

The Internal Organizational Structure of the Industrial State-Owned Enterprises in the People's Republic of China: 1949-1986

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In this paper, I am concerned with the general background for what has been the key component part of the programme of economic and political reform that has been pursued in the People's Republic of China (PRC) in the years following the historic 3rd Plenum of the 11th Central Committee of the Communist Party of China (CPC), as this was held from 18 December to 22 December 1978.^[1] The part of the reform programme that I focus on is the reform of the large-scale industrial state-owned enterprises (industrial SOEs), with the particular aspect of state industrial sector reform picked out for discussion being the internal organizational structure relating to the management of the industrial SOEs. The reform of the industrial SOEs has been central to the transition that has been effected in the PRC since 1978 from an economic system based in political command direction to what is recognizable as a mixed economic system. This process of transition in the economic sphere has involved the partial subjection of the industrial SOEs to the disciplinary mechanisms of the market. However, the reform of the industrial SOEs has involved much more than the mere extension to the state industrial sector of measures of partial market liberalization. For the re-

form of the state industrial sector in the PRC has proceeded through the establishing of a law-based corporation system, and this has involved the industrial SOEs coming to acquire the independent status essential to the possession of corporate personality under law.

In the judgment of this author, it is the incorporation of the industrial SOEs, rather than the bare fact of their subjection to market disciplinary mechanisms, that has been fundamental to the direction of the economic reform strategy as followed in the PRC since 1978. For the incorporation of the industrial SOEs has brought about nothing less than a radical transformation in their legal and political-institutional status, and hence in the matter of their relation to the state. So, for example, incorporation has involved the application to the industrial SOEs of the principles of share-holding based in limited liability with respect to the generation of capital investment funding for the enterprises. This has resulted in a significant diversification in the sources of capital investment funding for the state industrial sector, such as to provide for the investment of non-state-supplied capital and hence for the development of non-state-held ownership rights in the means of industrial production. Then again, the assignment of corporate personality to the industrial SOEs has carried with it the securing to them of a formal independence in law, where this has served to release the incorporated industrial SOEs from the constraints of state-authored political command economic directives. This consequence of incorporation is of paramount importance in relation to the argument of this paper. For the release of the industrial SOEs from control through political

command direction, as this has come to them by the acquisition of corporate person status in law, has gone together with the relinquishing by the industrial SOEs of the essentially political-administrative status that belonged to them in the pre-reform era of prior to 1978.

It is vital in explaining economic reform in the PRC since 1978 to understand that the industrial SOEs in the pre-reform era were integral components of the system of government and political administration, and that, as such, the industrial SOEs in that era had the status of political-administrative entities, or, to use the official term, government work units. It is vital also to understand that the scale of the state industrial sector that pertained to the political-administrative system was vast, and that the vastness of the state industrial sector stands out as one of the most salient features of the system of government and political administration in the PRC in the pre-reform era. Thus it was that at the time of the 3rd Plenum of the 11th Central Committee of the CPC in December 1978, there were no fewer than 348,000 industrial enterprises, with some 90,000 enterprises comprising the sector of the large-scale, strategic industrial SOEs. The latter were foundational in the economic order, since they accounted for almost 91 percent of the total industrial output of the PRC, contributed between 70 to 80 percent of the total revenues accruing to the state treasury, and employed no less than 40 million workers. In addition, the large-scale industrial SOEs were the elite production units in the PRC, in the respect that they received the bulk of the state-supplied capital investment funding, and in the respect that the enterprise staff and workers

were cushioned through the provision of a social security infrastructure which served to meet most of the basic requirements of ordinary family life.^[2]

It was through the system of government and political administration that the industrial SOEs were rendered subject to the system of political command economic direction, as this was adopted in the PRC in the years following its founding in 1949 as the basis for the organization of industrial production. Hence the development of the political command economic system in the PRC, as it related to the state industrial sector, was intimately bound up with the establishing of the basic institutional structure of the state, as this concerned the foundational organs of government and political administration. The institutional structure of the state in the PRC was effectively established in 1954 with the promulgation of the State Constitution, and this institutional structure of government and political administration persists to this day, as is underlined by the restatement of the terms of the 1954 State Constitution in the current State Constitution whose promulgation came in 1982.^[3] Central among the institutions of government and political administration referred to in the State Constitution were the office of State President and the National People's Congress as the supreme legislative power in the PRC. Also central was the State Council of the PRC. This body was defined as the supreme organ of state administration, and, as such, it superseded the Government Administrative Council which had exercised executive powers in the PRC prior to 1954. The State Council was, and remains, an administrative rather than legislative organ of government. However, the State Council has al-

ways exercised law-making powers in relation to its administrative functions within the framework set by the state legislation enacted through the National People's Congress. So, for example, the rules and regulations possessing legal effect that the State Council issues have been crucial in the development of the state industrial sector, and not least with respect to the internal organizational structure set for the management of the industrial SOEs which forms the subject-matter of this paper.^[4]

The State Council comprises a complex political-administrative structure, with this being based in the Ministries and Commissions which form its constituent departmental administrative organs. In the years following its establishment in 1954, the State Council structure came to comprehend departmental administrative organs exercising responsibility for the strategic industrial sectors, such as machine-building, iron and steel and textiles, as well as departmental administrative organs that discharged responsibilities relating to the overall direction of the economic order, such as the State Planning Commission, the State Economic Commission, the Ministry of Finance, the Ministry of Labour and the People's Bank of China. The departmental administrative organs of the State Council, as referred to here, formed the institutional framework at the level of central state government for the exercise of the powers of political command economic direction with respect to the means of industrial production, and especially so with respect to ownership control and centralized economic planning. Thus it was the departmental administrative organs of the State Council that bore ownership rights in the industrial SOEs. Likewise, the departmental administrative

organs of the State Council played the critical role of determining the plans relating to production and capital investment strategies for the industrial SOEs and dictating these to the enterprise management officials, to the end that the industrial SOEs should fulfil the state-stipulated production targets set within the framework of the national economic plans.

The State Council political-administrative structure provided for a centralized system of political command economic direction of the means of industrial production. In the event, however, the State Council, in the era of political command economics, was always pitted against the local levels of government in the exercise of political command directional control of the industrial SOEs. The tensions regarding political command jurisdiction over the industrial SOEs, as between the central and local levels of government and political administration in the PRC, were compounded by the overlapping in jurisdiction, functions and powers as between governmental institutions at the central and local levels and the institutional agencies of the CPC which operated at the different levels of state and society. Here, it is crucial to understand that the institutional agencies of the CPC have always functioned as political-administrative agencies, and that the CPC has always been the partner of the governmental institutions pertaining to the state, as witness the common usage where the political-administrative authorities in the PRC are referred to as Party-State authorities and the ruling leadership elites are referred to as the Party-State leadership. The political-administrative functions and powers of the CPC are well underlined in the control functions and powers that

the CPC discharged within the internal organizational structure of the industrial SOEs during the pre-reform period. Thus it was that from the earliest years of the system of political command economic direction, the industrial SOEs, in their internal organization, were made subject to the supervision of the local-level CPC committees established within them, with the CPC committee secretaries present in the enterprises being particularly active in the direction of the system of enterprise workers' congresses. In consequence of this, the role of the workers' congresses had less to do with the conventional trade union functions of representing the interests of workers, than it had to do with disseminating CPC propaganda and mobilizing grass-roots support for the policies of the Party-State leadership.^[5]

The discussion of the internal organizational structure for the management of the industrial SOEs that I provide in this paper is taken up with the changes that took place to the structure of enterprise management organization from 1949, and through to the first years of the post-1978 reform era. In specific terms, I describe the shifts that occurred in the period under review in the authority relations holding as between what were then the three main elements of the internal management organizational structure of the industrial SOEs: the enterprise management officials, the secretaries of the CPC committees established in the industrial SOEs, and the enterprise workers and the trade union bodies and workers' congresses as the representative organs of the workers. At all times, the transformations that were effected in the internal organizational structure of the industrial SOEs, as described in the paper,

closely tracked the successive phases in the development of the institutions of government and political administration in the PRC, as these different phases concerned the changing power balance as between the central level of state government, the local government authorities and the CPC and its institutional agencies.

In the first section of the paper, I describe the origins of the state-owned industrial sector in the PRC between 1949 and 1953. Here, I touch briefly on the economic assistance programme provided to the PRC by the Soviet Union in the early 1950s, and on the importance of Soviet aid in the development of the state industrial sector in the PRC, and, hence, in the establishing of the industrial SOEs. In the second section of the paper, I examine the period from 1953 to 1956, when there took place a consolidation of the political command economic system in the PRC. The form of political command economic system that was adopted in the PRC at this time was that of the Soviet form of political command economic direction, where there existed a highly centralized organizational control structure for industrial production planning, and for industrial enterprise management, as exercised through the institutions of state government and political administration. Here, I emphasize the system of industrial management established for the industrial SOEs in the period of Soviet-style political command economics. This was the system of factory director responsibility based in the organizational principles of what was known as one-man management. I also discuss the system of job-assignment under the political command economic system, which was based in the centralized direction of workers in the state industrial sector, and the central-

ized system of state-stipulated differentiated wage and bonus rates for the state-sector industrial workers. In addition, some consideration is given to the establishing of a welfare and social security infrastructure for the industrial SOEs, and to the part played by the trade union organizations acting for the industrial workers in the development of the welfare and social security system in the state industrial sector.

In the third section of the paper, I review the developments in the internal organizational structure for the management of the industrial SOEs from 1956 to the start of the reform era in 1978. This was the period that encompassed the disastrous programme of forced rapid industrial production known as the Great Leap Forward, and the era of social and political turmoil that was the Cultural Revolution. The period of the Great Leap Forward and the Cultural Revolution was one where, under the leadership of Mao Zedong, there was mounted a sustained attack on the project for the centralization of decision-making powers in the institutions of state government and political administration, and where, in accordance with Maoist doctrines, there took place a general decentralization in political decision-making powers, save for an abortive attempt to restore central-level governmental powers in the early 1960s. The assault on centralization in government and political administration extended also to centralization in economic organization, with Mao Zedong opposing himself vigorously from 1956 onwards to the Soviet form of political command economic system as it had been established in the PRC in the early 1950s.

In respect of the industrial SOEs and their internal manage-

ment organizational structure, the period from 1956 to 1978, as I describe it, was the period when the one-man management form of factory director responsibility system was set aside in favour of a management structure based in the leadership of the CPC committee secretaries. This was to contribute to the economic catastrophe of the Great Leap Forward, when CPC officials usurped management responsibilities. It was also to lead to the industrial anarchy of the Cultural Revolution, when even the regular CPC officials were displaced by revolutionary committee organizations in the industrial SOEs which were dedicated to mobilizing the industrial workers in opposition to the allegedly counter-revolutionary practices of managerialist elitism, wage-bonus differentialism and centralized state-governmental command organization.

The fourth and final section of the paper contains a discussion of the reform of the internal management organizational structure of the industrial SOEs in the period from 1978 to 1986, when there were issued through the State Council certain key regulations relating to the position of the management officials, the CPC committee officials and the workers' representative bodies within the internal organization of the industrial SOEs. As I describe it, the period from 1978 to 1986 saw the Party-State leadership acting to restore the internal organizational structure of the industrial SOEs following the collapse in industrial management of the years of the Cultural Revolution. However, it also saw the Party-State leadership re-establishing the internal management organizational structure of the industrial SOEs, but only in the context of the implementation of the general reform-era policy of decentralizing economic decision-

making powers from the state to the industrial SOEs which marked the abandonment by the Party-State leadership of the system of political command direction of industrial production.

