

Study compares South African apartheid with Chinese *hukou*.

Arat, Zehra F. "Democracy and Economic Development: Modernization Theory Revisited." *Comparative Politics* 21, Number 1, (October 1988): 21-36. [

Compilation of review articles on modernization theory.

Atlas, Terry. "World Watch: China's Growing Rich-Poor Gap." *U.S. News and World Report*, September 29, 2005,

<http://www.usnews.com/usnews/news/articles/050929/29world.htm>., Accessed, September 27, 2009.

Article from 2005 features an overview of statistical information and defines the basic problems of the rich-poor gap.

Barro, Robert J. (a) "Determinants of Democracy." *The Journal of Political Economy* 107, Number 6, Part 2: Symposium on the Economic Analysis of Social Behavior in Honor of Gary S. Becker, (December 1999): 158-183.

Article consists of economic theory and data supporting Modernization Theory.

Barro, Robert J. (b) "Inequality and Growth in a Panel of Countries." *Journal of Economic Growth* 5 (2000): 5-32.

http://www.development.wne.uw.edu.pl/uploads/Courses/jt_de_barroinequality.pdf., accessed, March 3, 2010.

Article consists of economic theory and data supporting Modernization Theory.

Bell, Daniel A. "China's Leaders Rediscover Confucianism." *New York Times*, September 14, 2006. <http://www.nytimes.com/2006/09/14/opinion/14iht-edbell.2807200.html>, accessed, April 30, 2010.

Newspaper account provides background on China's leadership using Confucian tenets to support current policies.

Brandt, Loren and Rawski, Thomas (editors). *China's Great Economic Transformation*. New York: Cambridge University Press, 2008.

Parts of the text are fairly technical in terms of economic data and theory. Composition is a series of articles written by subject matter experts and includes chapters on demographics, labor, finance, education, etc.

Breslin, Shaun. "Democratising One-Party Rule? Political Reform, Nationalism and Legitimacy in the People's Republic of China." Working Paper 67, (September 2008). www.frider.org/descarga/WP67_China_one_party_ENG2_sep08.pdf, accessed February 27, 2010.

Detailed article contains historical as well as current analysis of CCP reform. Perspective is slightly left-center.

Canaves, Sky and Feng, Sue. "The Trials of Migrant Schools in Beijing." *ChinaRealTime Report*, March 5, 2010. <http://blogs.wsj.com/chinarealtime/2010/03/05/the-trials-of-migrant-schools-in-beijing/>, accessed April 1, 2010.

Blog article illustrates the toll on migrant families due to hukou.

Chai, Winberg. "The Ideological Paradigm Shifts of China's World Views: From Marxism-Leninism-Maoism to the Pragmatism-Multilateralism of the Deng-Jiang-Hu Era." *Asian Affairs* 30, Number 3 (Fall 2003): 163-175.

Chai's article traces the ideological shifts from Mao to Jiang Zemin and the theoretical debate behind the shifts. The analysis is made from the Chinese as opposed to the Western perspective.

Chan Kam Wing and Buckingham, Will. "Is China Abolishing the Hukou System?" *The China Quarterly* 195 (September 2008): 582-606.

Article provides background and data illustrating how *hukou* system is being de-centralized rather than abolished. Provides counterpoint to pro-reform articles.

Chang, David Wen-Wei. *China Under Deng Xiaoping: Political and Economic Reform*. London: The MacMillan Press, 1988.

Work is a biographical text written while Deng was still alive. Good mix of personal and policy information – works well with Evans (see below).

Chang, G.H. "The Cause and Cure of China's Widening Income Disparity." *China Economic Review* 13 (2002): 335 – 340.

Short article that traces causes of China's rich-poor gap and prescribes urbanization as the solution. Piece is a succinct, readable summary of economic factors.

Che Jiahua and Qian Yingyi. "Insecure Property Rights and Government Ownership of Firms." *The Quarterly Journal of Economics* 113, Number 2 (May 1998): 467-496.

Contrarian article that argues in favor of continued state ownership of property as a method to limit corruption.

Cheng Li. "China's Northeast: From Largest Rust Belt to Fourth Economic Engine?" *China Leadership Monitor* 9 (2004).
<http://www.hoover.org/publications/clm/issues/2904256.html>, accessed November 18, 2009.

Article is an analysis of the issues and proposed solutions involved with modernization China's northeastern regions. The northeast is one of the target areas in combating the rich-poor gap.

Cheng Li and White, Lynn. "The Thirteenth Central Committee of the Chinese Communist Party: From Mobilizers to Managers." *Asian Survey* 28, Number 4 (April 1988): 371-399.

