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Bending without Breaking,
The Adaptability of Chinese Political Institutions

by

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Abstract

Chinese economic reforms in the past 20 years have brought profound changes on China’s economy and its society. During that period, the Chinese government has undertaken limited, albeit significant, political changes, at a time when economic reforms have unleashed forces that jeopardize political stability. This paper examines the extent to which such cautious political changes can accommodate, ameliorate, or diffuse political tension. The increase in overt expressions of rural and urban discontent might stem from the complex strategy that the state has employed to encourage political participation and redirect blame in order to secure its control. These efforts to relieve political tension and preserve legitimacy by gradually yielding to societal demands represent a “bending-without-breaking” approach, of which the Organic Law on Villagers’ Committees is an excellent example. After presenting a more realistic assessment of the political impact of social unrest, this paper concludes that, although there is still room for political maneuvering through gradual political reform, challenges for the state remain significant.

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I. Introduction

China eschewed the "big bang" approach to avoid the thorny political and social consequences of economic reform. To a large extent, it succeeded. Compared to the Soviet Union and Eastern Europe, China's reform process has gone relatively smoothly. Significant economic progress has been achieved. Yet, by the second decade of reform, the regime was already faced with the problems of consolidation, which often is more difficult than initiation of reform. The "trickle-down" theory underlying Deng's policy of "let some get rich first" was coming under increasing question as those who had failed to benefit were becoming increasingly anxious as regional and sectoral inequalities increased. At the end of the second decade of reform, as the leadership is dealing with the most difficult of the economic problems--the SOEs and the accompanying reform of the banks--the pressure and discontent generated by reform are getting worse. Workers in state owned enterprises, once the elite of the work force, are being laid off in large numbers. Perhaps most worrisome to the regime, discontented peasants and workers are taking their grievances to the streets, in both cities and in the countryside.

Is the political system up to the task of dealing with the mounting economic and political demands? Will the political system be the weak link that prevents China from sustaining its economic gains achieved in the first two decades of reform? That is the big question, but one that cannot be easily answered. One way to begin to get a handle on this big issue is to explore how flexible the regime has been in trying to accommodate, ameliorate, or diffuse the sources of political instability that have arisen as the result of the economic reforms.

II. Limited But Significant Political Change

China's rapid economic growth over the last two decades has raised the possibility that economic and political reform do not have to be undertaken together. It is commonly accepted that China achieved economic reforms with minimal political reform. Outwardly the political system still exhibits many of the same Leninist characteristics as it did when the reforms started. As other observers have noted, it is still a system ruled by the Party, and the standing committee of the Politburo still sets policy, and the structure still supports a mobilizational system. The succession problem is not solved, the party is separated from neither the government nor the
state, and corruption remains a major problem.\textsuperscript{3} The continued arrests by the regime of high profile dissidents and those who try to set up opposition parties, or those who are perceived to present a challenge, such as the Falungong, further highlight the continued limits on political reform. These repressive acts reinforce the impression left by the 1989 brutal crack down on demonstrators in Tiananmen and suggest that the regime is brittle and out of touch with its citizens.

While the infractions of human rights are serious, and the regime vulnerable, both of which suggest a lack of political reform, these problems obscure the limited but significant changes that have taken place in China’s political system in the past two decades.

One reason why the problems often overshadow the advances is that the amount of political change one sees in China varies significantly depending on where one looks in the system and how one defines political change. The change is least evident at the national level, but even there, as John Burns has recently argued, there has been forward movement, ranging from the institution of open civil service exams to new roles for mass organizations and people's congresses to a rejuvenated leadership.\textsuperscript{4} Efforts are also underway to realize the rule of law.\textsuperscript{5} The attempts to streamline the state bureaucracy and raise the qualifications of those who serve in government are yet other examples of the conscious effort to reform the system.

While developments at the national level set the overall tone of the political system, they do not always reflect what is going on within the system, especially at the lower levels. If one looks beyond the national level, beyond the lack of popular national elections and the regime's treatment of dissidents, to the grass roots, to China's villages and cities, one sees modes of interest articulation and pursuit of interests that suggest significant political change has occurred in China. Citizens cannot elect their national leaders, but a new range of \textit{other} activities and channels have become open to citizens to articulate and pursue their interests that were never before possible in China.\textsuperscript{6} Table 1 provides a quick summary of some major changes that have taken place.
Table 1: Toward Political Change in China

<table>
<thead>
<tr>
<th>Level</th>
<th>Change</th>
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<tbody>
<tr>
<td>National</td>
<td>Increasing Autonomy of the National People’s Congress (NPC)</td>
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<td></td>
<td>Increasing Reliance on Rule of Law: Passage of Administration Litigation Law</td>
</tr>
<tr>
<td></td>
<td>Increasingly better educated, more technocratic bureaucracy based on a Civil Service Examination with age determined mandatory retirement</td>
</tr>
<tr>
<td>Local</td>
<td>Passage of the Organic Law on Villagers’ Committees that provides for Village Elections</td>
</tr>
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<td></td>
<td>Two-ballot system for election of village party secretary</td>
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<tr>
<td></td>
<td>Overt expressions of discontent in both urban and rural areas; Rightful resistance, including peasants using laws to combat cadre abuse; Individual and Collective Action, including demonstrations, strikes, and attacks on government offices and officials.</td>
</tr>
<tr>
<td></td>
<td>More Transparency in the Management of Village Affairs, including open accounting and levy cards</td>
</tr>
<tr>
<td></td>
<td>Move from a system of ad hoc fees to standardized taxes on peasants</td>
</tr>
</tbody>
</table>