The principal result of this, as I explain, was the establishing through the 1986 State Council regulations of an internal management organizational structure for the industrial SOEs that was, in principle, to be based in a clear differentiation in role, functions and powers as between the management officials, the CPC committee secretaries and the representative bodies of the industrial workers. In the event, the application of role and function differentiation to the internal organization of the industrial SOEs served to underline the economic decision-making authority of the enterprise managers in respect of the CPC officials and the workers' representatives. The effective reassertion of the principles of the factory director responsibility system in the 1986 State Council regulations was to be fully confirmed in the landmark statute in state industrial sector reform in the PRC, for which the 1986 regulations were by way of a preparation: the Enterprise Law of the PRC of 1988.^[6] In the wider context, as I conclude, the reforms made to the internal management organizational structure of the industrial SOEs in the period leading up to the 1988 Enterprise Law went a substantial way towards laying the foundations for the incorporation of the industrial SOEs, as in accordance with the landmark statute which gave determinate legal form to the principles governing the emerging corporation system in the PRC: the Corporation Law of the PRC, as promulgated in December 1993.^[7]

i. 1949-1953: the Origins of the Industrial State-Owned Enterprises

The origins of what were to become the industrial SOEs in the PRC go back to April 1949, and the issuing in that month of the historic Proclamation of the Chinese People's Liberation Army. In the Proclamation, an explicit appeal was made to the personnel and workers who were currently employed in the principal industrial enterprises, or, as these were referred to, the bureaucratic capital enterprises. According to this, the industrial personnel and workers in the bureaucratic capital enterprises were required to continue with usual work practices, and to maintain the capital, machinery, technical designs, accounts and files of the enterprises, until the projected People's Government would be in a position to place the enterprises under its direct control. It was also laid down in the Proclamation that the industrial management officials were to have direct responsibility for the protection of all industrial capital and assets pertaining to the enterprises. This represented a substantial proportion of the national wealth. For in the estimates of the CPC, the bureaucratic capital at the time of the April 1949 Proclamation constituted about 60 percent of all industrial capital in China, with the mining, transportation and communications sectors receiving about 80 percent of the fixed capital investment.^[8]

Following the founding of the PRC by the CPC in October 1949, the military control committees of the CPC moved quickly to bring the bureaucratic capital enterprises under their direction. Thus it was that by 1950 the military control committees had taken over about 2,800 industrial enterprises and about 2,400 financial enter-

prises, with the enterprises being subjected to rapid restructuring to facilitate their inclusion as part of a specifically state-owned economic sphere. However, the general economic situation in the newly established PRC remained parlous. For many leading industrialists and entrepreneurs had fled China at the time of the victory of the CPC, and the collapse in the various industrial sectors that this occasioned resulted in unemployment for many industrial workers in what were conditions of a spiralling hyper-inflation which reached as high as 500 percent. The economic crisis that came in the first six or so months of the PRC was grave, and it has been estimated that, by May 1950, most of the large cities had each some 380,000 to 400,000 or more unemployed workers who had been laid off work following factory closures.^[9]

In the circumstances of mid-1950, the deteriorating economic conditions posed a significant threat to the survival of the PRC, and to the maintenance of CPC control. As a response to this, Mao Zedong took the opportunity of the 3rd Plenary Session of the National Congress of the CPC of June 1950 to deliver a speech where he called on the Party-State leadership to provide immediate assistance for the newly jobless workers, and to implement measures to tackle the problem of unemployment in the major cities.^[10] Following the lead of Mao Zedong, the Party-State leadership adopted a range of policy initiatives directed at restoring economic confidence, here moving to bring all financial capital under its control so as to halt the run on the banks and to contain the inflationary pressures. At the same time, the Party-State leadership appealed to the urban workers, particularly those in the large cities, to continue working

and to support the new CPC regime. To bolster this appeal, liberal trade union legislation was enacted, which ensured better job security for the urban industrial workers. Also, there was the crucial measure taken by the Government Administrative Council on 17 June 1950, which consisted in a directive providing that the state government would guarantee all workers adequate employment.^[11] As a further important confidence-enhancing measure, the Party-State leadership gave the assurance that it had no plans to disrupt industrial production through the forcible expropriation of the industrial enterprises. Through its bold initiatives dating from June 1950, the Party-State leadership was able to begin to build broad popular support for a comprehensive industrial policy that it presented as being aimed not at the plundering of bureaucratic capital, but aimed rather at the gradual subordination of the industrial sector to rights of state ownership. In this way, the foundations were laid in the PRC for what was to become the system of the industrial SOEs.^[12]

By 1952, the Party-State leadership had succeeded in stabilizing the economic conditions in the PRC, and in bringing the greater part of the economic sphere under the control and direction of the CPC and the state-governmental institutions, and principally so as in the form of industrial SOEs. However, it was generally accepted among the Party-State leadership that the industrial base of the PRC remained very weak. For the traditional industrial centres in the North-East and in the coastal cities, such as Shanghai and Tianjin, had been hard hit during the civil war, and their factory plant and equipment stood in urgent need of capital investment and

technological upgrading. To remedy the situation, the Party-State leadership acted within the framework of the Sino-Soviet Friendship Treaty of February 1950, in order to negotiate technology transfer agreements with the Soviet Union. The technology transfer agreements were concluded, primarily, so as to facilitate the implementation of the policy of rapid industrialization that was projected for the First Five Year Plan which the Party-State leadership went on to discuss and begin preparing in 1953. In the event, the Soviets undertook to build 156 large-scale industrial enterprise complexes on the turn-key basis. It was agreed not only that the Soviets should provide loans and industrial technology, but also that they should give concrete assistance in such areas as the prospecting for natural resources, the selection of factory sites, the completion of technical designs, the supply of machinery and equipment, the construction and installation of plant, personnel training, and the trial and operationalization of the new factories. In terms of human resources and expertise, the Soviets dispatched some 3,000 technicians to the PRC, while the authorities in the PRC sent over some 7,000 students and 5,000 trainees to the Soviet Union in order to learn Russian and to study Soviet technology.¹³¹

Between 1955 and 1959, all the projected 156 industrial enterprises (including an additional 143 ancillary enterprises) were established in the PRC through Soviet assistance. As it turned out, the Soviets supplied about 50 percent to 79 percent of the equipment for the enterprises. This absorbed about one half of all the state-supplied industrial investment for the period of the First Five Year Plan, as this was formally adopted at the 2nd session of the 1st

National People's Congress in July 1955.^[14] The industrial enterprise establishments that were built with Soviet assistance were the foundational large-scale industrial SOEs, and these included the leading iron and steel enterprises, the non-ferrous metallurgical enterprises, the coal mining enterprises, oil refineries, chemical plants, power stations, and the factories designated for the production of heavy machinery, precision instruments, automobiles, aeroplanes and tractors. In addition, the three major iron and steel complexes in Anshan, Wuhan and Baotou were all established with equipment supplied by the Soviet Union.^[15] However, it should be understood that in spite of the large contribution that the Party-State leadership in the PRC was willing for the Soviet Union to make to the rapid industrialization programme in the 1950s, the Party-State leadership was even at that time beginning to encourage greater self-reliance for the PRC (as if in anticipation of the collapse in relations between the PRC and the Soviet Union that was to take place in the 1960s). Thus while the Party-State leadership of the mid-1950s imported Soviet technical expertise for the developing of the large-scale industrial sector, it simultaneously called on the already established industrial enterprises to depend more on indigenous expertise and technology in the building of new factories and the enlarging of the existing industrial base.^[16]

In addition to the importing of industrial technology and expertise from the Soviet Union, the Chinese in the early 1950s also studied closely the Soviet system of government and political administration as this involved the centralized political command system of economic planning and organization. The crucial element of

the political command economic system in the PRC that was taken from Soviet practice was the so-called one-man management system. This was the system where decision-making powers in the factories and enterprises were concentrated in the office of the factory manager or factory director, and with the managers and directors being subject to the direct bureaucratic control of the relevant departmental administrative organs of the state government. The one-man management system, as centred in the person of the factory manager or factory director, was adopted in the PRC as the basis for the political-administrative control of the means of industrial production, and especially so in the heavy industrial sector. In this way, it was ensured that, as the modernization of industrial production began to place in the early 1950s, the large-scale, strategic industrial SOEs that were then being established in the PRC would remain firmly within the political-administrative system and, there, remain subordinate to the central state-governmental administrative departments which directed, or commanded, their operation and functioning.

ii. 1953-1956: the Consolidation of the Political Command Economic System

The adoption in the PRC in the early 1950s of the form of centralized political command economic structure that had been established in the Soviet Union very much went together with the establishing of the modern political-administrative system of the PRC. The central state-governmental command control structure for the industrial sector in the economic sphere was effectively established

by 1953, and thus one year before the formal establishing of the institutional structure of the system of government and political administration in the PRC which came with the promulgation of the State Constitution in 1954. Even so, it should be emphasized that the political-administrative institutions pertaining to the political command direction of the industrial SOEs actually pre-dated the promulgation of the State Constitution. Thus one of the first departmental administrative organs relating to the centralized state-governmental direction of the economic sphere, and indeed one of the first government departments founded in the PRC as such, was the Ministry of Labour under the Government Administrative Council, which was formally established in 1949. The Ministry of Labour included under it several sub-departments, which were concerned with different matters to do with the industrial workers, such as occupational health and safety matters.

The Government Administrative Council instructed the regional-level government authorities in the PRC to give attention to the problems of industrial workers, with the result that by 1950 all regional-level government authorities had established their own labour departments. In addition, most of the Ministries under the Government Administrative Council with responsibilities for the heavy industrial sector established internal departments concerned with labour management, and with health and safety at work. Thus departments of this type were established, for example, in the Ministry of Heavy Industry and in the No. 1 and No. 2 Ministries for Machine Building. At the same time, the All China Federation of Trade Unions, which was established in June 1950, called on the

trade unions to establish labour protection departments at all the different levels of their organization. As a result, the internal trade union organizations that were formed in the industrial SOEs at once set up labour protection commissions, in order to monitor and improve the as then low standards of occupational health and safety for the industrial workers.¹¹⁷⁾

The system of political command control exercised by the central state-governmental administrative departments over the industrial SOEs determined the internal management organization of the industrial SOEs in the 1950s. The departmental administrative organs of the state government maintained centralized control over the industrial SOEs, since it was these organs that appointed the factory managers and factory directors who exercised responsibility for the industrial SOEs in accordance with the principles of the one-man management system. The centralized control of the management of the industrial SOEs went together with the centralized departmental administrative control exercised by the state government as regards the deployment of the industrial workforce, through the system of worker job-assignment. Under this system, individuals were formally assigned by the state to the various work units, and were allowed virtually no mobility as between the different work units. While the worker job-assignment system gave no recognition to the principle of freedom of labour, few workers complained when they were assigned to the industrial SOEs. For the industrial SOEs received the bulk of the state-supplied capital investment, and so were able to provide their employees with the best work conditions.

In the early 1950s, the administration of the centralized system of worker job-assignment was the responsibility of the Personnel Bureau of the CPC and the Ministry of Labour under the General Administrative Council. These two bodies, through the exercise of their job-assignment powers, played a vital role in establishing the foundations of industrial production in the PRC, principally through their success in overcoming the problem of the acute shortages in technical personnel for the industrial SOEs. In 1953, it was estimated by the Party-State leadership that there were no more than about 3 million industrial workers employed in the manufacturing sectors, and that of these there were only about 300,000 with the technical training and qualifications essential for them to serve as administrative-managerial staff. The Personnel Bureau of the CPC and the Ministry of Labour were empowered to recruit technical personnel and to determine their work assignments, and, in the circumstances of shortages among the technical personnel, the two administrative bodies used their job-assignment powers to ensure the most efficient selective deployment of the available technical staff. Thus the Personnel Bureau of the CPC and the Ministry of Labour acted to assign almost all the technicians to the already established industrial centres of North-East China and the coastal cities, in order for them to take part in the modernization of the existing industrial enterprises. This application of the job-assignment system was critical, and it underlines how the job-assignment system stood as one of the main contributing factors in the development of the heavy industrial sector in the PRC in the 1950s.

As was the case with the worker job-assignment system, the

system of one-man management that became established in the industrial SOEs was an important factor in the development of the heavy industrial sector in the PRC in the 1950s, in accordance with the political command control structure as based in the central state-governmental administrative departments. It was a notable feature of the one-man management system, as practised in the 1950s, that the selection and appointment of factory managers and factory directors by the central state-governmental authorities were determined on the basis of the technical skill, experience and educational qualifications of the personnel, rather than on the basis of their political affiliations. Indeed, it was not even required that the enterprise management officials should have membership of the CPC. The procedures for management-level appointments in the heavy industrial sector were, therefore, highly meritocratic. The merit-based policy for management appointments was due primarily to the dearth of technicians, and technically trained workers, with the ability to apply proper technical expertise to the business of the management of the large-scale industrial SOEs which were in the forefront of the drive for industrial modernization. Certainly, the Party-State leadership emphasized the importance of political education for the non-Party workers and employees in the industrial SOEs. However, the Party-State leadership also called on the workers and employees with CPC membership to learn from the non-Party technical personnel, and to co-operate with them in the event that they were appointed to leadership positions as factory managers or factory directors. The meritocratic ethos established for the management officials of the industrial SOEs would later be chal-

lenged by Mao Zedong, but its presence in the early to middle 1950s was critical in founding the state-owned industrial sector in the PRC.^[18]

A further, and related, feature of the internal management organizational structure of the industrial SOEs during the 1950s was the presence of a clear role differentiation as between the three categories of officials who, as I have explained, were given standing and recognition within the overall enterprise management organization. Thus there was a distinct differentiation in roles as between the secretaries acting for the CPC committees that were established in the industrial SOEs, the representatives of the industrial workers' congresses and trade union organizations, and the managers or directors of the industrial SOEs in whose office were concentrated the administrative and operational powers relating to the enterprises in accordance with the system of one-man management.