Cheng and White concentrate on the new style and type of leadership ushered in by economic reform. Their article defines and describes a "new elite" of managers and technocrats versus the older group described as "mobilizers and ideologues."

Cheng Tiejun and Selden, Mark. "The Origins and Social Consequences of China's Hukou System." *The China Quarterly* 139 (September 1994): 644-668.

Cheng and Selden article is thorough background on the development of the *hukou* system from ancient times to the 1990s.

_____. "China Has Socialist Market Economy in Place." *Peoples Daily Online*, July 13, 2005. http://english.peopledaily.com.cn/200507/13/eng20050713_195876.html, accessed March 29, 2010.

Web version of newspaper article defines the term "socialist market economy."

_____. "China's Next Revolution." *The Economist*, March 8, 2007.
http://www.economist.com/opinion/PrinterFriendly.cfm?story_id=8815075, accessed March 23, 2010.

Article summarizes 2007 property rights law.

Congressional-Executive Commission on China. "China's Household Registration System: Sustained Reform Needed to Protect China's Rural Migrants." October 7, 2005. <http://www.cecc.gov/pages/news/hukou.pdf>, accessed, March 26, 2010.

Congressional report on *hukou* reform.

Cody, Edward. "Chinese Lawmakers Approve Measures to Protect Private Property Rights." *Washington Post*, March 17, 2007. <http://www.washingtonpost.com/wp-dyn/content/article/2007/03/16/AR2007031600512.html>, accessed March 16, 2010. [newspaper article – summary of 2007 private property law]

Crossette, Barbara. "U.N. Survey Finds World Rich-Poor Gap Widening." *New York Times*, July 15, 1996. <http://www.nytimes.com/1996/07/15/world/un-survey-finds-world-rich-poor-gap-widening.html>, accessed December 3, 2009.

Early newspaper article on rich-poor gap that uses summary of 1996 U.N. report as basis.

Davies, Gloria and Ramia, Gaby. "Governance Reform towards Serving Migrant Workers: The Local Implementation of Central Government Regulations." *The China Quarterly* 193 (March 2008): 140-149.

Article consists of a three city study of *hukou* regulations. Points out varying interpretations of central government policy implemented in a de-centralized manner.

Delfeld, Carl T. "China Passes Law Bolstering Private Property Rights." *Seeking Alpha*, March 27, 2007. <http://seekingalpha.com/article/30810-china-passes-law-bolstering-private-property-rights>, accessed March 23, 2010. [web article delineates features of property law of 2007]

Demurger, Sylvie. "Infrastructure Development and Economic Growth." *Journal of Comparative Economics* 29, Number 1, (2001): 95-117.

Demurger explores modernization and income inequality from a single issue perspective. Article is useful as a supplement to more general articles.

Dirlik, Arif. "The Postcolonial Aura: Third World Criticism in the Age of Global Capitalism." *Critical Inquiry* 20, Number 2 (Winter 1994): 328-356.

Theory article employs post-colonialism in relation to China's modernization policies.

Erie, Matthew S. "China's (Post-) Socialist Property Rights Regime: Assessing the Impact of the Property Law on Illegal Land Takings." *Hong Kong Law Journal* 37, Number 3 (2007): 919-949.

Article concentrates specifically focuses on the issue of land expropriation; includes an interesting discussion on the limits of China's current legal system.

Evans, Richard. *Deng Xiaoping and the Making of Modern China*. New York: Penguin Books, 1995.

Primarily a biography of Deng Xiaoping written shortly after his death, but also contains additional discussions on policy formulation and internal politics. Bibliography is a good resource for further research.

Fan, C. Cindy. "Uneven Development and Beyond: Regional Development Theory in Post-Mao China." *International Journal of Urban and Rural Research* 21, Number 4, (1997): 620-639.

Article evaluates development theories that have been published by Chinese scholars and offers comparison with Western theories. Readers of Chinese language will find bibliography helpful.

Fairbank, John King and Goldman, Merle. *China: A New History*. Cambridge, MA: Belknap Press of the Harvard University Press, 2006.

Background text – a general history of China.

Fewsmith, Joseph (a). "The Sixteenth National Party Congress: The Succession That Didn't Happen." *The China Quarterly* 173 (March 2003): 1-16.

Interesting discussion of leadership profiles following the 2003 National Party Congress. Fewsmith's analysis highlights increased technocratization of the party leadership. The conclusion indicates a continuance of pragmatic leadership.

Fewsmith, Joseph (b). "Studying the Three Represents." *China Leadership Monitor* 8 (Fall 2003). http://media.hoover.org/documents/clm8_jf.pdf, accessed, February 22, 2010.

Article is a discussion of Jiang Zemin's "Three Represents." It presents an interesting analysis of the shift in Chinese Communist Party ideology – useful as a theory reference.

