

Socialism Vanquished, Socialism Challenged: Eastern Europe and China, 1989-2009

Nina Bandelj and Dorothy J. Solinger

Print publication date: 2012

Print ISBN-13: 9780199895977

Published to Oxford Scholarship Online: Sep-12

DOI: 10.1093/acprof:oso/9780199895977.001.0001

Communist Resilience

Wang Feng, Yang Su

DOI: 10.1093/acprof:oso/9780199895977.003.0081

Abstract and Keywords

This chapter explores three aspects of institutional change in China since 1989 that undergird the resilience of Chinese communist rule. It first documents renewed state dominance in the economy, which has served as the foundation for continued state control not only over the economy but also over society. Second, it discusses how this political-economic arrangement has contributed to rising inequality, but has also allowed the state to re-take the role of re-distributor, thereby lending new legitimacy to the regime. Third, it examines changes in the state's methods for managing the public protests that have broken out in response to the new inequality and related injustices.

Keywords: China, institutional change, regime stability, political economy, state-owned enterprises, inequality, protest, protest management

On June 4, 2009, an emblematic scene from Tiananmen Square was broadcast to a world audience. On the twentieth anniversary of the 1989 bloody crackdown against student protests, the journalists and visitors who were at the square encountered neither protests nor signs of commemoration; instead they saw only desperate-looking groups of well-dressed men, each holding an umbrella. One could quickly discern that these middle-aged men were undercover government security agents as they interceded to determine who could enter the square and what was allowed to occur there. These umbrellas, supposedly meant to shield the bright summer

sunshine, were actually shields that could be used to block any attempt to photograph the agents. These interactions between journalists and the plain-clothed security men were almost humorous, a far cry from the images of tanks, blood, and death that marked the night 20 years ago.¹

A similar sense of quiet and wariness prevailed at this spot on past anniversaries. Political dissidents who had demonstrated 20 years earlier were, as of 2009, mostly in jail or in exile. College students, the main force of those demonstrations, generally shifted their attention to careers in business and, ironically, became among the most ardent of the regime's supporters. The 20 years following the protests would never again see young Chinese wage open protest against the regime, save their occasional outbursts of nationalistic zeal. The most visible public defiance of those two decades came from the Falungong religious cult, whose groups of practitioners within China were severely diminished by harsh waves of suppression. On sensitive occasions such as the anniversaries of June 4, initial deployments of large numbers of uniformed soldiers gave way over time to more subtle forms of protest management. (p. 220)

The scene of the umbrella-holding men signaled an increasing professionalism within the corps and growing confidence in the country's mandate as the regime persisted in the wake of the collapse of socialist states elsewhere. The posting of barely disguised security personnel was also a testimonial to institutional changes in state-society relations. Many factors have contributed to the resilience of the Chinese communist state, which, as of 2009, had clearly eluded what seemed a looming political crisis brought on by the events in 1989 (Goldstone 1995). These changes include the Communist Party's co-opting of private business people into the party (Tsai 2007), improved governance and administrative reforms (Yang 2004), and, most notably, a booming economy that has continued to raise the living standards of the population despite the lack of democratic reforms (Pei 2006) and irrespective of mounting inequality (Riskin et al. 2001).

In this chapter, we explore three types of institutional change introduced since 1989 and review specific state adaptations that have strengthened the resilience of Chinese communist rule. First, echoing the analyses made by Barry Naughton and Yasheng Huang in chapters 6 and 8 of this volume, respectively, we document a renewed state dominance in the economy that, we argue, has served as the foundation for continued state control not only over the economy but also over society. Second, we discuss how this political-economic arrangement has contributed to one of the most important

social changes in China, namely, rising inequality. This new, post-1989 political-economic order has served as a structural basis for that inequality. At the same time, that arrangement has also allowed the Chinese state to reclaim the role of redistributor, a role it had begun to relinquish as the state plan initially faded, thereby lending enhanced legitimacy to the regime. Third, we examine changes in the state's methods for managing public protests that break out in response to inequality and related injustices. These changes have contributed to the stability of communist rule in the 20 years since tanks left Tiananmen Square in the early summer of 1989.

The Economy: Growing Out of the Plan, but Not away from the State

A critical development that lies at the heart of the ongoing resilience of Chinese communist rule has been the spectacular economic growth of the years following 1989, especially in the first decade of the twenty-first century, growth that came about as a result of the underappreciated role of the state.

On September 5, 2009, the main story covered by every major Chinese news outlet was that, in 2008, for the first time in history, the combined profit (p. 221) of China's largest 500 companies exceeded that of the 500 largest firms in the United States; moreover, it even surpassed that of the 500 largest companies in the world.² Chinese corporations' superior performance came in part on the heels of the drastic downturn in profits experienced by American businesses, which suffered severely from the US-led global economic crisis of those years. This much-reported news item certainly amounts to a stunning demonstration of the rising might of the Chinese economy; at the same time, it also speaks volumes about the prominent role of state ownership in an economy that is often mischaracterized as being in a transition toward extensive privatization.

This news of the re-emergence of the state's role in the economy appeared after three decades of economic reform beginning in the late 1970s. The reforms led China away from the planned economy model and have significantly increased the share of the non state-owned sectors. The Chinese economy, in Barry Naughton's words, had "grown out" of the socialist plan by the early 1990s (Naughton 1996). Yet, in the decade following, a different trend emerged that has seen the economy moving away from market reforms based on private property rights (see Huang 2008 and in chapter 8 of this volume). There has been a trend of expanded influence of the Chinese

state over the economy, not only in terms of policies and regulations but also in its actual control over firms' ownership.

