The post-Mao reform era that began in 1978 represented a rupture in the political system that had defined the Maoist period (1949–1978), and it changed the patterns of social development dramatically. During the era of post-Mao reform, the emerging market forces have challenged and gradually diminished the importance of state influence in the patterns of social development through the introduction of new mechanisms of resource allocation and the alteration of the opportunity structure that was monopolized by the party-state (Nee 1989; Zhou, Tuma and Moen 1996; Zhou 2004; Nee and Opper 2012). According to market transition theory, state and market represent two fundamentally different systems of resource allocation. Market transition theory suggests that the rise of market institutions in the era of post-Mao reform creates alternative sources of rewards not controlled by the state institutions, and such a shift reduces dependence on the state (Nee 1989, 1991, 1996 and 2005; Nee and Matthews 1996; Nee and Opper 2012). Moreover, this theory suggests that as power—control over resources—shifts progressively from state institutions to market institutions, there will be a change in the distribution of rewards favoring those who hold market rather than state power (Nee 1989, 1991, 1996 and 2005; Nee and Opper 2012).

By contrast, the state-centric model illustrates the continued influence of state institutions on ordinary citizens’ lives during the reform era (Rona-Tas 1994; Bian and Logan 1996; Nee and Matthews 1996; Zhou, Tuma and Moen 1996; Dickson 2000; Zhou 2000; Yang 2004; Hsu and Hasmath 2013). The premise of the state-centric model is based on an insight from new institutionalism theories that the state plays a crucial role in setting up institutional contexts within which social forces interact (Skocpol 1979; Evans, Rueschemeyer and Skocpol 1985; North 1990; Rueschemeyer, Stephens and Stephens 1992; Hsu and Hasmath 2013). Based on this insight, the state-centric model (Zhou 2000: 1141) suggests that given the historical role of the state in China, and the prevalence of vested interests associated with existing institutions, there is no reason to doubt that the remaking of institutional rules in China’s economic transformations will be heavily influenced by the vested interests and the state’s own interests.
The state-centric model helps us understand why, despite the societal transformations wrought by market forces in post-Mao China, state institutions have continued to play an important role in determining the patterns of social development, and it identifies and conceptualizes the unique forms of China’s market economy, in which all kinds of economic agents cultivate relations with political institutions and are involved in a wide variety of rent-seeking behaviors (Parish and Michelson 1996). The state-centric model refines the logic of China’s economic transformations and suggests that the newly emerging private economy is still dependent on the state institutions. In fact, the Chinese party-state has evolved in response to the challenges posed by market institutions, creating a set of new institutions—the so-called corporatist institutions—to regulate the unleashed social forces, such as private entrepreneurs (Pearson 1997; Goodman 1999; Dickson 2003; Yang 2004; Hsu and Hasmath 2013). As Margaret Pearson (1997: 40) points out, China’s new corporatist institutions reflect the evolution of socialist systems away from a highly penetrated, Party-dominated Leninist system to one in which a degree of autonomy for economic interests outside the Party-state structure is deemed by the state to be necessary for industrialization, at the same time that the state finds it desirable to prevent the independent organization of the societal groups that might undermine the state.

**Nature of Chinese economic reform**

The fundamental characteristic of China’s economic reform is that it happened without significant political reform. The party still monopolized political control over the country. By asking the question of why Chinese economic reform could succeed without political reform, Susan Shirk (1993: 7) uses an institutional approach, looking at patterns of competition among politicians who operate in an institutionalized political setting in a Chinese context to explain the happenings of Chinese economic reform. The fundamental difference between the Soviet and Chinese institutions is that Soviet economic institutions are more centralized. By contrast, the Chinese economic institutions are less centralized, and the local governments have more autonomy compared to the Soviet model (Shirk 1993; Walder 2003; Huang 2008). Many of the economic activities in China occurred outside of the national plan, which made fewer obstacles in the post-Mao economic reform. The result of this institutional difference was that the Soviet Union has to reform its centralized economic administrative structure first. The low level of centralization in the Chinese institutional setting gives Chinese leaders either at the national level or the local level more opportunities to initiate economic reforms without political reform and encourages the local governments to pursue their own development (Oi 1992, 1995, 1999; Shirk 1993; Walder 1995, 2003; Nee and Opper 2010, 2012).

Starting in 1980, China implemented a fiscal revenue-sharing system between any two adjacent levels of governments. The basic idea is that a lower-level regional government contracts with an upper-level regional government on the total amount (or share) of tax and profit revenue to be remitted for the next several years; the lower-level government keeps the rest (Montinola, Qian and Weingast 1996; Zhang 2009). These fiscal contracts were fixed so that the division of revenues among different levels of governments could be predicted. Rights to flows of revenues were clarified among different levels of governments. Thus, each level of government was allowed to retain a specified proportion of revenues collected over a targeted amount, and each level of government had to be responsible for their own
China’s post-Mao reforms

financial budget (Walder 2003). The importance of this institutional setting is that it induces a strong positive relationship between local interests and local economic prosperity at all levels of governments. This local autonomous system generates considerable pressure on local governments to compete with each other in supporting profit-making enterprises and pro-growth policies. As argued by Shirk (1993), such a decentralized structure has been the institutional foundation for rapid economic growth in post-Mao China.

