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Social Dependency and Chinese Political Economic Reform

Jiang Li

Eastern Illinois University

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SOCIAL DEPENDENCY AND CHINESE POLITICAL

ECONOMIC REFORM

(TITLE)

BY

JIANG LI

B.A., FOREIGN AFFAIRS COLLEGE, BEIJING, CHINA,

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Preface

This study of Chinese politics, economics, society and culture is intended to contribute to better understanding of the contemporary reforms in China. This task was not easy due to the facts that China has not been open to direct observation, and its policies were influenced by unpredicted changes.

This thesis is concerned with the reforms and changes that occurred during the years starting 1978 up to the present time. In 1978, the Third Plenary Session of the Eleventh Communist Party of the Chinese Central Committee in Beijing, marked the beginning of the reforms in China. The Chinese leaders made efforts to get the country out of the chaos left by the Cultural Revolution, trying to reach new equilibrium between economic and political development. There are three elements for the new equilibrium: incentives needed for the population to produce goods and services needed by the society, certain new channels through which citizens could express discontent to the government, and social order sufficient to enable the pursuit of production-oriented activities. But accomplishment of such an equilibrium is not easy to achieve.

For the purpose of Chinese economic development, the Chinese Communist Party decided to limit its control over political and economic affairs, granting more power to lower levels of administration. Through the experiment of enterprise autonomy, factory directors were given certain power to decide on

their own affairs concerning production; but the experiment is not successful. Chinese traditional ideology and political culture become the major factors preventing the reform success. The political attitude of dependency orientation toward interpersonal relations is deeply rooted among Chinese people. This has been the source of Chinese government. The Lun Yu cites a saying of Confucius which reflects the Chinese philosophy of government. "Govern the people by regulations, keep order among them by chastisement, and they will flee from you, and lose all self-respect. Govern them by moral force, keep order among them by ritual, and they will keep their self-respect and come to you of their own accord." (Rubin, 1976, p.65)

Political structure and traditional ideology have defined the political behavior in China within a certain pattern. Superior-subordinate relationships have always remained strictly hierarchical. Social problems in China are seen as capable of being resolved within this pattern, which is described as being central to Chinese conceptions of social order. The extent of reforms thus has been limited by the Confucian and Marxist ideologies; both stress the importance of authority by the elites, and respect for authority. Under such circumstances decentralization will be very difficult. The present reforms will continue on the track set by the central government. It is early to evaluate the success or failure of these reforms. The results of economic and political reforms take a long time to materialize.

This study is organized as follows: Chapter One deals with the purpose and scope of the reform. Chapter Two is devoted to the political and economic reforms in China while Chapter Three concentrates on discussing the Chinese political-administrative system and the problem of reforms. Chapter Four discusses dependency versus autonomy and Chapter Five presents conclusions.

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Eastern Illinois University

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Chapter 1

PURPOSE OF THE STUDY

Introduction

After the "Gang of Four" was smashed in late 1976 marking the end of the "Cultural Revolution", the post-Mao leadership in China proposed to create a dynamic society by readjusting three basic elements crucial to the functioning of any society. First, incentives were needed for the population to produce goods and services needed by the society. Second, certain new channels were needed through which citizens could express discontent with the system that governed them. Third, there had to be a degree of social order sufficient to enable the pursuit of production-oriented activities (Dreyer, 1980, p.48-57). In a stable society, these things should exist in equilibrium, but such an ideal balance is not always achieved. In 1978, when the Third Plenary Session of the Eleventh Communist Party of the Chinese Central Committee convened, the country had hardly recovered from the economic, political and social chaos of the Cultural Revolution. What the Chinese leaders decided to do first was to get the country out of its awkward economic situation, so that stable growth could take place. In the ensuing nine years, China's gross national product, state revenue, and average income of both rural and urban residents, roughly speaking, have all doubled. As the overall economic reform was carried out further, however,

several political problems existing in the society started to retard it. As a result, the leaders moved in 1980 toward the second step of their proposal, to open channels for the expression of discontent and the restructuring of the existing society.

Political thinkers from Confucius and Plato, 2,500 years ago, to Thomas Hobbes and James Madison, have struggled with the logical tension between the expression of discontent and maintenance of social order. Most agreed that the extremes of the former can result in chaos. All agreed that mechanisms are necessary to maintain political order; they differed in their perceptions of what those mechanisms should be. During the last years of Mao Tse-tung's rule in China (1973-1976), both the incentives to produce necessary goods and services and the channels for expressing discontent were inadequate, and there was poor coordination between them. The resulting popular alienation threatened to disrupt social order. More critical, alterations in any one of the three elements described on page one would have profound effects on the functioning of the system as a whole. Incentives to produce tend to deteriorate when societies, on the one hand, attempt to enforce rigid control, or, on the other hand, tolerate dissent at a level which does not permit the pursuit of productive activities sufficient to serve societal needs. The Chinese leadership in proposing to alter all three elements, thus faced a delicate task of reequilibration, with the

potential for disastrous failure at least as great as that for stunning success (Dreyer, 1980, p.50).

The leaders' second step in attempting to create a dynamic Chinese society, was the most significant and unprecedented decision in 1980 to separate power between the Party and the government. According to Zhao Zi-yang, Chinese Party Secretary General from 1987 to the present, this decision was the result of those defects in the Chinese society which deterred economic development. The confusion of Party and government functions, the usurpation of government functions by the Party, the overcentralization of power in the Party organizations and the unwieldy administrative structure, overstaffing and the imperfect socialist democratic system and bureaucracy, all had become obstacles to the leaders' ambitious economic reform, for the purpose of making China a strong modern socialist country (Wu, 1987, 7-9).

Goals of the Thesis

This thesis describes the nature of political power in contemporary China, and analyzes possibilities for reform in the highly centralized government. Throughout, the main focus is on the separation of power between Party and the bureaucracy attempted by the leadership after 1978, in the context of social, economic and cultural elements which interact with politics. We will identify these social, economic and cultural elements, and analyze the ways in which they interact with

Chinese politics as constraints that limit reform, or as positive influences that enhance it. We will reach conclusions on the extent to which these elements have been negative or positive forces. As we will see, the political culture in China has played a very important part in determining the form of the country's politics. In the Chinese society, people's political attitudes are dominated by what we call a "dependency orientation" toward interpersonal relations. Richard Solomon describes the dependency orientation as including obedience to authority and anxiety about interpersonal conflict. The existence of an ideal government (a parental government) is for the benefit of both the citizens and the society as a whole. Thus the government feels that it is legitimate to have their citizens' loyalty. Whenever this kind of effort fails, the government will exercise its full power over the people (Solomon, 1971, p.248-259). This dominant element in Chinese political culture has helped to maintain stability in society, but at the same time it tends to create elements of instability among the citizens, because there is always contradiction there. The citizens are obeying the government out of anxiety about its authority. They are not happy with the existing situation, but must tolerate it.

