Capitalist Development, Entrepreneurial Class, and Democratization in China

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The structural theory of democracy postulates that capitalism is an important, if not indispensable, catalyst to democratization. For some scholars, capitalism produces a bourgeoisie that is vital to democracy largely because this class, unlike the aristocracy, does not have to depend on coercive state power to survive and thrive.[1] For many others who concentrate on contemporary democratic transitions, capitalism expands the middle class that at a certain evolutionary stage would turn to crucial social pressure for democratization.[2] Most structural theorists agree that capitalist development, by its logic, would transform the state-society relations and shape a pattern of class alliances in favor of the growth of a civil society whose main function is to provide a counterweight to state power and prevent its tyrannical abuse.[3]

China's seemingly steady march toward capitalism has prompted many China specialists to take a structural approach. They argue that the lack or weakness of "civil society" in China accounted for the failure of the 1989 pro-democracy movement and impeded democratic transition. Yet capitalist development

[1] See Barrington Moore, *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1966); Eric Hobsbawm, *Industry and Empire* (Harmondsworth, UK: Penguin, 1969).

[2] Seymour Martin Lipset, *Political Man: The Social Bases of Politics* (Baltimore: Johns Hopkins University Press, 1981), 51; Dietrich Rueschemeyer, Evelyne Huber Stephens, and John D. Stephens, *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992), chap. 5; Robert Dahl, *Polyarchy: Participation and Opposition* (New Haven: Yale University Press, 1971), 81.

[3] Alexis de Tocqueville, *Democracy in America* (New York: Vintage Books, 1945), vol. 2, 114–18, 123–28; David Held, *Models of Democracy* (Stanford: Stanford University Press, 1996), chaps. 3, 5; Jean L. Cohen and Andrew Arato, *Civil Society and Political Theory* (Cambridge, MA: MIT Press, 1992); M. Steven Fish, "Democratization's Requisites: The Postcommunist Experience," *Post-Soviet Affairs* 14 (July-September 1998): 212–47.

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in China would set in train economic and political changes that undermine the excessive party-state domination and lead to a more autonomous society.[4] Given the recognized causal relationship between capitalism and civil society, China's rapid expansion of the private sector in recent years has made civil society such a crucial concept in the discussion of democratization that some analysts have endeavored to search for it in China. When they fail to find a civil society in the Western sense, they try to modify this term to fit the Chinese reality.[5] Some scholars doubt the applicability of the civil–society notion to China either because of the alleged peculiarities of Chinese culture, history, politics, and traditional state-society relations[6] or the lack of "a direct and simple causal link between economic reform and democratization from below."[7]

The structural approach is a useful analytic tool, as it explains the dynamics of democratic transition by examining the social structure of an authoritarian regime. But this approach may not apply adequately to the Chinese case because of its flaws in treating capitalist development as an unexceptionally spontaneous process and in seeing structural consequences of capitalism as largely predetermined, irreversible, and universal. Although the Chinese polity has been economically and politically transformed to resemble a typical authoritarian-capitalist state, it is highly problematic whether China will follow a conventional civil-society path or a classic European model toward democracy. Will China's capitalism generate the same social dynamics, class realignment, and pattern of state-society interactions conducive to the formation of civil society as one finds in traditional capitalist societies? Why are we still unable to find clear signs heralding a Western-type civil society after the two decades of market reform?

This article grapples with these issues and, meanwhile, reexamines some key structural concepts regarding class, society, and the state. My approach differs from that of some China scholars. I attempt to solve the civil-society puzzle

[4] Gordon White, *Riding the Tiger: The Politics of Economic Reform in Post-Mao China* (Stanford: Stanford University Press, 1993); Harry Harding, "The Contemporary Study of Chinese Politics: An Introduction," *China Quarterly* 139 (September 1994): 699–703; Richard Baum, *Burying Mao: Chinese Politics in the Age of Deng Xiaoping* (Princeton: Princeton University Press, 1994); Craig Calhoun, *Neither Gods Nor Emperors: Students and the Struggle for Democracy in China* (Berkeley: University of California Press, 1994); Thomas Gold, "Bases for Civil Society in Reform China" in Kjeld Erik Brodsgaard and David Strand, eds., *Reconstructing Twentieth-Century China: State Control, Civil Society, and National Identity* (Oxford, UK: Clarendon Press, 1998), 163–88.