These financial changes provide for substantial independence of the local governments in China, from the provincial to the township, which ensures that governments in each region assume primary responsibility for economic development in that region (Shirk 1993; Montinola, Qian and Weingast 1996; Huang 2008). Hence, these governments possess both significant fiscal autonomy from the central government and considerable independent authority over their economies. Therefore, the fundamental characteristic of Chinese economic reforms is that the intended reform fuses the economy with profit incentives and limited market functions on a decentralized basis (Huang 1990, 2008; Shirk 1993; Nee 2005; Nee and Opper 2012). However, this reform produced a hybrid system that still retains some of the fundamental features of a command economy. This halfway place between planned economy and market economy has the effect of lodging a web of interests between local governments and enterprises under their jurisdiction. This web of interests, in turn, dictates a pattern of mutually beneficial behavior between these two crucial actors in the Chinese economy.¹

For example, the development of the sector of private enterprises in Wenzhou was the result of compromise and cooperation between the local society and the agents of the local government. Local government and party cadres played a vital role, often colluding with local society to circumvent those policies adopted in Beijing that might constrain the growth of private business (Parris 1993; Huang 2013: 293). In Wenzhou, one of the widespread forms that private business took in the 1980s was known as the guahu (the so-called red hat enterprises). Guahu firms attached themselves to an established collective or state unit, trying to avoid the restrictions on private business. Kristin Parris (1993) argues that such new local economic practices as guahu firms illustrate that even under the existing state institution and ideology, the local society was able to “work the system” for its own benefit. And he further suggests that in the local level of China, there exists the interpenetration of state and private business interests, and he calls this close relationship that developed between them “local state corporatism.”

This collusive pattern of behavior between local bureaucrats and private enterprise may lead to the formation of an implicit political coalition between them (Huang 1990; Oi 1992, 1995, 1999; Dickson 2000; Huang 2008). As a result, “the emerging state-capitalist relation is characterized by the fusion of political capital of the cadres, [and] the economic capital of the capitalists” (So 2003: 369). The direct result of the decentralization without political reform is the continued importance of state power in the distribution of resources to different social forces.² As suggested by William Parish and Ethan Michelson (1996: 1044), the newly emerged social forces still have a continuing “need to have linkages with state bureaucrats and state-run enterprises.”

The rise of private economy

Since the post-Mao reform, Chinese government gradually legitimized the existence of private economy in Chinese society and took measures to encourage its development (Zheng 2004a; Huang 2008; Nee and Opper 2012). The development of private economy in China
Chunlong Lu and Ting Yan

has experienced three major stages: The first stage (1978–1983) is marked by the official revival of private business. However, in this stage, the CCP only officially recognized the individual businesses (getihu). For example, Article 11 of the 1982 Chinese Constitution states that “the individual economy of urban and rural working people, operated within the limits prescribed by law, is a complement to the socialist public economy.” Originally, the sector of individual businesses was “intended to play a marginal, stopgap role and to act as a ‘supplement’ to the state and collective sectors, ‘filling the gaps’ they left in the economy, particularly in the distribution of consumer goods and services and in employment” (International Finance Corporation 2000: 8). And the Chinese government’s decision to recognize the individual economy was also a reaction to a practical need, that is, to solve the severe problem of urban youth unemployment (Chen 1995). During the Cultural Revolution, Mao Zedong sent millions of urban students to rural China to accept reeducation from peasants. Since reform, most of these young people have returned to urban areas. This put unprecedented pressure on the government and the Party for employment. To handle such a great influx of youth labor, the government adopted the policy of developing individual economy to absorb these unemployed youths (Chen 1995).

The second stage (1984–1992) is characterized by the rise of the private enterprises (siying qiyê), which are distinguished from the individual business. In April 1988, the National People’s Congress revised Article 11 of the 1982 Chinese Constitution and allowed private business to hire more than the previously permitted eight nonfamily employees, thus officially recognizing the existence of private enterprises (Wang 1997). The new Article 11 states that “the government allows the private economy to exist and develop within the limits prescribed by law.” Accordingly, in June 1988, the State Council issued the “Tentative Stipulations on Private Enterprises” to govern the activities of private firms. According to the “Tentative Stipulations,” private enterprises are profitable economic organizations that are owned by individuals and employ more than eight people (Wang 1997; IFC 2000: 8).

The individual economy has grown rapidly since the CCP’s new policy of developing the individual economy. Table 18.1 indicates that by the end of the 1970s, the share of the individual economy in national gross industrial output was almost negligible, while at the end of 1980s, the share of the individual economy increased to 5.4 percent. In 1978, when the CCP relaxed control over the individual economy, only 150,000 people in urban areas were involved in individual businesses; however, by the end of the 1980s, this number had increased to 806,000 (Chen 1995). The striking growth of the individual economy laid a considerable amount of wealth in individual hands, and the accumulation of capital in private hands prepared for the emergence of private enterprises. Some successful individual economy grew, took on more employees and became private enterprises. And “it was estimated that by the end of 1988, China had 500,000 [individually owned businesses] that could be called private firms” (IFC 2000: 9). Meanwhile, some private enterprises grew out of the leasing of small and medium state or collective enterprises to individuals.