A major effort in the thesis is to analyze the interrelationship between the dependency orientation in the traditional Chinese political culture and contemporary reforms,

and to determine to what extent the traditional Chinese ideology becomes an obstacle to the progress of reform.

A methodological caution must be entered here about the difficulties of research on Chinese political realities in the 1980's. The time period covered by the thesis ranges from 1978 to 1987, in other words, the post-Mao period mainly, though political progress in the 1950's will be reviewed, because that was when the Chinese Communist Party made its first effort toward power decentralization. Systematic and precise analysis of this period is hard. First, Chinese political society is enormously diverse. Second, policy change has been complex. Third, the continuing influence of propaganda imperatives is distorting public accounts of political life. Finally, there is as yet little solid information available on the results of the attempted reforms. Therefore, we are limited to describing the reform goals, and to identifying those elements that seem to have helped or hindered their realization thus far.

Sources for the thesis include Chinese government documents concerning the current development of the economic and political reforms, journal articles with analyses of China's political, economic social and cultural evolution, and books on Chinese government, administration, policy-making and policy implementation. Few scholars thus far have dealt directly with the political restructuring in China. Non-Chinese scholars are more critical than their Chinese colleagues, whose

comments on the problems of Chinese society tend to follow the official government position.

Major works by non-Chinese scholars consider political culture a key element in reform. Marc Blencher argues that Chinese politics since 1949 has not been in any sense cyclical. He says that the Cultural Revolution was not the re-enactment of the Great Leap Forward, and that developments from 1978 have no precedent in China. Chinese political changes, according to Blencher, results from a learning process (Bleacher, 1986, p.232). In his book on china's cultural values, Benjamin Schwartz explains the moral and familial model behind the idea of "unity of ruling and teaching," and Chinese ideas of peace and harmony supervised by the guardians of political order (guaranteed by the government). He does not go further to analyze the interrelationships between the Chinese model and ideas concerning the contemporary reform, though he says the Chinese "modernization will have a very Chinese look" (Schwartz, 1985, p.43). Frederick C. Teiwes suggests two sources of political power in China, the "normative rules" (the official guidelines) and "prudential rules." Normative rules include collective leadership, minority rights, and Leninist discipline; prudential rules are the types of behavior likely to result in success (Teiwes, 1984, p.167). Chinese political culture seems to be the source of leaders' prudential rules, which is the main function of the contemporary government. These and other authors agree with a major premise of this

thesis, which is that cultural values have been an important element in shaping Chinese political reform.

Chapter Two

CHINESE POLITICAL AND ECONOMIC REFORM

Political Reality

After the death of Mao Tse-tung, in particular after late 1978, a major effort was made to reform the Chinese policy making structure at the higher levels, especially in the economic realm. It is since 1978 that discussions about political restructuring have started, first among the Chinese elites and the academics, then gradually all over the country. Since the political reform is still at its experimental stage, implementation is uneven.

Totalitarian revolutionaries seized power in China during the Cultural Revolution, and held power until the mid 1970's. By 1982, China's rulers had become authoritarian reformers. The revolutionaries had acted upon their belief that rapid, violent and comprehensive transformation of elites and institutions was the most effective mode of change. The authoritarian reformers, by contrast, appeared to be committed to gradual and peaceful change within a framework of continuing the roles of elites and institutions. The leaders have shifted their emphasis in implementing policy from mobilization of the populace to actions through the bureaucracy. China's leaders are still authoritarian, to be sure, and today maintain extensive surveillance over the population and tolerate no

organized opposition or challenges to their rule. They value hierarchy and discipline and are not hesitant to employ force in ordering their realm. But in the 1980's, particularly after these years of economic reform, the Chinese leaders have found it very pressing to restructure the political system, forming a new system that is more compatible with the current economic development for the realization of the four modernizations.

As defined by the Chinese government, the four modernizations are the modernization of Chinese industry, agriculture, science and technology, and military forces. The Chinese Communist Party Central Committee initiated the reform of old economic and political structure in 1978 in order to realize this ambitious plan. The Party decided to restore the incentives system in order to increase the efficiency in the country's production. Under the this reform, the head of each economic unit will have more say in decision-making about their own affairs. Central government will direct the production on a more broad basis.

Political reform in China seems to be more complicated than economic reform. Party leaders listed the needed reforms as follows: first, divide power between Party and government; second, improve local self-government; third, expand the role of the People's Congress; fourth, reduce the power of higher level of administration; fifth, institute the rule of law; sixth, allow more open political discussion (Hung, 1987, p.14-15.)

Discussion of the Reform

Early in December, 1978, Chinese party leader Deng Xiao-ping pointed out at a meeting, "If we do not carry out reform now, our cause of modernization and socialism will be ruined" (Huang, 1987, p.14). Deng has since made it clear that this not only refers to economic restructuring but also includes political restructuring. In another one of his speeches on the reform of the system of Party and state leadership, Deng legitimated discussions of political reform in China. The speech was bluntly critical of China's political system. He said that some of China's current system and institutions in the party and state are plagued by problems which seriously impede the full realization of the superiority of socialism. Unless they are conscientiously reformed he said, we can hardly expect to meet the urgent needs of modernization and we are liable to become seriously alienated from the masses. As far as the leadership and cadre systems of the Chinese Communist Party and state are concerned, he said the major problems are bureaucracy, overconcentration of power, patriarchal methods, life tenure in leading posts and privileges of various kinds. Bureaucracy remains a major and widespread problem in the political life of the Party and state. Its harmful manifestations, according to Deng, include the following: standing high above the masses, abusing power, divorcing oneself from reality and the masses, overstaffing

administrative organs, inefficiency and irresponsibility, circulating documents endlessly without solving problems, shifting responsibilities to others, deceiving superiors and subordinates, being arbitrary and despotic, practicing favoritism, offering bribes, participating in corrupt practices in violation of the law and so on (Deng, 1986, p.15).

