

# Prospects for System Reform in China

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In whatever time frame, nothing is more risky than trying to predict the course of China's explorations in its period of transition. One cannot even claim that a short-term prediction can be easier or more accurate than a long-term one. However, if we must engage in certain forms of prediction here, we shall have to base our arguments on rationalistic inference concerning the strengths and weaknesses of the present policies of system reform and the possible scope of change. A perennial basic problem in predicting the development of Chinese politics is how to assess the stability and continuity of the existing conditions. Not only foreign scholars, but the Chinese themselves have often not been able to foresee the probability of the occurrence of totally unexpected abrupt changes and dramatic reversals in the immediate future. Thus, in such a political context in China, the time span covered by one's prediction seems not to be the most crucial point.

In April 1985, Deng Xiaoping stated that "in 3 or 5 years, the success or failure of reform can be judged."<sup>(1)</sup> According to his other remarks, it seems that the party leadership believes that the next 2 or 3 years will be a crucial period which will decide the success or failure of China's new experiment. If we consider this time span a so-called crossroads or watershed in the modernization line, then their perception is not much different from ours. Yet, the prospects for the period beyond this remain unclear. Generally speaking, the problems facing the ruling elite in China consist of how to control, regulate and integrate the frictions and conflicts between the various social and economic motive forces liberated by the present reform policies, or which exploded therefrom, and individual or collective interests, and those between reformist factions and conservative factions or factions defending their vested interests inside the party and the government; how to link reform of the economic system to the achievement of proper economic growth; how to overhaul the leadership system of the party; how to achieve an appropriate degree

of deconcentration of power in the existing system of over-concentration of power in politics and in public administration; and how to put forth a vision of socialism that will be accepted as a new integrative myth. This should be understood as being equivalent to reexamining whether the socialist system in China can maintain its true governing capability in the final stage of the Deng Xiaoping era. Furthermore, despite the many difficult problems they are continuously facing, the present party leadership probably cannot afford to "fail". This is because not only will a drastic reversal of policies resulting from setbacks give rise to tragic confusion, the deluge of the logic of "commodity economy" will lead to the metamorphosis of the system. In the following paragraphs, we shall summarize the various points which form the basis of our forecast of the Chinese political situation.

### **Achievements and the Germination of New Conflicts**

The accomplishments of economic policies in the past 7 years have been remarkable. Their social spread effects continue to produce a great motive force for change and development in Chinese society. The quiet revolution of yearning for a consumer-oriented society has become more and more apparent among the masses. For a long time to come, even if industrialization proceeds steadily China will remain a society wherein peasants constitute the overwhelming majority of the population. With the latent revival of the peasants' traditional mentality of private ownership of land, the desire to get rich, the entrepreneur mentality, the expansion of the scope of economic activities and with them, the influx of information from the cities, the rural society is today being rapidly swept by the wave of modernization. The changes in the sense of value and attitude of urban laborers and service personnel is also notable. It is more than clear that as a whole, Chinese society has been moving toward the direction of de-ideologization. However, the other side of economic achievements is the fact that the modernization policy itself, or this, together with the introduction of market economy, has given rise to various new conflicts within the society. The Chinese society will have to grapple with difficult problems invariably shared by other modernizing societies for a long time to come. China, with its socialist system at an immature stage of institutionalization, will not probably be able to remain immune from the instability and multiple conflicts experienced by many transitional societies. The Chinese leadership is confronted with an entirely new social and economic situation bringing forth numerous complicated issues. Among its many problems we shall discuss the notable ones.

