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China's Changing of the Guard

THE NEW INEQUALITY

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Capitalism has given rise to significant social stratification and rising class conflict in China. Will this push the country toward a Western-type democracy, at least in the near future? My answer is no. One major reason is that the development of capitalism and class politics in China is not likely to produce powerful prodemocracy social pressure or shape a pattern of class alliances in favor of democratization.

Many students of democratic transitions classify them according to two broad models. The first, which I will call the structural model, stresses the importance of broad socioeconomic conditions that favor democratization, or at least a shift away from full-blown authoritarianism. The second category is the “pact-based” or “negotiated” transition model, which focuses on the strategic choices and interactions of political elites in causing “authoritarian ruptures” and “democratic openings.”

The latter model, which does not rule out structural pressures for democratic change, has been the most popular among scholars of post-1974 “third-wave” transitions. Yet this model seems hardly applicable to China. In most cases of negotiated transition, there was a tradition of civil society and organized political opposition that made it possible for elites (incumbents and opposition leaders alike) to play a bargaining game. But China’s departure from authoritarianism, if it occurs, will not happen in such a context. In order to grasp the possible trajectories of a Chinese transition, then, we must turn to the structural model.

This model comes in several variants, a full account of which need not detain us here. Suffice it to say that the most significant in its application to China is, in my view, the one that I call the classical structural

model. Derived mostly from European historical experience, this variant may shed light on crucial questions about China's future: Where precisely are the agents of China's democratization to come from? And what precisely will be the engine of democratization in a country that has no democratic history, tradition, or culture? Recent decades of economic liberalization and consequent changes in the structure of Chinese society have made the European experience relevant as never before.

The upshot is clear: China's political life is taking place within a social and political context that is new *for China*, but which is also *familiar* from a number of earlier historical cases, and which therefore should be fairly predictable, at least in outline, provided that the basics of the classic structural model are intelligently revised in light of the circumstance that sets the Chinese case—and indeed all “recent” cases—apart from the older, “historical” cases.

So what divides “recent” from “historical” democratizers? Until about a half-century ago, movement toward democracy was an incremental, long-haul process whose origins could be traced back to a tradition of political pluralism. Progress toward liberal democracy would occur against a broad political background in which virtually all the democratic components, such as the separation of powers, constitutional rule, and parliamentary sovereignty, had been gradually instituted. Democracy became fuller as the right to vote was extended to ever wider classes of people.

In most contemporary cases—China included—the antecedent regimes are autocracies that lack anything more than a semblance of minimal democratic mechanisms and that exclude nearly all social classes from government. Yet even in these cases, democracy—including universal suffrage—is established in principle if defied in practice. So actual democratization, should it occur, will come in what Ruth Berins Collier calls “a single reform episode of sweeping regime change,” in which all social groups are enfranchised.¹

What implications flow from this? Partly because contemporary authoritarian regimes cannot be justified as such on ideological grounds, they are haunted by legitimation problems. In China, where Marxist ideology has lost its grip on hearts and minds and where the economy is increasingly integrated into an international community in which liberty and democracy prevail, the ideological or moral foundations of rule by the Chinese Communist Party (CCP) have eroded considerably. And yet, except for a brief flirtation with parliamentarism in the early twentieth century, authoritarianism has invariably been the “normal” way of political life for the Chinese. In the Chinese context, therefore, authoritarianism does not need to be justified in purely political terms. Its “legitimacy” may be well accounted for by Max Weber's “authority of the ‘eternal yesterday’ . . . of the mores sanctified through unimaginably ancient recognition and the habitual orientation to conform.”² Other authoritarian regimes may have to rely to varying degrees upon the co-

operation and support of private-sector actors for survival. In China, the relationship is reversed, despite the increasing economic importance and political influence of the private sector.

Despite the consensus in Western academic circles about the expansion of individual freedoms and socioeconomic pluralism in China recently, the communist party-state's ability to dominate Chinese society has not been significantly undermined. Insofar as the CCP regime has loosened its control over society or given up part of its institutional power, this has not been because of domestic or international pressure but largely according to the party-state's own agenda, an agenda that is partly—but only partly—dominated by the demands of a budding market economy.