Those familiar with China know that there are still many problems and limitations on the above listed changes, at both the national and local levels. The increased power of the NPC is likely due more to personalities rather than institutional strengthening. The rule of law is limited by poor implementation and poorly trained legal personnel, including judges. Key posts within the bureaucracy are still subject to the Party controlled Nomenklatura approval system. Village elections in addition to being only selectively and sometimes poorly implemented, exclude the post of village party secretary. The two-ballot system, while addressing this problem is experimental and still limited. Clear boundaries must not be crossed in political action, especially collective action. Clearly these changes are far from institutionalized and problem free, but that does not preclude the possibility that they have opened the door to significant political change. To see how far the door has opened and how far down the new road the system has traveled let us examine in more detail the nature of the new forms of political activity that is occurring in China and the regime’s response.

III. New Forms of Political Expression

Of the new forms of political expression, the most worrisome and perhaps the most significant is the overt expression of discontent that has occurred in both rural and urban areas.
The existence of such expression indicates severe discontent, but what that suggests about the political regime, its power, or its flexibility, is less obvious. To know how threatening these incidents of unrest are to the regime, we need to know much more than that they have taken place. What are the sources of discontent? Is the anger directed at the central state or local officials? Knowing who is being blamed sheds light not only on how threatening these demonstrations are to the central state, it also gives important clues into the calculus of the state's response.

*Expressions of Peasant Discontent*

Peasant grievances against state policies are nothing new. What is new are the ways that peasants manifest this discontent and pursue their interests. Whereas peasants pursued their interests during the Mao period mostly through covert channels, often through the non-articulation of interests, and sometimes in collusion with their local level cadres to evade exactions by the upper level state,7 the post-Mao countryside has witnessed an array of overt, sometimes violent, expressions of peasant discontent.

The more informed and peacefully inclined peasants use published laws to obtain their rights and to punish their cadres—the "rightful resistance" that Li and O'Brien have described.8 Others when provoked, beat their cadres, burn their houses, or march on the upper levels of government. Sometimes, whole villages or even groups of villages have marched on township or county governments, such as the Renshou riots in Sichuan, causing serious destruction of property, injuries, and sometimes, even deaths, requiring troops to quell the disturbances.9

The number of such incidents and how many participate are difficult to know. Bernstein notes that in “...the fall, winter, and early spring of 1996-1997, confrontations in the form of demonstrations ... as well as petitioning...erupted in nine provinces in 36 counties. 230 were labeled cases of turmoil or rebellion (dongluan, saoluan, baoding).”10 Another example states that between mid-May and Mid-June 1997 half a million peasants took part in demonstrations in four provinces Hunan, Hubei, Anhui, and Jiangxi.11

*Sources and Character of Rural Discontent*

Much of the peasant discontent can be traced to the unintended consequences of the decollectivization of agriculture. It is widely known that decollectivization changed the organization of production and increased the incentives under the household responsibility
system. What is less often noted is that decollectivization also opened the door to increasing "peasant burdens" when it deprived village officials of the rights to use the income from the harvest for village administrative expenses. If a village has no sources of collective income, such as village enterprises, it is dependent on the "village retained fees" (tiliu) for the entirety of the village operating budget. Because villages are not considered an official level of government, they receive no budget allocation from the upper levels, unlike the township level and above. The only right village officials have to household income is the tiliu assessment, which the village levies above and beyond the national agricultural tax on each household based on income. The central government legislated rules that forbid these fees to exceed 5% of peasant income. The problem is that this limit is routinely exceeded as local cadres raise these levies to meet local needs. The poorer the village, the more likely peasants will be pressed for more fees.

Peasant burdens are further aggravated when local officials falsely report production and income. Such problems are especially prominent in the less developed areas, where officials try to increase their bonuses and chances of promotions by reporting a good economic performance. Not all cadres who engage in such practices are driven by corruption, some are simply pressured by their superiors at the township or county, who themselves are subject to the same economic pressure, to report higher levels of development than actually exists.

Cadre corruption can take many different forms, false reporting is but one example. Another that has sparked peasant protest is the issuing of IOUs. Cadres misappropriate funds designated for state procurement of crops, resulting in peasants being paid IOUs instead of cash when they deliver their grain for sale to the state. Central funds are specially allocated for procurement. The problem is what happens to the funds once they come down to the county and township levels. Nuoyong—misappropriation of funds has been an ongoing problem between the local and central state since at least the 1980s.