There was considerable virtue in the managers and directors of the industrial SOEs holding a position that was distinct from that of the CPC officials, and from that of the representatives of the industrial workers. For the political command organizational control structure for the industrial SOEs in the PRC was such that the enterprise managers and directors, in common with their Soviet counterparts, were required to be highly authoritarian in the execution of the industrial production plans that were handed down to them by the responsible central state-governmental administrative departments. Indeed, for the purposes of the fulfilment of the state-stipulated industrial production plans, the enterprise managers and directors were delegated full powers to distribute the specific tasks

relating to the industrial plans to workshop or section heads more or less in accordance with their own will. Of course, it is true that under the terms of the existing trade union legislation, there was established a workers' participation system, where it was required that the production plans prescribed for the industrial SOEs were to be discussed with the workers and their representatives. Despite this, however, the managers and directors of the industrial SOEs still had final power and authority to settle all operational matters relating to the execution of the industrial production plans, and so, for this reason, it was essential for the efficient management of the industrial SOEs that the role and functions of the managers and directors should be differentiated from those of the workers and the representatives of the workers.

The one-man management system as it was applied in the 1950s was such that, in addition to its conferring operational powers on the managers and directors in the industrial SOEs in relation to the industrial production plans, it also involved the enterprise managers and directors coming to exercise a decision-making role in the recruitment of industrial workers. Thus the enterprise managers and directors were authorized to make recommendations to the relevant responsible state-governmental administrative departments, with respect to the categories of workers that they required the Ministry of Labour to have assigned to them. Even so, this conceded right of recommendation did not qualify the absolute control powers exercised by the Ministry of Labour as regards the general recruitment and assignment of the industrial workers, and even less the absolute control powers held by the Personnel Bureau of

the CPC as regards senior-level appointments.

The job-assignment system was to develop in the PRC in the early 1950s such that the centralized state-governmental authority over labour assignments, and the element of compulsion essential to the system, became more or less exclusive to deployments in the state-owned industrial and public service sectors. In August 1951, the Ministry of Labour issued instructions to the effect that labour departments at all levels of political administration in the PRC were required to strengthen their control of manpower deployments. These instructions were combined with the introduction of strict regulations prohibiting the movement of workers as between the different work units in the various sectors of employment. The problem that resulted from this regime of centralized labour deployment was that the central state-governmental direction of labour became unmanageable, since the system did not discriminate as between the different categories of work unit and the different employment sectors. In consequence, all persons seeking work came to look to the state, and to the state-governmental authorities, to provide employment.

To resolve this problem, the Central Committee of the CPC in 1953 adopted the advice of the CPC Commission for Labour and Employment, the Ministry of Labour and the Ministry of the Interior, and directed that from that time forward the Ministry of Labour, and the subordinate labour departments, were to maintain the centralized system of job-assignment only in respect of manpower deployments in the industrial SOEs and in the industrial factories. As for worker recruitments in other employment sectors,

this was to take place on the basis of freedom of labour. Subsequently in 1955, the Central Committee of the CPC, in its Summary Report Concerning the Second Provincial and City Planning Meeting, directed that from then on all government departments, at the different levels of political administration, were required to conform with the principle of centralized control of labour, and to recruit workers only in accordance with the labour plans that were incorporated within the framework of the national economic plans. Thus it was that through the Ministry of Labour all employment in the industrial SOEs, and in the government service, was brought under the direction of the central state-governmental authorities, as these acted in accordance with the principles of the political command form of economic organization.^[19]

The year 1953 witnessed not only the centralization of the job-assignment system, but also the centralization of the government-controlled system for wages and bonuses in the industrial SOEs. In the early 1950s, there was no centralized state-governmental control of wages, and the different regional-level government authorities enjoyed considerable freedom in establishing work-performance-related schemes for bonus payments. This situation changed in 1953, when the Party-State leadership acted to establish a centralized wage system for the industrial SOEs that was based in state-stipulated wage grades and graduated pay-scale differentials. At the same time, the Party-State leadership acted to consolidate the bonus and reward schemes operating in the regions and localities within the framework of central state-governmental control. The various types of bonus that the central state-governmental authori-

ties stipulated were distributed among the workers and employees in the industrial SOEs in relation to work performance, as this was assessed by the enterprise managers and directors acting through the one-man management system. In this way, the centralized state-directed bonus system, allowing as it did for the discretion of enterprise managers and directors, came to constitute the main incentive structure for the industrial workers. As the Party-State leadership began to promote the virtues of economic self-reliance in the PRC, the centralized state-directed bonus system became expanded, with generous bonuses and rewards being offered to the management officials, technical staff and workers in the industrial SOEs, in order to encourage them to work competitively to make improvements in industrial production technology.^[20] Thus it was that the central state-directed bonus system became closely bound up with the general policy of the Party-State leadership to promote technological development in industrial production.^[21]

By 1953, then, the industrial SOEs had been made subject to the system of political command control, as maintained by the central state-governmental authorities, with regard to the internal management organizational structure, the direction of industrial staff and workers, and the determination of wage and bonus differentials. In the event, this central state-governmental control structure for the industrial SOEs was supported by the control structure for the state-owned industrial sector that was specific to the CPC organization. Here, the secretaries of the CPC committees established in the industrial SOEs were crucial. When the system of political command economic direction was established in the PRC in

the early to middle 1950s, the role and functions of the CPC secretaries were quite clearly differentiated from those belonging to the industrial management officials proper. In the main, the secretaries for the CPC committees had responsibilities for the supervision of relations among the enterprise employees, and for the implementation of CPC policies within the enterprises. Nevertheless, the CPC secretaries had no specific responsibilities for the administration and technical operation of the industrial SOEs, and hence no formal responsibilities for the enterprise production functions. These were responsibilities that fell to the enterprise managers and directors, in accordance with the one-man management system. In consequence, the CPC secretaries were restricted to checking for abuses of power by enterprise management, to co-ordinating management-worker relations, and to imparting general political education to the enterprise employees. However, it should be emphasized that if the CPC secretaries in the industrial SOEs were separated off in terms of role and function from the enterprise management, this was not entirely the case in respect of their standing relative to the industrial workers and the workers' representative bodies. For while the CPC secretaries were formally differentiated from the workers' trade union organizations established in the industrial SOEs in terms of role and functions, the CPC secretaries were still able to act through the trade union organizations and so bring the industrial workers under their control and direction.

The trade union organizations in the industrial SOEs were the permanent bodies of the workers' congresses, and, as such, these bodies played a crucial institutional role as the Party-State leader-

ship moved to entrench the political command economic control structure, through the establishing of the welfare and social security infrastructure which became bound up with the industrial SOEs. In the early 1950s, the factory work conditions in the industrial SOEs, in terms of occupational health and safety standards, fell far below the as then existing international norms. The Party-State leadership was anxious to ensure good conditions for the industrial workers, in order to secure the support of the workers for the Party-State control of the industrial SOEs, and so it resolved to address the question of health and safety at work. Here, the Party-State leadership relied on the trade union organizations in the industrial SOEs, and the CPC committees, to mobilize the workers to take part in health and safety campaigns, in order to force the industrial management officials to improve working conditions.

The result of this was that, by the middle 1950s, the Ministry of Labour and the subordinate labour departments, the State Council Ministries with responsibilities for industrial matters, the All China Federation of Trade Unions and the Ministry of Health were working in close co-operation with the enterprise-level trade union organizations in the area of occupational health and safety, and bringing out a large quantity of official standards and regulations relating to this.^[22] The elaboration of proper industrial health and safety standards was but one aspect of the welfare infrastructure that the Party-State leadership established for the industrial SOEs. For this welfare infrastructure extended to the provision of good quality housing and accommodation for the permanent industrial workers and their families, as well as to the provision of such social

and cultural amenities as theatres, sports grounds, communal baths and showers, canteens and dining rooms, communal kitchens, and reading rooms and libraries.^[23] Hence the industrial SOEs came to function not just as units of economic production, but also as welfare institutions for their employees, and, here, the trade union organizations functioned specifically to safeguard the welfare rights of the workers.^[24]

The trade union organizations in the industrial SOEs worked in concert with the enterprise CPC committees, so that by 1953, at the time of the centralization of state-governmental control over industrial production, the trade union organizations were effectively the ancillary bodies of the CPC committees. This state of affairs was actively promoted by the Party-State leadership in the mobilization of the industrial workers. For the Party-State leadership depended strongly on the CPC committees and trade union organizations in the industrial SOEs, in order to encourage the workers to participate fully in programmes for industrial enterprise development, and to supervise and monitor such worker participation. So, for example, one of the principal tasks assigned to the All China Federation of Trade Unions was to campaign for the fulfilment of the industrial production plans drawn up by the Party-State leadership, to which end the Federation would issue letters and directives so as to mobilize the industrial workers for the early completion of the state-stipulated plans for national economic development.^[25]

From the very start of the PRC, the trade unions in the industrial SOEs, while in principle autonomous mass organizations, were subordinate to the organizational control structure of the CPC.

This is apparent from the terms of the Trade Union Law that was promulgated in June 1950, and from the appointment at that time of Liu Shaoqi as the President of the All China Federation of Trade Unions. The organizational structure of the trade unions was hierarchic in form, and this made it possible for the CPC committees at the different levels of industrial organization to supervise the functionings of the trade unions. According to the terms of the 1950 Trade Union Law, all industrial SOEs, and private enterprises and factories, were directed to establish representative workers' congresses, with the trade union organizations acting as the permanent bodies of the workers' congresses. Through the control exercised by the CPC committees over the trade union organizations, the CPC was able to control the workers' congresses as such, and so in effect to ensure CPC control over the collective body of the industrial workers.^[26]

The requirement laid down in the 1950 Trade Union Law, to the effect that workers' congresses were to be established in the industrial SOEs, was intended to enhance the system of so-called democratic management, according to which the industrial workers were to be consulted by the enterprise management on all major issues. However, the effective operationalization of centralized political command economic direction of the industrial SOEs, as of 1953, meant that the workers' trade union organizations in fact tended to downplay the principles of democratic management. Instead, the workers' trade union organizations came down strongly in favour of the policy of the Party-State leadership of establishing the one-man form of industrial management, as this was based in the leadership

of the enterprise managers and directors and the rewarding of workers according to work performance.

It is true that the one-man management system adopted for the industrial SOEs in the early 1950s gave effect to the principle of democratic management, in the respect that it involved the trade union organizations, as the permanent representative bodies of the workers' congresses, and the CPC committees and their secretaries having consultations with management. Thus the trade union organizations of the workers and the CPC committees in the industrial SOEs were entitled to receive and discuss the work reports drawn up by management concerning the enterprise plans relating to production, finance, technology and wages, and concerning the disposal of enterprise welfare funds. So also were the trade unions, and CPC committees, entitled to recommend to higher authorities that the enterprise leadership personnel should be disciplined or dismissed, if this was necessary. In these respects, the trade unions did indeed have some measure of independence from the management personnel in the industrial SOEs. Nevertheless, the fact remains that under the one-man management system, the trade unions could only make recommendations, whereas real decision-making powers in relation to the operations and production functions of the industrial SOEs rested with the enterprise managers and directors, and that this concentration of powers in the office of the managers and directors was very much in line with the policy preferences of the Party-State leadership.

As an indication of the acceptance of the one-man management system by the workers' trade union organizations in the industrial

SOEs, it should be noted that, during the period when the system was in place, the trade unions worked closely with the central state-governmental administrative departments responsible for industrial matters, particularly the Ministry of Labour, and with the Personnel Bureau of the CPC in establishing norms and standards of work discipline for the industrial enterprise workers. Here, the trade union organizations in the industrial SOEs acted to co-ordinate their activities, and those of the workers, in accordance with the requirements of the state-governmental administrative departments which were responsible for the handing down of the industrial production plans to the enterprises for implementation. Thus the enterprise managers would consult with the workers' representatives in the trade unions, after receiving the industrial production plans from the administrative departments of the state government. After the consultation, however, it was left to the enterprise managers to distribute at their own discretion the various work-load assignments to the subordinate heads of the different work sections in the enterprises, and then to consult with the section heads in the evaluation of worker performance. This one-man management system for work discipline evaluation proved successful in bringing the trade union organizations into a close co-operative relationship with the industrial management, and with this resulting in a significant improvement in the performance of the workers in the industrial SOEs. Indeed, the system was such that, in keeping with the technocratic ethos of one-man industrial management, the trade union organizations in the industrial SOEs even began to acquire a certain limited independence from the enterprise CPC committee organizations.