Giles, Lionel (translator). *The Analects of Confucius*. Norwalk CT: The Easton Press, 1976.

1976 re-print of earlier translation – *Analects* by topic instead of usual order.

Gilley, Bruce (a). "The Limits of Authoritarian Resilience." *Journal of Democracy* 14, Number 1, (January 2003): 18-26.

This work traces the cycles of consolidation and breakdown in China since 1949. Based on the author's research, a period of breakdown is inevitable unless political reform is instituted. Article falls under the heading of political theory.

Gilley, Bruce (b). "Saving the West." *Far Eastern Economic Review* 163, Issue 18, (May 2000): 1-2.

Short piece outlines the early steps of western policy development.

Goodman, David. "The Campaign to 'Open up the West': National, Provincial-level and Local Perspectives." *The China Quarterly* 178 (June 1, 2004), <http://www.proquest.com.ezproxy.shu.edu/>, accessed March 14, 2010.

Article is used in this research to gauge impact and reaction of national policy of westward development on sub-government units. Also used as a source for determining how policy is implemented.

Guo Xiaolin. "Land Expropriation and Rural Conflicts in China." *The China Quarterly* 166, (June 2001): 422-439.

Guo's study examines the direct connection between social unrest in rural areas and land takings. For this research, the study provides insights into the social aspect of property law reform.

He Baogang. "The Theory and Practice of Chinese Grassroots Governance: Five Models." *Japanese Journal of Political Science* 4, Number 2 (2003): 293-314.

Article combines theory with actual examples of grassroots democratic governance in rural China and through examples offered posits the theoretical concept of a mixed regime model.

He Kai and Feng Huiyun. "A Path to Democracy: In Search of China's Democratization Model." *Asian Perspective* 32, Number 3 (2008): 139-169.

Paper is an interesting and useful theory piece that favors the strategy of continued economic modernization. Main argument posits that "the current intra-party democracy promoted by Hu and Wen signals a positive trend for China's future democratization.

He Li. "China's Path of Economic Reform and Its Implications." *Asian Affairs* 31, Number 4 (Winter 2005): 195–211.

This article analyzes recent events in China, focusing on the transition to a market-oriented economic system and political liberalization. Analysis also examines the major features of the Chinese model, the limitations of the Chinese approach, and the implications of Chinese reforms for other developing countries.

Hewitt, Duncan. *China: Getting Rich First*. New York: Penguin Books, 2008.

Book is a compendium of interviews on social issues written by a British expatriate journalist currently living in Shanghai. Source puts a human face on the changes in China that have occurred due to modernization.

Ho, Peter. "Who Owns the Land?" *The China Quarterly* 166 (June 2001): 394-421.

Ho concentrates on an analysis of the confusing aspects of China's property law. Article is useful in providing background for need for reform.

Holbig, Heike. "The Emergence of the Campaign to Open up the West: Ideological Formation, Central Decision -Making and the Role of the Provinces." *The China Quarterly* 178 (June 2004): 335-357

This article examines the formation of the "Open Up the West" policy from the 1980s to the present. Focusing on the interaction between central party-state and provincial-level players, it analyses the ideological and pragmatic factors that have shaped the policy over time.

"Hu Jintao Addresses Symposium on 'Three Represents'."

<http://www.sinoss.com/portal/webgate/en-us/CmdNewsDetail?newsId=543>, accessed April 4, 2010.

Web article is an unauthored analysis of Hu speech on the Three Represents with excerpts.

Hua Shiping (editor). *Chinese Political Culture*. Armonk, NY: M.E. Sharpe, Inc., 2001

Volume is a collection of articles written by subject matter scholars covering the philosophical and ideological foundations of modern Chinese political thought.

Huang Yasheng. *Capitalism with Chinese Characteristics*. Cambridge and New York: Cambridge University Press, 2008.

Huang explores the question, "How capitalist is China?" Book supports the argument that sustainable development will require institutional reform. Bibliography very detailed and provides a good resource for further research.

Huntington, Samuel P. *The Third Wave: Democratization in the Late Twentieth Century*. Norman OK: University of Oklahoma, 1993.

Huntington's book is the one of the most cited for the purpose of explaining theory and is considered the seminal work on democratization theory and movements of the twentieth century.

Iyer, Lakshmi, Xin Meng, and Qian, Nancy. "Unbundling Property Rights: Urban Housing Privatization and Labor Mobility in China." Working Paper, February 2009.
<http://igov.berkeley.edu/China09papers/Unbundling%20Property%20Rights.pdf>, accessed March 23, 2010.

This paper provides a perspective on the benefits of property rights reform in the area of urban housing. Article is helpful to this research as a good counterpoint for comparison to rural land practices.