It was not until 1988 that the Chinese government officially recognized the existence of private enterprises. Thus, at this stage, private enterprises had to circumvent the official prohibitions in two ways. First, they falsely registered as individually owned business, but in practice, they employed more than eight employees. For example, many of the specialized rural households (zhuanyehu) were originally registered as individual economy and became so specialized that there was no difference between their activities and those of private enterprises (Young 1994). Second, private enterprises falsely registered as collective enterprises—the so-called red hat enterprises. Individuals usually “obtained collective registration by arrangement with state or collective enterprises, or with organizations such as
street committees or township and village business corporations,” and they paid a regular “administration fee” to these organizations (Young 1994: 110). By doing so, private entrepreneurs were able to circumvent the official limits set by the government and to take advantage of benefits enjoyed by state-owned or collective enterprises, such as tax concessions, in the first few years of operation.

The third stage (1993 to the present) starts from Deng Xiaoping’s famous southern tour in September 1992. In this, he called for a continued reform of China’s economy and determined its future transition to a market economy. In the following Fourteenth CCP Congress in 1993, the socialist market economy was first endorsed as China’s goal of reform (IFC 2000). After Deng Xiaoping called for further market-oriented reforms in 1992, attitudes toward private economy changed. The government made genuine measures to encourage the development of private economy. As a result, the social status of private entrepreneurs and individual businesses was increased in Chinese society. All these changes and the greater profits generated by private economy attracted more Chinese citizens, and even party cadres and government officials became involved in the sector of private economy. After Deng’s southern tour in 1992, party cadres and government officials were allowed, and even encouraged, to become involved in the activities of private economy—the so-called plunging into the sea of commerce (xiahai). At the end of 1992, party cadres and government officials were the second-largest group in the private economy sector, but by the mid-1990s, they had become the largest group among private entrepreneurs (Zheng 2004b: 264).

In September 1997, the Fifteenth CCP Congress recognized the sector of nonstate economy as an important component of the socialist economy. And in March 1999, the National People’s Congress revised the 1982 Chinese Constitution and legalized the status of nonstate economy.

### Table 18.1 Gross industrial output in China, 1952–1999

<table>
<thead>
<tr>
<th>Year</th>
<th>State-owned enterprises (%)</th>
<th>Collective-owned enterprises (%)</th>
<th>Individually owned enterprises (%)</th>
<th>Other types of enterprises (%)</th>
<th>Total (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952</td>
<td>41.5</td>
<td>3.2</td>
<td>20.6</td>
<td>34.7</td>
<td>100</td>
</tr>
<tr>
<td>1957</td>
<td>53.7</td>
<td>19.0</td>
<td>0.9</td>
<td>26.4</td>
<td>100</td>
</tr>
<tr>
<td>1962</td>
<td>87.8</td>
<td>12.2</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>1965</td>
<td>90.1</td>
<td>9.9</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>1970</td>
<td>87.6</td>
<td>12.4</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>1975</td>
<td>81.1</td>
<td>18.9</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>1978</td>
<td>77.6</td>
<td>22.4</td>
<td>0</td>
<td>0</td>
<td>100</td>
</tr>
<tr>
<td>1980</td>
<td>76.0</td>
<td>23.5</td>
<td>0</td>
<td>0.5</td>
<td>100</td>
</tr>
<tr>
<td>1985</td>
<td>64.9</td>
<td>32.1</td>
<td>1.9</td>
<td>1.2</td>
<td>100</td>
</tr>
<tr>
<td>1990</td>
<td>54.6</td>
<td>35.6</td>
<td>5.4</td>
<td>4.4</td>
<td>100</td>
</tr>
<tr>
<td>1991</td>
<td>56.2</td>
<td>33.0</td>
<td>4.8</td>
<td>6.0</td>
<td>100</td>
</tr>
<tr>
<td>1992</td>
<td>51.5</td>
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<td>5.8</td>
<td>7.6</td>
<td>100</td>
</tr>
<tr>
<td>1993</td>
<td>47.0</td>
<td>34.0</td>
<td>8.0</td>
<td>11.1</td>
<td>100</td>
</tr>
<tr>
<td>1994</td>
<td>37.3</td>
<td>37.7</td>
<td>10.1</td>
<td>14.8</td>
<td>100</td>
</tr>
<tr>
<td>1995</td>
<td>34.0</td>
<td>36.6</td>
<td>12.9</td>
<td>16.6</td>
<td>100</td>
</tr>
<tr>
<td>1996</td>
<td>33.7</td>
<td>36.5</td>
<td>14.4</td>
<td>15.4</td>
<td>100</td>
</tr>
<tr>
<td>1997</td>
<td>29.8</td>
<td>35.9</td>
<td>16.9</td>
<td>17.4</td>
<td>100</td>
</tr>
<tr>
<td>1998</td>
<td>26.5</td>
<td>36.0</td>
<td>16.0</td>
<td>21.5</td>
<td>100</td>
</tr>
<tr>
<td>1999</td>
<td>26.1</td>
<td>32.8</td>
<td>16.9</td>
<td>24.2</td>
<td>100</td>
</tr>
</tbody>
</table>