It must be recognized that a speech like this is not a simple personal statement by one person, any more than the U.S. President's Economic Report is a personal statement. Deng's speech on political reform reflected extensive surveys and discussion by research and policy units within the highest levels of the Central Committee. It symbolized a fundamental institutional decision that political reforms were needed. Deng's admissions of problems in the Chinese political system were at a closed-door meeting, and were not published until 1983. Not until 1986 did China seriously explore the call for political reform. In April 1986, Deng spoke to a provincial governor's conference, where he reiterated his ideas on the reform (Cheng, 1986, p.4).

Other Chinese leaders have talked about reform on various occasions since Deng's speech, demonstrating their commitment to reform. As people both in China and abroad could see, however, the restructuring of the present political system is an extremely difficult task. Bennedict Stavis, in his book on Chinese politics, observes that democratization of an authoritarian political system is inherently a complex process.

It requires that people who have political power share their power with others. This is almost as uncertain as water flowing uphill. Why should power holders want to share power once they have struggled to win it and have enjoyed its psychological and material fruits? There may be no good reasons, in which case they will not share it. However, they may conclude that establishing a broader base of power can strengthen the foundations of the political system, stabilize their rule, and forestall more drastic, perhaps revolutionary change (Stavis, 1987, p.3). That is why the Chinese leaders have endeavored to seek reequilibration between China's economy and politics, but this effort has yet to be successful.

Chinese contemporary economic development provide the country with a good chance for reform. The progress of economic reforms has put the creation of a good political climate on the agenda. If the political reforms are conducted independently of the concrete requirements of economic reforms, they may fail. Indeed it would be impossible since the economic reforms already entail political reforms. For example, there is an attempt to separate enterprise management from government administration and the institutions of the factory director responsibility system.

The current political reforms derive their motive power directly from the contradiction inherent in developing a market economy in an overcentralized political system. Chinese senior officials realized that well-meaning economic reforms were

meeting severe political obstacles, principally from the bureaucracy, and unless this were tackled, economic reform would falter (Perkins, 1988, p.602-603). Zhao Zi-yang said that with the overall unfolding of structural economic reforms, the functions of government will also change, and the government structure and the cadre system must be reformed in a step-by-step way. Failing this, it will be impossible to suit the needs of the structural economic reforms (Zhao, 1987, p.10-11). There is no disagreement with the central government about the important interrelationship between economic reform and the reform of political structure. Such a cohesion of opinions is reflected among the Chinese intellectuals. They argue that for the adaptation of the country's political system to the needs of economic development, it is necessary to change the previous product management system which controls every aspect of production. This means changing from direct government management to indirect management. The institutional structure of the political system makes the transition from direct control to indirect management no easy task.

Highly centralized power is the basic characteristic of China's present political system. Party, central government, local government and economic organizations are all blurred together in a way that stifles creativity. Under these circumstances, Chinese intellectuals have explicitly admitted that China's authoritarian political system actually deviates from true principles of socialism. The essence of socialist

from true principles of socialism. The essence of socialist democracy is that people are the masters of the country, and that people rule. All political powers belong to the people, come from the people and must serve the people. Theoretically, no one disagrees with these claims, but the scope of power delegated to the people is very limited within the Chinese political system. By the four "cardinal principles", the central government tries to shape public opinion, values, and the cultural and social environment within Communist Party leadership. These principles are the development of socialism, upholding of proletarian dictatorship, upholding of Marxism-Leninism and Mao Tse-tung Thought, and the consolidated leadership by the Chinese Communist Party.

What specific reforms are needed in China's political system, and what can the reformers achieve? Chinese scholars have different points of emphasis. Many of them stress the division of power between Party and government. The problem of the confusion of responsibility between the Party and government and that of the usurpation of government functions by the Party have existed ever since the Party came to power in 1949. Party committees often have operated in place of the administrative government. Party committees at lower levels of economic units set up their own economic departments. It was very hard for administrative officials in government departments and enterprises to give full play to their initiative, since many issues had to be first approved by the

party committees and their secretaries (Dittmer, 1985, p.79-86). All these problems reflect over-concentration of power and are a major reason for administrative inefficiency.

In fact, the functions and work styles of the Party and government are different. The Party's main functions are to work out its own guidelines and state policies, and exercise over-all leadership. Through legal processes, the organs of state power convert the Party's political line into state intentions and are responsible for its implementation and administration. Party organization is only supposed to influence and mobilize the masses through the exemplary acts of members. The organs of state power can manage the country through administrative measures.

Some scholars emphasize the improvement of local self-government. They argue that improvement in law and procedure is needed to enable local government to function effectively. Even though the new Chinese constitution specifies that the central administration is the executive agency of national organs of power, which requires the principle of clear distinction of power and responsibility between various government departments and between high and lower levels of administration, there is no clear, concrete and legal division of power and responsibility. The local administrations do not know clearly their own limits of power. They generally do what the central administration instructs (Lampton, 1987, p.16-17).

Scholars also emphasize the importance of expanding the role of the People's Congress, reducing the role of the cadres at higher levels, instituting the rule of law, and allowing more open political discussions. There is a strong consensus among these scholars that no matter what is to be done, the decentralization of Party power and the division of power and responsibility between the Party and government have to be achieved first. Otherwise, reform would be meaningless. The central government has made its initial step to meet this requirement by granting enterprises partial autonomy, and this has stimulated workers' enthusiasm and spirit of enterprise. However, management departments at the higher level remain unwieldy and over-staffed, and many such departments have tried to take back the powers granted to enterprises by setting up administrative companies. This is one of the reasons why China had the recent down-turn in industrial growth. We will devote the next two chapters to a discussion of the details of the clash between the Party and the government bureaucracy.

Chapter 3

THE CHINESE POLITICAL-ADMINISTRATIVE
SYSTEM AND THE PROBLEM OF REFORM

Problems of Government

China's Communist rulers, like their predecessors throughout Chinese history, have been plagued by the problem of a proper division of power between central and regional or provincial authorities. On the one hand, China is so large and heterogeneous that it has been proven politically unfeasible, administratively inefficient, and economically counter-productive for the central authorities to monopolize all decision-making processes and administer the entire country directly. These are strong arguments in favor of decentralization and of delegating discretionary power to local authorities. On the other hand, the Chinese leaders have been wary of the regionalism and warlordism of China's history and of powerful regional Communist leaders's tendencies toward creating independent kingdoms. They have therefore been equally reluctant to delegate unrestricted authority to local political organizations (Chang, 1978, p.47).