How can democratization be jump-started under such a nearly almighty authoritarian state? Where will the basic dynamics or driving forces of democratization come from? And how powerful are they? For a number of reasons, pressure from abroad is unlikely to play a major role in moving China toward democracy. On the contrary, democratization will require extraordinary pressure from within, pressure that can only be brought to bear by powerful social groups. But will such pressure be generated? It is on this last, key issue in particular that the classical structural model displays its explanatory power.

Social Stratification and Class Conflicts

At the model's core is the process of capitalist development. Capitalism entails the separation and mutual balancing of economic and political powers. It also causes social stratification and the diversification of class interests, transforming the state into an arena where interest conflicts are fought out. For these and other reasons, capitalism has a prodemocratic logic, and there is no special reason to believe that China is impervious to it. The market reforms of the last several decades have already produced economic forces independent of state control, and undermined the socioeconomic pillars of communist hegemony. Although still far more powerful than a traditional capitalist state, the Chinese government can no longer afford to be entirely unresponsive to society and indeed needs social support now more than ever in order to govern effectively. As Chinese society has continued to differentiate and stratify, class politics has become something with which the CCP must reckon.

Under Mao, there was no social class in the economic sense. Except for "class enemies," most Chinese citizens were either "workers" laboring in state-owned enterprises (SOEs) or "peasants" tilling the land in "people's [agricultural] communes." In the decades after Mao, it appears that about a third of all peasants left farming in order to seek nonagricultural employment.³ Moreover, the "working class" whose ranks they swelled had split into upwardly mobile, solidly blue-collar, or downwardly mobile and even "underclass" groups.

In larger Chinese cities today, broadly speaking, one finds a four-class hierarchy. At the top is a tiny upper bourgeoisie comprising the most successful entrepreneurs. Then comes a middle class of smaller entrepreneurs, managers and other white-collar employees of foreign or large private companies, and professionals. These two better-off classes together account for probably no more than 13 percent of the urban population, making them about 5 percent of the country as a whole.⁴

Below the affluent classes stands a toiling class that includes the vast majority of the Chinese. At the bottom of society is an underclass with incomes below subsistence level. In recent years, massive joblessness among SOE workers has expanded the underclass to a politically significant size, perhaps approaching 50 million city-dwellers nationwide.⁵

In China, class politics are inflamed by a combination of intensifying socioeconomic polarization, rising dismay at the regime's failure to alleviate poverty, and growing anger over the corruption and gross disparities associated with state-led capitalist development. In 1998, the World Bank—using a method that did not take public officials' illegal income into account—estimated China's Gini coefficient at a worrisome 40.3 (where 0 represents perfect income equality and 100 represents perfect inequality).⁶ This places China on a par with countries such as Bolivia (42.0, 1990), the Philippines (46.2, 1997), and Peru (46.2, 1996). An official report discloses that for all the efforts made to alleviate urban poverty, 30 million urbanites can still barely earn their subsistence.⁷

The widening income disparities among Chinese seem to many to have more to do with cheating and political corruption than with honest effort in the free market. Capitalists have typically made fortunes through collusion with dishonest bureaucrats or taken advantage of market chaos to get away with illegal or immoral maneuvers. As SOEs have been transformed into private, shareholding entities, for instance, many state-appointed managers have used their positions as "insiders" to become wealthy even as large numbers of "redundant" or "unproductive" SOE workers find themselves turned out on the streets.