economy and private ownership (Association of Chinese Private Economy 2003). The reform of state-owned enterprises since 1995 accelerated the pace of privatization of the state economy. In 1995, the central government formulated a policy—the so-called keep the large ones and let the smaller ones go (zhuda fangxiao)—to reform SOEs. The direct result of such policy was that most of the small and medium state-owned enterprises or collective enterprises were privatized (IFC 2000: 8; Dittmer and Gore 2001). And in March 1998, the government issued a directive requiring all the red hat enterprises to take off the red hat to show their private ownership. Private entrepreneurs no longer needed the red hat to do their business. As a consequence of these policies, private entrepreneurs and self-employed individual businesses expanded rapidly in the 1990s and became the greatest beneficiary of the Dengist reform (Pearson 1997; Dickson 2003; Chen and Dickson 2008; Huang 2013).

This policy-led growth of private enterprises in China continues into the new millennium. The Second Plenary Session of the Ninth People’s Congress in 1999 called the nonpublic economy, including private economy, “the important component of socialist market economy” and wrote it into the constitution, and the Sixteenth CCP Congress of 2002 claimed to “unswervingly encourage, support and guide the development of the non-public sector,” which was reiterated in the Seventeenth CCP Congress of 2007 and followed up with a series of State Council policy papers aiming to fulfill this claim. Correspondingly, as Figures 18.1–18.3 demonstrate, the period of 2000–2010 continued to witness a boom of private enterprises, and these enterprises even surpassed the SOEs in terms of total output values, number of enterprises and number of employed persons.

However, it should be noted that the growth of private sector is still within the boundary of corporatist design and under the control of the party-state. As Figures 18.1–18.3 show, though the number of SOEs and their employees decreases over the decade, their output value actually maintains steady growth and keeps the so-called main body status. In other words, the shift of balance also works to SOEs’ benefits by enhancing their productivity.

![Figure 18.1 Total output values of state-owned enterprises vs. private enterprises (1998–2010). Source: Calculated from yearbook of National Bureau of Statistics of P.R. China. Only enterprises with output value exceeding 5 million yuan are counted. www.stats.gov.cn/](downloaded by: 10.3.97.143 at 16:43 19 Jul 2023; for: 9781315627670, chapter18, 10.4324/9781315627670-18)
efficiency and helping maintain their hold on the national economy. On the one hand, this win-win result again reflects the tacit collusive arrangements between public and private stakeholders. It seems that the development of private enterprises has largely alleviated employment and efficiency pressures, and optimized the market conditions for SOEs. On the other hand, it demonstrates that the party-state has carefully maintained its grip on the economic developments. Since 1992, the party and the government have constantly stressed
the need to “adhere to the public ownership as the main body” and the priority to reform SOEs. And the growth of SOEs vs. private enterprises does not seem to go beyond such policy visions.

The dualist nature of civil organizations

The post-Mao China adopted the state corporatism to restructure the state-society relations for the purpose of national development and state control. Under the structure of state corporatism, Chinese government controls, licenses and regulates all of civil organizations (Minjian Zuzhi), and grants them the monopolistic power to represent the relevant sector interests and regulate the activities of relevant sectors. Within such state corporatism framework, post-Mao Chinese government does not want to dominate the society directly as the Maoist regime did. With the establishment of quasi-public, state-licensed civil organizations, post-Mao China allows for the self-regulation by themselves under general state guidance. This kind of institutional arrangement leaves some space for the autonomy and representation of civil organizations, without threatening the authority of the state. The principal attraction of the state corporatism model is the ability to acknowledge the pluralizing socioeconomic interests induced by market reforms and the continued dominance of the Leninist party-state (Goldman and MacFarquhar 1999; Coas and Wang 2012; Yu and Zhou 2012). As a result, the number of China’s civil organizations has increased. In the years between 1979 and 1992, the number of national civil organizations has risen sevenfold (averaging 48 percent a year), and the average increase of provincial civil organizations has developed even faster (Pei 1998). In the end of 2002, there were 133,340 civil organizations in China.

These civil organizations have a dualist nature. On the one hand, these organizations are licensed by the state and under the directives from the state; on the other hand, these organizations have a limited degree of delegated self-regulation of the interests of their sectors. According to Bruce Dickson, civil organizations in China have a dual function: They are designed to give the state a right to control over organized interests in society and also to represent their members’ interests (Dickson 2003; Chen and Dickson 2008; Huang 2013; Hsu and Hasmath 2013, 2014).