Jaquette, Jane S. "Review: Women and Modernization Theory: A Decade of Feminist Criticism." *World Politics* 34, Number 2 (January 1982): 267-284.

Review article with commentary.

Kau, Michael Y. M. and Marsh, Susan H. *China in the Era of Deng Xiaoping: A Decade of Reform*. New York: M.E. Sharpe, 1993.

Book is a retrospective biographical and policy reference. Bibliography provides a good list of sources for research follow-up.

Keidel, Albert. "China's Economic Rise – Fact and Fiction." *Policy Brief* 61, July 2008, The Carnegie Endowment for Peace.
<http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=20279>, accessed November 18, 2009.

Pro-China article written from the perspective of what China's continued economic success means for US foreign policy. A key feature is an excellent timeline of events, 1978 – 2007.

Kynge, James. *China Shakes the World*. New York: Houghton-Mifflin, 2006.

Resource for tracing China's economic and modernization policies post-Cultural Revolution.

Lai, Hongyi Harry. "China's Western Development Program: Its Rationale, Implementation, and Prospects." *Modern China* 28, Number 4 (October 2002): 432-466.

Article supplies background analysis for the moving parts of western the western development program. Analysis also included prospects and is helpful in understanding policy rationales.

Larson, Christina. "How China Wins and Loses Xinjiang." *Foreign Policy*, July 9, 2009. http://www.foreignpolicy.com/articles/2009/07/09/how_china_wins_and_loses_xinjiang?page=0,2, accessed March 16, 2010.

Article is an analysis of regional issues, examining the 2009 Xinjiang ethnic riots, as a derivative of the larger rich-poor gap debate.

Leys, Colin. "The Rise and Fall of Development Theory." In *The Anthropology of Development and Globalization*, edited by Marc Edeleman and Angelique Haugerud, 109-125. Malden, MA: Blackwell Publishing, 2005.

Lee, Sunny. "Confucius Resurrected in China." *The Grinnell Magazine*, Fall 2008. <http://www.grinnell.edu/car/communication/magazine/extras/confucius>, accessed, April 30, 2010.

Article reviews the current trend of Chinese politicians using Confucianism as support mechanism.

Liberthal, Kenneth. *Governing China From Revolution Through Reform*. New York: W.W. Norton, 2004.

Volume is a general resource for Chinese political behavior and policy history in the period stated.

Li Chenyang. "The Confucian Ideal of Harmony." *Philosophy East & West* 56, No. 4 (October 2006): 583-603.

Li defines the traditional concepts of Confucianism and compares how they are currently being applied in China's political discourse.

Lin, Justin Yifu, Cai, Fang and Li, Zhou. *The China Miracle, Development Strategy and Economic Reform*. Hong Kong: The Chinese University of Honk Kong, 2003.

Heavy on technical economic content (those not familiar with economics may have difficulty with parts) but also a good narrative of policy.

Lin Wuu-Long and Chen, Thomas P. "China's Widening Economic Disparities and Its 'Go West Program.'" *Journal of Contemporary China* 13, Issue 41 (November 2004): 663-681.

Article contextualizes western development strategy within the rich-poor gap debate.

Lipset, Seymour Martin. "Some Social Requisites of Democracy." *American Political Science Review* 53, Number 1 (1959): 69-105.

Lipset was an originator of Modernization Theory. Though the theory has since fallen out of favor with many social scientists due its perceived Western bias, it was one of the first to tie economic development to democratization. This article lays out the foundation for the theory.

Liu Binyan. "Civilization Grafting: No Culture is an Island." *Foreign Affairs* 72, No. 4 (September/October 1993): 19-21.

Liu, a noted dissident, provides an ideological analysis of China's first fifteen years of modernization. Liu is highly critical of the CCP but his comments on the grafting of thought systems helps support this thesis.

Loeffke, Bernard. Telephone Interview, October 12, 2009.

Retired major general and former U.S. defense attaché to China – interviewed for personal/expert opinion.

Lum, Thomas. "Social Unrest in China." Document RL33416, Washington DC: Congressional Research Service, May 2006, www.fas.org/sgp/crs/row/RL33416.pdf, accessed March 15, 2010.

Prepared by Congressional Research Service primarily using newspaper accounts, this analysis documents and assesses domestic unrest events in China.

Mail Online. "20,000 Farmers Riot in China Over Widening Gap Between Rich and Poor." *London Daily Mail*, March 12, 2007. <http://www.dailymail.co.uk/news/article-441748/20-000-farmers-riot-China-widening-gap-rich-poor.html>.

U.K. newspaper account of farm riots attributed to rich-poor gap issues.