Certain new phenomena of utmost significance in the vein of control and integration of the socialist system during a period of transition include the so-called "decentralization" of power, a product of revamping the system of over-concentration of power, and the emergence of a relatively pluralistic tendency and the diversification of interests in society. The expansion of decision-making power of enterprises in the industrial and commercial sectors, various forms of economic responsibility systems, worker participation in enterprise management, various types of enterprises, economic activities and management methods, economic association between enterprises, and the formation of regional economic zones on the one hand, together with the encouragement of "socialist competition" on the other, continue to give rise to countless relatively independent and diversified economic units. Apparently, the expansion and diversification of the scope of "instructional" plans which are outside the jurisdiction of the so-called "mandatory" plans continues to give rise to an explosion of diversified collective interests. In place of the past stagnation seen in egalitarianism, the inequality brought about by the prosperity of some peasants and the income gap among urban residents according to their occupation would probably give rise to new splits and conflicts between various social strata. Moreover, the granting of rights to cities, provinces, departments and enterprises to deal directly in foreign trade and the setting up of special economic zones and economic development zones as part of the economic policy of opening up to foreign countries would also give rise to claims for those areas' and units' particular and special interests. Apart from these, the growing threat to the sense of social security as a result of the application of the principle of competition; the increase in economic crimes and the exposure of the corruption of party and state cadres; the increasing pressure of inflation; the possibility of closure of certain enterprises and unemployment; the demand for expanding the scale of collecting progressive income tax; the revision of various policies on subsidies in order to relieve the financial deficit; and lastly, the setting up of a new rational price system which requires utmost prudence, are all thorny issues. The reform of the economic system, as we shall discuss in more detail later on, is linked to the reform of the political system. Pursuing economic and political reforms side by side complicates and aggravates the problem of social engineering in a transitional society.

The present party leadership headed by Deng Xiaoping has been able to restore the damaged authority of the party to a considerable degree by virtue of the achievements of the reform of the economic system.

Using the reform line as a basis of legitimization, they seem to be determined to hurdle what can be called a critical stage of reform which they are confronting at present. However, the new situation described above continues to accumulate new discontent and conflicts, as enumerated above, at the individual, collective, regional and other levels. Moreover, at this very point in time, the party leadership needs to take on the task of transforming the people from mere beneficiaries of the modernization policies into a people committed to bearing the unavoidable social and economic costs of the next stage of system reform. Yet, compelling the people to make sacrifice may come against the wall of the self-consciousness of an awakened people and their will to protect their vested interests. This may even become detrimental to the credibility of the party leadership among the masses which the CCP has worked so hard to establish. A high tempo of promotion of reforms, followed by immediate shift to a new policy dimension—this pattern of the CCP's policy process has often been observed even in the past. At this point, the ability of the intent of the Party Center and the State Council to penetrate the lower levels of the system will again be put to test.

### **“Stability and Unity” and the Demand for a Flexible Deconcentrated Power Structure**

Among the inherent fatal problems in the reform and invigorization of the socialist system are the fact that the mechanism for inducing active pluralistic motive forces from below is very much limited, and that these motive forces themselves, once released from the masses, easily come into conflict with the centralized system of one-party rule. The party must continue to induce the motive force for development while working to secure the needed commitment of the masses to its goals by convincing them of the rationality and effectiveness of the initiative from above. The strategy upheld by the present leadership consists of striving to attain their foremost aim of maintaining political integration or “stability and unity” by expanding the scope of administrative deconcentration on the one hand, and searching for flexible and concessionary methods of regulating conflicting interests, including non-institutional ones, to supplement the immature adjustment mechanism of the system on the other, at the same time encouraging very limited interest articulation at the basic level of political institutions. In this, the Party Center needs to continue to search for the “optimal point” of compromise within the framework of the modernization line while coping with the conflicting demands of such goals as reform, efficiency, giving emphasis to the motive

force for development, suppressing deviations and protecting vested interests.