A third area of discontent is the increasing costs of production—costs have reportedly gone up 15% a year between 1984 and 1996. The problem cannot be reduced to cadre corruption, but the problems are aggravated when corrupt local cadres skim off the low-priced state supplied goods and sell them illegally on the open market at much higher prices.
Expressions of Urban Discontent

Workers, like peasants, also have always had ways to pursue their interests, but as with their rural counterparts, most of their strategies were likely to be covert, often through the use of personal connections. Again, what is new is the degree to which workers are willing to articulate their grievances through overt channels. What is most surprising is that the government has allowed workers to engage in what can be considered collective action to demonstrate their demands. Workers have not only visited government offices as individuals or small groups of people, but they have also participated in group demonstrations and processions, work slowdowns, strikes and attacks on government offices and officials.

Another feature of worker unrest that departs from the pre-reform period is the action of workers independent of their unit. The cohesion and tight control of workers in the unit system are well known. A common strategy of workers to get ahead was to curry favor with their shop floor and factory leaders. This strategy no doubt still exists, but one also finds that workers now complain and demonstrate openly against their factory manager. Sometimes angry workers take matters directly into their own hands and march their factory director in the streets, sometimes in Cultural Revolution style, forcing them to assume the "airplane" position, roughing them up along the way.

As in rural areas, it is difficult to know how many workers are taking part in collective action. The number of laid-off workers has grown from 3 million in 1993 to 11.51 million in 1997. But those numbers tell us little about how many of these are discontented or how many would take political action. Research into this subject is just beginning. We have reports of various incidents of unrest, but not a very clear picture of what the situation looks like nationally. Solinger cites a report stating that, in 1995, 11 incidents nationwide involved more 10,000 workers. More recent research found that, in Shandong province in 1998, the party committee and the government at the county level and above received close to 15,000 visits, an increase of over 40% from the previous year; the numbers participating also increased over 40%. In Liaoning, between January and May of 1998, more than 1,100 collective visits to the government involved more than 50 participants. Most of the time, the actions are contained within a factory, although there are examples where strikes and protests spread beyond a factory's gates. Solinger, for example, cites sources which indicate that one strike spread to involve 40
The factory where workers marched their director in the streets (see above), by end
of the day, reportedly had involved 20,000 people throughout the city.25

Sources and Character of Urban Discontent

At this point, the situation in the urban areas is less well understood than for the rural
areas. Research on the reform of the SOEs and the fate of the laid-off workers (xiangang
gongren) is just getting underway. From what we can tell, the sources of discontent in China's
cities seem to be a familiar mix of the consequences of economic reform combined with cadre
corruption. The disaffected include laid-off workers, workers in factories that have been
declared bankrupt and closed, workers in unprofitable but not yet bankrupt factories who are not
laid off but who also are not paid because their factory is broke and can't get loans, and retired
workers who are not receiving their pensions.26 The degree of dissatisfaction among these
individuals is a much more complex issue. We cannot simply assume that all laid-off workers
are discontent. Ongoing research finds that at least a portion of them are actually enjoying a
higher standard of living than before they were laid off. Some have since found higher paying
jobs in the private sector. Obviously, this is not true in all cases. There are many families
whose standard of living has declined dramatically as the result of lay offs, sometimes with the
husband and wife both being the victims.27

We also know that workers are not just upset with being laid off or that their factories are
not paying owed wages. The financial difficulties of factories are made worse by the corruption
that exists or that workers perceive to exist. Workers are upset by the closure of factories and the
lay offs, but in some cases the protests are aimed at specific instances of corruption or the failure
of their factories to carry out provisions instituted by the state to protect the welfare of the laid-off
workers, such as payment of a portion of a worker's wages during the period when they are
laid off. In other instances, the anger is specifically directed at a factory director who is thought
to be skimming off funds, wasting scarce funds on frivolous expenses, such as "investigative"
trips abroad, or those who falsely report high profits to the higher levels in order to earn personal
bonuses while workers go unpaid, sometimes for years. To assess how serious a threat these
workers are to the state, not only do we need know more about what options they have in other
sectors to earn a wage, but also what portion of them are actually receiving the benefits promised
by the state, what portion are getting retooled, and what portion are being found jobs, and the
channels through which their jobs are secured.

IV. A Weakening or an Adaptation by the Regime

The demonstrations and other forms of public expressions that I have described, while not examples of legislated political reform, do represent political change. The question is what kind of political change are we witnessing? Does the emergence of this spontaneous political expression mean that the regime has lost control? Or are we witnessing the adaptation of the communist system to the new realities that have been created with the economic reforms?

Workers have up until now been the privileged members of the working class so their recent demonstrations may be more understandable. But this is not the case for peasants. What is notable is not peasant discontent; peasants have long suffered injustices in the PRC. Regardless of whether there was discontent before or not, there has seldom been demonstrations by any groups in urban or rural areas. The question that needs to be asked for both workers and peasants is why are they now willing to take overt action, taking to the streets, going openly to upper levels of government.

One possible explanation is that peasants and workers have come to the end of their patience. The situation has gotten too bad. Moreover, and this is key, they feel that the state is less able to impose penalties on them, i.e., they have nothing to loose. The implication is that the state is now weak and can no longer prevent such incidents from occurring.