A careful examination of the organizations in the sectors of industry, foreign enterprises and workers shows that a dualist structure exists. In the sectoral organizations, such as industrial unions, Jonathan Unger concludes, these agencies provide a two-way conduit between the party-state center and their constituencies: by top-down transmission of state directives and control, mobilization of their constituencies for the increase of production on behalf of the state’s collective good, and bottom-up transmission of constituent interests (Unger and Chan 1995; Unger 2008). In the sector of foreign enterprises, the China Association for Enterprises with Foreign Investment (CAEFI) works as a bridge that links foreign enterprises with government, in which the government exerts the control function, and the foreign enterprises articulate their interests. As Margaret Pearson (1995) argues, the CAEFI’s role is genuinely Janus-faced, and it fits the criteria central to state corporatism. (1) The state has sanctioned and established the CAEFI and its branches; (2) it has granted the CAEFI a de facto monopoly—there is only one national association in the foreign sector, and each locality has only one branch; and (3) a clear hierarchy exists between the national association and local branches. In the sector of workers, the All-China Federation of Trade Union (ACFTU) is acting more like a corporatist institution, representing the appeals from the workers’ interests. At the same time, it has retained its close ties to the state. In the sector of workers, the ACFTU has
two functions: obeying the state directives and performing the regulation function on behalf of the government, and protecting workers’ rights and interests, which is the classical dualism (Chan 1993).

Under the corporatist structure, the state controls the activities of civil organizations. Civil organizations have to register in government agencies and conform to regulations issued by the Ministry of Civil Affairs. In 1989, the State Council issued “Regulations on the Management of the Registration of Civil Organizations.” This new regulation stipulates that all new organizations have to be approved by government agencies, which have authorities over the applicants’ proposed domains of activities before they could register with the offices of the Ministry of Civil Affairs. Article 16 of this new regulation prohibits the formation of the “same” or “similar” organizations, which is a necessary condition for the establishment of the state corporatist structure to allow for monopoly of interest representation (Pei 1998, 2008; Hildebrandt 2011).

It is difficult to make a generalized statement about the autonomy, independence and functions of the Chinese corporatist organizations. Sector and region are two important factors. Different organizations in different sectors and in different regions have different degrees of autonomy, and perform different functions. While some Chinese civil organizations have been completely dominated by state agencies, others have shown a surprisingly high level of independence and a capacity to represent the interests of their members (Pei 1998, 2008). Some organizations can genuinely represent the interests of their constituencies, similar to the organizations in the Western industrialized societies.

By comparing the two business organizations in the city of Tianjin, Self-Employed Labourers’ Associations (SELA) and the Industrial and Commercial Federation (ICF), Christopher Nevitt (1996) concludes that ICF has more autonomy than SELA and is more active in advocating the constituent interests. After examining the SELA, the Private Enterprises Association (PEA) and the ICF in the city of Beijing, Unger concludes that the former two business organizations, the SELA and the PEA, are overwhelmingly dominated by the governmental directives. However, in sharp contrast to the SELA and the PEA, the ICF has been playing an effective role of actively representing the interests of the large private enterprises (Unger 1996, 2008).

Among those factors that determine the role and functions of these organizations, the intention of the government policies in establishing the organization and the interests of local states are most important. There are two goals to achieve when the central government establishes a new organization: One is to control, and the other is to grant some representation functions. The balances between these two goals differ in different sectors. The major goal of the SELA is state penetration and control; on the contrary, the ICF is more like real civil organization to serve for the purpose of economic development. The decentralization measures adopted by the central government in the post-Mao era reform grant more freedom for the interactions between private business organizations and local states. It is the interests of the local states that may circumvent the regulations of the central government to grant the local business organizations different functions and autonomy.

In the past ten years, the relationship between the state and civil organizations has undergone some gradual but significant changes. First, some civil organizations were initiated in a bottom-up or spontaneous manner rather than in a state-dominated approach; second, these organizations had played more roles of social integration, by enhancing communication and collaborations among different social sectors and strengthening the organizational capacity; and third, these organizations had generated more policy influences in various areas (Richter and Hatch 2013; Han 2016). As a result, the characteristics of Chinese corporatism is that
“civil society can bloom in the authoritarian context, where the state becomes a consultative authority in which a mutual learning process” (Han 2016: 49).

The change of political culture

Traditional Chinese political culture has always been regarded as an obstacle to democratic transition (Pye and Pye 1985; Pye 1988, 1992; Pei 2008; Shi and Lu 2010; Chang 2014). Confucian culture “emphasized the group over the individual, authority over liberty, and responsibilities over rights” and “lacked a tradition of rights against the state.” Within the Confucian society, “harmony and cooperation were preferred over disagreement and competition,” and “the maintenance of order and respect for hierarchy were central values” (Huntington 1992: 24). Therefore, traditional Chinese political culture is attributed as being nondemocratic or antidemocratic. Moreover, the Chinese people have often been characterized by political apathy, ignorance of politics, fear of politics and political intolerance (Nathan and Shi 1993).