Changing urban employment patterns illustrate how the state has, if anything, expanded its dominance over the economy. As first glance, figure 10.1 appears to portray precipitous declines in employment in both the state- and collectively owned sectors since the early 1990s, especially starting in the mid-1990s. Between 1995 and 2004, in just one decade, the share of urban employees in the state sector was reduced by more than half, from constituting about 60 percent to 25 percent, an astonishing accomplishment if the goal was to achieve the withering of the hand of the state. In terms of absolute numbers, public employment plummeted from 126 million in 1995 down to 67.1 million in 2004, a whopping reduction of more than 45 million in less than a decade.

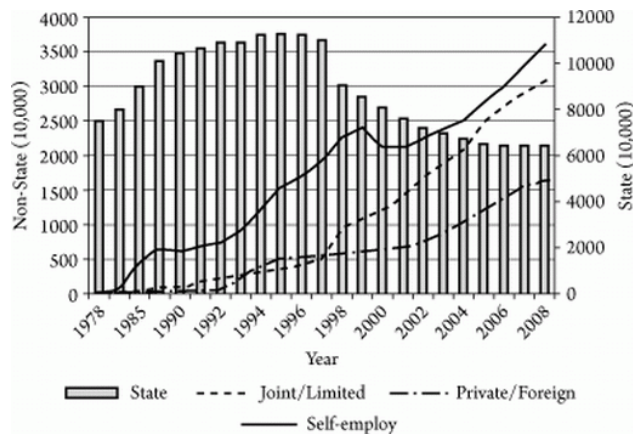


Figure 10.1 Divergent Paths in Urban Employment, 1978 to 2008.

Source: China Statistical Yearbook 2005/2008, table 5.4.

The change was especially drastic in the late 1990s, when in just the three years from 1997 to 2000, 20 million employees disappeared from the payrolls of the so-called public sector. Where did they go? Some were laid off, and some were forced to retire early, but that is only part of the overall story. Many former state employees ended up in one of three other categories: in the cooperative economy, in a limited liability company, or in shareholding corporations. The first two categories emerged in the official statistical yearbooks only after 1997, and by 1998, the three groupings together comprised 6.2 million workers; by 2004, they accounted for 16.28 million people; and by 2008, they amounted to a total of 23.58 million employees. The numbers in the third category, the shareholding

corporations, doubled within one decade, from 4.1 million in (p. 222) 1998 to 8.4 million in 2008. In total, as figure 10.1 demonstrates, these three categories were employing more than 30 million people by 2008. A significant share of those 45 million workers who disappeared from the state-owned sector after the mid-1990s, therefore, may well have ended up being absorbed into these three newly created categories. Moreover, it was these categories, along with the private sector, that absorbed a large share of the new entrants to the labor market.

The big question, then, becomes, are the firms in these newly created categories private, or are they state-owned? The three categories, especially the two that were newly created in the wake of the enterprise reforms of the late 1990s, are by no means outside the state's aegis. To the contrary, many of them are previously state-owned companies now operating under a new form of governance but remaining under the state's control, while others are jointly owned by the state and private capital. An analysis of ownership restructuring among China's state-owned industrial enterprises in 1998 shows that only about one-quarter of the more than 4,000 enterprises that were restructured became privately or foreign-owned, with the rest remaining in the hands of the state. In more than 80 percent of the restructured enterprises, the government was involved in selecting the chief executive officer (Lin and Zhu 2001). One study conducted in 2001 found that 70 percent of 6,275 large- and medium-sized restructured state-owned enterprises had officials who were previously members of their firms' Communist Party committee serving as the directors of the board (Pei 2006:31). (p. 223)

Many of the restructured economic organizations, in other words, were reorganized in line with what David Stark (1996) labeled recombinant property rights arrangements, based on his studies of the Hungarian transitional economy. If we add up the number of Chinese employees working in what is called the public economy as of 2008, that is, in state-owned and -controlled or -participating organizations (including employees in state, collective, cooperative, joint ownership, limited liability, and shareholding companies), we find that they total 103.5 million. The number of employees in private, foreign-owned, and Hong Kong and Macao-invested firms, as well as self-employed urban laborers came to almost the same total, or 103.6 million in that same year. So in urban China, a full one-half of the labor force in 2008 was still under the direct or indirect control of the state.³ As Huang explains in chapter 8 of this volume, the conclusion is similar if one uses a different measure, industrial output. These newly

emerged sectors that are under the control of the state, along with the traditional state-owned sector, occupy the most advantageous position in the postreform Chinese economy, both in terms of capital endowment and in revenue. Leading the list of the 500 largest Chinese companies in 2008 are firms that are either entirely owned or controlled by the Chinese state. State-owned and -controlled companies represented more than 60 percent of these top 500 corporations. The largest 20 on the list are all state-owned companies with monopoly status.

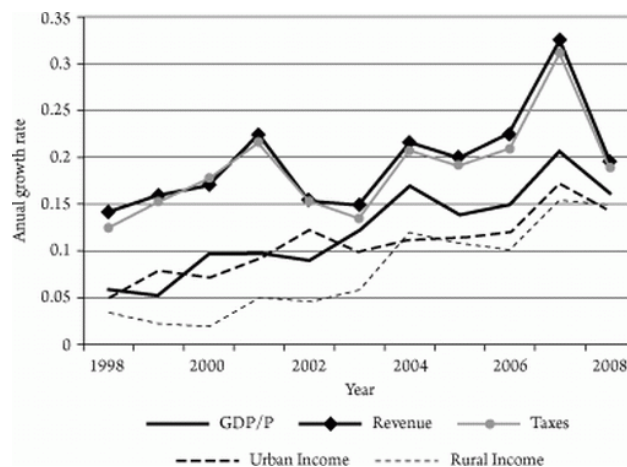


Figure 10.2 Changes in Gross Domestic Product per Capita, Government Revenue, Taxes, and Household Income, China, 1998 to 2008.

Source: China Statistical Yearbook 2009, various tables.