The area of the life of the industrial SOEs where the trade union organizations were most strenuously involved in the 1950s was that of the welfare and social security infrastructure that the state-governmental authorities established for the industrial enterprises. The industrial SOEs were designated as government work units, and, in consequence of this, the welfare and social security benefits that were guaranteed to the industrial workers were very generous, as relative to the benefits for contract labourers and part-time workers. The social security system that was established for the workers in the industrial SOEs was comprehensive, and based in the principle of cradle-to-grave provision. This was so because the centralized job-assignment system provided that the unionized workers who were assigned to industrial SOEs were to hold their positions until their deaths, and hence on a fully permanent basis, and with an effective prohibition on their movement between work units and on resignations from the same. The problem, with this, was that since the terms and conditions for permanent worker employment in the industrial SOEs were so favourable and the central state government opposed job mobility and resignations from positions, the industrial SOEs had by 1956 become seriously over-staffed, and with about 90 percent of the workforce having permanent status and being in receipt of the full range of welfare and social security benefits. To make matters worse, the State Council in 1957 ratified proposals of the Ministry of Labour that there should be a total ban on resignations by workers and employees in the government departments, the government research institutes and the industrial SOEs.^[27]

While the total ban on resignations worked to consolidate the control of the central state-governmental authorities over the relatively scarce technical staff, it did at the same time lead to a significant increase in the overall numbers of permanent, and unionized, staff and workers in the industrial SOEs, and hence also to a significant increase in the burden on the state-maintained welfare and social security infrastructure. Indeed by 1957, the medium-sized industrial SOEs were each employing between 5,000 to 10,000 staff and workers, and the large-scale industrial SOEs between 150,000 to 250,000 staff and workers. As if in anticipation of the expansion in the numbers of workers permanently employed in the industrial SOEs that would follow from the 1957 ban on job resignations, the central state-governmental authorities had begun in 1956 to advocate a modified system for state industrial sector employment. Thus the Ministry of Labour proposed that the centralized state-governmental system of permanent job assignments, and the cradle-to-grave social security system that went with it, should be reserved for only the technical staff and skilled workers in the industrial SOEs. For the unskilled and ordinary workers, there were to be two alternative employment schemes. One was to be the contract labour system, where the workers were to sign limited contracts and to receive only some of the social security benefits accorded to the permanent workers. The other form of employment was to be for the temporary workers. These were to be paid for piece work, in conformity with the fixed part-time pay rates, and to receive no benefits other than their basic piece work wages.¹²⁸¹ In accordance with the terms of this reformed employment scheme, the State

Council issued regulations for the reform of the system of wages, which effectively strengthened the principle of wage differentials.¹²⁹¹

The principle of selectivity proposed by the Ministry of Labour in respect of the provision of social security benefits for the permanent, and unionized, technical staff and skilled workers in the industrial SOEs exposed serious political flaws in the organization of the state sector in industrial production. For when the new employment system was put into practice, it provoked widespread discontent among the ordinary and unskilled industrial workers who found themselves in the category of contract workers. The contract workers, and part-time workers, were denied permanent status and proper social security benefits, and were left more or less unprotected by trade union organizations. In consequence, these workers began to criticize the industrial management officials and the CPC committee officials in the industrial enterprises for elitism and authoritarianism. In doing so, the disaffected industrial workers helped initiate the movement for the politics of mass participation that Mao Zedong was to put himself at the head of, and that was to result in the undermining of the internal organizational structure of the industrial SOEs, which took place in the era of the Great Leap Forward and the era of the Cultural Revolution.

iii. 1956-1978: the CPC Committee Leadership System, and the Internal Organizational Structure of the Industrial SOEs during the Great Leap Forward and the Cultural Revolution

The centralized political command control structure for the indus-

trial SOEs in the PRC, as this was consolidated between 1953 and 1956, proved to be largely a success in terms of economic performance, and to point towards a favourable future for national industrial production. The centralized system for job assignments and for wages and bonuses operated effectively, and this accorded well with the overall system of centralized industrial production planning as based in the departmental administrative organs of the State Council. The success of centralized planning in industrial production was very much bound up with the internal organizational structure of the industrial SOEs, and crucial, here, was the one-man management system that the Party-State leadership established as the foundational element in the system of political command economic direction. The concentration of decision-making powers in the office of the managers and directors of the industrial SOEs, as this was essential to the one-man management system, provided an institutional context for the effective co-ordination of the efforts of the industrial workers through their trade union representatives, and so provided the basis for the effective implementation of the central state government-stipulated industrial production plans at the level of the enterprises. At the same time, the one-man management system served to ensure that decision-making powers in the industrial SOEs would be exercised by management officials who possessed a high level of technical training and expertise, and who, on account of this, enjoyed proper differentiation in role, functions and powers from the trade union representatives of the workers, and from the CPC committee secretaries, within the internal organizational structure of the industrial SOEs. Given this,

It would appear that the industrial SOEs in the PRC, as of 1956, were set fair to make large advances in industrial development and modernization, and in accordance with the ruling technocratic-managerialist ethos favoured by the Party-State leadership.

In the event, the centralized political command control structure for the industrial SOEs, as of the mid-1950s, proved to be unstable and vulnerable. In part, this was due to deficiencies in the system of government and political administration. It was so also for reasons that were to do with the internal management organization of the industrial SOEs as this had evolved by 1956, and here, more particularly, for reasons to do with the specifically political dimension of this internal organizational structure. The basic problem was that the technocratic-managerialist ethos encouraged by the Party-State leadership for the management officials of the industrial SOEs was, in some respects, at odds with the strict egalitarianism implicit in the socialist ideology espoused by the CPC. At any rate, the ethos of technocratic-managerialism, and the differentiation of the management officials from the CPC officials and the industrial enterprise workers, prompted the accusations of authoritarianism, bureaucratism and elitism that came to be levelled against the management officials in the industrial SOEs, and that served to express the sense of the general social and political divisiveness of the prevailing enterprise management system which came to be formed among significant groups within state and society.

The divisiveness that came to be associated with the industrial enterprise management system, as of the mid-1950s, was under-

lined by the inequalities opened up in society through the differentiated wage and bonus system that the Party-State leadership established for the staff and workers in the industrial SOEs. A further, and even more crucial, factor making for social divisions was to do with the privileges accruing to the industrial SOEs through the welfare and social security infrastructure established for them. This infrastructure served to create entrenched interests among the permanent industrial workers, and among their representative trade union organizations. In the circumstances of the mid-1950s, the entrenching of the welfare rights of the permanent industrial workers served to divide off the industrial workers from other categories of workers. Moreover, this, in potential at least, served to create conditions where the workers and their trade union representatives would oppose management in the event that opposition was essential for the defence of their welfare and social security privileges. With all of this, there was much scope for the undermining of the internal management organization of the industrial SOEs. In all probability, the industrial SOEs in the PRC would have overcome the problems bound up with the politics of their internal organizational structure had the consensus in favour of centralized political command direction of industrial production proved enduring. However, this was not to be the case, and the internal organizational structure of the industrial SOEs soon came to be transformed in favour of CPC control, and this in the name of the ideological doctrines espoused by Mao Zedong.

As I have explained, the centralized political command economic system that the Party-State leadership established in the

PRC in the early 1950s was modelled on the system adopted in the Soviet Union. The deterioration in Sino-Soviet relations that occurred in 1956 provided Mao Zedong, and his supporters, with the opportunity to criticize what they saw as an excessive adherence to Soviet-style economics and political administration. The one-man management system, as practised in the industrial SOEs, was picked out for special criticism, and it was condemned for being bureaucratic and authoritarian, for being unsuited to the particular social and political conditions of the PRC, and for being the cause of the alienation of the CPC from the masses and the workers.

At the 8th National Congress of the CPC in September 1956, it was announced that the one-man management system was to be abandoned, and to be replaced with an industrial management system that was referred to as the management system with the party committee at its core. In his Political Work Report to the Congress, Liu Shaoqi advocated the establishing of a factory directory responsibility system, where ultimate leadership in the enterprises was to be vested not in managers and directors, but in the CPC committees, which were to act to subordinate the managers and directors to their own control. Thus the CPC was to play the central role in industrial management, and, to promote this, Liu Shaoqi called on the CPC committee organizations in the industrial SOEs to work to establish an internal management organizational structure for the enterprises which would be based in the direct involvement of the workers, and in the active participation of the masses. At the time of the 8th National Congress of the CPC, the moment was impending for the decentralization of decision-making powers from the cen-

tral to the local levels of government and political administration which was to take place in the late 1950s. Very much in line with this coming trend towards political decentralization, Liu Shaoqi called for the central state-governmental administrative departments with responsibilities for economic and industrial affairs to relax their political-administrative hold on the industrial SOEs, to the end that operational powers should be decentralized to the industrial enterprise management as this was to be based in the leadership of the CPC committees. So it was that, in 1956, the national priorities of increased industrial production and rapid economic growth were seen as requiring political-administrative decentralization, and the adoption within the industrial SOEs of a factory director responsibility system based in the participation of the masses and the workers, and in the control of the enterprise management officials through the institution of the CPC committees.^[30]

In accordance with the terms of the industrial management proposals set out at the 8th National Congress of the CPC, there took place the curtailment of the operational powers of the managers and directors in the industrial SOEs and their subordination to the supervisory control of the CPC committee secretaries. The downgrading of the enterprise management elites went together with the decentralization of certain of the state-governmental decision-making powers which had been integral to the political command control structure for industrial production. So, for example, the central state-governmental administrative departments with responsibilities for industrial matters were stripped of their powers with respect to the determination of the industrial produc-

tion plans for the industrial SOEs. At the same time, the Ministry of Labour was stripped of its powers regarding centralized job assignments within the framework of the national industrial planning system. Thus in July 1956, the job-assignment powers were decentralized to the local government authorities. This took place at precisely the time when the Party-State leadership was exploring ways and means of cutting enterprise costs through reducing manpower levels, and through curbing spending on the social security benefits which were provided by the industrial SOEs for the permanent workers. In the event, the decentralization of the job-assignment system ran entirely against the objective of cost-cutting in the state industrial sector, since it resulted in the blind mass recruitment of workers for the industrial SOEs from the rural areas at the direction of the local governments.

There were some members of the Party-State leadership who, following the 8th National Congress of the CPC, continued to advocate the one-man management system for the industrial SOEs, and to insist that the efficient management of the industrial SOEs demanded the appointment of management officials with technical expertise and experience in industrial administration. However, this opposition to the new industrial policy had little effect, given that, as events unfolded, all forms of the division of labour based in technical and educational criteria came to be denounced as elitist and formalist with the initiation in 1958 of the policy of the Great Leap Forward.

For the industrial SOEs, the Great Leap Forward was a disaster, just as it was for all aspects of state and society in the PRC.

When the Great Leap Forward was initiated, the local government authorities were instructed to develop self-sufficient industrial systems in their own localities, and so, to further this, the industrial SOEs were placed under the direct control of the local government authorities in whose jurisdictional areas they were situated. This resulted in an increase in the levels of over-manning in the industrial SOEs, particularly so in the large-sized industrial SOEs. It resulted also in the marked decline in agricultural production relative to industrial production that so characterized the Great Leap Forward, as local governments began to recruit unskilled workers from the rural areas for the industrial enterprises. The outcome of this was famine in the countryside, coupled with dramatic increases in the levels of local government spending on wages and welfare benefits for the industrial workers.^[31]

The internal organizational structure of the industrial SOEs that had been developed during the early to middle years of the 1950s was effectively destroyed with the Great Leap Forward. The one-man management system, based in the office of the managers and directors, was abandoned, and all management leadership in the industrial SOEs was made subject to the control of the CPC committee secretaries. At the same time, the system of structured wage differentials and work performance-related bonuses for the industrial workers was ended, as was the parallel system for calculating the pensions, and other welfare and social security benefits, of the permanent industrial workers. The guiding principle of these changes to the internal organizational structure of the industrial SOEs was provided by the ideology of anti-elitism, anti-

authoritarianism and anti-technocratic-managerialism propagated by Mao Zedong. The outcome of the changes was not only an internal organizational structure for the industrial SOEs that was based in the power of the CPC committee secretaries. More strongly, there was established a radical politicization of the industrial SOEs, as the industrial workers were required to attend political propaganda classes under the auspices of the CPC secretaries, and a radical egalitarianism in the working practices in the industrial SOEs, as all hierarchic distinctions among enterprise staff and workers were obliterated.