[5] B. Michael Frolic, "State-led Civil Society" in Timothy Brook and B. Michael Frolic, eds., *Civil Society in China* (Armonk, NY: M. E. Sharpe, 1997), 47–67; Baogang He, *The Democratic Implications of Civil Society in China* (New York: St. Martin's Press 1997), 7–8; Gold, "Bases for Civil Society."

[6] Kenneth Dean, "Ritual and Space: Civil Society or Popular Religion" in Brook and Frolic, eds., *Civil Society in China*, 172–92; Joseph Fewsmith, "The Dengist Reforms in Historical Perspective" in Brantly Womack, ed., *Contemporary Chinese Politics in Historical Perspective* (New York: Cambridge University Press, 1991), 23–52; Frederic Wakeman, "The Civil Society and Public Sphere Debate," *Modern China* 19 (April 1993): 108–38.

[7] See Margaret M. Pearson, *China's New Business Elite: The Political Consequences of Economic Reform* (Berkeley: University of California Press, 1997), chap. 1.

through scrutiny of the particular pattern of China's capitalist development and its influence over the formation of China's entrepreneurial class. My analysis adopts a structural methodology, but it challenges some of its theoretical formulations as applied to China. Structural theorists see the rise of an entrepreneurial class and other middle classes as central to the expansion of societal autonomy from state domination, and therefore to democratization. I would argue that this scenario might not be a necessity in China, at least during the present phase of development. The Chinese experiments with a market economy in the reform era have been entangled in a political dilemma, which makes the future of capitalism uncertain in China. More significantly, it has submitted the entrepreneurial class and other middle classes to a status of political and economic dependence. In addition, these classes' self-perceived position in the societal hierarchy does not lead them to associate their class interests positively with democratization.[8]

A Note on the Method

In addition to the relevant Western and Chinese scholarship, this study draws heavily on the fieldwork I conducted for this project four times in China during June-July 1998, November-December 1998, 1999, and 2000. I gathered a large number of data and materials on this topic from China's official statistics and publications, but an analytic reading of them must be combined with an extensive empirical study. My investigations were aimed to collect firsthand information as the basis of my analysis of the potential roles of China's entrepreneurial class and other middle classes in the political transformation. But my original plan for collecting data through questionnaires was thwarted. Such a method proved far more difficult to adopt among entrepreneurs than among workers and peasants. Entrepreneurs could not be easily reached. They were usually too cautious to respond to the questionnaires not allocated through official channels. After some fruitless efforts, I decided to rely mainly on personal interviews, which allowed me to proceed with open-ended and follow-up queries and also to explain some key terms and concepts.

My interviews targeted the six categories of people: private entrepreneurs (including businessmen), other high-income professionals, researchers and scholars (mostly social scientists), local officials/cadres, middle- and low-income

[8] I am not the first to explain the lack of civil society in China through an examination of market reform and the new merchant force. This approach is adopted in Pearson, *China's New Business Elite.* But the emphasis of her analysis is placed on China's foreign-sector managers, whereas this study focuses mainly on private entrepreneurs and business people. Basically because of this difference, we come to a similar conclusion but have quite different explanations for it, particularly on the issues concerning the autonomy and political behaviors of China's business class. Part of my major argument echoes a point taken by Dorothy J. Solinger years ago that indicated "no true autonomy of economic power for a 'private' sector" during the 1980s. See her *China's Transition from Socialism: Statist Legacies and Market Reforms, 1980-1990* (Armonk, NY: M. E. Sharpe, 1993), chap. 11.

employees, and the unemployed. The total number of interviewees exceeds 130, of whom over one-sixth and approximately half belong to what I define as the "bourgeoisie" and "middle class," respectively. In my interviews with these people, particularly the private entrepreneurs, I was most interested in their personal experiences with economic successes and their interactions with the local officials. I also made detailed inquiries into their thinking on the issues related to political reform. Actually, the entrepreneurs I talked with were by no means the sole source of my knowledge about them. My understanding of this social stratum—especially those entrepreneurs with "special" family backgrounds—was boosted by my interviews with the other categories of the people as well.