As we all know, even in the area of political and administrative system, certain forms of pluralization and partial deconcentration to the localities in policy making are gradually taking place even as the hitherto basic framework of centralism is being maintained. Examples of this are the strengthening of the functions of the people's congresses system and the enhancement of the role of local governments. The professionalization of the members of the Standing Committee of the National People's Congress and their freedom to speak out and vote may become substantially more significant in the future. The granting of legislative power to local people's congresses on local laws—although some aspects of this remain ambiguous—is surely significant even if only symbolically. A most typical manifestation of the conflict of interests between the central and local authorities is the question of allocation of financial resources among various provincial and municipal governments by the State Council and the problem of suppressing the desire to expand the scale of basic construction for the purpose of increasing local financial income.<sup>(2)</sup> Probably, such conflict of interests between the central and local authorities has existed all along ever since the founding of the People's Republic. Yet, it seems that during this period of system reform, with the central government actively seeking the full play of local initiative and vitality, such conflict has become more manifest due to the active articulation of regional interests from below and the demand for support of vested interests of the cities and regions. The general political backdrop sustaining this tendency is the relative decline of the Party Center's authority and the conciliatory approach of the "Center" to local politics, giving top priority to maintaining "stability and unity", on the one hand, and the growing self-assertion of the "localities" on the other. Furthermore, another basis of this self-assertion of the "localities" is the increasing say the local people's congresses have on matters of local policy-making and policy-implementation.

Turning to the question of delegating administrative and enterprise managerial powers to local authorities and the lower levels, it seems that this may serve as an encouragement of demands to further expand the decision-making power of local and lower units on questions ranging from financial to personnel matters. In this manner, the results of reform of the economic system will probably intensify their ramifications and linkage effects in the society as a whole. This kind of situation may be an inevitable result of the change from a policy of politics first, or "politics takes command" to one of economics first. In the process of grappling

with various pressures, the Chinese political and administrative system may gradually become more flexible. Even if centralism is still retained as a basic principle of the system, in actual practice, the dispersion of power may yet become an inherent part of the system. However, one question remains. It is still unclear whether the increasing flexibility of the centralized system will ultimately come about through a conscious, premeditated and controlled process, or that despite desperate efforts to preserve centralism, a centralized system with feeble cohesive power is nonetheless brought forth as a result of the growth of certain practically uncontrollable components of the system.

The multiple conflicts of interests brought forth in the Chinese society in transition described above may be too enormous in scale and too complicated to resolve within the existing centralized political and administrative system through its so-called bureaucratic politics. No doubt, the administrative ability of China's present administrative organs is not enough to deal effectively with the new situation. While it appears that in today's Chinese society, the concept of "interests" is becoming prominent over the former value of self-sacrifice, the question of how to regulate and integrate the *de facto* pluralistic collective interests in a society where the western concept of "interest groups" is proscribed represents a basic problem to the CCP's leadership as it is to all socialist systems in the midst of the process of evolution and change in the present world.

It is a well known fact that during the early period of the post-Mao era, the themes of "modernization" cover only industry, agriculture, science and technology, and defense. Even in the Third Plenum of the 11th Central Committee of 1978, although "the reform of production relationships and various aspects of the superstructure" and "the reform of managerial methods, behavioral patterns and ways of thinking" were mentioned, the CCP did not necessarily have a clear blueprint of an integrated modern revolution.<sup>(3)</sup> However, from late 1980, the viewpoint of "comprehensive modernization" was advanced and the need for "long term plan, the formulation of guidance work, the intensification of research on problems in science technology, engineering, economics, politics, law, management, education and so forth, and the definition of their interrelationships"<sup>(4)</sup> came to be stressed. In April 1983, an article by Yu Haocheng claimed that, "Without democracy, there can be no socialism, and without political democratization, there can be no economic modernization."<sup>(5)</sup> From this period, articles by Chinese scholars often contain serious analysis of past shortcomings of the centralized system in both the political and economic aspects. There have been continuous efforts to search for a new model

of socialist construction based on an introspection on such shortcomings.