By the time that the consequences of the Great Leap Forward were fully evaluated by the Party-State leadership in 1961, such problems with the industrial SOEs as unqualified workers and over-manning had become acute. Thus it was that at the Central Party Work Conference convened at Lushan in August 1961, the Party-State leadership discussed and prepared concrete proposals for the re-establishing of the internal work norms for the industrial SOEs that had been followed prior to the Great Leap Forward. The result of this was that on 16 September 1961, the Central Committee of the CPC issued the Draft Regulations for the Work of the Industrial SOEs. Here, it was laid down, among other things, that the industrial SOEs were to establish the factory director responsibility system at each level of industrial production, and so restore the authority of the enterprise management officials. Also, the industrial SOEs were directed to establish strict technology evaluation norms, and finance and accounting norms, for adoption by the enterprise management. In a marked departure from the Maoist doc-

trines of the Great Leap Forward, the Draft Regulations stipulated that the principles of the division of labour were to be adopted for the organization of the workers, and that a system for bonus payments based in the performance of workers should be instituted. It was also emphasized that the workers' congresses and trade union bodies were important components of the internal management organizational structure of the industrial SOEs.^[32] In keeping with the spirit of the Draft Regulations, the centralized system of job assignment for the industrial SOEs was restored and strengthened. The Ministry of Labour was given powers to plan for reductions in the numbers of workers in the industrial SOEs, in order to cut costs and to promote efficiency. In addition, there were arrangements set in place by which industrial workers who had been recruited from the rural areas, and who were unqualified and surplus, were to be returned to the rural localities subject to the allocation of proper compensation.^[33]

The principles set out in the Draft Regulations for the Work of the Industrial SOEs, as issued by the Central Committee of the CPC, formed an integral part of the general programme for economic reform that was promoted by Liu Shaoqi and Deng Xiaoping, and, as such, they were given formal legal effect. The State Council issued its Regulations on the Work of the Industrial SOEs in September 1961, which Regulations were drawn up by Deng Xiaoping and became known as the 70 Industrial Regulations.^[34] In addition, there were important Regulations issued by the State Council that reflected the determination of the Party-State leadership to restore some measure of differentiation between permanent workers, con-

tract workers and part-time workers, in order to reduce expenditures on welfare and social security benefits, to strengthen the incentive structure for workers, and to improve overall labour productivity.^[35]

The legal effect given to the principles of economic reform argued for by Liu Shaoqi and Deng Xiaoping underline something of the restoration of central state-governmental powers generally, and in relation to the economic sphere in particular, which took place following the Great Leap Forward. However, the thrust of the economic reforms and political recentralization of the early 1960s was opposed by Mao Zedong and his supporters, and was destined to be reversed with the Cultural Revolution. This was so not least with respect to the industrial SOEs. By 1966, the efforts of the Party-State leadership to recentralize the powers of the state-governmental industrial administrative departments, to re-establish the factory director responsibility system, the centralized job-assignment system and the arrangements for contract workers and part-time workers, and to reduce welfare and social security costs in the industrial SOEs had provoked severe criticism and opposition from among those who were sympathetic to Mao Zedong. As an indication of this, there is the Joint Circular issued in November 1966 by the All China Federation of Trade Unions and the Ministry of Labour, which, among other things, included a condemnation of the system of using different classifications for the various categories of workers in the industrial SOEs as a form of capitalist exploitation, together with a call for the industrial SOEs to restore permanent employment status to the former workers who had been sent back

to the rural areas.^[36]

On 8 August 1966, Mao Zedong announced his Sixteen Points through the Decision of the 11th Plenum of the 8th Central Committee of the CPC, and so initiated the Cultural Revolution.^[37] In the Sixteen Points, Mao proclaimed that the institutional organs of the Cultural Revolution were to be the Cultural Revolution Leadership Group, and, under this, the cultural revolutionary committees and cultural revolutionary congresses. These organs, especially the cultural revolutionary committees, were to play a decisive role in the internal organizational structure of the industrial SOEs during the Cultural Revolution, particularly so in mobilizing the industrial workers against the established organizational control structures in the industrial SOEs. Thus it was that from August to September 1966, the functions of the trade union organizations, and those of the workers' congresses and the enterprise CPC committees, began to be taken over by the cultural revolutionary committees. As the Cultural Revolution developed, the cultural revolutionary committees moved to organize the industrial workers, particularly the disaffected workers who had been most opposed to the industrial reforms introduced following the Lushan Conference. The form of enterprise leadership system provided by the cultural revolutionary committees involved a continuation of the politicization and egalitarianism of the era of the Great Leap Forward in respect of the internal management organization of the industrial SOEs, save that the politicization and egalitarianism practised in the industrial SOEs during the Cultural Revolution went even further than it had been the case with the Great Leap Forward. For the industrial

workers who organized under the cultural revolutionary committees opposed themselves not only to the elite skilled unionized workers and management officials of the industrial SOEs with permanent status, but also to the regular CPC committee secretaries who had been actively engaged in industrial management during the Great Leap Forward as a consequence of the decentralization policies adopted at that time.

The industrial workers who followed the leadership of the cultural revolutionary committees were so politicized that management decisions regarding the industrial SOEs became less to do with technical considerations of production efficiency, and more to do with political considerations relating to the doctrinal orthodoxies contained in the teachings of Mao Zedong. The egalitarianism that the industrial workers espoused was a revolutionary egalitarianism that went against all rationalization of the division of labour. The permanent skilled workers with high wages and welfare privileges, the industrial management personnel, and the regular CPC committee secretaries were all subjected to severe victimization, and then sent to the rural areas to perform manual labour, with frequent periods of incarceration in labour reform camps. The unskilled workers who had earlier been returned to the rural localities were brought back to the industrial SOEs, assigned their former positions, and granted generous material compensation. The central state-governmental authorities endeavoured to maintain some sense of proportion in enterprise employment policy. So, for example, the State Council is recorded to have issued directives in 1967 and 1968, which were intended to nullify the Joint Circular of the All China

Federation of Trade Unions and the Ministry of Labour of November 1966 where the industrial SOEs had been called on to reinstate the displaced unskilled workers from the countryside. However, these directives were consistently disregarded by the cultural revolutionary committees, with the result that in October 1971 the State Council was forced to issue a directive that provided for the granting of permanent worker status to the temporary workers in the industrial SOEs. This measure ensured equality among enterprise workers, but it did so only at the immense economic cost of an immediate increase of 8 million in the numbers of permanent workers who were employed in the state industrial sector.¹³⁹¹

The Cultural Revolution was a watershed in the development of the industrial SOEs in the PRC. For the Cultural Revolution effectively marked the end of the centralized political command organizational control structure for industrial production in the form in which the Party-State leadership had adopted it from the Soviet Union in the early 1950s. In putting an end to the political command economic system, the Cultural Revolution also destroyed the internal organizational structure that the Party-State leadership had endeavoured to establish for the industrial SOEs in the early 1950s, and had subsequently endeavoured to re-establish in the early 1960s after the Great Leap Forward. The factory director responsibility system, as based in the principle of one-man management, was abandoned in favour of leadership based in mass worker participation, and, in consequence of this, the entire ethos of technocratic-managerialism in the state industrial sector was discredited. The established workers' trade union organizations in the

industrial SOEs, and the regular CPC committees, were undermined, with this leading to sound democratic management for the enterprises being superseded by the anarchy of the cultural revolutionary committees. In addition, the egalitarian politics of the Cultural Revolution meant the demise of the centralized job-assignment scheme for the direction of industrial labour, and the demise also of the system of differentiated wages and bonuses for the enterprise workers. These practices were elitist and divisive, and, whatever their justification in terms of pure economic logic, they were to be condemned as counter-revolutionary. In all, then, the impact of the Cultural Revolution on the industrial sector in the PRC, and, more particularly, on the internal management organization of the industrial SOEs, was disastrous, and this disaster compounded, at the level of the means of industrial production, the disaster that the Cultural Revolution represented in terms of the undermining of the institutions of central state government and political administration.

iv. 1978-1986: the Reform of the Internal Organizational Structure of the Industrial SOEs

The 3rd Plenum of the 11th Central Committee of the CPC in December 1978 marked the end of the Cultural Revolution, and the start of the era of economic reform. The legacy of the Cultural Revolution where the state of industrial production was concerned was, of course, the parlous condition of the industrial SOEs. The attempt to base political command economic direction over the industrial SOEs in the practice of mass worker participation, and in

the institution of the cultural revolutionary committees, had served only to transform the industrial SOEs into inefficient and unproductive work units which remained a drain on the already stretched resources of the state. The management elites had been degraded, with the consequence that there was no longer present any tradition of advanced technical expertise in enterprise administration and production operations. There was a chronic shortage of capital investment funding for what was the long overdue upgrading of enterprise technology. Wages and bonuses were not related to worker productivity, and reflected no rational division of labour within the internal organizational structure of the industrial SOEs. The economic costs to the state involved in the maintenance of the industrial SOEs were enormous, given that the state had to underwrite wages and bonuses, and the bloated welfare and social security infrastructure which supported the industrial workers and which had expanded massively during the Cultural Revolution. The costs that the state incurred with the heavy subsidies that it had to pay out to the industrial SOEs were hugely exaggerated on account of the problem of chronic over-manning. For the state-sector industrial workforce had continued to grow in the period of the Cultural Revolution, such that by 1978 it was estimated that the permanent workers in the industrial SOEs alone, as opposed to contract workers, comprised some 68 million persons, and with this representing an increase of 119 percent from the year 1965.^[39]

By the mid-1970s, the Party-State leadership in the PRC had begun to give serious consideration to the problem of the industrial SOEs. An important moment in this process came in July 1975,

when the Prime Minister Zhou Enlai was taken ill, and Deng Xiaoping assumed responsibility for the ordinary business of the State Council and the Central Committee of the CPC. Deng commissioned a series of special work conferences to study existing economic conditions, while the State Council began the task of re-establishing some measure of central state-governmental control over the industrial SOEs. At this stage, the Party-State authorities were advocating a return to the system of industrial production and management that had been in place prior to the Great Leap Forward, where the industrial SOEs would be subject to the classic form of centralized political command economic direction.¹⁴⁰⁾

The attempt to re-establish central state-governmental control over industrial production came under attack in November 1975, and, as a consequence of this, Deng Xiaoping was stripped of his government and CPC positions and branded as a counter-revolutionary. Following the death of Mao Zedong in September 1976 and the arrest of the Gang of Four a month later, the way was clear for Hua Guofeng, the successor to Mao as Chairman of the CPC, to promote the rehabilitation of Deng Xiaoping. This, in turn, paved the way for Deng Xiaoping to act decisively in the formation of the reformist Party-State leadership elite, as this then moved to address the fundamental political and economic problems of the PRC at the 3rd Plenum of the 11th Central Committee of the CPC in December 1978.

The post-1978 Party-State leadership was greatly concerned with economic reform, and central to this concern was reform of the industrial SOEs. As I have explained, reform policy for the indus-

trial SOEs was to involve the transformation of the industrial SOEs from political-administrative units subject to political command direction into production units with independent standing in law, and, later, into corporate person entities which were formally established under law. To effect reform of the industrial SOEs, the Party-State leadership had to address a basic problem that had arisen as the consequence of the establishing of the political command organizational structure for the industrial SOEs. This was the problem of the concentration of economic decision-making powers in the state-governmental administrative departments, and particularly so the decision-making powers relating to the possession, use and disposal of the capital and assets of the industrial SOEs.^[41] In response to this problem, the State Council issued on 13 July 1979 five landmark regulations that provided for the delegation of certain key decision-making powers to the industrial SOEs, including powers relating to the retention of enterprise profits, and also, and in consequence of this, powers for the limited curbing of intervention by the departmental administrative organs of the central state government.^[42] Following this, the State Council proceeded further with the decentralization of economic decision-making powers to the industrial SOEs, through the issuing of a notice that called on all state-governmental administrative departments, and all local government authorities, to select certain industrial SOEs as test sites for the trial implementation of the delegated decision-making powers as stipulated in the five regulations of July 1979.^[43]

A second problem that the Party-State leadership had to address in 1978 in regard to the industrial SOEs was the absence of a

stable internal organizational structure for the management of the industrial SOEs, and the assumption of management functions within the industrial SOEs by the officials of the CPC committees. This problem had become particularly serious during the Cultural Revolution, on account of the activities of the cultural revolutionary committees within the enterprises, although it was a problem that was inherent in the political command economic system as it had developed in the PRC generally. The response of the Party-State leadership to this problem after 1978 was to introduce a system of management for the industrial SOEs where the enterprise managers and directors, the CPC committee secretaries and the representatives of the enterprise workers were assigned separate and distinct, yet complementary, roles, functions and powers within the internal organizational structure of the industrial SOEs. The projected internal management organizational structure for the industrial SOEs was to receive a formal statement in the 1988 Enterprise Law, and it was in some respects to provide the basis for the framework institutions of corporate governance for the industrial SOEs that were specified in the 1993 Corporation Law. The detailed discussion of the principles of the internal management organizational structure for the industrial SOEs set out in the Enterprise Law, and in the Corporation Law, is something that I leave for another occasion. For the purposes of the present paper, I shall state briefly the steps taken by the Party-State leadership, in the period prior to the Enterprise Law of 1988, to establish what was an internal organizational structure for the management of the industrial SOEs that was based in the delegation of operational powers to the enter-

prise managers and directors, and to the relative exclusion of the CPC committee secretaries.

At the time when the Party-State leadership began with reform of the internal management organization of the industrial SOEs, the CPC committee secretaries and the industrial workers and their representatives were the principal contenders for the enterprise managerial leadership position. In consequence, the CPC committees and the secretaries, and the workers and their representatives, stood as powerful interest constituencies that were, in principle, opposed to the efforts of the Party-State leadership to transfer operational decision-making powers to the enterprise managers and directors as part of the reform of the enterprise management structure. Given these constituencies, it was inevitable that the Party-State leadership should have elected to establish an internal management system for the industrial SOEs that was to involve the joint participation of the management officials, the CPC committee secretaries and the representatives of the industrial workers, but subject to a clear differentiation in role, functions and powers as between them and subject to a clear leadership bias in favour of the management officials. The internal management system that was established was the form of factory director responsibility system where the enterprise managers and directors were identified as the bearers of operational powers in respect of the industrial SOEs. This system was to be strongly opposed by the CPC committee secretaries. For the CPC secretaries had from the beginning of industrialization in the PRC always resented subordination to the technical managerial personnel, and they had from 1956 onwards suc-

ceeded in subjecting the management staff and the workers' trade union organizations in the industrial SOEs to their own leadership. Despite the revolutionary committees and the mass worker participation of the Cultural Revolution era, the CPC committee officials in the industrial SOEs had in fact retained much of their power and influence, and they were not prepared to surrender this as the reform period began.