Moreover, in the last two decades and especially in the 2000s, the economic power of the Chinese state has risen at a speed that has far outpaced its impressive economic growth. As figure 10.2 (using numbers from China's National Bureau of Statistics) shows, over the last decade the year-to-year growth rate of government revenue constantly exceeded the rate of growth of GDP per capita. The pattern remains the same if we compare the growth rate of taxes to that of GDP, with the former constantly exceeding the latter. In the same figure, we use the lowest two lines to represent the household income for the urban and rural areas respectively, and we can see that, between 1998 and 2008, unadjusted for inflation, China's GDP per capita grew 3.34 times, a rate greater than per capita household income either in urban (2.91 times) or in rural areas (2.20 times). Yet government revenue increased in the same period at a rate of 6.21 and taxes at a rate of 5.85, far outpacing the growth of the economy. The relative shift between state and individual economic power is even more dramatic when the comparison

is with the rise in personal incomes. In a decade's time, the share of government revenue as a proportion of the total GDP almost doubled, from 11.7 percent in 1998 to 20.4 percent in 2008. These numbers depict a clear shift of economic resources toward the hands of the government during China's recent economic boom.⁴ (p. 224)

Growth with Inequality

What have been the social consequences of such rapid growth in this state-dominated economy? Rising economic inequality has been one of the most prominent among them. Over a relatively short period, even as economic growth was lifting perhaps as many as 200 million Chinese people out of poverty, the state reversed itself from being one of the most egalitarian to one of the most unequal societies in the world, experiencing a rate of increase in inequality unsurpassed in recent world history (Riskin, Zhao and Li 2001; Wang 2008; Davis and Wang 2009).

The state has been directly responsible for what has amounted to an ever-enlarging gap between the haves and the have-nots. For the state continues to monopolize key economic sectors, and a substantial increase in the rate of state revenue extraction has left a steadily smaller share of the expanding economy for individual households, especially those located away from the bureaucratic power center. As a result, employees in the large state sector are increasingly doing better than those in most of the private sector.

Furthermore, the state's prominent role also helps shape the way people perceive the inequality, to the effect of damping social discontent. First, employees in the state sector, who are most closely related to state power and who are on the winner's side of the equation, tend to consider their advantage to (p. 225) be deserving and justified, and their numbers have increased along with the expansion of the state. Second, decades ago the state created and perpetuated economic and social categories, thereby serving to distinguish urban, rural, and migrant populations from one another and to differentiate employees along the lines of industrial sectors and work units. These state-devised "boundaries and categories" have made it more likely that individuals will engage in comparisons of their economic status within their own boundaries and categories and avoid a much more acute sense of relative deprivation had cross-boundary comparisons been pervasive (Wang 2008). Since the 1950s, there has always been much less inequality within such groupings than within the population at large. A third measure with the same result is that welfare spending by the government

has not only helped to reduce regional and individual inequalities but also to portray an image of a government that cares.

Employees working in organizations belonging to the state-monopolized sectors receive a large share of the rent that the state extracts and therefore enjoy an income level much higher than others. In 2008, urban employees in state-owned work organizations received the highest average earnings of any occupational group, at 30,287 yuan per annum, versus 18,103 yuan for those in collectively owned enterprises, and 28,552 yuan for those in other ownership forms. Moreover, between 1996, the year when massive layoffs in state-owned enterprises spread, and 2008, the latest year for which official statistics are available, employees in state-owned work organizations in urban China received a 4.9-fold increase in earnings, versus the 4.2 and 3.4 increase, respectively, in the other two categories.⁵

Employees in particular jobs in the state-monopolized sectors were especially privileged. In 2005, at the Bank of China, for instance, the average annual income for the more than 200,000 employees was 88,548 yuan, an amount more than five times the average for all state employees in that year. In two state-controlled companies that generate electricity, Datang and Huanneng, the average annual income was as high as 103,500 and 105,828 yuan, respectively, and in the state-controlled telecommunications firm China Mobile, average annual income amounted to as much as 143,292 yuan that year (Wang 2008:151). At the same time, the state also makes arrangements to avoid large income disparities within sectors, organizations, or work units. Intraorganization income distribution is relatively egalitarian (Wang 2008).

As a result of this combination of between-category inequality and within-category equality, China's rapidly rising overall level of inequality has not had the psychological effect on Chinese citizens that it might have in places where an increase in inequality has not followed such a pattern, such as the countries of postsocialist Europe (Bandelj and Mahutga 2010). In a 2004 national survey, for instance, respondents were asked to assess the degree of inequality (p. 226) they perceived in the country, as well as in their own work organizations, neighborhoods, and local areas generally. The share of urban respondents who perceived their workplaces' inequality as especially high was only one-third of the percentage of those who believed that inequality was too great across the country as a whole, 14.7 versus 44.5 percent; the percentage of those who rated the degree of inequality in their workplaces as moderate was more than twice as high as the percentage of

those who judged this to be the case for the whole country, 37.3 versus 15.9 percent, respectively (Wang 2008:167).

A major reason for the relatively equal income distribution within work organizations is the hybrid nature of the property rights arrangement in many firms, such that the state still controls these organizations and has a say in their salary distributions. While the overall level of inequality nationwide has risen sharply, many urban residents do not experience that level in their own immediate vicinity. A perception of vast inequality at the national level, therefore, has not translated into localized resentment, which explains, in part, why rising inequality has not, as widely expected, served as the basis for social unrest.