However, while in the realm of the economic system, reform still remains program, or perhaps merely the economic philosophy, bold models have been put forth for discussion. On the contrary, in the realm of the political and administrative system, the concept of reform has been limited and the tempo of development of the concept has been slow. In the past few years, although many Chinese theoreticians have shown interests in the regulatory function of the state, there has been no in-depth discussion on the macro political and administrative framework for interest regulation. Most probably, there will not be any systematization and institutionalization of new thinking on regulatory mechanisms for the new period in the near future. As pointed out by Tan Jian, in China, public administration has been the most neglected field of study. Thus, it can be said that the theoretical foundation for administrative reform is also weak.<sup>(6)</sup> On the other hand, efforts to change the people's traditional behavioral pattern of passive reaction to politics, an intrinsic aspect of Chinese political culture, and the learning process to acquire mature skills to regulate interests in public affairs will take a long time. It must be pointed out that this also constitute an objective factor restraining the comprehensive reform of the Chinese system.

### **The Party Center's Authority and the CCP Leadership at the Crossroads**

In the past few years, personnel changes have gradually been implemented in the Party Center, local party organizations and government agencies. The basic trend is that of rejuvenation, intellectualization and professionalization—that is, technocratic type of cadres are on the rise. That leaders of Deng Xiaoping's generation will retreat from the political scene is nearly for certain in the next few years. A certain technocratic tendency, for sure, means the decline of the elements of "rule of man" under the so-called gerontocracy. On the other hand, it may also lead to the multiplication of pressures on questions of collective interests and policy choices from different directions and through a greater number of channels. As to the intensity of the pressure from above for system reform, it may be even more difficult for the younger leadership in the future to eliminate the resistance to the curtailment of vested interests of party cadres inherent in the traditional cadre system. Thus, whereas the gradual rejuvenation of the Party Center may be understood as an element favorable for promoting modernization, it may not necessarily have a decisive influence on enhancing the breakdown of the party's bureaucratic nature and institu-

tionalized privileges and the functional differentiation of party, government and enterprises.

Concerning the actual condition of the progress of party rectification work, despite efforts in the past few years, the situation does not seem to warrant optimism. Granting that a time lag is inevitable in the tempo of party rectification work in each region, it is still apparent that the momentum of party rectification work itself is generally on the decline, and that differences in the degree of compliance of various localities have come into the open. Non-party personages still echo the doubt expressed by Bo Yibo as late as December 1984 that "whether in the end, the CCP's work style can be basically improved."<sup>77</sup> Inside the party, there remains a view that stereotyped, familiar expressions of criticism are merely being repeated *ad infinitum*. While on the one hand, the improvement of the party's organizational quality is a requirement for the modernization policy, there is also the dilemma of the need to protect the "legitimate" rights of party cadres—the basis for the party leadership's existence—and the security of their political life. The reaction of middle level cadres to pressure from above for improving the party's organizational quality will be critical for the CCP and the fate of system reform.

As should be obvious from the above discussion, the momentum of the comprehensive system reform since 1980 is gradually coming to the crossroads. In terms of the problem of control and integration in a transitional society, the fact that the party leadership is caught in a situation of antinomies and trade-off relationships, and that the leadership function of the party is continuously being restrained by party politics itself and the social environment surrounding the party do not augur well for reform. Basic level party cadres are the ones feeling the threat to the maintenance of their authority as a result of system reform. As exemplified by the restriction on the duties of factory party committees with the establishment of the factory manager responsibility system by the "Decision on Reform of the Economic System", one of the main themes of reform of the political system is to reduce the areas covered by the party's controlling function. Although theoretically, the fact that technocrats with entrepreneurial abilities are holding real powers in managing factories contributes to efficiency, in cases where the composition of the enterprise's party committee is not exactly technocratic, then the role of the party committee becomes secondary. At the same time, as ideological and political work continues to lose its meaning, party committees inevitably feel the threat to their *raison d'être*. In the case of government organs, when the powers of various ranks in the administrative setup