Mattlin, Mikael. "Chinese strategic state-owned enterprises and ownership control." *BICCS Asia Paper* 4, Number 6 (2007).
[http://www.vub.ac.be/biccs/site/assets/files/apapers/Asia%20papers/Asia%20Paper%204\(6\).pdf](http://www.vub.ac.be/biccs/site/assets/files/apapers/Asia%20papers/Asia%20Paper%204(6).pdf), accessed, March 16, 2010.

Article contains current background material on SOE reform in China. It is useful in this research in interpreting SOE reform in the northeastern region.

Mako, William (editor). "China Facilitating Investment and Innovation: A Market-Oriented Approach to Northeast Revitalization." World Bank Report No. 34943-CN, February 15, 2006. <http://go.worldbank.org/TIEHLVS2D0> , accessed February 11, 2010.

World Bank report – statistical data with commentary.

Mann, James. *The China Fantasy*. New York: The Penguin Group, 2007.

This is the second of two books written by Mann, a career journalist, with the principal focus on US-China relations. Both of Mann's texts are a general criticism of U.S. inconsistency in policy decisions but his discussion involves analysis of Chinese policy as well.

Montinola, Gabriella, Qian Yingyi and Weingast, Barry R. "Federalism, Chinese Style: The Political Basis for Economic Success." *World Politics* 48, Number 1 (1996): 50-81.

Montinola, *et al*, offer a theoretical construct for Chinese governing style that blends economic policy de-centralization with formal or informal power sharing between central and local governments.

Nathan, Andrew J. "China's Changing of the Guard – Authoritarian Resilience." *Journal of Democracy* 14, Number 1 (January 2003): 6-17.

Nathan's article on Chinese political theory focuses on peaceful succession, meritocracy in promotion, specialization of tasks and limited participation as factors for continued CCP legitimacy.

Naughton, Barry (a). *The Chinese Economy, Transitions and Growth*. Cambridge, MA: The MIT Press, 2007.

Naughton's work is probably best described as a foundation source for the economic history of the post-Mao era. Text contains detailed economic information and may require more than a cursory knowledge of macroeconomic terms and concepts.

Naughton, Barry (b). "The Western Development Program." In Barry J. Naughton and Dali Yang (editors), *Holding China Together: Diversity and National Integration in the Post-Deng Era*. New York: Cambridge University Press, (2004), 253-292.

Chapter is an overview of the Western Development program with emphasis on political and economic motivations and impacts.

O'Brien, Kevin J. and Li Lianjiang. "Accommodating 'Democracy' in a One-Party State: Introducing Village Elections in China." *The China Quarterly* 162, Special Issue: Elections and Democracy in Greater China (June 2000): 465-489.

Study of village elections in the 1980s and 1990s illustrates the early development of the election process at the local level.

Oster, Shai. "China Think Tank Sees More Unrest." *China Realtime Report*, December 24, 2009. <http://blogs.wsj.com/chinarealtime/2009/12/24/china-think-tank-sees-more-unrest/>, accessed, January 5, 2010.

Report documents an internal Chinese Academy of Social Sciences study linking social unrest and crime to lagging incomes in the countryside versus the richer cities.

Pei, Minxin (a). *China's Trapped Transition*. Cambridge, MA: Harvard University Press, 2006.

Work is a pessimistic view of continuing economic reform without complementary political reform. Chapter 1 provides a substantial and even discussion of theory. Documentation provides a good resource for further research.

Pei, Minxin (b). "The Puzzle of East Asian Exceptionalism." *Journal of Democracy* 5, Number 4 (October 1994): 90-103.

Article concentrates on political theory and provides a comparison of the concept of exceptionalism within East Asian countries and gauges impact on political and economic institutions.

Perkins, Dwight. "Designing a Regional Strategy for China." In *China's West Region Development: Domestic Strategies and Global Implications*, edited by Ding Lu and William A. W. Neilson, 17-28. Singapore: World Scientific Publishing Company, Pte. Ltd, 2004.

Perkins illustrates the top-down approach the government is taking in the western strategy. For this research, the article provides support for the concept of selective ideological shift in forming and applying policy.

Przeworski, Adam. "Democracy and Economic Development." (undated).
<http://as.nyu.edu/docs/IO/2800/sisson.pdf>, accessed February 28, 2010.

Paper explaining economic data and methodology that supports Lipset's Modernization Theory.

Pye, Lucian W. (a). "On Chinese Pragmatism in the 1980s." *The China Quarterly*, Number 106 (June 1986), 207-234.

Pye's article is an early assessment of Deng Xiaoping's reform policies. The emphasis is on ideological change from Maoist policies.

Pye, Lucian W. (b). "An Introductory Profile: Deng Xiaoping and China's Political Culture." *The China Quarterly* 135, Special Issue: Deng Xiaoping: An Assessment, (September 1993): 412-443.