The increasing concentration of economic resources in the hands of the government has also enabled the state to play an active role as a benevolent redistributor and so to mitigate the public's perception of inequality. The growth of resources in the hands of the state has allowed it to expand its investment in previously neglected areas, such as social welfare spending. Over the two decades after 1989 and especially in the first decade of the new century, the government also devoted new investment to infrastructure, by launching a number of high-profile projects. These programs include the year 2000's "Develop the West" program, which allocated a large portion of state investment funds to the poverty-stricken Northwest. Other examples include the establishment of a minimum livelihood guarantee program (*zuidi shenghuo baozhang* or *dibao*) first for impoverished urban and then for extremely poor rural households; the elimination of the agricultural tax; the initiation of subsidies for compulsory schooling in rural areas; and, eventually, the creation of a national basic health insurance and an old-age social security scheme.

These expenditures and programs have helped craft an image of the central government as a benevolent redistributor, thereby garnering broad support both for the reform program as a whole and for the Chinese government itself (Han and Whyte 2009; Whyte 2010). Simultaneously, these efforts fuel a continuing public expectation that the state should play a major role in the economy and in the provision of social welfare. As shown in table 10.1, a 2004 national survey of the perceptions of distributive justice in China⁶ indicated that, while the sentiment favoring state intervention was strong, with 58 and 35 percent, respectively, of the survey respondents agreeing with the statements that the state has a responsibility for reducing income inequality and (p. 227) for capping the highest income levels, the public

expectation that the state ought to guarantee basic livelihood is even higher. Seventy-seven percent of the respondents agreed that the government should provide jobs for those who want to work; 79 percent believed that it is the state's duty to provide a minimum livelihood guarantee. Thus, two and half decades after the start of China's economic reforms, more than a decade after the end of the "iron rice bowl" employment system, and more than five years after the massive layoff of employees in state-owned enterprises, an overwhelming majority of Chinese citizens still had hopes that the state would be responsible for employment.

Moreover, only a small proportion of Chinese citizens believed that such areas of basic social and economic guarantees as health care, support for the elderly, and elementary education are wholly or even mostly their own responsibilities. As shown in the lower panel of table 10.1, in the same 2004 national survey, only 19 percent of respondents believed that health care was mostly or wholly an individual responsibility, while 25 percent took this stand with

Table 10.1 Public Expectation of State's Role and Responsibilities, China, 2004

	State Role			
	Reducing Income Inequality	Regulating Top Income	Providing Work for All	Ensuring Minimum Livelihood for All
Strongly Disagree	1.9	6.74	0.49	0.34
Somewhat Disagree	10.49	26.03	3.83	2.54
Neutral	30.03	31.82	19.75	15.94
Somewhat Agree	35.83	25.41	46.24	42.08
Strongly Agree	21.75	9.99	29.68	39.11
	State versus Individual Responsibility			
	Health Care	Caring for Elderly	Primary and Secondary Education	Employment

State Fully	10.54	13.91	17.22	8.61
State Mainly	21.81	21.51	26.66	21.9
Equally	48.76	39.32	34.11	43.43
Individual Mainly	12.8	14.86	14.13	19.42
Individual Fully	6.09	10.39	7.88	6.65

Note: The results are the authors' calculations.

Source: China National Survey of Perceptions of Distributive Injustice, N = 3,263.

(p. 228) respect to support of the elderly. Just 22 percent thought that primary and secondary education should be personally financed, while only 26 percent judged that it was their own responsibility to secure employment. In comparison, larger percentages of respondents thought that all these services were mainly or wholly the responsibility of the state: The percentages were 32, 35, 44, and 30, respectively. The Chinese public, as late as 2004, continued to hold the state responsible for the allocation of social welfare; at the same time, that the state has risen to the task in many ways is a hopeful development.

Changing Modes of Protest Management

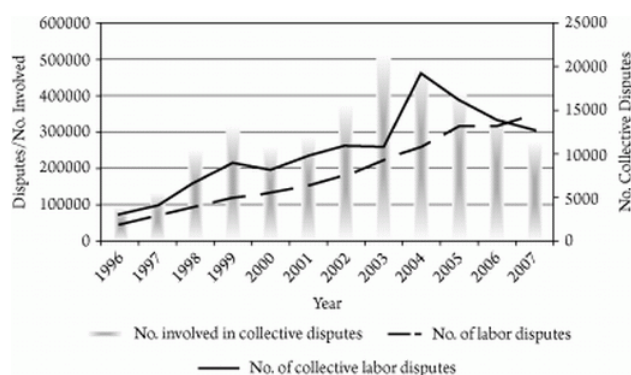


Figure 10.3 Labor Disputes and Participants, China, 1996 to 2007.

Source: China Labor Statistical Yearbook (#####, #####) 2008.

Up to the present, the regime has been able to prevent significant challenges of revolutionary proportions. This success has been achieved despite

an upsurge of social protest in China beginning around the mid-1990s. The number of *mass incidents*, a government term for acts of resistance, increased almost tenfold in only a little more than a decade, from 8,709 in 1993 to 87,000 in 2005 (Yu 2007), among which an escalating number were labor disputes (Gallagher 2005). Even official statistics report a sevenfold increase in the number of disputes during these years, from less than 50,000 cases in 1996 to more than 350,000 in 2007. *Collective labor disputes*, the term used to indicate the involvement of groups of participants, also rose rapidly, as evidenced in figure 10.3, from only around 3,000 cases per year in 1996 to close to 13,000 in 2007, with as many as 270,000 individuals taking part in them in 2007. That the regime (p. 229) did not experience a revolutionary crisis was not because of a lack of discontent but because of the state's success in managing grievances.