The late Chinese Communist Party Chairman Mao Tse-tung, like Lenin before him in the Soviet Union, seized command of the Chinese polity and economy and then fashioned institutions in the image of the Stalinist centrally planned bureaucratic

system, a system with a number of features that pose problems for policy implementation. First, a comparatively high percentage of all social, economic and political decisions are made centrally. The central decision making apparatus is chronically overloaded. Feedback is slow, and therefore dysfunctional. Policies are continued for long periods before they are abruptly reversed. Second, because the central authorities must monitor so many aspects of the economy and politics, they adopt simplistic performance indicators. Frequently these summary indicators produce micro-economic and political behavior that is unanticipated. Furthermore, the multiplicity of performance objectives makes it concentrate on one or two objectives and ignore the rest. Both dynamics make unanticipated consequences and underachievement of objectives inevitable. Third, the Party's monopoly over broad policy direction, and its ideological legitimization of this control, limits the inputs brought to bear on the formulation of policy. Subordinates became hesitant to speak out in the implementation process, preferring to wait until the failure is acknowledged by the Party itself. Fourth, because of populist elements of the ideology, particularly under Mao Tee-tung, bringing of the knowledge of experts to bear on policy was always in tension with the compulsion to seek legitimization in anti-intellectual behavior. In this setting, therefore, the subtle process of shaping or sabotaging implementation becomes the most effective avenue by which individuals, localities, and organizations can

express their interests and shape policy to fit the peculiarities of their situations (Lampton, 1987, p.7-8).

The Cycle of Political Reform

For the past 39 years of Communist rule in China, those features existing in its political system have not changed. With the sophistication of the country's economic and cultural development, they created what Ed Hewett calls the cycle of reform--what others have called the treadmill of reform. Hewett means that recurring dissatisfaction of leaders with the traditional system drives reforms. Then follows the implementation stage which is generally one of growing disappointment as old problems remain at least partially, if not totally, unsolved and new problems arise. Thus begins another cycle with growing concerns within the leadership about an interrelated set of problems (Hewett, 1984, p.27-28).

The Chinese experience supports Hewett's cycle theory. From 1953 to 1957 China was starting to implement its first five-year economic plan, and the government was trying to decentralize the central power. Liu Shao-chi, the late Chinese President, gave a very impressive speech about the problems of the Chinese political system, and the problems he talked about in that speech more than thirty years ago are still the problems leaders are recognizing today. A centralized administrative system had evolved, because concentration of administrative authority was deemed necessary for unified

planning and direction of many economic programs. However, the excessive growth of central bureaucratic power had generated some unanticipated problems and the Chinese leaders began to call for a readjustment of the administrative powers and functions such as those between the central and local authorities. At the September, 1956, Chinese Communist Party Eighth Party Congress, Liu Shao-chi delivered an important speech. He said that some departments under the central authority had taken too many jobs and imposed too many or too rigid restrictions on local departments and ignored special circumstances and conditions in the localities. Even when they should have consulted with the local authorities, they did not do so. Some departments issued too many formalistic documents and forms, imposing too much of a burden on the local government, dissipating the energies of the central authority and fostering the growth of bureaucracy. It had become necessary, he said, for the central authority to devolve some of their administrative powers and functions to the local authorities (Liu, 1956, Part I, p.77).

What had happened was that in the course of the expansion of the economy and the socialization of industry and commerce, various industrial and economic ministries in the central government had come to control a large number of factories, mines and enterprises. The concentration of authority in Beijing over enterprises scattered through the country unavoidably gave rise to bureaucratic delays in making

decisions and setting daily questions (Chang, 1978, p.49-50). Thirty-two years later, the Chinese leaders have found that the problems that Liu described are still in existence. A division of authority between central and local government, or between Party and government at all levels scarcely exists in the country. It was further confused during the Cultural Revolution of the late 1960's and early 1970's when the Party and state bureaucratic systems broke down. Since then, the anomalous structure at the apex of China's leadership has left the Party-state relationship ever more muddled (Delfs, 1988, p.32-33). When the country started to experience another period of economic expansion in the 1970's, development was threatened by the confusing power structure. Deng Xiao-ping, like his colleague Liu Shao-chi, made it clear that it was imperative and significant to readjust the old system. He said the current reform of the economic structure was, on the whole, proceeding smoothly; but as it advanced, it would unavoidably meet with obstacles. Some people in the Party and the state were against the reform, he said. The major problem was that the political structure did not meet the requirements of the reform of the economic structure, because of too much intervention and mishandling of things, which actually weakened the Party's leadership. Deng emphasized it by saying that whether all the reforms are eventually successful depends on the reform of the political structure because it is the people who will be responsible for their success (Deng, 1987, p.14-17).

The Beginning of Political Reform in Chinese Enterprises

Separation of the responsibility of the Party and government to eliminate the over-concentration of power in Party committees is at the heart of the reform of China's political-administrative structure. The central government decided to put through the reform program first in the enterprises. China's decision to start the reform with the enterprises by implementing the factory director responsibility system is an important aspect of the reform of the political system (Wu, 1987, p.7-9). The Chinese Communist Party Central Committee and the State Council promulgated three regulations on September 15, 1986. They are working rules for factory directors of state owned industrial enterprises, working rules for grass-roots organizations of the Party and working rules for the workers' congress, which is the workers' governing committee in each enterprise.

The new management system designated by the three regulations stresses the director's role in the enterprise. The director assumes responsibility for the enterprises' production, operation and management. He has the power to decide and direct production. The Party organization of the enterprise focuses its work on supervising and guaranteeing the implementation of the Party and state policies. It has replaced the original system of director responsibility under the leadership of the Party committee. Established in 1956, the former system stipulated that all major issues in an enterprise

must be decided through Party committee discussion, while the factory director is responsible for directing an enterprise's production and administration. Over-concentration of power in the Party committee separated responsibility from power, and created many difficulties for the director who found it hard to carry out his duties; and in the end nobody was really responsible.

According to the three sets of regulations issued in 1986 by the Central Committee and State Council, the functions and powers of the director of state owned enterprises have been clearly defined. First, the factory director replaces the Party organization as the legal representative of the enterprise. He directs enterprise production, exercises unified leadership over management and operation and assumes full responsibilities. Second, the focus of the Party organization's work in the enterprise must be shifted to supervising and ensuring the implementation of the guidelines and policies of the Party and state, carrying out ideological and political work. Third, the system of the workers' congress and other democratic management systems must be established in every enterprise so that the trade union and workers' representatives can carry out their duties of examining and discussing the enterprise's major decisions, supervising administrative leaders and safeguarding the workers' legal rights and interests (An, 1987, p.4).