Pye's contribution to this retrospective issue of *The China Quarterly* presents an extensive, at times psychological, analysis of Deng's personality and links Deng's success to adopting a "traditional" style of behind the scenes, Chinese leadership.

Qian Yingyi. "How Reform in China Worked." William Davidson Working Paper Number 473a, Ann Arbor: William Davidson Institute - University of Michigan School of Business, 2002.

Good historical narrative of modernization process combined with an abundance of economic data. (This appears to be a business case study used in a MBA program.)

Ravillion, Martin and Chen Shaohua. "Learning From Success: Understanding China's (uneven) Progress Against Poverty," *Finance and Development* 16, Issue 19, (December 2004).

<http://www.imf.org/external/pubs/ft/fandd/2004/12/pdf/ravallio.pdf>, accessed December 5, 2009.

Ravillion and Chen are economists and paper is structured from that viewpoint. Good source for explanation of Gini coefficient and other measures of income inequality.

_____. "Regional Disparities Have Gone Beyond Acceptable Limits – The Path to an All-Around Well-Off Society Remains Distant." Research Institute of Economy, Trade and Industry, November 29, 2005.

<http://www.rieti.go.jp/en/china/05112901.html>, accessed March 4, 2010.

Article is concise summary of rich-poor gap issues integrating U.N and other third party data completed by Japan-based policy "think tank."

Rong Jiaojiao. "Hukou an obstacle to market economy." *China Daily*, May 21, 2007.
http://www.chinadaily.com.cn/china/2007-05/21/content_876699_2.htm, accessed March 26, 2010.

Newspaper / web article on negative impacts of *hukou* system.

Rostow, Walter W. *The Stages of Economic Growth: A Non-Communist Manifesto*. Cambridge: Cambridge University Press, 1960, Chapter 2, "The Five Stages of Growth-A Summary." <http://www.mtholyoke.edu/acad/intrel/ipe/rostow.htm>, accessed February 28, 2010.

Web version of Rostow's seminal book on the merits of capitalism over communism.

Rowen, Harry S. "When Will the Chinese People be Free?" *Journal of Democracy* 18, Number 3 (July 2007): 38-52.

Rowen's political theory article centers on the future character of China's political system. Data from Freedom House and other international "watchdog" agencies is the foundation of the article. Article is a good source of references to other material.

Saich, Tony. "Governance and Politics of China." Web Update 2007.
<http://www.palgrave.com/politics/saich/docs/update1.pdf>, accessed November 11, 2009.

Website article is an update to Saich's 2001 book of the same title. Good resource for political conditions and attitudes in China as of 2007.

Sautman, Barry. "Sirens of the Strongman: Neo-Authoritarianism in Recent Chinese Political Theory." *The China Quarterly* 129 (March, 1992): 72-102.

Neo-authoritarianism is a possible governing alternative in counterbalance to the implementation of liberal democracy in China. Sautman provides narrative on similar systems in East Asia and evaluates the pros and cons for application to China. Article is dated but discussion of potential conditions maintains its relevancy for this research.

Schoenhals, Michael. "Political Movements, Change and Stability: The Chinese Communist Party in Power." *The China Quarterly* 159, Special Issue: The People's Republic of China after 50 Years, (September 1999): 595-605.

Article represents a comprehensive historical analysis of the structural and ideological changes in the CCP since 1949 founding of the PRC.

_____. "Shanghai May Further Relax Hukou System." *China Daily*, March 16, 2010. http://www.china.org.cn/china/2010-03/16/content_19616205.htm, accessed March 28, 2010.

Newspaper (web-based) article outlining *hukou* changes.

Sigurdson, Jon. "Northeast China – Cradle of Change." *Journal of Technology Management in China* 1, Number 1 (2006): 53-75.

Useful for this research in providing a broad based survey of policies aimed at re-development of Northeast China.

Solinger, Dorothy J., "Business Groups: For or Against the Regime?" In *Political Change in China*, edited by Bruce Gilley and Larry Diamond, 95-116. Boulder, CO: Lynn Rienner Publishers, 2008.

Article is analysis of comparisons between political activities of business groups in Taiwan and on Mainland. Useful as a theory source and contains well documented bibliography.

Spence, Jonathan D. *The Search for Modern China*. New York: W.W. Norton, 1990.

Background text – general history.

Sheng, Andrew, Xiao Geng, and Wang Yuan. "Property Rights and 'Original Sin' in China: Transaction Costs, Wealth Creation, and Property Rights Infrastructure." Stanford Center for International Development (SCID) Working Paper 291, October 2004. <http://siepr.stanford.edu/publicationsprofile/1067>, accessed March 20, 2010.