Theorists often attribute the occurrence of a revolution to the inflexibility of the old regime in coping with a looming crisis (e.g., Skocpol 1979; Goldstone 1991; Tocqueville 1955). Observers have expressed a similar pessimism over the likely outcome of reforms in communist systems (Kornai 1959, 1989). Pessimism has been borne out elsewhere in the once socialist world, but China's leaders over the decades following 1979, when the reforms began, have proved to be extraordinarily adaptive not only in regard to economic matters but also with respect to the management of dissent.⁷

Having been involved for several decades before its 1949 victory with revolutionary, anti-Japanese and civil wars, the Communist Party was engaged for a long time in a rhetorical exercise using the language of war in its dealings with social problems, whether crime, deviation from the party line, or outright defiance. The extreme version was practiced during the political campaigns under Mao Zedong, such as the Cultural Revolution. In that era, no act of indiscretion was treated as small, and all offenses were taken to be against the revolution (and, accordingly, against "the people" and state as a whole).

This tendency of politicizing behavior of every sort survived into the first years of the reform era. Any organized expression of grievance or dissent was seen as a threat to the core of the system, and the response was to extensively root out any perceived conspiracies. The analysis of and the response to the 1989 Beijing popular movement were typical in linking domestic dissent to "enemy forces from abroad." Protesters' acts were, correspondingly, politicized as issues of national security. Attempts at public venting on less weighty occasions were dealt with in a similar fashion.

Calls for more open dialogue and efforts at producing liberal publications and cultural products during the pre-Tiananmen years were deemed to be “bourgeois liberalization.”

The state’s war-framing mode of addressing social control has gradually been altered over the recent two decades, representing an important institutional adaptation. This adaptation evolved over time and is evident in speeches by the party’s general secretary in twenty-first-century congresses of the CCP. In September 1997, for instance, General Secretary Jiang Zemin called for “strengthening national security [and] watching out for activities of infiltration, subversion or separation by *enemy forces from abroad and inside the country*” (emphasis ours), a perspective used in referring to activities the regime viewed as undesirable. The same speech contained a continued use of such terms as the *people’s democratic dictatorship* along with accusations of *bourgeois liberalization*.⁸ Jiang also repeated the same linguistic framework of “enemy forces” in his address at the following party congress held in 2002, although that time he did not employ such words and terms as *dictatorship* and *bourgeois (p. 230) liberalization*.⁹ It was not until the 17th Party Congress, held in 2007, which was Hu Jintao’s second congress as general secretary, that the phrase *enemy forces* was not enunciated; at this time the concept of the harmonious society became a new catchphrase.¹⁰

Consequently, the Chinese government in recent years has begun drawing a key distinction between political and nonpolitical dissent, thereby shifting to a two-track approach toward social control. Political dissent—as in the speeches and activities of democracy movement dissidents, religious leaders, union activists, and ethnic division agitators—was now taken to be targeting the legitimacy of the system itself, and the state’s response, one of harsh repression, became invariably swift. Though the state’s behavior has involved many violations of human rights, it has been effective in preventing local dissent from gaining a national audience, in keeping economic grievances from becoming political expression, and in preventing disparate groups of petitioners from forming alliances. Through these tactics, the Chinese government succeeded in deflecting revolutionary crisis in the 20 years subsequent to 1989.

At the same time, the regime seems to have become increasingly tolerant of, and at times even accommodating to, protests targeting local government officials or business owners. One telling indicator of this change is that the official term to describe such actions has gone from *mobbing crowds* (##)

or *illegal associations* (####) to the more neutral *mass incidents* (#### #). The new terminology signals the depoliticization of the majority of citizen protests and an acceptance of them as an inevitable fact of life. Thus, the prior taboo banning any public discussion of the subject of social protest was terminated (Yu 2007; Su and He 2010).

As recently as December 2008, Zhou Yongkang, the Chinese official in charge of law and order, emphasized two principles in regard to “mass incidents.” The first of these concerned pre-emption and held that local governments “should nip the bud of problems at the grassroots level and reduce the contradictions that could give rise to mass incidents.”¹¹ This principle laid down an interpretative framework that attributed protest to local officials’ negligence, and many local leaders were dismissed on this ground.¹² The second principle demanded that local government agencies appear, in Zhou’s words, at the “first site” at the “first moment” whenever a protest breaks out.¹³ This served as another attribution framework, entailing blaming local leaders under whose watch a protest escalates into a high-profile event. Failing to appear at the site of protest became an unforgivable oversight should the event escalate into a mass incident.¹⁴

If Zhou outlined the general principles, other pronouncements tempered his words by warning against using violence to crack down on mass incidents. In another high-profile national policy clarification, Meng Jianzhu, the minister (p. 231) of public security, admonished the police to refrain from or to limit using weapons or policing devices in dealing with protests (Zhong 2008). A document issued by the CCP Disciplinary Investigation Committee stipulated that the “indiscriminate use of police force” can be subject to “double dismissals” from both one’s official post and one’s party membership for those local leaders found responsible (Li and Yu 2008). An op-ed piece published on December 1, 2008 by the *Beijing Daily*, a newspaper known for its close heeding of the central party line, called for “a new way of thinking in handling mass incidents.”

Such shifts in framing and tactics at the end of the first decade of the twentieth century created a new political culture among local leaders, who dreaded any form of escalation of protest. To the extent that a demonstration gained publicity beyond the jurisdiction in question, particularly when it drew the attention of higher-level authorities, local leaders often were blamed and disciplined. This fear was encapsulated in a widely circulated picture of a kneeling Jiang Guohua, party secretary of Mianzhu City in 2008. The photo, taken after the Sichuan earthquake in

which thousands of children died due to substandard school buildings, shows a group of grieving parents who had staged protests and vowed to appeal to the authorities in Beijing. Secretary Jiang and members of his staff not only showed up at the protest site but also knelt down to plead to the parents to end the public spectacle (Zhang and Chen 2008).