The lack of institutionalized channels for the articulation of class interests or a legitimate political arena for class competition makes it impossible accurately to gauge the depth of social cleavages. But a recent report of the Chinese Academy of Social Sciences, part of which is based on surveys conducted in some "representative" industrial cities, provides some data verifying the escalation of class warfare. According to this report, only 10.6 percent of those surveyed found no "conflict of [social or class] interests," whereas 89.4 percent thought that "conflicts" existed among some or all social strata or classes. The social groups whose "class-struggle" consciousness was the strongest were private entrepreneurs (100 percent) and laid-off workers (90.5 percent). In the cities of Shenzhen and Zhenning, respectively, the percentages of surveyed industrial workers who complained about the "unequal" income

distribution were 81 and 89, respectively.⁸ There is mounting evidence that class antagonism no longer remains on paper, but generated specific class-based demands upon the state. In the city of Hefei, about 85 percent of all industrial workers, whether employed or jobless, said that they wanted the government to tax the rich more heavily and increase welfare benefits for the poor; private entrepreneurs, by contrast, opposed both these ideas by 3-to-1 ratio. In the city of Hanchuan, 84.4 percent of the agricultural laborers appealed for more effective redistributive measures to address income inequality.⁹

Politics and the New Classes

Capitalist development, as history shows, can produce social groups that push for democracy. Democracy may also arise as a byproduct of the struggles among social groups when no single class can gain total power and all therefore agree on rules for competition. Does China have a prodemocratic class or classes? Is a democracy-fostering *modus vivendi* among classes a possibility? To answer these questions, we need to examine three related issues: 1) the nature of the contest among classes; 2) the relationship between each class and the state; and 3) how the various classes estimate the effects that will flow from such democratic staples as political pluralism, multipartism, free elections, and majority rule.

Unlike most of their counterparts elsewhere, China's newly affluent classes are unlikely to champion democracy. In the first place, economic vulnerability and political submission have always been their lot: Even those classes which are not direct appendages of corrupt political authorities must depend heavily on state-monopolized resources. Capitalism in China remains uniquely under CCP sponsorship and control, and middle-class Chinese who have done well by the market lack the autonomy from the state needed to translate their economic affluence into political influence.

What is more, intensifying class conflict and fear of the numerous poor are driving the rich from passive acquiescence toward active support for authoritarianism. Although such a dynamic is hardly unique to China, special circumstances tend to inflame and perpetuate China's class confrontation in such a way as to render a democratic conciliation among classes—let alone the formation of a multiclass, prodemocracy coalition against the state—very unlikely.

The Chinese case conforms to the classic class-struggle model of the few rich versus the many poor. Yet in China, the high concentration of wealth makes the rich disproportionately powerful in this struggle, even as their small numbers make them feel weak and vulnerable vis-à-vis the poor majority. In my interviews with better-off Chinese, they displayed considerable enthusiasm when democracy was equated with the rule of law. When democracy was defined more essentially as majority rule, their enthusiasm turned to suspicion. And when majority rule was

further described as a simple numerical game in which the greatest number makes policy, most of them could not accept it.¹⁰

On the eve of democratization in Taiwan and South Korea, the wide diffusion of the benefits of economic growth had significantly enlarged the middle classes and shrunk both the traditional working class and the underclass. This new class structure favored democracy by: 1) moderating class antagonism and its attendant tendency toward political extremism; and 2) enabling the now very large middle class to picture itself as the likely overall winner under democratic conditions.

China's capitalist development will not produce such results any time soon. In all likelihood, the present generation of wealthier Chinese will continue to see the risks of democratization as outweighing its benefits. Everyone knows that the large, poorly educated majority of Chinese have little hope of making it into the middle class, and that the rich will keep looking to the authoritarian state to safeguard their property. To make state protection even more necessary, worsening socioeconomic polarization is radicalizing the poor, thereby heightening the panic of the rich.¹¹

While the affluent classes back authoritarian stability, the lower classes seem to be moving to oppose the regime. But they are not calling for democracy so much as showing a revolutionary disposition in the form of street protests and riots that have recently become more violent and organized. This revolutionary thrust has in turn caused the worried affluent to draw together in opposition to mass empowerment and cemented the "pro-stability" alliance between the affluent and the regime.