The post-1978 reformist Party-State leadership faced a major difficulty regarding enterprise internal management reorganization, which arose from the resistance to change of the CPC committee secretaries. On the one hand, it was clear that CPC institutions and organizational power had to be restored in the aftermath of the Cultural Revolution, and that this pointed towards a meeting of the demands of the CPC secretaries. On the other hand, it was equally clear that the industrial SOEs had suffered enormous damage on account of the appropriation of management functions by politicized CPC officials, especially during the Cultural Revolution, and that this pointed towards the restoration of the leadership status of the enterprise management officials. To overcome this difficulty, the Party-State leadership proposed that the factory director responsibility system, where decision-making powers were held by the enterprise management officials, would form the basis of the internal organizational structure for the industrial SOEs. However, it was also emphasized that the factory director responsibility system would give effect to principles of democratic management that provided for the industrial workers, and their representatives in the workers' congresses and trade union organizations, having a consul-

tative role in production planning and general operations in the industrial SOEs. At the same time, it was insisted, in order to satisfy the CPC secretaries, that the factory director responsibility system and the democratic management system of the workers' congresses, as these were in operation in the industrial SOEs, would be placed under the organizational leadership of the CPC committees. While this arrangement appeared to confer leadership status on the CPC secretaries, in practice this was not so. For the management officials, the workers' congresses and CPC secretaries were related to one another within the enterprise organizational structure in accordance with the principle of role differentiation, and the leadership role assigned to the CPC secretaries was a supervisory role that left unqualified the absolutism of the operational powers which were delegated to the enterprise managers and directors.

The Party-State leadership moved early in the reform period to develop a new internal organizational structure for the industrial SOEs. In March 1979, the state government established the China Association for Enterprise Management, in order to strengthen work on the enterprise management system. In the following April, the State Economic Commission set out a broad agenda for the reform of the internal management organization of the industrial SOEs. This agenda included the establishing of the factory director responsibility system, the introduction of quality control mechanisms and economic accounting systems, the raising of the level of the technical education of the industrial staff and workers, the reform of the system for wages and bonuses, the protection of the rights of workers, and the adoption of the principles of democratic

management.^[44] Subsequent to this, the State Council directed that its leading departmental administrative organs with responsibility for macro-economic affairs should select certain industrial SOEs as test sites for the implementation of management reforms. Thus it was that in May 1979, the State Economic Commission, the Ministry of Finance, the Ministry of Foreign Trade, the People's Bank of China, the State Administration for Materials and the State Department of Labour formally announced the designation of eight major industrial SOEs in Beijing, Tianjin and Shanghai for the introduction of the reformed enterprise management structure on a pilot-scheme basis.^[45] By the early 1980s, the number of industrial SOEs used as test sites for the management reforms had greatly expanded, and most local government authorities were actively involved in introducing the reformed enterprise management structure, albeit not without some opposition from the CPC committee officials and the workers' platforms from within the industrial SOEs.

As part of the reform of the internal organizational structure of the industrial SOEs, the Party-State leadership moved to define the status of the workers' congresses, and hence to regularize their role and functions in relation to the CPC committees and the industrial management officials. The intention was very much to underline role differentiation as between the enterprise management, the workers' representative organizations and the CPC committee secretaries, and to underline the subordination of the workers' representative organizations to the enterprise management and the CPC committees. In July 1981, the State Council issued provisional regulations for implementation in the test-site industrial SOEs,

which affirmed the central importance of the workers' congresses and defined their rights and responsibilities. At the same time, however, the provisional regulations provided that the workers' congresses were to support the enterprise managers and directors, and to accept the supervisory leadership of the CPC committees.^[46]

To emphasize the subordination of the enterprise workers organizations to the system of CPC committees, the Central Committee of the CPC and the State Council proceeded late in 1981 to issue a joint circular, where it was stipulated that the essential purpose of the State Council provisional regulations of July 1981 had been to affirm the establishment of the factory director responsibility system and the system of workers' congresses under the leadership of the CPC committees. It was proposed in the joint circular that the trade union organizations of the industrial workers were to select deputy CPC secretaries and vice-management officials in the industrial SOEs to act as chairmen of the workers' congresses, in order to strengthen the functional co-ordination between the enterprise management, the CPC secretaries and the enterprise workers.^[47] What was implicit in this was that the workers' congresses were to be treated as subordinate to the enterprise management and the CPC secretaries. This implication was to be confirmed in September 1986, when the July 1981 provisional regulations of the State Council relating to the workers' congresses in the industrial SOEs were promulgated, without much change to their contents, as the standard form regulations of the State Council in recognition of their successful implementation in the industrial SOEs that had been selected as test sites for the industrial reforms.^[48]

In addition to defining the status and position of the workers' congresses in the internal management organization of the industrial SOEs, there was the further task for the Party-State leadership of defining the status and position of the CPC committee secretaries, so as to set limits to their powers to intervene in the operational management of the industrial SOEs. In June 1982, the Central Committee of the CPC issued provisional regulations relating to the work of CPC grass-roots organs in the industrial SOEs. The provisional regulations provided that the CPC secretaries in the industrial SOEs were to exercise supervisory functions, but to leave the operational functions of the enterprises to the industrial management officials. At the same time, it was affirmed that all grass-roots-level CPC organs were to act to supervise and monitor the work of the enterprise managers and the industrial workers, but that there was to be no direct interference in the production functions of the industrial SOEs.^[49] The provisional regulations from June 1982 were to be promulgated in standard form in September 1986 as regulations of the State Council. The September 1986 regulations endorsed the principle of role differentiation as between the management officials, industrial workers and CPC organs. There was also a stipulation of the rights and responsibilities of the CPC committees in their status as the principal supervisory bodies, and principal monitoring agencies, for the management officials and industrial workers within the overall internal management organizational structure of the industrial SOEs.^[50]

While the Party-State leadership in the 1980s clearly emphasized the status and role of the CPC committee secretaries, and the

status and role of the workers' congresses, in the internal management organization of the industrial SOEs, the main thrust and direction of the reform policy as regards the internal enterprise management organization lay with the empowerment of the enterprise managers and directors with respect to the basic production functions of the industrial SOEs. In this sense, it was the factory director responsibility system that was central to the internal organizational structure of the industrial SOEs, as this was reformed after 1978, albeit that this responsibility system was set in the wider framework of democratic management through the workers' congresses and supervision through the CPC committees.

Thus in January 1982, the State Council issued provisional regulations that related to the powers of the factory directors in the industrial SOEs. According to these provisional regulations, the factory directors, or managers, were formally recognized as administrative personnel, and as the designated agents of the state-governmental authorities with responsibilities for the industrial SOEs and for the management of their business operations. In principle, the factory directors were placed in subordination to the workers' congresses and to the CPC committees. For the factory directors were required to consult with the workers' congresses in respect of the production plans and operational planning of the industrial SOEs, and to submit work reports to the workers' congresses. At the same time, the factory directors were required to submit to the supervision and monitoring, and hence to accept the leadership, of the CPC committee secretaries who were established in the industrial SOEs. Nevertheless, the subjection of the factory directors

to the workers' congresses and CPC committees carried little by way of practical effect for the differentiated role, functions and powers that were specific to the factory directors. For the factory directors were, under the 1982 provisional regulations, assigned ultimate responsibility for the exercise of the decision-making powers relating to the industrial SOEs and to their production tasks and operational management.^[51] The position of the factory directors, as the management officials bearing ultimate responsibility and decision-making powers in the industrial SOEs, was further endorsed in September 1986, when the State Council issued standard-form regulations that confirmed the 1982 provisional regulations, and that, in doing so, gave formal legal effect to the principles of the factory director responsibility system.^[52]

From 1981 to 1986, then, the Party-State leadership acted to establish a reformed internal organizational structure for the management of the industrial SOEs, with this being based in the differentiated roles, functions and powers of the workers' congresses, the CPC committees and the factory directors that stood as the basic institutional components of the enterprise management system. The State Council regulations from September 1986 stated, and gave legal effect to, the principles relating to the rights and responsibilities of the workers' congresses, the CPC committee secretaries and the factory directors in the internal organizational structure of the industrial SOEs, and it was the organizational structure for the enterprises as described in the 1986 regulations which was to be adopted in the landmark 1988 Enterprise Law of the PRC.^[53]

The endorsement given in the 1986 State Council regulations to

the factory directors, as the bearers of the decision-making powers for the production management of the industrial SOEs, reflected the influence at that time of the liberal economic reform policies of Zhao Ziyang. For these were policies that were aimed very much at curtailing the role of the CPC organs at the grass-roots levels of state and society in the PRC, and especially so in relation to the internal organizational structure of the industrial enterprises. Following the removal from office of Zhao Ziyang at the height of the Tiananmen Square disorders of 1989 and the subsequent consolidation of power by Jiang Zemin, the role of the CPC committee secretaries was to be considerably strengthened, with this underlining what was the continuing presence and influence of the CPC grass-roots organs within the internal management structure of the industrial SOEs. Even so, it is as well to emphasize that despite the shift back towards the CPC committee secretaries that came with the discrediting of Zhao Ziyang, the fact remains that the internal organizational structure for the management of the industrial SOEs has since the 1980s been based consistently in the principle of role differentiation as between the industrial workers, the CPC committee secretaries and the enterprise management officials. This is the crucial consideration in estimating what is the great significance of the 1986 State Council regulations in the context of the post-1978 state industrial sector reform in the PRC. This is so for the reason that the entrenching of the principle of role differentiation, as confirmed in the 1986 State Council regulations, has secured to the management officials a determinate status and position within the internal organizational structure of the industrial SOEs, in addition

to a real and substantial measure of independence from the workers' representative organs and the CPC committee bodies.^[54]

The status and position assigned to the factory directors within the differentiated internal organizational structure of the industrial SOEs, as this was described in the 1986 State Council regulations, marked a decisive break with the anti-managerialist trends in industrial production that had manifested themselves during the Great Leap Forward and the Cultural Revolution. However, the strengthening of the position of the enterprise management officials, as this was bound up with the endorsement of the factory director responsibility system in the 1980s, did not involve any return to the centralized political command organizational control structure for the industrial SOEs, as this had been developed in the PRC in the 1950s. On the contrary, the assignment of enterprise responsibility to the factory directors, and the differentiation in role, functions and powers as between the enterprise management officials and the industrial workers and CPC committee secretaries, were intended by the Party-State leadership to establish an internal organizational structure for the management of the industrial SOEs which would be appropriate for the delegation to them of independent and decentralized decision-making powers.

In the light of this, it is quite clear, in retrospect, that the reforms of the internal management organizational structure for the industrial SOEs that were effected in the 1980s constituted a crucial transitional stage in the reform programme for the industrial SOEs. For the factory director responsibility system, as this was endorsed in the 1982 provisional regulations and the 1986 regula-

tions of the State Council, was subsequently to be fully confirmed in the 1988 Enterprise Law. Thus the Enterprise Law identified the factory directors as management officials holding the central leadership position within the internal organizational structure of the industrial SOEs, and expressly attributed to the factory directors the formal status of the legal representatives of the industrial SOEs. At the same time, the Enterprise Law provided for the assignment to the factory directors of the various rights and duties delegated to the industrial SOEs which were bound up with the possession and exercise by the industrial SOEs of independent decision-making powers, and which were intended by the Party-State leadership to render the industrial SOEs more adequately responsive to the disciplinary mechanisms of the market. So, for example, the industrial SOEs were recognized to have delegated rights involving independent decision-making powers in respect of such market-related matters as the setting of prices for enterprise products, the use of state-allocated enterprise funds, and the determination of the wages and bonuses of the enterprise workers. These, it is plain, were all rights that, as exercised by the factory directors in their legal representative status, were critical to the possibility of the factory director management officials being considered to have real and proper responsibility for the economic performance of the industrial SOEs.^[55]

In the longer run, the internal organizational structure for the management of the industrial SOEs, as this was described in the 1986 State Council regulations and the 1988 Enterprise Law, was to undergo a qualitative transformation in consequence of the promulgation in 1993 of the Corporation Law of the PRC. For the terms

of the Corporation Law provided for the incorporation of the industrial SOEs, and this meant that the internal organizational structure of the industrial SOEs was no longer merely a structure of industrial management based in the possession and exercise of independent decision-making powers. Rather, incorporation according to law meant that the industrial SOEs were to become subject to a structure of corporate governance, where this provided that the independent decision-making powers belonging to the industrial enterprises were to be exercised through the complex of institutional offices specific to commercial corporations.