The ability of the authorities to penalize the peasants and workers clearly has been reduced. Authority relations, particularly in the countryside in the wake of decollectivization and the re-opening of markets, have been radically altered. These two institutional reforms gutted the Maoist control system that kept peasants compliant and tied to the farms. Local officials no longer have monopoly control over economic opportunities and resources to gain compliance. In this sense the state, both at the central and local levels, has become weaker and less effective. This change in authority relations, however, is masked by the continuity in political form—the same dual power structure, a party secretary and a village head, still exists in all villages. The difference is that, after the reforms, not all who hold these offices have power. In some villages, the power of these bodies has been eviscerated. The most obvious example is the "paralyzed villages" that are reported in the Chinese press, where peasants are poor and
cadres do nothing. In such villages, peasants not only do not fear their cadres, but there is little that cadres can do to those who refuse to cooperate. Such peasants have little to lose but maybe something to gain by exposing the corruption and incompetence of their local cadres. Control over workers has similarly been loosened as they have become less dependent on their work units, their factory. The bonds are increasingly weakened as these factories fail to live up to their commitments as the “iron rice bowl” cracks more and more.

While the effectiveness of state controls has been weakened, that in itself is not a sufficient explanation for the increase in overt political activity. Peasants and workers still know that the state can effectively use coercion and repression to put down demonstrations. The detention or arrest of known leaders of violent protests is well known. This occurred in the Renshou riots in Sichuan. We cannot know whether the demonstrations are a sign that the state is losing its ability to institute effective controls without knowing how many times has the regime cracked down compared to the total number of demonstrations that have taken place in the rural and urban areas. If, as I suspect, the total number of demonstrations is much higher than arrests, then we must look for an alternative explanation for the regime's non-repressive response.

In spite of the increasing fiscal power of the localities and declining fiscal revenues of the center that some have pointed to with alarm, if one looks more broadly at the overall political and economic system at the levers the central state does still control, the case for a weakened state on the verge of collapse is dramatically overdrawn and misleading. In contrast to Eastern Europe and the former Soviet Union, local and central governments in China are part of the same functioning unitary state and party. There are no opposition parties ruling the localities to try to overthrow those in power at the center. The central Chinese state remains vertically integrated. The CCP still controls the *nomenklatura* system of personnel appointments that secures at least minimal compliance from its agents. The loosening that I have highlighted is in comparison with the Maoist period. This must be kept in mind when talking about the power of the center. This caveat is particularly needed in the face of theories that predict a "market transition," and the emergence of "civil society" or a "societal takeover". The incidents when the Chinese state has cracked down suggest that it still has the coercive power to quell social unrest.

If the state is strong enough to have the choice of whether to use that force or not, the alternative explanation of the large number of incidents of social unrest is that the state has made
a conscious decision not to use its full coercive apparatus to stop such demonstrations. We know from its dealing with other groups that it is capable of much more effective silencing. In this alternative explanation, the airing of peasant and worker grievances has become an accepted part of local politics. Overt worker and peasant political action can be understood as stemming from discontent, that they are at the end of their patience and feel like they have little to loose. The difference with this explanation is the changed attitude of the regime. In other words, this alternative explanation posits that an added reason why peasants and workers are more willing to take to the streets is that they feel it is now allowed, within bounds, by the higher level authorities. In this interpretation, over the course of the reforms the state has consciously adopted a complex strategy that includes the use of political changes that on the one hand allows for more political participation and public expression, but which at the same time serves to strengthen the regime’s own position. As the following section will show, this alternative explanation is supported by a number of policies that the state has adopted in recent years to alleviate the discontent that lay at the root of the problems, especially in the countryside.

V. Diffusing Discontent, Redirecting Blame, and Legislating Institutional Protections

As with other aspects of reform, the state shows two faces: it still periodically relies on the stick to ensure stability, but increasingly it has been offering carrots to relieve the pressures and diffuse the discontent in order to shore up its legitimacy. It is these carrots that suggest the regime is willing to bend, without breaking, in dealing with societal demands. These actions include simply providing funds to factories so that they can pay demonstrating workers their back pay. In the countryside, instead of paying back wages, the center has provided funds to pay off peasants holding IOUs. In other instances, the state has abolished certain fees in the aftermath of particularly severe peasant unrest, such as occurred in Renshou in 1993, when "the Central Committee and State Council abolished 37 fees and fund-raising programs, called for limits on 17 others..." More recently, there are signs that regulations are being put in place that will change the system of ad hoc and variable fees into a system of standardized taxes that will reduce the arbitrariness of local officials to increase the peasants’ burden.

In addition to short-term ameliorative action, the state has also legislated new political institutions that will provide longer-term protection against the type of problems that have been
fueling discontent. Perhaps because the SOE reforms have just gotten under way, most of these legislative actions have been with regard to the rural areas.

The best example of the degree to which the regime has been willing to bend in the face of potential unrest is the highly publicized Organic Law on Villagers’ Committees, which gives peasants the right to hold free and competitive elections for the village committee and establish legislative assemblies, thus creating a new basis of village power--popular election. Through various methods, some more democratic than others, villagers can nominate candidates for village committee head and the other 4-6 members of the committee that is designated the governing body of villages. Candidates give campaign speeches, often on voting day. Voting is to be by secret ballot and the votes counted openly in front of the electorate. Candidates and winners need not be party members. In some villages, non-CCP private entrepreneurs have been elected over party members as peasants look to economically successful individuals to lead them to prosperity. In some areas the enthusiasm for these elections has gotten to the point where there is vote buying.