Another high-profile protest, one that escalated into riots, took place in Weng'an, Guizhou province, in 2008. This one attracted the attention of then party general secretary Hu Jintao, who reportedly gave personal instructions to investigate the situation and to discipline local leaders. Following the protest, the county secretary and the chief of the county's public security bureau were both dismissed. The province's party secretary came to the county to announce the dismissal and gave a postmortem analysis blaming the inattention and lapses of the local government and charging that authority with being the source of the discontent.¹⁵ In cases such as these, though the protesters did not obtain tangible benefits, they nevertheless were vindicated when the leaders against whom they had complained were disciplined for their bureaucratic failings.

Beyond these individual cases, a more systematic analysis of protest events and their management confirms that there was a fundamental shift in protest management by the state at that point.¹⁶ The findings offer evidence of what has been a new form of dispute resolution appearing in a number of locales that Su and He dub "street as courtroom" (Su and He 2010). In this format, local officials bring court hearings and decisions to the street and, in many cases, rule in favor of those who are able to combine their petitions with street protest.

The authors find that the degree of accommodation involved in this approach appears to have differed depending on whether the target of a demonstration (p. 232) was the government itself or the government's interests or whether, instead, the government was largely a third party to the dispute. When meeting a protester's demand could endanger the economic interests of the government, a favorable resolution has been unlikely. In January 2006, for example, a group of fishermen in Dalian City, Liaoning, blocked the construction of a state project, protesting against the pollution and noise generated by the project. Authorities from the city government, the urban police bureau, and the construction company arrived at the protest site immediately. The prompt hearing of the grievances on site and the restraint that was shown resembled the street as courtroom approach, but

instead of accommodating the protesters' requests, the local officials and police officers "educated and persuaded" the 40 protesters to leave.

The style of state response displayed in the street as courtroom system has been particularly salient in labor disputes, although its elements have also been common in other protests. An analysis of 500 newspaper reports shows that this new approach of accommodating protest has not been confined to the research site of Su and He (2010), which was located in the economically advanced province of Guangdong; in fact, examples were discovered in Sichuan, Anhui, and Guizhou provinces. This should not be surprising in light of the national policies stipulated and the admonishment against violence by the country's public security chief. Similar dispute-resolution mechanisms seem to be common in Shanghai, a region that has attracted much foreign investment.

According to a Shanghai newspaper, in January 2008, the Civil Cases Department of the city's Xuhui District Court opened a "Green Channel" to resolve wage dispute cases that were staged in the street. In the first such case, "the judge approached the 18 migrant workers protesting on the street and awarded them back pay amounting to 10,000 RMB." According to the reporter, "The entire resolution process lasted for only nine days" (Li 2008). There are reasons to believe that, in the economically more developed regions such as Guangdong and Shanghai, the governments engage in the street as courtroom approach in a more complete fashion, probably at least in part because of the availability of funds that can be used in the adjudication. The local governments in these areas also appear to be more willing to go after the international companies who evade their responsibilities than to blame the domestic parties involved in the dispute.

That there are new modes of handling conflict, however, should not be taken to imply that contemporary Chinese protest incidents are never repressed. There are also newspaper reports of cases in which protesters were detained, imprisoned, and even assaulted with gunfire. For instance, in one dramatic case in Longnan, Gansu province, in November 2008, 30 rioters were arrested (p. 233) after a crowd burned 20 vehicles and set fire to 110 rooms.¹⁷ In the previously cited case in Weng'an, Guizhou, while the authorities dismissed two key county officials, they also blamed "black hands" behind the riot and arrested more than fifty individuals.¹⁸

In the bloodiest crackdown of protests since the 1989 Tiananmen Square movement, police opened fire on protesters in Shanwei City, Guangdong, reportedly killing at least three persons and wounding eight.¹⁹ These

cases indicate that police violence remains an alternative to the newer accommodating mode of government reaction. Accommodation, however, had become relatively common and increasingly the norm rather than the exception as of 2009. In all these cases entailing repression, local leaders were judged by higher authorities to be excessive and negligent, rulings that lend support to our argument.

Conclusion

In this chapter we examine institutional changes and state adaptations that are at the core of understanding the social order and state resilience in the two decades that followed the 1989 Tiananmen Square demonstrations in China. The Chinese state, rather than retreating, has increased its control over the key sectors of the economy and has accelerated its own resource extraction. That new political economy has both laid the foundation for rising inequality while at the same time paving the way for state redistribution aimed at reducing inequality. This development, at least as of that point, refigured state-societal relations and, as a critical byproduct, headed off the revolutionary crisis that seemed to be looming in the late 1980s. Myriad social problems notwithstanding, the government, as of the twentieth anniversary of the 1989 protests, seemed to be enjoying an extended period of stable rule, marked by the euphoria and hype displayed at the Beijing Olympic Games in 2008 and the sixtieth anniversary of Communist Party rule in 2009.

In the two decades after 1989, China saw tremendous growth in the private economic sector and a corresponding decline in state-owned enterprises, yet the state remained the most important player in the economy. By the year 2009, in addition, the state had emerged not only with strong and increasing control over the key sectors of the economy but also had accelerated its resource extraction. The economy had grown out of the plan (Naughton 1996) but not away from the state. Government-guaranteed jobs and welfare were long gone by that time, but the state was still seen as a major provider. Economic inequality had skyrocketed, yet to the extent that social protests increased, they were not organized to display social discontent over rising inequality but to protect (p. 234) people's personal livelihood and property. Dissent erupted when people were laid off from their jobs, not paid their wages, or had their houses torn down or their land taken away (O'Brien and Li 2006; O'Brien 2008; Yu 2007).

Besides, in dealing with social conflict, the local state had begun to cultivate an image of a third-party judge in a range of geographical areas. That new approach meant no longer treating all defiance as a crime against the state and thus avoiding precipitously stepping into the role and position of target. Corruption, one of the main sources of grievance and protest, was thus seen by the public as more the sin of “corrupt officials” (##) than as a lack of benevolence on the part of the “emperor” (##). This state-society relationship, new in contemporary China, echoed a style of statecraft promoted by many rulers in Chinese history.²⁰

With neither meaningful elections nor a free media, the political system was nonetheless able to extend more freedom to its citizenry than ever before. It had started to manage, rather than repress, most incidents of social unrest, if only to prevent them from taking on a larger political meaning. One scholar has called this process “liberalization and pluralization” without elections (Mertha 2008).