Interesting discussion of ideological factors and traditional practices meshed with desired economic outcomes regarding the reform of property rights.

Tian Qunjian. "China Develops its West: Motivation, Strategy and Prospect." *Journal of Contemporary China* 13, Issue 41 (November 2004): 611-636.

Journal article provides historical perspective and an analysis of the types of sub-projects that comprise the western development strategy.

Tipps, Dean C. "Modernization Theory and the Comparative Study of Societies: A Critical Perspective." *Comparative Studies in Society and History* 15, Number 2 (March 1973): 199-226.

Theory article is a critique of Modernization Theory.

Wang, Angela. "Property Rights in China Under the New Property Law." *World Law Direct*, April 2007. <http://www.worldlawdirect.com/article/3149/property-rights-china-new-property-law-2007.html>, accessed March 21, 2010.

Article is something of an "infomercial," but provides a concise listing of changes from the passage of the 2007 private property law. Article is useful for background purposes

Wang, Fei-ling. "Reformed Migration Control and New Targeted People: China's Hukou System in the 2000s." *The China Quarterly* 177 (March 2004): 115-132.

Article examines *hukou* with an emphasis on how it works to control the population politically as well as economically.

Wang Hongjiang (editor). "China to launch 10 key projects in western regions." *China View*, June 21, 2008. http://rss.xinhuanet.com/newsc/english/2008-06/21/content_8413779.htm, accessed March 10, 2010.

Web based news article – western development.

Wang Jianshuo. "Hukou System in China." http://home.wangjianshuo.com/archives/20060610_hukou_system_in_china.htm, accessed March 26, 2010.

Private blog cited for personal impact of *hukou*.

Weller, Robert. "Responsive Authoritarianism." In *Political Change in China*, edited by Bruce Gilley and Larry Diamond, 117-133. Boulder, CO: Lynne Rienner Publishers, 2008.

Weller is used as part of background material for defining this paper's thesis of adaptable ideology.

Wen Liao. "The Princeling and the Paupers." *Foreign Policy*, March 5, 2010. http://www.foreignpolicy.com/articles/2010/03/05/the_princeling_and_the_paupers, accessed March 26, 2010.

Periodical article related to leadership succession and social issues.

Wheatley, Alan, "Rich Poor Gap Worries Chinese Planners." *New York Times*, November 22, 2008. <http://www.nytimes.com/2008/12/22/business/worldbusiness/22iht-inside23.1.18861664.html>, accessed October 20, 2009.

Article provides general overview of rich-poor gap issues.

Woetzel, Jonathan R. "Reassessing China's State Owned Enterprises." *McKinsey Quarterly* (July 2008).
http://www.mckinseyquarterly.com/Reassessing_Chinas_state-owned_enterprises_2149, accessed May 28, 2009.

Article published by McKinsey consulting firm provides an update on the corporate governance practices of China's state owned enterprises. Information is useful background for this research.

Won, Jaeyoun. "Withering Away of the Iron Rice Bowl? The Re-employment Project of Post-Socialist China." *Studies in Comparative International Development* 39, Number 2 (2004): 71-93.

This paper examines the issue of potential unemployment as it attempts to address the critical question of "What comes next after socialism?" The issue is used for its examination of the transformation of labor relations in urban China.

Woo, Wing Thy. "Recent claims of China's Economic Exceptionalism: Reflections Inspired by WTO Accession." *China Economic Review* 12 (2001): 107-136.

An analysis of China's economics of transition, paper evaluates the impact of China's WTO accession. Work is dominated more by economic theory than political analysis.

Wu-Beyens I-Chuan. "The Years of Reform in China: Economic Growth Versus Modernization." *Civilisations – Revue Internationale D'Anthropologie et de Sciences Humaines* 40, Number 1 (1991): 101-132.

Detailed summary of the first ten years of economic reform from political-economics perspective. Publication date provides an interesting counterpoint to more current work.

Wu Chung-Tong. "China's Special Economic Zones: Five Years Later." *Asian Journal of Public Administration* 7, Number 2 (December 1985): 128-143.
<http://sunzi.lib.hku.hk/hkjo/view/50/5000240.pdf>, accessed, March 1, 2010.

Based on source dates, this is a contemporaneous background article on early modernization policy with a specific focus on special economic zones.

Wu Fulong. "Urban Poverty and Marginalization Under Market Transition: The Case of Chinese Cities." *International Journal of Urban and Regional Research* 28, Number 2 (June 2004): 401-423.

Wu's paper explores the issues of "new urban poverty" that are a result of the rich-poor gap created by the market transition. Paper provides a good discussion (heavy on statistics) of demographic and economic theory as it applies to China's urban settings and offers support for the concept of "poverty of transition."