All these proposals are supposed to provide for a

reasonable division of power between the Party and administration and for the unity of power and responsibility, and are seen as the initial effort made by the central government. They are to facilitate a production and management system headed by the factory director and enable an enterprise to function as an economic entity. The policy changes have been justified in terms of economic efficiency, but the political implications are potentially profound since any decision on redistribution of economic power, directly or indirectly, sooner or later, brings a redistribution of political power in its train. If we accept a functional view of politics, economic reform such as the director responsibility system proposed for the enterprises is itself one arena of political reform. The same is true of the enterprise autonomy system. Enterprise autonomy and independent decision-making power imply that Party organization does not decide production or make detailed policies. The Party organization's main function in enterprises becomes to supervise policy implementation and give advice.

Before the experiment of enterprise autonomy, there were wide-spread complaints about the lack of economic creativity as a result of Party control over enterprise management. There were complaints about lack of financial power in the context of unified receipts and unified expenditures, which means that enterprises failed to gain financial benefits for good performance and received state subsidies for the kind of losses which may have reflected bad management. The Chinese

refer to this as all enterprises eating from the same pot. Second, there were complaints about lack of incentives. Lack of incentives affected the performance of individual workers within enterprises. Financial resources formally subject to control by enterprise managers, usually were under the control of the Party organizations of departments. A current joke went as follows: Question, which enterprises in China have independent economic accounting? Answer, only one, the Ministry of Finance (Pu, 1987, p.24).

Huo Jian-zhang cites the case of Beijing No. One Machine Tools Plant, which during 1977-1978 remitted annual profits of 33 million yuan to the state but was only allowed to keep 50 yuan for emergency use. Any expenditures above that amount had to be approved by a municipal bureau. The result, he argues, were damagingly paradoxical. Some things could be done better by enterprises on their own initiative but were not allowed. It was rational but not lawful. Other tasks cost less if done in some innovative way; doing them by the book was lawful but not rational. The third complaint raised by the enterprises was the lack of control over their depreciation funds. Funds for renewing fixed assets came under the plan for capital construction, and expenditures had to be submitted to higher organs for approval, a cumbersome procedure which impeded technical changes. Depreciation rates also tended to be set very low by the central planning agency and depreciation funds were often diverted to other uses (Pu, 1987, p.36).

The central theme running through these complaints was the severe economic cost of a system of unified industrial management by the Party organizations which made enterprises either passive or sluggish in their responses. Where it did stir enterprises into action, it drove them in inefficient directions. Thus the process of enterprise autonomy was described as the key link in overall management reform, that is to delegate the enterprises full decision-making power, and to separate responsibility between Party organizations in enterprises and enterprise managers. The implementation of enterprise autonomy started in selected enterprises in the late 1970's and early 1980's. In April, 1980, a National Work Conference on industry and communications declared that the experimental enterprises had achieved good results in terms of increasing profits, enterprise funds and work-staff incomes. Two thousand nine hundred and sixty-three enterprises in 22 provinces and cities had reportedly increased their output by 12.2 percent in 1979 and their profits by 20 percent, outperforming enterprises not participating in the experiment. (Pu, 1987, p.27). The conference concluded that the direction of the experiment to expand enterprise decision-making is in general correct and called for a further increase in the number of participating enterprises. On September 2, the State Council approved the State Economic Commissions's Report on Experimental Expansion of Enterprise Self-Management and Opinions On Future Work, which stipulated that beginning in

early 1981, all state enterprises would join the experiment and enjoy greater decision-making autonomy in personnel, finances, materials, production, supply and marketing. By the end of 1981, the number of participating enterprises reached 6,600 and their success in increasing output, output value and remitted profits was again reported to be greater than that of non-participating enterprises. The results appeared to be very favorable. The state received more revenue, the enterprises retained more revenue, the enterprises retained more profits and their workers earned more income (Pu, 1987, p.57-58).

Political Retrenchment

In spite of these favorable evaluations and continued reform impetus, however, there was mounting evidence during 1980 of problems emerging in the implementation of the reforms and opposition to or disagreement about their continuation. The Chinese Communist Party Central Committee therefore convened a Central Work Conference which decided to halt the reform program for the time being and sought to reassert controls over those areas of economic decisions which had been delegated over the past years. It was clear by early 1981 that the program for expanding enterprise autonomy, while not repudiated, had been dropped from the policy agenda. This period of halt lasted until 1986, when the central government issued the regulations for a new round of reform. Greater enterprise autonomy during the late 1970's and early 1980's brought about problems that

hindered implementation of the reform. Enterprises abused their power over underdeveloped regional administrations in order to maximize profits. There were economic pressures as well: price instability and inflation, unplanned investment and uncoordinated production, financial pressure on the state, bottlenecks in the supply of raw materials and energy and so on. These problems were not only the result of mismanagement and lack of communications but also the result of political conflict caused by ideological, institutional and social obstacles to reforming enterprise behavior.

Diverse political, economic, social and cultural conditions in the Chinese society, and its tradition of high centralization of power have made it more difficult to put through the contemporary reforms. In its political history, the Chinese Communist Party has encountered reform cycles rather than continued progress. Problems drive reforms; reforms are put on the government agenda when it realizes their necessity. Government then reimposes control and the Party continues its interference in all aspects of life as they perceive their authority weakening. The reform effort is put on hold, only to be restarted later on. In the next chapter we will analyze the way in which political, economic, social and cultural conditions contribute to this cyclical process.

Chapter 4

DEPENDENCY VERSUS AUTONOMY

Political Obstacles to Reform

In Chapter Three, we reviewed Chinese political-administrative reform in enterprises. Even though there were considerable achievements, the enterprises had some serious problems concerning the reform itself. As in other socialist countries, the underdevelopment of democracy and over-concentration of power became the major obstacles to the success of their reforms. All political power in China is monopolized by the Communist Party, a Party that is organized along Leninist Lines. In Leninist parties power is centralized at the top and not easily challenged from below. On the one hand, this centralization of power facilitates major changes in policy direction once a few top leaders are convinced change is required. On the other hand, resistance from a few top leaders can slow implementation of such changes, though it may not prevent them. The ability to change policy quickly can affect reform negatively as well as positively.

The Chinese leadership is determined to put through the contemporary economic and political restructuring, but existing political, economic, and cultural obstacles have delayed progress. Gordon Bennett, describing the capacity

for decentralization in Chinese society, says that central authorities have been willing to obtain the benefits of local initiative and local responsibility by granting the necessary amount of local authority, even though tradition dictates that they should be unwilling to loosen the control of power. Local elites have been left to mind their own affairs only as long as their loyalty to the center was unquestioned, and the government, unsure of the consequences, has tended to delegate and then withdraw delegated powers repeatedly (Bennett, 1981, p.96-97).