It is unclear, however, how long that situation could last. The resilience of the economy itself could one day be called into question, given the volatility of the global environment and the challenges of domestic factors, including rising resource costs, a rapidly aging population, and rampant corruption. Moreover, state-sponsored economic monopolies, while allowing the state to continue and even to enhance its control over the economy, and also supplying the state with easy revenue, in the long run can suffocate innovation and competition and thereby reduce economic responsiveness and efficiency.

Perception management notwithstanding, the buildup of inequality between haves and have-nots is showing no sign of slowing down.²¹ Above all, it is too early to judge whether the Chinese experiment of liberalization without democratic elections will ultimately succeed in transforming an authoritarian state into a free society (Mertha 2008; Su and He 2010).²² The tight control over the media and cultural discourse, while effective thus far in the sense of manipulating public perceptions and heading off political turmoil, could, eventually, have the effect of converting social discontent into a “social volcano,” not to mention that these practices encounter international disapprobation and, at times, inflict egregious human rights violations. The measures of protest management are experimental and ad hoc, subject to the whims of the current leader, devoid of a constitutional foundation or institutional guarantees (Su and He 2010). In an era that witnessed the collapse and rebuilding of other communist

regimes, China is celebrating its fortune in avoiding the woes and pains that have accompanied democratization elsewhere. Yet it is (p. 235) unknown whether the Chinese way, maintaining authoritarian rule while in some ways permitting the evolution of a more open society, is just deferring political turmoil to a future time.

References

Bibliography references:

Bandelj, Nina and Matthew C. Mahutga. 2010. "How Socio-Economic Changes Shape Income Inequality in Central and Eastern Europe." *Social Forces* 88(5):2133-2161.

Cai, Yongshun. 2006. *State and Laid-Off Workers in Reform China: The Silence and Collective Action of the Retrenched*. London: Routledge.

Davis, Deborah and Wang Feng, eds. 2009. *Creating Wealth and Poverty in Post-Socialist China*. Palo Alto, Calif.: Stanford University Press.

Gallagher, Mary. 2005. "'Use the Law as Your Weapon!' Institutional Change and Legal Mobilization in China." In *Engaging the Law in China: State, Society, and Possibilities for Justice*, N. J. Diamant, S. B. Lubman, & K. J. O'Brien, eds. Palo Alto, Calif.: Stanford University Press.

Goldstone, Jack. 1991. *Revolution and Rebellion in the Early Modern World*. Berkeley: University of California Press.

———. 1995. "The Coming Chinese Collapse." *Foreign Policy* 99:35-52.

Han, Chunping and Martin King Whyte. 2009. "The Social Contours of Distributive Injustice Feelings in Contemporary China." In *Creating Wealth and Poverty in Post-Socialist China*, Deborah Davis and Wang Feng, eds., 193-212. Palo Alto, Calif.: Stanford University Press.

Huang, Yasheng. 2008. *Capitalism with Chinese Characteristics: Entrepreneurship and the State*. Cambridge, U.K.: Cambridge University Press.

Kornai, Janos. 1959. *Overcentralization in Economic Administration: A Critical Analysis Based on Experience in Hungarian Light Industry*. Oxford, U.K.: Oxford University Press.

———. 1989. *The Socialist System: The Political Economy of Communism*. Princeton, N.J.: Princeton University Press.

Li, Shengnan. 2008. “##### (Court Helps Farmers Claim Back Pay),” *Information Evening News* January 28, A12.

Li, Yajie and Yu Qinghong. 2008. “#####
(‘Preliminary Regulations on Disciplinary Actions on Violations of Xingfang Work’ Issued; Undisciplined Use of Police Forces to Be Curbed).” *Haikou Evening News* July 23, A05.

Lin, Yimin and Tian Zhu. 2001. “Ownership Restructuring in Chinese State Industry: An Analysis of Evidence of Initial Organizational Change.” *The China Quarterly* 168:305–341.

Mertha, Andrew C. 2008. *China’s Water Warriors: Citizen Action and Policy Change*. Ithaca, N.Y.: Cornell University Press. (p. 237)

Naughton, Barry. 1996. *Growing out of the Plan: Chinese Economic Reform 1978–1993*. Cambridge, U.K.: Cambridge University Press.

———. 2007. *The Chinese Economy: Transition and Growth*. Cambridge, Mass.: MIT Press.

O’Brien, Kevin, ed. 2008. *Popular Protest in China*. Cambridge, Mass.: Harvard University Press.

O’Brien, Kevin J. and Lianjiang Li. 2006. *Rightful Resistance in Rural China*. Cambridge, U.K.: Cambridge University Press.

Pei, Minxin. 2006. *China’s Trapped Transition: The Limits of Developmental Autocracy*. Cambridge, Mass.: Harvard University Press.

Riskin, Carl, Zhao Renwei, and Li Shi, eds. 2001. *China’s Retreat from Equality*. Armonk, N.Y.: M. E. Sharpe.

Skocpol, Theda. 1979. *States and Social Revolution*. New York: Cambridge University Press.

Stark, David. 1996. “Recombinant Property in East European Capitalism.” *American Journal of Sociology* 101(4):993–1027.

Su, Yang and Xin He. 2010. "Street as Courtroom: State Accommodation of Labor Protest in South China." *The Law & Society Review* 44(1):157-184.

Tocqueville, Alexis de. 1955. *The Old Regime and the French Revolution*, Stuart Gilbert, trans. New York: Anchor Books.