become well-defined with the strengthening of the post responsibility system, the relationship between these powers and the leadership powers of party committees will probably produce very complicated tensions. As the principle of separation of party and government and of party and enterprises was brought forth with the revamp of the past system of over-concentration of power in mind, the harmonization of this principle with the CCP's organizational theories taking the stand of the Soviet-style system of placing party cadres in government organs will be a problem to be tackled in the future, since this is a question implying revolutionary changes in China's one-party system. On the other hand, with the spread of the production responsibility system in the countryside, the leading role of rural party cadres has also diminished. The weakening of faith in the "Center's" policies is perhaps another serious problem for the Party Center in its efforts to control the enormous rural society.

Furthermore, as mentioned previously, the CCP is not ready with a proper method to regulate and integrate the newly erupted pluralistic collective interests. The CCP's response is rather based on traditional theory and style. It consists not of cultivating a regulatory mechanism from below based on the creativity of the various social units, but of relying on a custom of framework-setting from above and on a certain form of moralism. That is, by reemphasizing the concept of "*Quanguo Yipanqi*" (taking the whole country as one chessboard and conducting comprehensive coordination of the movements),<sup>(8)</sup> the CCP demands a correct understanding of the relationship between the part and the whole, organizational devotion, discipline and party members' morality. Such a response either sthows a blind overconfidence on the part of the CCP regarding social control which has long been part and parcel of the monopolistic leadership of the party or demonstrates the paucity of its imagination. In connection with the reform of the political system, the CCP is preaching the need for "rule of law". Here, the CCP's approach is rather political campaign-oriented, or it paradoxically reveals the reassertion of the concept of "rule of man". In any case, a deficiency in systems theory viewpoints is evident. The present Chinese theoreticians have no idea of the importance of an institutional intermediary entity regulating the relationship between power and the people, between the central and local authorities, and between the center and various departments. In China, since in reality, vertical relationships of compliance are the norm, a vicious circle of the gap in the responses between powerholders and the people, and between upper and lower levels—as the saying goes, "you have your policies; I have my countermeasures"—latently exists which makes true political

integration difficult to achieve.

### Limited Options

The final point to be examined in forecasting the future of Chinese politics pertains to the question whether the left-right swing of the pendulum of the party's line and policy has basically stopped, or if it has not, whether the range of its swing has shown a tendency of becoming narrower. Since it is a fact that pendulum swings still occur in connection with the overcoming of obstacles or dilemmas, in the future, certain reversals to centralism and other revisions of the line such as re-emphasis on ideological orientation in ideological and political work may still occur. However, it must be noted that in the case of certain aspects of the party line and policy, arbitrariness still persists in the local authorities' interpretation and implementation. Not only have perfunctoriness and limitedness in compliance not been overcome, this phenomenon seems to be growing in scope. Therefore, even if pendulum swings in policy reappear, it is rather expected that their effects will become more and more devoid of substance. Actually, the options available to the party leadership are fairly limited. As evident in the criticism of "spiritual pollution" in late 1983 and the repressive reaction to the demands for "democratization" in early 1987, even if certain confusions and crises occur as a result of the conflicts and uncertainties characteristic of societies in transition, there is very little possibility that the Party Center which inherits the present line will be ready to return to the "leftist" line. The negation of vested interests such as the economic responsibility system may give rise to confusion which may, in turn, lead to the collapse of the incumbent leadership. The modernization policy in the past 10 years has created a firmly-rooted social and economic framework which serves as an objective restraining force to the party's policy options. Therefore, even if radical changes occur in the composition of the party leadership, rational supposition tells us that the leading group cannot afford to effect basic revisions in the current modernization line. Also, the probability of a military dictatorship still remains very remote. And if a situation necessitating such a dictatorship does appear, then it simply means the "breakdown of modernization" in China. International relations also serve as a delimiting factor to the possible scope of change. Even if troubles in Sino-Japanese relations flare up unexpectedly, it is nearly impossible for whatever regime in China to change the basic framework of present international relations in Asia.