The central government grants of autonomy have often been accompanied by political strings. Examples exist in the decentralization efforts by the government in both the 1950's and the 1980's. During the first five year plan, Mao Tse-tung set forth a principle of combining centralization of power with decentralization to guide the distribution of powers between the center and the provinces, hoping to achieve both uniformity and individuality. Mao's identification of the relationship between the central and local authorities as an important issue, legitimized open discussion of the problem and gave hope to those who favored decentralization. Chinese Communist Party leaders appeared to disagree over the exact way in which decentralization should be instituted, though they agreed in principle that the local authorities must be granted greater powers. The absence of legal guidelines left uncertainty about the way

to exercise decentralization, and gave the central government a lot of flexibility to grant or withdraw power at will. Officials at lower levels naturally pressed for far greater decentralization and for control and operation of enterprises in their regions. Economic officials who were entrenched in the state administrative apparatus favored the retention of the ministerial control system. They wanted only a modest decentralization of authority to the lower levels and continued reliance on the ministries to give coherence and direction to the economy. The result was continued monopoly of economic authority and political power at the center.

Control in Chinese society continued in the hands of the Party. In the provinces and lower level administrative units, the control and influence of the party committees over government agencies remained very substantial. To transfer control of an enterprise from a ministry to a local authority, for example, it was necessary to transfer immediate control of the enterprise to the Party committee of the local authority. Thus, the decentralization of 1957-1958 had the effect of greatly increasing the economic power of provincial and other local party committees. Domithorne and Schurmann, as well as others, have suggested that horizontal control, control in a particular geographical area, soon became identified with control by local Party

committee, particularly in the levels below the province (Donnithorne, 1967, p.152; Schurmann, 1968, p.88-89).

This arrangement has continued into the 1980's. According to the three sets of regulations promulgated in 1986 for enterprise autonomy and the system of factory director responsibility, enterprises would enjoy their own rights of decision-making. The regulations also say that the Party committee only supervises and guarantees the implementation of the central committee policies, but in fact the powers that enterprises might have exercised devolved into the hands of enterprise party committees, under the control of provincial Party apparatus, in a spirit that was called "politics takes command," or "the Party takes command." Provincial authorities, particularly those in control of the party apparatus, not only assumed control over the enterprises assigned to them but also extended their powers through the system of central-local dual leadership.

To sum up this kind of power structure, the control by the Party in China, unlike that of the government, has not been decentralized. Theoretically, the leaders attempted to maintain a division between policy formulation and policy implementation, retaining the former for the Party and assigning the latter to the government (Dittmer, 1981, p.49). In reality, the degree of autonomy granted to lower levels of government units is limited. The Party has permitted a

degree of pluralism to develop in policy making forums and within functionally specific bounds. Enterprise autonomy is allowed provided production quotas are met and potentially destabilizing activities curbed.

Confucianism and Marxism

The Chinese Communist Party is not only organized along Leninist lines. It is a party made up of people who share or are willing to share a common set of values and modes of analysis based on Marxism. It is these shared values as much as the desire to retain power that is the glue holding the Party together in much the same way that shared Confucian values held together China's imperial bureaucracy for thousands of years. If we define the contemporary political reform in China as a new experience of revolution, this revolution does not endure where there persist traditional values that subordinate lower levels of units to state and Party control. In this situation, political culture is more important than doctrinal change as a determinant of the shape of reform.

According to Confucius, the structure of interpersonal relations was embodied in the Chinese society's five moral or natural relationships: the pattern of deference and obligation linking ruler and minister, father and son, husband and wife, brothers, friends. This concept differs significantly from the Western notion of an

individual's social role, because unlike a role, which is defined in terms of action of the individual, the Chinese emphasis is on the relationship, that between the leader and the led.

In the Confucian tradition, an individual's social identity was defined not so much by what he had achieved as by those to whom he was related through ties of kinship or personal loyalty (Solomon, 1972, p.105-106). In reality, the person owes whatever he has achieved to the correct leadership, the direction of his supreme authority. The primary expectation is that the subordinates must obey their authority, expecting that they can always have ideal, good leaders. A traditionally educated male child, (many Chinese people still think a male child is more important than a female child) was taught that he was to depend on his parents, and especially his father, the symbol of authority, for guidance, initiative, and security. To give emotional force to this conception, parental punishments developed in the child anxieties about either acting independently or contravening parental guidance. This conception of authority in social relations has not changed much over 2,500 years. Changes in doctrine and overt behavior do not necessarily bring about changes in psychologically deep-seated attitudes. Chinese modernizers complain to this day about the persistence of traditional attitudes. They argue that we Chinese are currently following the path of Western Culture

but have definitely not yet internalized it (Metzger, 1977, p.194-195). Both contemporary economic reform and political restructuring have encountered psychological difficulties. Economic development and technological advancement, at their first stage, do not require fundamental changes in a society's traditional thinking, but the Chinese reforms move from a primary stage to a more sophisticated stage, attitudinal changes among the leaders and the people are necessary.

In the Chinese tradition, authority is not shared, the subordinates only follow the orders of some powerful individuals. Subordinates within the cardinal social relationships, ministers, sons, wives, brothers, and friends, attentively search the actions of their superiors for guides to proper behavior. One can see a series of influence hierarchies in which the man at the top carries out a proper action which is then imitated down the line. The current leadership has realized the weakness and seriousness of the problems inherent in this arrangement.

The Central Committee of the Chinese Communist Party issued the resolution on the guiding principles for building a socialist society with an advanced culture and ideology, in September 1986. The resolution built upon the initiative of the Third Plenary Session of the Party's Eleventh Central Committee in December 1978, when the leadership initiated the movement to modernize the Chinese culture and ideology.

There was a concern among the top leadership that the country's reform policy should be more pragmatic, which is really based on changing social relationships. The resolution says "the qualities of people are a historical product that in turn exerts a great deal of influence on history. There is no doubt that in this country the improvement of the qualities of all citizens will lead to a steady rise in labor productivity, to a constant development of interpersonal relations and to profound changes in the physiognomy of the whole society. All this is an indispensable condition for the success of our drive for socialist modernization." (Chinese Communist Party Resolution, 1986, p.II). In part, this is an effort to internalize Western culture, science and technology, but the Resolution also proclaimed that to modernize China and to build a socialist society, it is essential to adhere to Marxism-Leninism and Maoist thought as its guides.