In China, the radicalization of the poor may have deeper roots than material poverty. Income disparities are harder to justify in China, where traditions of egalitarianism run strong. If the animosity between rich and poor remains a matter between social classes, it need not escalate into violence or revolution, as has been confirmed by the experience of some capitalist societies where a key role of the (typically authoritarian) state has been to mediate between contending classes. But all this changes if the regime is taken to be the source of mass grievances and suffering. In China, bitterness over the income gap has stoked antiregime feeling because: 1) officials have failed to curb corruption, the source of so much illicit income; and 2) the regime has done little to alleviate mass poverty. In the Chinese context, the second failure is particularly damaging to the regime's legitimacy. With no democratic tradition, no legal means for the poor to organize and voice their grievances, and an imperial history of dynasties being overturned by revolution, it is little wonder that China is witnessing some extreme actions by its discontented millions.

The Regime's Options

The CCP's leaders hold the key to China's political future. If they reject continued liberalization and democratic reform, it will be mainly

out of fear that anarchy will ensue or that CCP rule will come to an end. Both fears are justified. Party leaders recognize the danger posed by the growing income gap, but they lack the capacity to provide a long-term solution. The regime cannot stop the decay of most state industries, nor does it have effective mechanisms to constrain the rent-seeking or predatory behavior of local cadres. Money-losing SOEs are further drains on the state budget. The new system of tax distribution favors the regions at the cost of the center, further hampering Beijing's ability to create a nationwide social safety net. Under such circumstances, if the state wants to slow or stop the intensification of income inequality, it will have to transfer the cost of alleviating poverty to the rich, thereby taking one side in the class conflict.

For the CCP, a self-proclaimed working-class party, "robbing the rich to pay the poor" (*jiefu jipin*) should be a logical option. But the leadership seems more or less to have ruled this out, not because the affluent classes have "bribed" the party leaders or otherwise achieved direct political influence, but because the private economy, which these classes run, has become China's only hope for sustainable growth. China currently owes more than half of its GDP to nonstate companies. In 1998, the private economy paid 46 percent of the total tax revenues nationwide.¹² In recent years, private capital has accounted for 35 percent of total investment but has contributed 60 percent to China's GDP growth.¹³ It is estimated that by 2004, the private economy will make up more than 60 percent of the national economy and employ 75 percent of China's workforce.¹⁴

With the business class unwilling to hand over more of its wealth, the party-state will not be able to redistribute much income to the poor before growth suffers. To maintain the good performance of China's overall economy and enhance its competitive edge—a basic precondition for the regime's survival—the party-state must either align itself with private capital and pursue a trickle-down policy, or else try somehow to balance antagonistic class interests. At this point, it seems that sheer economic pragmatism is compelling the CCP regime to take the affluent classes as its main base of support, and to choose stability over further reform.

Central versus Local Power

The shared interest of the party-state and the affluent classes aside, it may be premature to conclude that they have formed a solid alliance. In part this is because of tensions *within* the communist party-state between its center and its various local components. For the local CCP authorities, alignment with the rich has long been a reality: In labor disputes, for instance, local governments typically take the side of capital. In a hardly veiled symbiosis between local cadres and private business, the latter

provides much of government revenue through tax payment and employment, contributing often decisively to local socioeconomic development, one of the key criteria for cadre promotion. In return, the cadres offer tax breaks and government contracts or loans, often deriving from them not only career boosts but actual shares of private profits.

For the central state, ties to rich capitalists must remain somewhat disguised. Signs suggest that the highest leadership has still not decided exactly how close and public those ties should be. Within the CCP's upper echelon exists a "leftist" (anticapitalist) group whose voice cannot be entirely ignored. To avoid further alienating the poorer majority, the current leaders have decided to keep the CCP's official commitment to socialism and "working-class-party" status, and have upped the amount set aside for poverty relief, although the increase is hardly enough to shrink or even freeze the widening income gap.