In addition, some China analysts suggest that the Chinese people will choose sociopolitical stability over democracy because they are afraid that the transition to democracy may cause sociopolitical chaos (Qiao and Chen 1994). The CCP has used the example of sociopolitical chaos in former Soviet Republics and East European countries after the fall of communist regimes to persuade the Chinese people that political stability is a prerequisite for national economic health and the individual’s general well-being (Chen and Zhong 2000; Chen 2004). The evidence from “World Value Survey” somehow proves this point. As Table 18.2 demonstrates, when Chinese citizens were asked the question “If you had to choose, which one of the things on this card would you say is most important?”, they tended to prioritize the order in the country above other goals ("maintaining order" continuously ranking the top except in 2012 when the 2008 global recession spread and reached a new peak).

Furthermore, since 1990, nationalism has become increasingly popular within the Chinese population; indeed, some empirical studies report that the Chinese people have demonstrated strong nationalist sentiment (e.g. Chen 2001, 2004; Zhao 2013). It is argued that the Chinese government has made efforts to promote nationalism in order to block Western influences and buttress its legitimacy in the 1990s (Zhao 2000; Friedman 2001; Tang and Darr 2012). Two indicators in China surveys clearly demonstrate the strong nationalism in China. First is the variable of national pride. As Table 18.3 shows, over two thirds of Chinese population in the survey claimed that they are proud to be Chinese. And such a high level of national pride has been steady over the last two decades.

Table 18.2 If you had to choose, which one of the things on this card would you say is most important?

<table>
<thead>
<tr>
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<th></th>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Maintaining order in this country (%)</td>
<td>66.5</td>
<td>71.3</td>
<td>56.9</td>
<td>46.0</td>
<td>30.9</td>
</tr>
<tr>
<td>Give people more say (%)</td>
<td>14.1</td>
<td>6.0</td>
<td>11.6</td>
<td>14.6</td>
<td>10.5</td>
</tr>
<tr>
<td>Fighting rising price (%)</td>
<td>16.8</td>
<td>22.7</td>
<td>26.5</td>
<td>34.4</td>
<td>55.7</td>
</tr>
<tr>
<td>Protecting freedom of expression (%)</td>
<td>2.6</td>
<td>0.0</td>
<td>5.0</td>
<td>5.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>995</td>
<td>1,456</td>
<td>873</td>
<td>1,505</td>
<td>2,075</td>
</tr>
</tbody>
</table>

Table 18.3  How proud are you to be Chinese?

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Very proud (%)</td>
<td>43.2</td>
<td>39.9</td>
<td>26.0</td>
<td>21.3</td>
<td>24.8</td>
</tr>
<tr>
<td>Quite proud (%)</td>
<td>38.9</td>
<td>48.5</td>
<td>56.0</td>
<td>56.2</td>
<td>64.5</td>
</tr>
<tr>
<td>Not very proud (%)</td>
<td>15.8</td>
<td>10.2</td>
<td>13.9</td>
<td>17.5</td>
<td>9.9</td>
</tr>
<tr>
<td>Not at all proud (%)</td>
<td>2.1</td>
<td>1.5</td>
<td>4.2</td>
<td>5.1</td>
<td>0.9</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>985</td>
<td>1,467</td>
<td>952</td>
<td>1,948</td>
<td>2,017</td>
</tr>
</tbody>
</table>


Table 18.4  Of course, we all hope that there will not be another war, if it were to come to that, would you be willing to fight for your country?

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No (%)</td>
<td>2.6</td>
<td>0.0</td>
<td>3.3</td>
<td>12.9</td>
<td>21.2</td>
</tr>
<tr>
<td>Yes (%)</td>
<td>97.4</td>
<td>93.4</td>
<td>96.7</td>
<td>87.1</td>
<td>78.8</td>
</tr>
<tr>
<td>Depends (%)</td>
<td>0.0</td>
<td>6.6</td>
<td>0.0</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Number of respondents</td>
<td>957</td>
<td>1,433</td>
<td>930</td>
<td>1,730</td>
<td>2,145</td>
</tr>
</tbody>
</table>


The other variable examines nationalism by asking the respondents their willingness to fight for their own country. As Table 18.4 shows, an overwhelming majority of Chinese citizens would be willing to fight for China if it were to have a war and the nationalist rationale has been kept high since the 1990s. In 2012, when China-Japan disputes over the Diaoyu Island (Senkaku) Islands were exacerbated, a fervor of nationalism broke out in a dozen of Chinese major cities and it turned into anti-Japan protests and demonstrations, even violence against Japanese-labeled assets. The protesters were just typical of a great portion of Chinese young nationalists who grow up roughly during the post-Mao era and are often branded as “angry youth” (fenqing).

The direct result of such strong nationalist sentiment is that China’s state-led nationalism has triumphed over the appeal of democracy (Zhao 2000). A correlational analysis shows that stronger nationalism among Chinese population is associated with a less emphasis on the importance of democracy (Pearson’s $r = -0.10$, significant at 0.001 level).