The leadership has made it clear that the application of Marxist basic principles and methods to the creative solution of new problems arising in the economic, political, cultural and social fields has to be with Chinese characteristics, and follow the principle of making practice the sole criterion for verifying truth and discarding all those judgments and conclusions that have proved wrong in actual practice or out of keeping with

changing realities. This has also been reflected in the Party's four "cardinal principles." First, the Chinese must keep to the socialist road; second, the Chinese must uphold the dictatorship of the proletariat; third, the Chinese must uphold the leadership of the Chinese Communist Party; fourth, the Chinese must uphold Marxism-Leninism and Maoism (Deng, "Upholding the Four Cardinal Principles, 1987, p.30). Upholding the leadership of Communist Party is the most significant of the four. The reason for this has to do with the inevitable centrality of Marxist-Leninist ideology in the Communist authority system. The decentralization reform initiated by the Party has to balance itself with the authority system, which upholds the supreme authority of the Communist Party.

Chinese Social Dependency On Authority

Two major attitude polarities or contradictions seem to give problems to social integration in traditional and Communist China, the tension between a unitary, hierarchical conception of authority, and the subordinate individual's efforts to balance his dependence on authority with a striving for a degree of autonomy. The perspective on problems of social and political integration can be found in the social attitudes and political orientation of the individuals who comprise a given society. Social attitudes form a pattern that can be

called the dependency orientation toward interpersonal relations. This orientation includes a hierarchical conception of authority and great concern about interpersonal conflict. These two attitude dimensions seem to account for the sense of order and stability which characterizes the enduring Confucian polity. Traditional Chinese political documents, at least those of the dominant Confucian tradition, make it clear that family relationships were the core organizational pattern for the entire society. Of the five cardinal social relationships through which the Confucianists sought to give structure and order to society, the bond of emotions and responsibilities linking father and son, husband and wife, older and younger brother, friend and friend, ruler and his ministers, three are of family. All but one of these relationships are hierarchical in quality. They were the building blocks of the traditional social order. It is within their highly personalized set of reciprocal obligations that Chinese sought to give reality to a government of man, not laws; and it is from these obligations that arose the traditional Chinese dependency orientation toward social relations, the concern that there will be a personalized authority on whom one can rely, and who will take responsibility and provide security for his dependents. Laws are cold, without human feeling, and stimulate fears of being abandoned to the impersonality of self-reliance (Cohen, 1966, p.470).

As far as social integration is concerned, this basic orientation toward authority produced a constant hierarchical tension, a pull between subordinates anxious to avoid overly dependent ties with manipulative authority, and superiors anxious to see the dependent ties maintained. As a result, one finds in dealing with authority a constant feeling that great problems lie just below the surface of social relationships ready to explode; yet there is also an ability to endure tension and ambiguity over these problems in the face of an even greater fear of facing up to authority.

The following story illustrates such a conception. A son is pleading with his father for something (probably it is money). From their faces it looks as if they have already split apart; the problem cannot be solved. The father has already decided what he will do. Afterward, what will be the relationship of the father to the son? The son for a short while will not have anything to do with the father, as they cannot solve the problem; but ultimately, they will get together as before, after all it is a family. How will the father then feel toward the son? He will think the son should not bring up such questions. How will the son feel toward the father? The son thinks the father is too conservative, too stubborn. But no matter what, they are still father and son. The relationship between them remains as the relationship between superior and subordinate.

The superior-subordinate interrelationship beyond the family is more tense. For the superiors, whenever doubts arise about the subordinates' loyalty, there frequently is no more effective way to maintain the relationship than to resort to various ritualistic forms of behavior. The Chinese thus see social problems as capable of resolution only within the acceptable hierarchical pattern, central to Chinese conceptions of social order. There is an expectation that peers, among themselves, can bargain and compromise differences of social opinions or interest. Competition beyond the pattern's allowance, however, is regarded as leading to an inevitable conflict to attain a position of dominance, for not only are security and social order conceived as attainable only within the hierarchical pattern, but an individual's (or independent unit's) social identity is seen as defined in terms of who is deferring to whom (deBary, 1960, p.810). The highly specified structure of political relationships cemented together by the mutual expectations of loyalty and security are the essence of filiality. Unquestioned control by authority is a particularly potent way of insuring filiality. Autonomous behavior is not only selfish, but to attempt to make one's way in life as an individual is both ineffective and unthinkable.

The social attitudes and emotional needs which we have thus far analyzed as being central to integrative and

disintegrative social processes in traditional China are not easily swept away, for they are rooted in the socialization experiences of early life. The temporal framework for their change must be measured in terms of new generations, and not merely the passing of years.

Reform and Political Culture

With the establishment of a Communist political order in China in 1949, some people thought they saw the end of the traditional culture, or at least the firm institutionalization of revolutionary change. Yet, within the historically brief period of over three decades, certain leaders of the Chinese Communist Party were not so certain that their revolution was still making progress, or that the old culture was dead and gone. The Party's theoretical journal, Red Flag, noted with concern, "It need not take a long period of time for the proletariat to seize power and overthrow the ownership of the exploiting classes. But it required a very, very long period of time to eliminate the old ideas, culture, custom and habits left over by the exploiting class for thousands of years ("A Great Revolution To Achieve The Complete Ascendancy OF Mao Tse-tung Thought," 1967, p.11). If one asks why it is so difficult to have ideological changes in traditional China, we would say that it is the nature of the political culture; but is political culture unchangeable?

Lowell Dittmer says that political culture is not simply a given, a set of identities that people inherit or passively acquire from major institutions. It is generated by human activity and as such it is constantly being regenerated. Political culture consists not only of legacies or attributes, but of processes; and political culture is not just a haphazard collection of beliefs and values, but a system in which the various parts must bear an integral relationship with one another. That system must have a morally satisfying relationship to the political reality to which it refers (Dittmer, 1983, p.23). That is to say, a belief system should stipulate the correct relationship between power and justice. Political culture does not consist of mere symbols to be manipulated for the participation of the masses, but of claims about political reality and commitment to action.

In today's China, the political reality is to implement the government's ambitious economic program, the realization of the four modernizations. Everything done will be for the realization of this target, including the current political restructuring. The experiment of enterprise autonomy in China, described earlier, is considered to be one of the most important steps taken by the central government toward that direction. Even though there were rules and regulations delegating the enterprises decision-making autonomy in their own personnel management, finances,

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materials production, supply and marketing, the results did not turn out to be satisfactory. The directors were granted power and responsibilities under the system of factory director responsibility, but the institutional structures in most of the enterprises remained untouched. The authority to make personnel appointments, removals, and transfers was retained by Party committees in those enterprises. Party leaders continue to act within the original complex hierarchy of authority. At the top of the hierarchy sits the Central Party Committee, and there are core party committees at all levels of administration. Despite the proposal about the decentralization of personnel management made by Zhao Zi-yang, the Secretary General of Chinese Communist Party, the Party's dominant position in the field is left intact. In his speech, Zhao proposed rather vaguely that the leadership selection in "... economic enterprises, now controlled by the party, would be managed according to the rules, regulations of their organizations." (Zhao, 1988, p.11).