How widely village elections were held and conducted as the law stipulates varies significantly. The most authoritative and likely estimate is somewhere around one third of China’s villages as of the mid to late 1990s. One reason for this relatively low implementation rate is that this law, while passed in 1987, was passed only as a draft. Only in 1998 was it turned into an official law, which means that now all villages are now required to conduct elections. Whether they do and how well they implement the law is a question for empirical research.

Despite the continuing problems, the passage of the Organic Law has opened the door to significant and real change. There is evidence that in some villages, particularly as the process proceeds through various rounds of elections and peasants realize that their vote actually carries some weight, these elections have resulted in popularly elected officials who have real decision making power. Party candidates have been rejected or voted out of office. While this is not always the case, the point is that this election legislation emanates from the central state.

The logic behind such a step, while perverse, makes good political sense. While this is a clear step toward political change, and some might say a political concession, the reason why the regime has pursued such a policy may have nothing to do with wanting to promote democracy as an end, but everything to do with the problems that elections could solve as a
means. The decision to allow village elections represents a policy choice, a trade off between the potential of increased peasant instability or amending existing political institutions, giving up the practice of the higher levels to select the head of village government, and allowing democratic selection by the villagers themselves. In the end, proponents of the policy won because elections were the most viable means for quelling peasant unrest and increasing regime legitimacy. Village elections are a safety value designed to let peasants vent their dissatisfaction, but one meant to point the responsibility for continued poverty and poor village leadership away from the central authorities. Note that it is the poor villages that are targeted in the implementation of this policy. These elections are occurring in those places that the press has dubbed the paralyzed villages described above.

Most recently, the regime shows signs that it may even be ready to inch forward to complete the democratic process in the selection of village leaders. On a limited and experimental basis, the regime has even consented to democratic selection of party secretaries, who were not subject to democratic election under the Organic Law. There are also signs that the regime may be ready to allow elections to spread to the higher levels, although this is still being controlled and monitored carefully. Experiments have been going on in selected townships, where the population has been allowed to elect township government heads. But there have also been reports that such elections are illegal and such practiced have been banned. According to Ministry of Civil Affairs officials, however, the experiments with township elections continue, but they cannot be publicized. Unlike village elections, the regime has yet to decide if the costs of increasing political participation to the township are worth the political risks. The fact that they are even considering this is a positive sign.

The regime has to weigh the costs of legislating new laws and institutions designed to protect peasants from cadre abuse and corruption or risk further peasant discontent and potential uprising. Such measures allow the regime to openly take the peasants' side and support their demands without jeopardizing and maybe even helping its own position. For example, requiring that information about village finances, quotas, taxes, fees, etc., be openly displayed on public village blackboards prevents or at least reduces abuse by village officials. Similarly, peasants are to be issued cards, which clearly state how much tax they are suppose to pay, how much they should pay to the township, and to the village. In short, such policies are an effective (and
clever) way for the regime to discipline its members and promote efficient and honest government. Giving peasants the right to dismiss their leaders protects the reputation of the Party itself, and redirects blame to the villagers themselves for choosing poorly. If this can solve some of the problems and lead poor villagers out of poverty, the state will gain in legitimacy. While risky in the short term, over the longer run, this may force party members to be better leaders, and solidify the Party’s control at the local levels. In the absence of political campaigns that characterized the Mao period, the state can use democratic methods--village elections and cadre accountability--not only to ameliorate peasant discontent, but also as a relatively low cost way to help stem cadre corruption and improve local government.

In the urban areas, the measures that the regime has taken so far are more ad-hoc. As yet, China lacks a fully developed welfare program that would provide guaranteed support for laid-off workers. In the meantime, the state has instituted a three part program intended as a safety net for workers displaced by the reforms. Laid-off workers are suppose to have access to a re-employment service center, unemployment insurance, and a basic insurance system. But from preliminary research this package is far from fully institutionalized. The provisions are only half-measures in the sense that the center cannot fully fund these programs, putting the burden on the enterprises and the localities. Moreover, the program seems to contain a “catch 22” clause—laid-off workers who decide to participate in the short term relief and retraining programs will be cut off forever from their state factory. This last point has become a major stumbling block for many workers who choose not to participate in the state’s programs because it would mean that their factory, their *danwei*, would then no longer be responsible for their welfare and would no longer be responsible for re-employing them. After the safety period, workers would be on their own.

No doubt because the state realizes that no institutionalized welfare program exists, the state is at this point primarily trying to placate and institute short-term solutions to the problems that have prompted groups of laid-off workers to visit their local government offices or demonstrate in the streets. The solutions are sometimes relatively easy and straightforward. Higher level officials simply provide a factory sufficient funds to pay the back wages of its workers. In other case, in addition to paying off the workers, authorities may fire and or fine the factory manager found guilty of corruption or falsely reporting profits. The point is that, instead
of mass arrests, the state is trying to placate the protesters.

VI. Mediating Risks for the Regime

In assessing the threat of the incidence of political unrest, it is necessary to take into account factors that mediate the seriousness of the situation for the regime. These factors make it easier for the central state to contain the unrest in the urban and rural areas and provide further insights into why the state may be willing to allow demonstrations to occur.