However, some recent field observations on contemporary Chinese political culture suggest that there is evidence for the emergence of democratic values in China (Nathan and Shi 1993; Chen and Zhong 1998; Dowd, Carlson and Shen 2000; Shi 2000; Chu and Chang 2001; Ogden 2002; Wang, Rees and Andreoso-O’Callaghan 2004; Chen and Dickson 2008). These studies based their conclusions on the results of public opinion surveys and suggest that Chinese political culture is in transition. As summarized by Suzanne Ogden, China shows some signs of a democratic political culture (Ogden 2002).

The “World Values Survey” measures the democratic values in a society by asking the following two survey questions: (1) “How important is it for you to live in a country that is governed democratically? On this scale where 1 means it is ‘not at all important’ and 10 means ‘absolutely important’ what position would you choose?” and (2)”Would you say having a democratic political system is a very good, fairly good, fairly bad or very bad way of governing this country?”
The first question examines the importance of democracy to the general public, and the second question examines the desirability (or appeal) of democracy among them.

Figure 18.4 shows the responses of ranking the importance of democracy from the Chinese public. The distribution shows a clear pattern of skewing to the left, meaning that Chinese people tend to rate high on the importance of democracy. The average rating score was 8.5 in 2007 and 8.44 in 2012, clearly favoring the view that democracy is important for the country. To give a better illustration, we recode the scores of 1–5 as “not important” responses and those of 6–10 as “important” responses, so the results show that in 2007 and 2012, respectively, 93.1 and 94.1 percent of the Chinese respondents agreed that it is important for them to live in a country that is governed democratically.

Table 18.5 shows the desirability of a democratic political system among Chinese mass public. In 2012, 35.3 and 55.8 percent of the Chinese public agreed that having a democratic political system is a “very good” or “fairly good” way of governing this country, respectively; only 8.9 percent answered otherwise. Similarly, in 2001 and 2007, over 90 percent of

![Figure 18.4 Importance of democracy among the Chinese public. Source: “World Value Survey” (www.worldvaluessurvey.org), based on aggregated China data of 2007 and 2012, N = 3619.](image)

<table>
<thead>
<tr>
<th>Year</th>
<th>Very good (%)</th>
<th>Fairly good (%)</th>
<th>Fairly bad (%)</th>
<th>Very bad (%)</th>
<th>Number of Respondents</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>20.9</td>
<td>75.4</td>
<td>3.7</td>
<td>0.0</td>
<td>761</td>
</tr>
<tr>
<td>2007</td>
<td>34.4</td>
<td>59.5</td>
<td>5.1</td>
<td>1.1</td>
<td>1,217</td>
</tr>
<tr>
<td>2012</td>
<td>35.3</td>
<td>55.8</td>
<td>7.1</td>
<td>1.8</td>
<td>1,771</td>
</tr>
</tbody>
</table>

Chinese citizens would agree with the desirability of a democratic political system in China, while less than 10 percent would disagree.

Therefore, the evidence presented in China surveys lends strong support to the understanding that during the post-Mao reform era, Chinese people have recognized the importance of democracy and generally desired to have a democratic political system in China.8 This evidence is consistent with the general finding of survey-based studies that democracy as an ideal political system has achieved overwhelming mass approval throughout the world (Inglehart and Welzel 2005: 264).

Some scholars argue that the normative or idealist democratic values need to be differentiated with the values of democracy-in-practice, which is concerned with evaluations of existing political institutions and processes (Inglehart 2003; Shin 2007). So, can we observe positive dynamics of democratic values among the Chinese public at the practical level? The answer is yes. The “World Values Survey” asked the following question to tap the practical democratic values: “How democratically is this country being governed today? Again, using a scale from 1 to 10, where 1 means that it is ‘not at all democratic’ and 10 means that it is ‘completely democratic,’ what position would you choose?” As Figure 18.5 demonstrates, more Chinese citizens would like to rate their own country as “democratic” (scores of 6–10) than as “not democratic” (scores of 1–5). After recoding, the results show that 74.8 and 71.9 percent of Chinese respondents rated China as “democratic,” respectively, in 2007 and 2012. Therefore, even taking into consideration their assessment of the current Chinese political system, Chinese citizens appear to show positive dynamics of democratic values.

Of course, these results may overestimate the presence of authentic democratic values (Shin 2007) among Chinese citizens because factors such as traditional Chinese political culture and Chinese nationalism might have tainted the popular understanding about democracy, for example, making Chinese citizens cognitively and psychologically identify the Chinese government with democracy. Actually, in the post-Mao reform era, democracy and its synonyms have frequently appeared in the dictionary of party-state ideological education, such as “democratic centralism.”9 The extent and reality of this cognitive issue are beyond