The governance structures prescribed for the different forms of corporation recognized in the 1993 Corporation Law were such as to provide for the assured participation of the CPC committee secretaries, and that of the representatives of the industrial workers, in the management organization of the incorporated industrial SOEs. However, the central component part of the prescribed corporate governance structures lay with the organization of institutional management offices in relation to the disposition of rights of ownership. This was true for the industrial SOEs that were to be established as limited liability corporations and joint-stock corporations, where with such corporation forms it was provided that capital investment funding might be supplied by non-state parties through the system of share-holding, and hence that non-state parties might acquire ownership rights. For, here, the corporate governance structures were such that the share-holders, as bearers of ownership rights, were sovereign, and were to be represented by boards of directors whose executive powers included the appointment of the

officials who would exercise the rights and responsibilities concerned with the management of the incorporated enterprises. A different institutional arrangement applied with the governance of the corporations that were specified in the Corporation Law as state-exclusive investment corporations. For these were corporations where all capital investment was to be supplied by the state on a sole and exclusive basis, and hence where ownership rights remained vested in the state. In consequence, there were as such no share-holders to be involved in the governance structure for the industrial SOEs established as state-exclusive investment corporations. Even so, it remains the case, here, that the state, as bearer of ownership rights in the state-exclusive investment incorporated industrial SOEs, was to be represented through boards of directors, and through the management officials appointed by the boards, at the institutional level of corporate governance.¹⁵⁶¹

The 1993 Corporation Law opened up new roads in the process of state industrial sector reform in the PRC. So, for example, the incorporation of the industrial SOEs pointed towards a diversification in the sources for their capital investment funding, with all that this implied as regards the greater availability of capital investment from the private sphere, and as regards the greater accountability of the state industrial sector to the markets. Then again, incorporation pointed towards the radical redrawing of the formal relation under law as between the state and the industrial SOEs, with all that this implied as regards an enhancing in the relative independence of the state industrial sector from the system of government and political administration. The concern of this pa-

per has been with the development of the internal management organization of the industrial SOEs. Given this, it is to be emphasized that the governance structures for the incorporated industrial SOEs, as specified in the Corporation Law, pointed to a general strengthening in the powers and authority of the management officials, and this for the reason that the prescribed corporate governance structures served to give determinate legal form and legal effect to the differentiation in role, functions and powers as between the enterprise management officials, the CPC committee officials and the representatives of the industrial workers. Thus the management officials in the incorporated industrial SOEs were differentiated in their role, functions and powers by virtue of their being the occupants of corporation offices with distinct institutional standings and capacities as defined in law, and hence set apart in specifically legal terms from all other officials. In this respect certainly, I would underline in concluding, the Corporation Law was continuous in its logic and direction with the terms of the 1986 State Council regulations and the 1988 Enterprise Law.

Notes

1. Regarding the reform agenda set out at the 3rd Plenum of the 11th Central Committee of the CPC, see: Communiqué of the Third Plenary Session of the 11th Central Committee of the Communist Party of China (Adopted on 22 December 1978), *Peking Review*, 52 (29 December 1978), pp. 6-16.
2. For these details, see: *Xinzhongguo Wushinian Tongji Ziliao*

Huibian (Comprehensive Statistical Data and Materials on 50 Years of New China), Compiled by Department of Comprehensive Statistics of National Bureau of Statistics (PRC, Beijing: China Statistics Press, 1999), pp. 7, 117.

3. For an English translation of the 1982 State Constitution of the PRC, see: Constitution of the People's Republic of China, as adopted at the Fifth Session of the Fifth National People's Congress and Promulgated for Implementation by Proclamation of the National People's Congress on 4 December 1982, 3rd edition (PRC, Beijing: Foreign Languages Press, 1994).
4. The principal source for the legal materials that I refer to from the period prior to the early 1990s is *Zhonghua Renmin Gongheguo Fagui Huibian*, or, as I translate it, *The Compilation of the Statutes of the People's Republic of China*. The work is cited hereafter as *Compilation*. The principal source for the legal materials that I refer to from the period beginning in the early 1990s is *Zhonghua Renmin Gongheguo Guowuyuan Gongbao*, or, as it is translated, *The Gazette of the State Council of the People's Republic of China*. This work is cited hereafter as *GSC*. The official titles of the legal materials referred to are given first in English and then in Chinese phonetics, with both the English translation and the Chinese phonetics version being mine. For details concerning the law-making powers of the State Council in relation to its administrative functions, see: Charles Covell and Shahzadi Covell, 'The State Council and Administrative Law in the People's Republic of China', *Jurisprudentia*, 6 (March 1999), pp. 1-49.

5. For discussion by the present author of the CPC and its institutional organs in relation to governmental institutions in the PRC, and in relation to the industrial SOEs, see: Shahzadi Covell, 'The Structure of the Communist Party of China and its Control of the Government and the Industrial State-Owned Enterprises in the People's Republic of China', *International Political Economy*, 6 (September 2000), pp. 63-91.

6. Law of the Industrial State-Owned Enterprises of the People's Republic of China.

Zhonghua Renmin Gongheguo Quanmin Suoyouzhi Gongye Qiye Fa.

Compilation, January-December 1988, pp. 721-34.

See also the following important State Council Regulations from 1992 that were intended to give implemental effect to the terms of the 1988 Enterprise Law:

Regulations on Changing the Operating Mechanisms of the State-Owned Enterprises.

Quanmin Suoyouzhi Gongye Qiye Zhuanhuan Jingying Jizhi Tiaoli.

GSC, 7 October 1992, Issue No. 22, Serial No. 707, pp. 837-52.

7. Corporation Law of the People's Republic of China.

Zhonghua Renmin Gongheguo Gongsu Fa.

GSC, 26 January 1994, Issue No. 30 (1993), Serial No. 748, pp. 1414-51.

8. On the April 1949 Proclamation of the Chinese People's Liberation Army, and on the bureaucratic capital enterprises, see: *Dangdai Zhongguo de Laodong Guanli (Labour Administration*

The Internal Organizational Structure of the Industrial State-Owned Enterprises in the People's Republic of China: 1949-1986 (Covell)

in Contemporary China), ed. Deng Lijun, Ma Hong, Wu Heng (PRC, Beijing: Zhongguo Shehui Kexue Chubanshe, 1984), p. 2.

9. Regarding this point, see: Deng Lijun, Ma Hong, Wu Heng (eds.), *Dangdai Zhongguo de Laodong Guanli*, p. 4.
10. Mao Zedong: Struggle Resolutely to Stabilize the Financial and Economic Situation of the Country (Wei Zhengqu Guojia Caizheng Jingji Zhuangkuang de Jiben Haozhuan er' Douzheng): Speech Delivered at the 3rd Plenary Session of the 7th National Congress of the CPC in June 1950. For details of this, see: Deng Lijun, Ma Hong, Wu Heng (eds.), *Dangdai Zhongguo de Laodong Guanli*, p. 4.
11. Directive for Providing Relief to the Unemployed Industrial Workers (Guanyu Jiuji Shiye Gongren de Zhishi): Issued by the Government Administrative Council, 17 June 1950. For details of this, see: Deng Lijun, Ma Hong, Wu Heng (eds.), *Dangdai Zhongguo de Laodong Guanli*, p. 4.
12. In this connection, see: *A Concise History of the Communist Party of China*, ed. Hu Sheng (PRC, Beijing: Foreign Languages Press, 1994), p. 404.
13. For these details, see: Hu Sheng (ed.), *A Concise History of the Communist Party of China*, p. 450.
14. Regarding the First Five Year Plan, see: Hu Sheng (ed.), *A Concise History of the Communist Party of China*, p. 446.
15. For the details concerning these matters, see: Chu-yuan Cheng, *China's Economic Development: Growth and Structural Change* (Boulder, Colorado: Westview Press, 1982), pp. 339-42. See also: Hu Sheng (ed.), *A Concise History of the Communist Party of*

China, pp. 428, 450.

16. For an indication of the policy preferences of the Party-State leadership concerning this, see:

Directive of the State Council Calling on the State-Owned Enterprises to Rely on the Indigenous Local Industrial Capability for the Construction of New Factories or Expansion of Ancillary Factories (Workshops).

Guowuyuan Guanyu Guoying Qiye Xinjian Huo Jianfushu Gongchang (chejian) de Shihou Ying Chongfen Liyong Yuanyou Difang Gongye Shengchan Nengli de Zhishi.

Compilation, July-December 1955, pp. 603-5.

17. For details of this, see: *Dangdai Zhongguo de Laodong Baohu (Labour Protection in Contemporary China)*, ed. Deng Lijun, Ma Hong, Wu Heng (PRC, Beijing: Dangdai Zhongguo Chubanshe, 1992), p. 6.

18. The policy of learning from non-CPC technical personnel was still being advocated by the Party-State leadership as late as 1956, even though at that time the official policy for the one-man management system was to shift the system in favour of CPC committee secretaries acting as enterprise leaders.

On this, see:

Political Work Report Delivered by Liu Shaoqi for the Central Committee of the Communist Party of China to the 8th National Party Congress.

Zhongguo Gongchandang Zhongyang Weiyuanhui Xiang Di'Baci Quanguo Daibiao Dahui de Zhengzhi Baogao. Liu Shaoqi.

Compilation, July-December 1956, pp. 19-86, especially pp. 35-6.

19. On the centralized job-assignment system, see: Deng Lijun, Ma Hong, Wu Heng (eds.), *Dangdai Zhongguo de Laodong Guanli*, p. 7.

20. As regards the use of the centralized state-stipulated bonus system to promote technological work in the industrial SOEs, see: Provisional Regulations on the Awarding of Bonuses for Innovations, Technical Improvements and Rationalization Proposals. Guanyu Shengchan de Faming, Jishu Gaijin Ji Helihua Jianyi de Jiangli Zanxing Tiaoli.

Compilation, January-September 1954, pp. 62-9. (Note: this Regulation was passed by the Government Administrative Council in May 1954, and issued in August 1954.)

Explanation of the State Council on the Implemental Problems of the Provisional Regulations on the Awarding of Bonuses for Innovations, Technical Improvements and Rationalization Proposals.

Guowuyuan Dui Zhixing Youguan Shengchan de Faming, Jishu Gaijin Ji Helihua Jianyi de Jiangli Zanxing Wenti Tiaoli Rougan Wenti de Jieshi.

Compilation, September 1954 - June 1955, pp. 430-4.

21. As an example of the general policy for promoting technological development in industrial production, the Ministry of Heavy Industry acted in 1954 and 1955 to promote co-operative links between the industrial SOEs and the technical research centres and high schools. In this connection, see:

Circular of the Ministry of Heavy Industry Concerning the Strengthening of Co-operation Between the Industrial SOEs

and the Technical Research Centres and the High Schools.

Zhonggongyebu Guanyu Jiajiang Shengchan Qiye Yu Kexue Yanjiubumen Ji Gaodeng Xuexiao Xiezuo de Tongzhi.

Compilation, September 1954 - June 1955, pp. 334-5.

22. Regarding official health and safety at work standards for the industrial SOEs, see for example:

Circular of the Ministry of Labour, the Ministry of Health and the All China Federation of Trade Unions Concerning the Strengthening of Safety and Health and Cleanliness Work During the Summer and Autumn Seasons.

Laodongbu, Weishengbu Zhonghua Quanguo Zonggonghui Guanyu Jiajiang Xiaqiuli Anquan Weisheng Gongzuo de Tongzhi.

Directive of the No. 1 Ministry for Machine Building Concerning Taking Precautions Against the High Temperatures During the Summer Season.

Di'yi Jixie Gongyebu Guanyu Yufang Xiaji Gaowen de Zhishi.

Notice for the Organization of the Industrial Health and Cleanliness Work Commission.

Gongye Weisheng Gongzuo Weiyuanhui Zuzhi Banfa.

Compilation, September 1954 - June 1955, pp. 444-6, 456-8, 513-14.

23. For an indication of the range of welfare services that were provided for the workers in the industrial SOEs, see for example:

Directive of the Ministry of Culture and the All China Federation of Trade Unions Concerning the Opening of Cultural and Art Activities in All the Factories and Mines, Industrial Bases

and Enterprises.

Wenhuabu, Zhonghua Quanguo Zonggonghui Guanyu Jinyibu Kaizhan Changkuang, Gongdi, Qiyezhong Wenhua Yishu Gongzuo de Zhishi.

Compilation, July-December 1955, pp. 734-43.

24. On the social welfare provisions for workers in the industrial SOEs generally, see: Deng Lijun, Ma Hong, Wu Heng (eds.), *Dangdai Zhongguo de Laodong Baohu*, Chapter 1, especially pp. 8-9.

25. Regarding this, see for example:

Announcement of the All China Federation of Trade Unions for the National Industrial Workers Guaranteeing the Completion and Early Completion of the First Five Year Plan for the Development of the National Economy.

Zhonghua Quanguo Zonggonghui Wei Baozheng Wancheng he Chao'e Wancheng Fazhan Guomin Jingji de Di'Yige Wunian Jihua Gaoquanguo Zhigongshu.

Compilation, July-December 1955, pp. 849-57.

26. It should be noted that the position of the workers' congresses in the industrial SOEs was guaranteed in law from the time of the establishing of the centralized political command form of industrial direction. In this connection, see Article 16 of the 1982 State Constitution of the PRC, as this was based in, and reaffirmed, the 1954 State Constitution.