First, most of the incidents of unrest seem to be isolated cases. In sharp contrast to the Falungong, which the regime has cracked down hard on, there seems to be little if any network in place capable of playing a coordinating role among either the workers or the peasants. The protesters seldom seem to expand their activities outside of their local area or factory, although there are exceptions, as earlier examples suggest. So far there are no signs that other groups who have grievances against the regime are attempting to coordinate larger scale collective resistance. Political dissidents and intellectuals do not appear to be involved in these disturbances.42

Second, it must be highlighted that because of the variation that exists in the level of economic development, the occurrence of problems is also limited to certain types of localities. For example, rural protests, occur mostly in the poor areas of the countryside, not the rich industrialized areas along the coast. China is not faced with a situation where peasants everywhere or workers everywhere are rising up in protest and taking to the streets. It is seldom noted that among the SOEs there is a segment that is actually doing well. Not all factories are doing poorly, not all workers are suffering. As I indicated above, not even all laid-off workers are suffering.

Third, to be a laid-off worker in China is not the same as being pushed out into the streets and left homeless, as occurred in some cases in Eastern Europe, or as occurs with some unemployed in the United States. Unlike unemployed in market systems, laid-off workers in China are still entitled to keep whatever benefits their factories still provide. For those who were in the large state owned factories, this is likely to include some sort of housing. The degree to which this mediates discontent cannot be over-emphasized. A development to watch is whether this practice continues as more pressure is put on factories to cut costs. At what point will all the benefits of the unit system be cut?
Fourth, the threat to the central state is mediated by the fact that in both rural and urban areas a common target of the protests is local officials. Local cadres are blamed for the problems that the peasants are suffering, not the central state. The state can take the side of the peasants, as I indicated above, and not only punish corrupt cadres, but legislate new regulations to better protect peasants in the future. The center can claim to be protector rather than culprit. In the urban areas, such arguments are harder to make: it is clear that the lay offs are the result of the centrally mandated SOE reform. Nonetheless, the state can say that it has tried to provide welfare policies and services for the laid-off workers. It has set up the three-step safety net described earlier. It can point to special offices, such those in the Ministry of Civil Affairs, to help workers get retooled and find new employment, in addition to overseeing welfare payments. Exposing corrupt or inept cadres can help the state's case. This does not absolve the central authorities of responsibility, but again it redirects blame away from itself.

As a side note, blaming local authorities and poor implementation also allow workers and peasants a legitimate excuse to openly call for change without being accused of trying to overthrow the regime or its top leaders. This fact helps explain why the regime is willing to allow more of this expression than we might otherwise expect. This is where the regime can bend and allow its citizens greater participation. The citizens are being solicited to help the regime clean up the corruption that exists at the lower levels.

Fifth, the regime's claims that many of the problems lie with the local officials, may be aided by the regional inequalities that emerged with the economic reforms. The tremendous variation in types of economies and corresponding levels of income allows the central authorities to defend the overall thrust of the reforms and to blame problems on local officials who are not carrying out state policies successfully. Those who are discontented are unlikely to oppose reform, even if they currently have not fully benefited from the fruits of reform, because it is widely perceived that the reform policies have resulted in successful economic development and wealth, in some areas, just not in theirs.

The ambiguous feelings that the poor most likely have toward the regime is reflected in the growth in migration and the large floating population that one finds in cities and in the richer parts of the countryside. The conditions that these migrants endure in the cities certainly can elicit our sympathy.\textsuperscript{43} But whether such conditions will lead to potentially violent discontent is
questionable. As similar phenomena in other countries have shown, shanty towns do not necessarily lead to increased political activism.44 The Chinese state may be viewed as rigid and unyielding in not abolishing the hukou system that separates these migrants from legal city dwellers, and denies migrants social services and education for their children.

But one could argue that the state has in practice acceded to at least some of the migrants’ demands by allowing them to remain in the cities most of the time. Except for its sporadic assaults on large communities such as Zhejiangcun in Beijing and the cosmetic migrant sweeps for big international events, authorities have allowed these migrants to slide into niches within the urban area, to fill unwanted jobs and to earn more money than they would have otherwise been unable to obtain had they stayed in their home localities or had there not been reform. Rather than rigidity, an argument can be made that both the migrants and the political system have worked out ad-hoc measures where the state allows these not quite legal residents into the cities. The migrants are allowed to make the best of admittedly poor conditions to take advantage of the higher incomes in the cities and get what part of the wealth they can. This method of income redistribution may mediate the discontent that might otherwise rise erupt from the inequalities between the rich and the poor regions and help close the gap. We need to look not just at what is happening in the cities where the migrants work, but also at what is happening in their home villages where the money is being remitted.45

In assessing the potential for discontent and unrest, it should be remembered that the plight of these rural migrants, regardless of how poor they are, or how bad their living conditions are in the cities, is significantly different from those in other developing countries. All peasant migrants have the security of knowing that they have a safety net. They can always go home to the countryside. They may not like it, but each has land to farm. As I have argued elsewhere, one likely reason why the state has not abolished the hukou system and not abolished the land allocation attached to rural hukou is the regime's concern about the political consequences of sending migrants home when the urban economy is unable to support these extra laborers as more workers are laid off from urban enterprises.46