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Figure 18.5  Subjective democraticness in own country (China).
this chapter’s goal, but it is reasonable and safe to infer two points out of all the aforementioned facts. First, the Chinese political culture is changing, and democratic values are on the increase among the mass public of China during the post-Mao reform era. In 1977, there was still an ideological debate across the whole country between “two whatevers”\(^{10}\) and “seeking truth from facts.” The triumph of the latter liberated people’s minds and opened the chapter of post-Mao reforms. Today, a majority of the Chinese population have shown their support for and preference over liberal democratic ideas. Second, the changes in Chinese political culture reflect some dynamics of state corporatism. On the one hand, the party-state has been intentionally releasing the mass aspirations for democracy and encouraging the spread of liberal thoughts to the extent that those democratic values provide the necessary motivational force for successful socioeconomic reforms. And the post-Mao reform era has witnessed such an intended effect among the Chinese population. On the other hand, the party-state has been carefully framing or constructing the changes in Chinese political culture for the sake of its legitimacy. Rejuvenation of traditional Confucian values, stress of stability over everything else and evocation of nationalism to resist Western liberal influence have been such efforts in this direction. The Chinese public generally has been accommodating such efforts rather than rejecting them, hence the majority cognitively and psychologically finding a harmony between the party-state’s legitimacy and democracy in their minds.

Conclusion

China’s post-Mao reforms have been a fascinating subject of study as well as an issue of great controversy. Some scholars believe that there is an intrinsic contradiction between the rapid market-oriented socioeconomic system on one hand and the persistent authoritarian rule on the other hand, so the Chinese Communist Party’s reform strategy—pursuing pro-market economic policies under one-party rule would not sustain itself (Shirk 2007; Pei 2008; Chang 2014). Others argue that “[t]he country not only has thus far carved out a unique path to economic modernization under the rubric of market socialism but also is poised to carve out an alternative path to political modernization” (Chu 2013: 2). Since China has maintained a rapid economic growth during this era for more than thirty consecutive years, the evidence seems to favor the optimistic thesis. Then the question is how China’s post-Mao reforms manage to escape the unpleasant fate of most former Soviet Republics and Eastern European countries in late 1980s?

Inspired by market transition theory and state-centric theory, the authors propose to understand China’s post-Mao reform era from a corporatism perspective. Basically, we argue that during the post-Mao reforms era, the Chinese party-state has gradually developed a set of new corporatist institutions that allow certain autonomy of those nonstate forces and balance the state-society web of interests. Chinese economic institutions during the post-Mao era are less centralized, and the local governments have more autonomy compared to the Soviet model. As a result, a collusive pattern of behavior between local bureaucrats and private enterprises is established, leading to the rise of private economy and the growth miracle under a party-state rule. Similarly, in the sphere of social organizations, post-Mao Chinese government adopts state corporatism to allow some space for the autonomy and representation of civil organizations without threatening the authority of the state. This dualist nature of China’s civil organization leads to the smooth interactions between social forces and local governments that are geared toward reforms. Finally, in the sphere of political culture, state corporatism again demonstrates its effect by cultivating democratic values conducive to reforms while constructing the state legitimacy among the Chinese public.
China’s post-Mao era will soon celebrate its fortieth year, and the debate over the viability of state corporatism model featuring this era will continue. But this model seemingly will continue to characterize the politics of post-Mao Chinese reforms. For example, the concept of public-private partnership (PPP), a typical form of corporatism model, has been officially encouraged in the latest report by the National Development and Reform Commission, and this government agency has already publicized several rounds of PPP project listings (NDRC). Will we witness an expansion of the state corporatism model into vital areas of reforms? How can we evaluate China’s state corporatism during the post-Mao reforms era against other corporatism models? etc. Many new fascinating research questions could be asked on this subject, and hopefully our analysis here can serve as a starting point.

Notes

1 Jean Oi (1992, 1995) termed this collusive pattern between local governments and enterprises under their jurisdiction “local state corporatism.”
2 For more on this point, please see Bian and Logan (1996); Nee and Matthews (1996); Parish and Michelson (1996); Zhou, Tuma and Moen (1996); Zhou (2000); Walder, Li and Treiman (2000); Huang (2008); and Wang (2011). However, on the other hand, the market transition theory focuses on new market institutions whose advance forges new interests and pushes aside the importance of political institutions and emphasizes that the emergence of a market economy will substitute the role of state power in the distribution of resources within Chinese society, for example, see Nee (1989, 1996, 2005) and Nee and Opper (2010, 2012).
3 The individual businesses are only permitted to employ less than eight nonfamily employees.
4 The private enterprises are those who employ more than eight nonfamily employees.
5 The data of 2011–2016 reveal the same pattern of continuing growth, but they count only enterprises with output value exceeding 20 million yuan, while 1998–2010 data target enterprises with output value exceeding 5 million yuan. For consistency purpose, the 2011–2016 data are not presented here.
7 The same two indicators were used to measure a country’s nationalism by Professor Ronald Inglehart (1997).
8 The survey data prior to 2001 are not available due to the limits of then-history context. However, the political culture literature assumes the stability of mass values over time, so it is reasonable to extend the finding to earlier years of post-Mao China.
9 Article 10 in the Constitution of Communist Party of China stipulates that “the Party is an integral body organized under its program and Constitution and on the basis of democratic centralism.”
10 The full statement is “we will resolutely uphold whatever policy decisions Chairman Mao made, and unswervingly follow whatever instructions Chairman Mao gave.”

Bibliography


China's post-Mao reforms


Chunlong Lu and Ting Yan

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