27. On this point, see: Deng Lijun, Ma Hong, Wu Heng (eds.), *Dangdai Zhongguo de Laodong Guanli*, p. 7.

28. Concerning the Ministry of Labour proposals for the use of con-

tract labour and part-time workers, see: Deng Lijun, Ma Hong, Wu Heng (eds.), *Dangdai Zhongguo de Laodong Guanli*, pp. 12-14.

29. Regarding the State Council measures from 1956 concerning wage reforms, see:

Decision of the State Council to Reform the Wage System.

Guowuyuan Guanyu Gongzi Gaige de Jueding.

State Council Regulations Concerning Several Problems in the Reform of the Wage System.

Guowuyuan Guanyu Gongzi Gaige Zhong Rougan Juti Wenti de Guiding.

Circular of the State Council Concerning the Actual Implementation Order of the Plan for the Reform of the Wage System.

Guowuyuan Guanyu Gongzi Gaige Fang'an Shishi Chengxu de Tongzhi.

Compilation, July-December 1956, pp. 407-12, 412-17, 417-19.

30. For the Proposals of Liu Shaoqi regarding the reform of the industrial management system in the direction of democratic participation by the workers and the CPC committee officials, see the Political Work Report that he delivered to the 8th National Congress of the CPC on 9 September 1956. The details for the Political Work Report are given in note 18 above, and the references from the text as cited for the reform of industrial management are at pp. 35, 47. For further discussion of worker and CPC committee participation in industrial management, see: Franz Schurmann, *Ideology and Organization in Communist China*, 2nd edition (Berkeley and Los Angeles: University

of California Press, 1968), pp. 284-5.

31. On this, see: Deng Lijun, Ma Hong, Wu Heng (eds.), *Dangdai Zhongguo de Laodong Guanli*, pp. 10-11.

32. Directive Concerning the Draft of the Regulations on the Work of the Industrial State-Owned Enterprises (as issued by the Central Committee of the CPC on 16 September 1961).

Guanyu Taolun he Shixing Guoying Gongye Qiye Gongzuo Ti-aoli (Cao'an) de Zhishi.

For the contents of the Draft Regulations, see: *Zhonghua Renmin Gongheguo Dacidian: 1949-1988 (Encyclopaedia of the People's Republic of China: 1949-1988)*, ed. Zhang Kemin (PRC, Beijing: Zhongguo Guoji Guangbo Chubanshe, 1989), p. 165.

33. For details here, see: Deng Lijun, Ma Hong, Wu Heng (eds.), *Dangdai Zhongguo de Laodong Guanli*, pp. 12-13.

34. Regulations of the State Council on the Work of the Industrial State-Owned Enterprises (September 1961).

Guowuyuan Guanyu Yinfa Guoying Gongye Qiye Gongzuo Ti-aoli.

For the reference for this, see: *Zhonghua Renmin Gongheguo Dacidian: 1949-1988*, p. 165.

See also: Deng Lijun, Ma Hong, Wu Heng (eds.), *Dangdai Zhongguo Laodong Guanli*, p. 12.

35. Regarding this, see for example:

Provisional Regulations of the State Council Concerning the Use of Part Time Workers by the Industrial State-Owned Enterprises.

Guowuyuan Guanyu Guoying Shiyong Linshi Zhigong de Zanx-

ing Guiding.

Compilation, January 1962 - December 1963, pp. 220-3.

36. Joint Circular of the All China Federation of Trade Unions and the Ministry of Labour.

Zhonghua Quanguo Zonggonghui he Laodongbu de Lianhe Tonggao.

For details and reference for this, see: Deng Lijun, Ma Hong, Wu Heng (eds.), *Dangdai Zhongguo de Laodong Guanli*, p. 16.

37. Decision of the 11th Plenum of the 8th Central Committee of the Communist Party of China Concerning the Great Proletarian Cultural Revolution (8 August 1966).

Zhongguo Gongchandang Zhongyang Weiyuanhui Bajie Shiyi Zhong Quanhui Guanyu Wuchan Jieji Wenhua Dageming de Jueding.

For the reference for this, see: *Wenhua Dageming Yanjiu Ziliao (Cultural Revolution Research Materials)*, (Shangce) Volume 1, published under the auspices of the People's Liberation Army, the Defence University, and the Party History and Administrative Research Centre (PRC, Beijing: 1988), pp. 72-7.

Regarding the Sixteen Points set out by Mao Zedong in August 1966, see: *Mao Zedong Dacidian (Mao Zedong Encyclopaedia)* (PRC, Beijing: Guangxi Renmin Chubanshe, 1992), p. 149.

For an indication of the consequences of the Cultural Revolution for matters of economic organization in the PRC, see for example:

Circular of the Central Committee of the Communist Party of China in Relation to Opposing Economism (11 January 1967).

Zhonggong Zhongyang Guanyu Fandui Jingji Zhuyi de Tongzhi.

Wenhua Dageming Yanjiu Ziliao (Shangce), pp. 245-6.

38. For details relating to this, see: Deng Lijun, Ma Hong, Wu Heng (eds.), *Dangdai Zhongguo de Laodong Guanli*, p. 16.
39. On this, see: Deng Lijun, Ma Hong, Wu Heng (eds.), *Dangdai Zhongguo de Laodong Guanli*, p. 19.
40. In this connection, see the Party-State document issued on 18 August 1975 under the auspices of Deng Xiaoping:
Several Problems Concerning the Strengthening of Industrial Development.
Guanyu Jiajiang Gongye Fazhan de Rougan Wenti.
For the main contents of the document, see: *Zhonghua Renmin Gongheguo Dacidian: 1949-1988*, p. 127.
41. For an indication of the central importance that was accorded to the delegation of economic decision-making powers to the industrial SOEs in the period after the 3rd Plenum of the 11th Central Committee of the CPC, see for example the editorial in *Renmin Ribao* (*People's Daily*) for 19 February 1979: 'Bixu Kuoda Qiye de Quanli' ('It is Imperative to Expand the Decision-Making Powers of the Enterprises').
42. The five regulations of the State Council of 13 July 1979 were as follows:
 1. Several Regulations Concerning the Expansion of the Decision-Making Powers of the Industrial State-Owned Enterprises.
Guanyu Kuoda Guoying Gongye Qiye Jingying Guanli Zizhuguan de Rougan Guiding.
 2. Regulations Concerning the Retention of Profits by the In-

dustrial State-Owned Enterprises.

Guanyu Guoying Gongye Qiye Shixing Lirun Liucheng de Guiding.

3. Provisional Regulations Concerning the Method for the Use of Raising of the Rate of Depreciation for the Fixed Assets and the Depreciation Expense.

Guanyu Tigao Guoying Gongye Qiye Guding Zichan Zhejiulu he Gaijin Zhejiufei Shiyong Banfa de Zanxing Guiding.

4. Provisional Regulations Concerning the Collection of Fixed Assets Taxes of the Industrial State-Owned Enterprises.

Guanyu Kaizheng Guoying Gongye Qiye Guding Zichanshui de Zanxing Guiding.

5. Provisional Regulations Concerning the Implementation of Bank Credits as the Total Amount of Working Capital in the Industrial State-Owned Enterprises.

Guanyu Guoying Gongye Qiye Shixing Liudong Zijin Quan's Xindai de Zanxing Guiding.

Compilation, January-December 1979, pp. 249-62.

43. For the State Council statement relating to the test-site-based implementation of the five regulations, see:

Notice of the State Council Concerning the Organization of Test Sites Based in the Five Documents on Reform of the Management System.

Guowuyuan Guanyu Anzhao Wu'ge Gaige Guanli Tizhi Wenjian Zuzhi Shidian de Tongzhi.

Compilation, January-December 1979, p. 262.

44. For the details of the proposals of the State Economic Commis-

sion, see: *Zhonghua Renmin Gongheguo Daxidian: 1949-1988*, p. 157.

45. For the notice concerning this as issued by the State Economic Commission, the Ministry of Finance, the Ministry of Foreign Trade, the People's Bank of China, the State Administration for Materials and the State Department of Labour on 25 May 1979, see as follows:

Notice Concerning the Experiment of Reform of the Management System in Eight Industrial State-Owned Enterprises from Beijing, Tianjin and Shanghai.

Guanyu Zai Jing, Jin, Hu San Shi Bage Qiye Jinxing Qiye Guanli Gaige Shidian de Tongzhi.

For the reference for this, see: *Kaituo de Zuji: 1978-1990nian Gaige Kaifang Jishi (The Path of Opening-Up: The Track Record of Reform and Opening from 1978 to 1990)*, ed. Dong Yingfu (PRC, Beijing: Gaige Chubanshe, 1992), p. 11.

46. Provisional Regulations Concerning the Workers' Congresses in the Wholly State-Owned Industrial Enterprises.

Quanmin Suoyuozhi Gongye Qiye Zhigong Daibiao Dahui Zhanxing Tiaoli.

Compilation, January-December 1981, pp. 213-18.

47. For the joint circular, as issued by the Central Committee of the CPC and the State Council on 30 July 1981, see:

Circular of the Central Committee of the Communist Party of China and the State Council Transmitting the Provisional Regulations Concerning the Workers' Congresses in the Wholly State-Owned Industrial Enterprises.

Zhonggong Zhongyang, Guowuyuan Guanyu Zhuanfa Guoying Gongye Qiye Zhigong Daibiao Dahui Zanxing Tiaoli de Tongzhi. *Compilation*, January-December 1981, pp. 219-20.

48. For the regulations relating to the workers' congresses as promulgated by the Central Committee of the CPC and the State Council on 9 September 1986, see:

Regulations Concerning the Workers' Congresses in the Wholly State-Owned Industrial Enterprises.

Quanmin Suoyouzhi Gongye Qiye Zhigong Daibiao Dahui Tiaoli. *Compilation*, January-December 1986, pp. 601-8.

49. Provisional Regulations of the Central Committee of the Communist Party of China Concerning the Grass Roots Organs in the Wholly State-Owned Industrial Enterprises.

Zhongguo Gongchandang Gongye Qiye Jiceng Zuzhi Gongzuo Zanxing Tiaoli.

In this connection, see also:

Provisional Regulations of the Central Committee of the Communist Party of China Concerning the Grass Roots Organs in the Financial and Economic Enterprises.

Zhongguo Gongchandang Caimao Qiye Jiceng Zuzhi Gongzuo Zanxing Tiaoli.

Both of these regulations were issued on 3 June 1982 by the Central Committee of the CPC. For details, see: Dong Yingfu (ed.), *Kaituo de Zuji: 1978-1990nian Gaike Kaifang Jishi*, p. 87.

50. Regulations of the Central Committee of the Communist Party of China Concerning the Grass Roots Organs in the Wholly State-Owned Industrial Enterprises.

Zhongguo Gongchandang Quanmin Suoyouzhi Gongye Qiye Jiceng Zuzhi Gongzuo Tiaoli.

Compilation, January-December 1986, pp. 593-600.

51. Provisional Regulations Concerning the Work of the Factory Directors of the Industrial State-Owned Enterprises.

Quanmin Suoyouzhi Gongye Qiye Changzhang Gongzuo Zanxing Tiaoli.

Compilation, January-December 1982, pp. 377-84.

52. Regulations Concerning the Work of the Factory Directors of the Industrial State-Owned Enterprises.

Quanmin Suoyouzhi Gongye Qiye Changzhang Gongzuo Tiaoli.

Compilation, January-December 1986, pp. 583-92.

53. For a summary account of the rights and responsibilities of the workers' congresses, the CPC committees and the factory directors within the internal organizational structure of the industrial SOEs, as these are set down in the various regulations from September 1986, see: *Qiye Neibu Jingji Zerenzhi (The Internal Responsibility System in the Enterprises)*, ed. He Tianyuan (PRC, Beijing: Nengyuan Chubanshe, 1988), pp. 35-42.

54. On the reforms proposed by Zhao Ziyang with respect to the organization and powers of the CPC organs, the removal of Zhao Ziyang and the consolidation of power by Jiang Zemin in consequence of the 1989 Tiananmen Square disorders, and the relation of this to the question of role differentiation in the organizational management structure of the industrial SOEs, see: Covell, 'The Structure of the Communist Party of China and its

Control of the Government and the Industrial State-Owned Enterprises in the People's Republic of China', pp. 80-6.

55. The principles relating to the office of factory director are set out in Chapter 4 (Articles 44-48) of the Enterprise Law, with the legal representative status of the factory director being affirmed in Article 45. The rights and duties belonging to the industrial SOEs through delegation that relate to the office of factory director are set out in Chapter 3 (Articles 22-43) of the Enterprise Law. For the definitive statement of the delegated enterprise rights and duties, however, see Articles 8-21 and Articles 23-30 of the 1992 Regulations on Changing the Operating Mechanisms of the State-Owned Enterprises.
56. For the specifications of limited liability corporations, state-exclusive investment corporations and joint-stock corporations where their form of governance structures are detailed, see respectively: Corporation Law, Chapter 2, Articles 19-63, Chapter 2, Articles 64-72, Chapter 3 (Articles 73 to 128).