VII. A Glass Half-Empty or Half-Full?

Is the political change in China a story of a glass half-empty or half-full? A convincing
picture could be presented either way depending on what aspect of political change one focuses on and the level of the system one examines. The problems, as I indicated at the beginning of the chapter, abound. While reflective of the continued hesitation toward political reform, the problems and periodic crackdowns obscure the much more accommodating stance that the regime is taking toward the many forms of overt, sometime, violent articulation of grievances by hundreds, even thousands of people, in different localities in the last decade or more of the reform process. This is not to say that the regime has been submissive or completely accepting of the disturbances—the state continues to use its considerable coercive powers whenever it feels threatened.

China is a transitional system that is still Leninist and wants to keep one party control. Change must be compatible, first and foremost, with stability in a rapidly changing economic environment. But as this paper has shown, that has still left considerable room for China to bend and adopt a range of political reforms. China has rejected the big bang approach for political change as it did in economic reform in favor of “groping for stones to cross the river.” This has resulted in change that is significant, but often comes slowly and under the cover of existing institutions that have since lost much of their original character. In some cases, the regime takes more radical steps toward political change, such as the Village Organic Law, when it is deemed necessary. But even then, the outwardly radical political reform, at the same time that it reduces discontent and may yield better government, especially in the heretofore poor areas, also increases the legitimacy of the Party.

While those hoping for a more democratic China may bristle that such a policy of popular election is being used, the end result is that peasants now have the ability to elect at least one of their most important leaders. If the recent experiments continue, free elections may extend also to party leaders within the villages, and may even inch their way up to the townships. One day, elections may reach the national levels, but that is not likely any time soon. While less exciting than radical political change on a national level, allowing elections at the grass roots levels first may result in more stable democratic politics when and if elections extend all the way up the system. The accumulation of gradual reforms may eventually result in a changed political system, much as the many changes to what was still officially a centrally planned economy pushed China to be a market oriented economy, even though it still has Chinese characteristics.
The question is will the political system be able to withstand the problems and challenges long enough for gradual political reform to run its course? This study has shown that through a combination of coercion and a large dose of amelioration, the regime has so far been able to weather the incidents of political unrest that have resulted from the economic problems, and has been willing to bend. The dangers to the regime are mediated greatly by the fact that the problems so far are primarily perceived as local problems. The central state has managed to direct most of the blame away from itself, blaming bad local cadres and improper implementation of policy. The idea that the emperor is good still holds at least some water. The center has managed to portray itself as the one who will right the system, with better policies that will hold the lower levels more accountable. The regime has also been helped by the negative example of what happened both economically and politically in Eastern Europe, and particularly what happened in Russia. This has no doubt dampened the spirit of those who might otherwise be calling for a quicker pace of political reform. This would include the intellectuals, who up until this time, had not played a role in, nor tried to connect with any of, the rural or urban incidents of political unrest.

But the regime is not home free. This study has also identified a number of problems that the regime must solve if it is to continue to successfully maneuver and sustain its economic gains and complete the reform process. How the state deals with these issues should be the agenda for research if one wants to know whether the regime will be able to continue to muddle through and consolidate the gains that they have made economically. One obvious issue is how long will the localities play the fall guy and accept blame for the problems that are leading to the current discontent.47 What will the state do to prolong the legitimacy of such an explanation? For the moment, peasants and workers are venting at least some of their anger at their local officials. But careful analysis of the problems shows that the reasons behind some of the corruption by local officials are the inadequacies and contradictions inherent in central level policies. The problem of increasing peasant burdens is a case in point. The state needs to provide a solution to village funding. Similarly, state policy calls for laid-off workers to receive a portion of their wages, but the state has failed to provide the enterprises and the localities with sufficient resources to allow them to implement this policy. The state's policy might work in a locality that has only one or two red-ink ridden SOEs but what actions will it take in a place like Shenyang, in China’s rust
belt? When and where will this strategy of passing the blame to the localities backfire? We should be on the looks out for such actions, especially where local leaders are elected by the locals themselves, such as in the villages.

The biggest problem and maybe the ultimate test that will determine whether the regime can consolidate the reforms is how effectively it can root out the corruption that seems to be growing, or at least is perceived to be growing, in the system. What steps are being taken to curb corruption? How far will the regime be willing to let citizens expose the corruption? Will those at the local levels still have enough power to silence well-meaning citizens? Whose side will the center take? Is Jiang’s new thought, the “three represents” a vehicle for further cleaning out the bureaucracy? It is not just a matter of moral legitimacy and honesty, but a question of regime capacity. The degree to which the sources of discontent can be traced to cadre corruption and improper policy implementation suggest that the state is extremely vulnerable to the inefficiencies and conflicting interests of its agents at the local levels. The adequacy of a number of state institutions is in question.