The personnel appointment in the Chinese enterprises, like that in other institutions, is part of the nomenklatura system in China, which is the significant instrument of party control of leadership selection in institutions throughout of the country. It is important and necessary to know the Chinese nomenklatura system in order to learn about the situation of the enterprise autonomy

experiment. The nomenklatura system mainly includes a list of positions, arranged in order of seniority, over which Party committees exercise the power of appointment. It is a system for the Chinese Communist Party to control the country's contemporary political, economic, social and cultural institutions. Through this nomenklatura system, the authority exercised by various institutions must be granted to them by the Party (Harasymiw, 1969, p.494). For the enterprise autonomy experiment of the late 1970's, the factory directors were not given real authority to appoint qualified professionals. People appointed by the Party committees show loyalty to the Party leaders rather than to factory managers in order to avoid conflict. The organizational behavior engendered by the nomenklatura system in China has been described as the legacy of Chinese political culture. The concept of the perfection of superiors (Party leaders) renders the achievement of the perfection by their subordinates out of the question. This is why the non-Party units have never been seriously granted the authority to exercise their power of personnel management. In 1984, the Communist Party Central Committee made some effort to reform the existing nomenklatura system, aiming at the decentralization of personal power within the Party organizations only. In other words, this decentralization has not yet been transferred to

organizations outside the Party. The factory directors on whom economic development depends are excluded from the decentralization program. As a result, the Party's dominant position at all levels of administration remains intact, leaving doubts about the effectiveness of the reform among people both inside and outside China.

Chapter 5

CONCLUSION

The factory director responsibility system of 1979 has limited the Party's power to supervise and guarantee the implementation of the Central Party Committee and government policies. Directors, based on the central government regulations, were granted power to decide on their enterprises' own production, management, operation and so forth. The essence of this new system was to separate the power of the Party from that of the administrative bureaucracy, but the Party stopped the reform in 1981 out fear of losing authority. The Chinese central government issued three sets of regulations in 1986 in an effort to restart reform. Therefore, the old system of director responsibility under the leadership of Party committee has been replaced by a new system aimed at separation of power, as part of the efforts to decentralize Party control over economic affairs.

The determination of the leaders to restructure the political system is the result of the need for China's economic development. As stated by Chinese top leader Deng Xiao-ping, "without political restructuring, it is impossible to protect the fruit of reforms in the economic structure and to continue its progress" (Huang, 1987, p.15). So the immediate objective of contemporary reform is for the

purpose of increasing the efficiency, vitality and initiative of Chinese units of production. If implemented correctly, the director responsibility system should lead Chinese enterprises toward that direction; but the discrepancy between theory and practice has left people room to doubt. Centralized power and Party control in China are very difficult to challenge. Party control has never been stronger. This is reflected by the Chinese Communist Party's resolutions on advanced socialist ideology. The resolutions emphasized the importance of building China into a strong socialist country and constructing Chinese socialism under the leadership of the Chinese Communist Party. The Party's control has also been further strengthened by Deng Xiaoping's four "cardinal principles," the guide lines for contemporary reform in economic and political structures.

Political reform, the effort to decentralize Party power, was initiated by the central government. As the Chinese leaders realized that China's political reality must meet the requirements of its economic development, they have made movement toward that direction. Zhao Guo-liang, author of an article entitled "Politics and Economics Are the Unity of Opposites," once admitted that the primacy of economics is absolute and unconditional, and the leading role of politics does not make it primary (Womack, 1984, p.70). Western students of political economy have the view that politics and economics depend on each other, and in certain

circumstances can trade priority. This is not a change of status, but a dialectical change of positions. Zhao Guoliang's remark implies that China is moving toward economics oriented development. The Party and government have shown good faith in the political restructuring, but reality dictates that the commitments of the Chinese political economy must remain Chinese and Marxist. The recent political development in China has shown that the leadership is still concerned with the issue of legitimate continuity, upholding the four "cardinal principles" in determining acceptable politics. The so called legitimate continuity, in fact, is to continue centralized power in the hands of the Party.

Despite the decentralization movement, there are two major obstacles to further progress: the traditional political culture characterized by the "dependency orientation" in interpersonal relations, and the power structure in the existing Chinese political system. The dependency orientation consists of a hierarchical conception of authority and concerns about interpersonal conflict. Chinese political history has indicated that family relationships were the core organizational pattern for the entire society. The ancient Chinese philosopher Confucius and his followers sought to give structure and order to society through the bond of emotions and responsibilities linking father and son, husband and wife, older and younger

brother, friend and friend, ruler and ministers. This kind of relationship forms the basis of the Chinese people's attitude toward authority. In the family, the father has the power over family affairs. Beyond the family the central authority is the only legitimate ruler. A pull exists between subordinates anxious to avoid overly intimate ties with manipulative authority, and superiors anxious to see the dependent ties maintained. The superior-subordinate interrelations have always remained hierarchical. Social problems in the Chinese Society are thus seen as capable of being resolved within this pattern, which is described as being central to Chinese conceptions of social order. Those traditional conceptions toward authority, in addition to the nature of a Marxist-Leninist Communist Party on which the Chinese government is based, have defined Chinese political power within the framework of those conceptions. This has made change difficult.

The nomenklatura system established in the 1950's and early 1960's in China has complicated the process of decentralization designed by the government. Aimed at revitalizing and reestablishing control of the Chinese Communist Party over national affairs, this system becomes the significant instrument of Party control, especially in leadership selection in all institutions throughout the country. Party committees, not factory directors, gain control over the enterprises' economic affairs. Party

committee appointment of factory directors is based on personal loyalty rather than economic performance. This has brought about opposition to the system; but it might also explain why the implementation of the central government regulations for granting power to factory directors is hard to put through. The mere existence of the regulations has not helped to raise efficiency and productivity in enterprises.

The extent of the reforms led by the Party has been mostly within Party organizations, although the experiment of enterprise autonomy started earlier. It is too early to evaluate the success of the Chinese attempt to reach an equilibrium between economic development and political development. We can say at this time only that the attempt continues.

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