The most probable course of development is for the party leadership

to exert utmost effort to form a relatively conciliatory balance of forces, minimizing as much as possible the differences in opinions and policies within the leadership which will inevitably intensify at a critical stage of the modernization policy, while it regularly engages in minor adjustments of the present reform line. As a result, we may witness the gradual emergence of a relatively flexible but loose oligarchy embodying bureaucratic or limited pluralism at all levels of the political system. This not only means that the Party Center and central government in China will not be dictatorial, but also that China's future may not necessarily approximate the Soviet Union before Gorbachov politically and organizationally.<sup>(9)</sup> Whether in overcoming the difficulties of the transition period the party leadership opts to minimize frictions and conflicts or to give priority to growth and reform is a choice for the policy-makers of the time to make. However, the dynamics of real politics seems to betray the assertion of the reformers that reform should be promoted with "drastic measures".<sup>(10)</sup> The political outcome of student actions demanding democratization in various cities of China in December 1986 seems to support my prediction here.

#### NOTES

- (1) At a meeting of Deng Xiaoping with the vice president of Tanzania, "Reform is Everybody's Idea and the People's Demand", *Renmin Ribao*, April 16, 1985. Other remarks can be found in Deng's talks with the prime minister of Turkey, *RMRB*, July 3, 1985 and his talks with the Algerian party delegation, *RMRB*, June 30, 1985.
- (2) For example, this was discussed in the editorial of *RMRB* on July 8, 1983, "Unify our Thinking, Keep in Step".
- (3) A typical example of articles limiting the concept of "modernization" to the realm of industry in its discussion is Huan Xiang's "On the Problems of Socialist Modernization in China", *Zhexue Yanjiu*, October 1979.
- (4) Xue Baoding, "An Analysis of Modernization as an Integrated Whole", *Hongqi*, no. 24, 1980, p. 18.
- (5) Yu Haocheng, "Reform of the Political system and the Promotion of Socialist Democracy", in *How to Understand and Practice "Building Socialism with Chinese Characteristics"*, Guangming Ribao Chubanshe, September 1984, p. 111. Originally published in *Guangming Ribao*, April 25, 1983.
- (6) For details, see Tan Jian, "On the Goals of Administrative Reform", in Tan Jian, ed., *Articles on Problems of Reforming Government Organs and the Cadre System*, Renmin Chubanshe, June 1984.
- (7) "Party Rectification Work in the Past Year—Excerpts of Comrade Bo Yibo's Speech in the December 21 Forum", *RMRB*, December 23, 1984.

- (8) This term was originally used by Ke Qingshi in February 1959. Its meaning has been changed and from around 1982 began to appear in *Renmin Ribao* and in Zhao Ziyang's speeches. However, in document for internal circulation and local party organs, it has appeared occasionally since late 1979.
- (9) Jurgen Domes takes such position as "the political and organizational present of the Soviet Union may well be the future of the PRC". However, it seems too simplistic to predict the emergence of a Soviet type of polity in the future when assessing the immaturity and difficulty of institutionalization in China and the unpredictability of the impact of reform of the economic system. (See Jurgen Domes, *The Government and Politics of the PRC: A Time of Transition*, Westview Press, 1985, p. 253.) Several American scholars have also raised questions concerning the ability of the intent of central authorities to penetrate lower levels in China, the impact of system reform on party cadres and the weakening of the central government's governing power on the localities. See e. g., Elizabeth J. Perry and Christine Wong, eds., *The Political Economy of Reform in Post-Mao China*, Harvard University Press, 1985.
- (10) Thematic Research Group on Comparative Economic Systems, Institute of Economics, Chinese Academy of Social Sciences (headed by Liu Guoguang), "On the Problem of Models in the Goals of Reform of the Economic System in Our Country", *Zhongguo Shehui Kexue*, no. 5, 1984, p. 44.