One is the state's statistical gathering system. Many of the problems that I have described as fueling unrest can be traced to the inability of the system to get reliable information from the lower levels. The amount of current false reporting strongly points to the need not only to get rid of cadre corruption, but to find new and more accurate sources of information that are less subject to local manipulation. Some efforts are already underway. The state statistical bureau has begun to send more of its own people to directly gather data, rather than relying on local officials. It remains to be seen how effective or viable such measures will be. The ability of the center to get accurate information has always been a problem, but the situation may be more difficult now that the reforms have altered the incentives of local officials so that they are more likely to think of local rather than national interests when they fill out statistical reports destined for the upper levels.

Second, and related to the first weakness, how are the holes in the state regulatory system, especially at the lower levels, being closed? The regime still has a considerable degree of control, the nomenklatura system remains firmly in place, and the CCP still controls the personnel system. The problems are not examples of flagrant abuse of regulations or disregard for central directives. As I have shown elsewhere, local officials still faithfully implement the
directives that are sent down. The question is how effectively and completely do local officials do their job. The *nomenklatura* system is effective in preventing gross misconduct but it often only elicits minimum, not maximum compliance. What measures is the regime taking to close the gap between the two?

Third, the actions that local officials have had to take both to survive and to get ahead, especially in the countryside, at the village levels, strongly suggests that the regime needs to rethink how local expenditures should be financed as well as how to compensate local cadres. One question that is ripe for research is whether the recent trend to privatize collectively owned village enterprises will lead to problems stemming from the lack of collective funds and the corresponding lack of public goods, which up until this point have been limited to the poor agricultural areas. Will the problems and the discontent spread to the richer areas as sources of collective revenue diminish with the sale of enterprises? The recent decision to turn fees into taxes seems to be a clear response to the need to reform the fiscal system that after decollectivization left villages without a legitimate and fairly stable tax base to fund expenditures.

Whether the glass will become more full or empty with regard to political reform will depend on China's continued willingness and ability to adapt its political institutions to the new realities that have emerged as the system has evolved from the plan and strict control over its population. China succeeded to a large extent in its economic reforms by adapting existing Maoist institutions to the needs of a market economy. In the process, it radically changed the economic system. Let us hope that the regime will continue to bend and reshape, if slowly, the political system as it comes to those stones that have so far been the barriers to the expansion of legitimate political activity. Without such bending and adaptation, the system is likely to break.
Endnotes

1See, for example, articles in Andrew Walder, ed. China's Transitional Economy (Oxford: Oxford University Press, 1996).


3Michel Oksenberg, comments at conference.


8See the work of Kevin O'Brien and Li Lianjiang.


10Bernstein, “Financial Burdens.”

11Bernstein, “Instability.”


15Peasant dissatisfaction is also likely to have increased when the state suddenly changed its grain marketing policy that once again restricted the private grain traders, forcing them to buy from state grain stores.

16See Andrew Walder, *Communist Neo-Traditionalism*.

17Not all of these are new. Urban residents always could complain to officials in government bureaus, there were even strikes during the Maoist period.


19See, for example, Walder, *Communist Neo-Traditionalism*.

20Reported in Cai, “Reform and Resistance.”


22Solinger, "The Potential for Urban Unrest."

23Cai, “Reform and Resistance.”

24Solinger, “The Potential for Urban Unrest.”

25This occurred in Sichuan. See Cai, “Reform and Resistance.”

261.5 million retired workers failed to receive their pensions in 1997.


28The village head is officially called the chairman of the village committee.

29The situation is dramatically different in the rich, industrialized villages where cadres still control numerous resources on which peasants depend. See Oi, *Rural China Takes Off*.

31See Bernstein, “Instability in Rural China.”


33See Huang Yasheng on the nomenklatura system as an effective instrument of central state control over the localities. Yasheng Huang, Inflation and Investment Controls in China: The Political Economy of Central-Local Relations During the Reform Era (New York: Cambridge University Press, 1996)

34A recent report stated that in Shenyang where there are many laid off workers, the demonstrations have become so common that city authorities announce their locations to prevent traffic congestion. See “Old Line Communists at Odds With Party in China,” New York Times, July 2, 2000, p. 3.

35Bernstein, “Financial Burdens.”


38The implementation of this policy is still spotty.

39See Oi and Rozelle, “Elections and Power.”


41See Kevin O’Brien and Lianjiang Li, “The Politics of Lodging Complaints in Rural China,” China Quarterly no. 143 (September 1995), pp. 756-783

42See Merle Goldman, “Politically-Engaged Intellectuals in the 1990s,” China Quarterly no. 159 (September 1999), pp. 700-711

43See Solinger, Contesting Citizenship.

44See, for example, Joan Nelson.
There is already some work which suggests that substantial amounts of money is being sent home. Elisabeth Croll and Huang Ping, “Migration For and Against Agriculture in Eight Chinese Villages,” *China Quarterly* No. 149 (March 1997), pp. 128-146. Also see work by John Ma on the money and skills brought back to the home areas by migrants.

See my, “Two Decades of Rural Reform.”


For a recent example of the dangers see “Old-Line Communists at Odds with Party in China,” *New York Times*, July 2, 2000, p. 3.

This is particularly dangerous given the increasing resources that are being accumulated in the localities as a result of the fiscal reforms. See Oi, *Rural China Takes Off*.

I elaborate the problems of regulation at the local levels in my *Rural China Takes Off*. 