Tsai, Kellee S. 2007. *Capitalism without Democracy: The Private Sector in Contemporary China*. Ithaca, N.Y.: Cornell University Press.

Wang, Feng. 2008. *Boundaries and Categories: Rising Inequality in Post-Socialist Urban China*. Palo Alto, Calif.: Stanford University Press.

Wang, Tianfu and Wang Feng. 2009. "#####
(From Income Inequality to Wealth Disparity: Implications of Consumption Patterns of Urban Chinese Social Strata)," *### (Leaders)* 29:73-82.

Whyte, Martin King. 2010. *Myth of the Social Volcano: Perceptions of Inequality and Distributive Injustice in Contemporary China*. Palo Alto, Calif.: Stanford University Press.

Yang, Dali. 2004. *Remaking the Chinese Leviathan: Market Transition and the Politics of Governance in China*. Palo Alto, Calif.: Stanford University Press.

Yu, Jianrong. 2007. "#####: 2007#10 # 30 #####
(Riot Incidents and Control Crisis: Speech at UC Berkeley, October 10, 2007)." *China Elections and Governance*, <http://www.chinaelections.org/NewsInfo.asp?NewsID=118361>.

Zhang, Xin and Chen Hongjiang. 2008. "#####
(Why Mianzhu City Party Secretary Kneels down to Parents of Student Victims)." <http://news.163.com/08/0608/02/4DSOJSI10001124J.html#> Zhong Xin. 2008. "##### (Minister of Public Security: Caution Be Taken in Using Weapons When Dealing with Mass Incidents)." *Nanfang Dushibao* November 4, A13.

Notes:

(1.) <http://www.cnn.com/video/#/video/bestoftv/2009/06/03/ac.shot.wednesday.cnn?iref=videosearch>.

(2.) See, for example, http://www.chinadaily.com.cn/bizchina/2009-09/07/content_8660864.htm, or http://news.xinhuanet.com/fortune/2009-09/05/content_12002226.htm (accessed October 5, 2009).

(3.) Counting employees in the newly emerged categories as private leads to a very different assessment, as in Naughton: “By the end of 2004 the urban private sector, without counting foreign-invested firms, employed about twice as many workers as the traditional state sector: 55 million, compared with less than 30 million in SOEs” (2007:106). Naughton’s comparison of employment by sector also shows that, in 1978, 14 percent of the total labor force was employed by state-owned enterprises, plus 4 percent in government and public service units. In 2004, the shares changed to 4 and 5 percent. Adding the contribution of the “new corporate” category, 3 percent, to state-owned enterprises and government and public service units would add up to only 12 percent in 2004, compared with 18 percent of total labor force in the state sectors in 1978 (Naughton 2007:182). In 2004, however, there is a new category, the urban informal sector, that captured 13 percent of the total labor force and whose nature of employment is not totally clear.

(4.) These numbers are calculated from the China Statistical Yearbook 2009.

(5.) Calculated from China Statistical Yearbook 2009, table 4.16.

(6.) A detailed introduction to the survey can be found in Whyte 2010.

(7.) Here we do not attempt to explain why the Chinese state is able to undergo such a shift but simply document some aspects of change that may help account for the puzzle of regime resilience (and regime vulnerabilities; see discussion).

(8.) Jiang Zemin, Report to the 15th CCP Congress, September 12, 1997.

(9.) Jiang Zemin, Report to the 16th CCP Congress, November 17, 2002.

(10.) Hu Jintao, Report to the 17th CCP Congress, October 24, 2007.

(11.) Reported by *Chongqing Evening News*, December 18, 2008.

(12.) One such report is in the *Guizhou Daily*, July 1, 2008.

(13.) *Chongqing Evening News*, December 18, 2008.

(14.) In this same interpretative framework, a newspaper reported that a vice governor of Anhui province was in the company of mistresses in the days when a large-scale protest was going on. *Information Daily*, November 2, 2006.

(15.) *Guizhou Daily*, July 1, 2008.

(16.) The authors searched a database that includes newspapers in Chinese published in mainland China and other Chinese-speaking regions, such as Hong Kong, Taiwan, and Singapore. The research generated more than 600 relevant articles, from which we selected some 50 protest events taking place between 2006 and 2008. Most of the information gleaned centered on government intervention and the outcome of the case. We then differentiated and compared state reactions to labor disputes and to other types of protests. The term *mass incident* and the policy implications that relate to the concept apply to collective action incidents of all types. The authors excluded only protest attempts deemed by the government to challenge the system as a whole.

(17.) *Chongqing Morning News*, November 21, 2008.

(18.) *Guizhou Daily*, July 1, 2008.

(19.) BBC News, 2005. <http://news.bbc.co.uk/2/hi/asia-pacific/4517706.stm>

(20.) One relatively recent example was the case of Chen Tonghai, who was given a death sentence for taking bribes amounting to nearly \$30 million. He was the head of Sinopec, China's largest state-controlled company and the highest-ranked Chinese company listed on the Fortune Global 500.

(21.) In 2005, consumption by urban Chinese households in the top one-fifth income bracket was equivalent to about 95 percent of combined consumption of the lowest 60 percent, approaching that of the United States in 2008. Moreover, the richest one-fifth of urban Chinese households not only consumed more than the rest but also saved more: Their savings comprised more than half of all urban household savings (as calculated from the difference between income and expenditure). Urban households in the lowest one-fifth income level had only 1.8 percent of their income saved, and the next highest one fifth, only 7.7 percent. Spending disadvantages among the lower social strata in education and medical care also position these

groups to form a permanent underclass in the society (Wang and Wang 2009).

(22.) The increasing concentration of resources in the hands of the central and local governments, through the means of rent extraction and in the absence of external political checks, nurtures a tendency for predatory behavior on the part of the state (Pei 2006).