The CCP's lack of financial capacity and political will to diminish socioeconomic polarization has become one of the major reasons why China's capitalist development may not necessarily lead to democratization (at least through a top-down process in the near future). As poverty and income inequality continue to worsen, making the government a target of seething popular indignation, a revolutionary situation is looming. This situation terrifies the CCP leadership and the affluent classes alike, and hardens their antidemocratic tendencies. Since the CCP regime refuses to redirect state expenditure away from the military or other projects, it can redistribute income only by "soaking the rich." But the regime dare not go too far in that direction for fear that doing so may dampen the dynamics of China's sustainable economic growth. It is also because the rich, particularly at local levels, have achieved important influence over the policy-making process. The more developed the capitalism-oriented reform is, the greater wealth, influence, and power the rich will gain. Of course, the state would also benefit from the increased revenue that will flow in from rising tax payments. But simultaneously the state has to rely even more heavily upon the rich, making it even less likely that there will be any redistribution at their expense. As a consequence, China may be trapped in a vicious circle in which political repression and the revolutionary impulse reinforce each other in a deepening class conflict that precludes a peaceful political opening.

NOTES

1. Ruth Berins Collier, *Paths Toward Democracy: The Working Class and Elites in Western Europe and South America* (New York: Cambridge University Press, 1999), 188.

2. Weber referred to this authority as one of the "basic legitimations of domination." See H.H. Gerth and C. Wright Mills, eds., *From Max Weber: Essays in Sociology*

(New York: Oxford University Press, 1946), 78–79. It seems safe to say that today this authority has been somewhat diluted, particularly among those segments of Chinese society that are more exposed to Western influence. But there is a countertendency. The authoritarian past and nearly everything associated with it keep being refreshed by a plethora of literary works, movies, and TV dramas drawing on ancient dynastic politics. The obsession of ordinary people with stories depicting the lives of Chinese emperors and palace conspiracies, among other things, suggests the real and omnipresent influence of China's political tradition and culture.

3. See Lu Xueyi, ed., *Dangdai Zhongguo Shehui Jieceng Yanjiu Baogao* (A research report on social strata in contemporary China) (Beijing: Shehui Kexue Wenxian Chubanshe, 2002), 160–98.

4. An Chen, "Capitalist Development, Entrepreneurial Class, and Democratization in China," *Political Science Quarterly* 117 (Fall 2002): 401–22. This estimate is based on my calculations from the relevant data as well as on official statistics.

5. See Long Hua, "Zhongguo Zhengzhi Fazhan Keneng Yinqi de Shehui Wenti" (The social problems that China's political development might bring about), *Xin Bao* (Hong Kong Economic Journal), 13 September 2000, 20; Chang Xinghua, *Jingji Biange Zhongde "Heixiang"* (The "black box" in the economic transformation), (Zhuhai, Guangdong: Zhuhai Chubanshe, 1998), 202.

6. World Bank, *World Development Indicators 2000* (Washington, D.C.), 66.

7. Xinhua News Agency, 11 March 2002.

8. Lu Xueyi, ed., *Dangdai Zhongguo*, 42–43, 80.

9. Lu Xueyi, ed., *Dangdai Zhongguo*, 115.

10. These interviews and surveys were conducted in China's five provinces between 1998 and 2000.

11. As Edward N. Muller observes, a high level of income inequality is bad for democratization because extreme inequality makes the working class "susceptible to the appeals of revolutionary socialism, which will inhibit the development of a broad pro-democratic coalition of the working class and middle class." See Edward N. Muller, "Economic Determinants of Democracy," in Manus I. Midlarsky, ed., *Inequality, Democracy, and Economic Development* (New York: Cambridge University Press, 1997), 133–55.

12. "Feigong Jingji Nashui zhan Zhongguo Banbi Jiangshan" (Tax payment by the nonpublic sector makes up half of China's total tax revenues), *Qian Shao* (Frontline) 104 (September 1999): 135.

13. Wang Jiahang, "Minying Qiye Chengwei Ziben Shichang Xinliangdian" (Private enterprises have become the new spotlight in the capital market), available online at www.peopledaily.com.cn, 10 September 2002.

14. Dexter Roberts et al., "China's New Capitalism," available online at www.businessweek.com (*BusinessWeek* Online), 27 September 1999.