Wu, Xiaogang, and Treiman, Donald J. "Inequality and Equality under Socialism: Occupational Mobility in Contemporary China." Working Paper, University of California Los Angeles: California Center for Population Research, (2004). <http://www.escholarship.org/uc/item/0cv3z6dp>., accessed March 26, 2010.

Specialized research examines the issue of labor / occupational mobility and its impact on class structure in contemporary China. Implication for this research is the contribution of the household registration system as a factor in the rich-poor gap.

Xiao, Gongqin. "The Rise of the Technocrats." *Journal of Democracy* 14, Number 1 (January 2003): 60-65.

Xiao's article provides a study of the changing profile of Chinese leadership with analysis on how the different backgrounds and training of newer leaders impacts policymaking. Article also shows how factionalism can and does develop within the CCP.

Xinhuanet. "What is a Harmonious Society?" March 23, 2005.

http://news.xinhuanet.com/english/2005-03/21/content_5278045.htm, accessed November 28, 2009.

Chinese web article outlines Harmonious Society.

Yahuda, Michael. "Deng Xiaoping: The Statesman." *The China Quarterly* 135, Special Issue: Deng Xiaoping: An Assessment, (September 1993): 551-572.

Article deals mostly with Deng's role in foreign policy but spillover of economic policy provides insights into strategies of China's export oriented economy.

Yan Xuetong. "The Rise of China in Chinese Eyes." *Journal of Contemporary China* 10, Number 26 (2001): 33-39.

Article is devoid of any mention of political reform and takes the government position that the continued modernization of China will be peaceful and that it will be beneficial to the global economy. It contains a good historical summary and an interesting discussion of long term economic goals and their global impact from the Chinese perspective.

Yao Shujie. "China's Rural Economy in the First Decade of the 21st Century: Problems and Growth Constraints." *China Economic Review* 13, Issue 4 (2002): 354-360.

Article provides background material for defining the rich-poor gap.

Yang, Dennis Tao. "Urban-Biased Policies and Rising Income Inequality in China." *American Economic Review* (May 1999): 306-310.

As title indicates, article is topic specific outlining policies favoring urban over rural development in China's modernization scheme. Useful to this research for support data.

Yoon Hwytak. "China's Northeast Project: Defensive or Offensive Strategy?" *East Asian Review* 16, Number 4 (Winter 2004): 99-121.

Article is more focused on education but links economic policies with current nationalist curriculum used in northeastern provinces.

Zhang, Xiaobo. "Asymmetric Property Rights in China's Economic Growth." Conference Paper, American Economics Association Meetings, Boston, January 6-8, 2006. http://www.aeaweb.org/annual_mtg_papers/2006/0108_1300_0204.pdf, accessed March 16, 2010.

Paper highlights the difference between secure investor property rights and loosely defined individual property rights. Good analysis of differences in investor rights versus individual pre-2007 law.

Zhang Ye, Young, Joe and Hulme, Virginia A. "Hope for China's Migrant Women Workers." *The China Business Review* 29, Number 3 (May/June 2002): 30-36.

Article provides an overview on *hukou* reform. One finds special emphasis on gender issues from Ms. Hulme's contribution.

Zhao Zhong. "Migration, Labor Market Flexibility, and Wage Determination in China: A Review." *The Developing Economies* 43, Number 2 (June 2005): 285-312.

Article is a survey of migration issues with a specific focus on the impact of wages. Data (mostly tabular) provides a chronological breakdown of changes in policies and employment by business sector.

Zheng Yongnian. "Development and Democracy: Are They Compatible in China?" *Political Science Quarterly* 109, Number 2 (Summer 1994): 235-259.

Zheng offers a political theory article that analyzes the possibility of a neo-authoritarian model of government in China in place of CCP collective decision-making model. Interesting presentation of public opinion data but article is somewhat dated. Useful in discussion of conditions that might prompt the change, foremost of which is income inequality.

Zheng Yongnian and Sow Keat Tok. "Harmonious Society and Harmonious World: China's Policy Discourse Under Hu Jintao." China Policy Institute: Briefing Series - 26, October 2007. <http://www.nottingham.ac.uk/CPI/publications/policy-papers/2007/index.aspx>, accessed November 30, 2009.

Background article on Harmonious Society and Hu Jintao policy leanings.

Zhu, Lijiang. "The Hukou System of the People's Republic of China: A Critical Appraisal under International Standards of Internal Movement and Residence." *Chinese Journal of Law* 2, Number 2 (2003): 519-564.

Zhu's article provides a comparison of practices under Chinese *hukou* system with those generally accepted under principles of international law. This research finds the discussion useful in providing a benchmark for determining China's progress in rule of law reform.