But I must acknowledge the limitations of my method. First, since a mass survey on this topic was not feasible, no firsthand data of statistical significance are available for a quantitative analysis. Second, questions about democracy—defined specifically as a multiparty system, political opposition and contestation, free elections, and majority rule—did not often yield meaningful results. Chinese citizens do not seem to reflect or discuss politics in these terms, although they frequently lashed out at the party-state. For the lack of democratic experience, they showed much uncertainty when asked to comment on democracy's merits and effects. Contradictory statements were therefore unsurprising. Diversified personal outlooks and experiences also undermine a class-based analysis. Third, my fieldwork was mostly done in Beijing, Shanghai (and their adjacent counties), Jiangsu, Zhejiang, Fujian, and Guangdong provinces, where capitalism was more advanced or even dominated the local economy. I would caution the reader to be aware of the regional bias of my empirical study. This study is, of course, not limited to the above regions. I have quoted available materials and statistics in an effort to present an overall picture of today's China.

The Unique Pattern of Capitalist Development

The private economy has grown in China at an explosive pace since Deng Xiaoping's 1992 tour to southern provinces. By 1999, state-owned companies that used to monopolize business made up only 47 percent of the national economy. The private sector—not counting the operations of foreign investors—accounted for as much as 40 percent and dominated the regional economy in some coastal provinces.[9] Since the 1997 Party Congress legitimized the private economy and promised to give it legal protection, post-Deng leaders seem to have gone even farther toward capitalism than Deng's own design.[10] Behind

[9] Dexter Roberts et al., "China's New Capitalism," (http://www.businessweek.com/1999/99_39/b3648087.htm?scriptFramed, *Businessweek Online*, 27 September 1999), accessed on 15 November 1999.

[10] Jiang Zemin, "Hold High the Great Banner of Deng Xiaoping Theory," *Beijing Review* 40 (6–12 October 1997): 10–33.

the apparent booming private economy, however, hides an unsolved puzzle. If China's market reform, as many economists contend, represents a transition of the economic system, what is its destination? This question is critical to an assessment of the future of the private economy in China and its political consequences.

Capitalist development in post-Mao China is a rare phenomenon in terms of its origins, path, and depth. China is presumably the first country in world history where capitalism is largely an "artifact" invented by the state. After more than two decades of absence—following the completion of the Socialist Transformation in 1956 that nearly eliminated China's private industry and commerce[11]—China's capitalist enterprises and private entrepreneurs actually started from scratch in the era of Deng's reform. In this respect, China stands in sharp contrast with Europe, where commercial capitalism preceded and even helped the emergence of the centralized kingships.[12] It, too, differs from many contemporary Third World countries in which the economic legacy of the colonial period was inherited and the struggle for independence/political unification and consolidation of state power restructured or redirected but did not discontinue capitalist development. These differences suggest that China's commercial classes will have to take a longer time to achieve political influence. China has yet to reinstate its capitalist traditions, ethics, and values.[13] Among these values are separation of economic and political powers, individual choice, and peaceful competition in the marketplace, which favor democratic development.

China's capitalist development in the reform era is not really a spontaneous process. It was sponsored and guided by a party that is, by definition, anticapitalist. While it is controversial whether the decollectivization in the Chinese countryside was a peasant or government initiative,[14] the rise of the urban private economy as part of the reform package has been mostly a product of the party-state policy and placed under tight government control. The Chinese Communist Party (CCP) set out on the capitalist road not out of a belief or ideology, but out of considerations based on an understanding that capitalism is "superior" at least in one respect, namely that it is economically more effi-

[11] After taking over the ownership of their firms, the communist state paid capitalists a fixed interest on their private capital until 1966. In theory, therefore, the Chinese bourgeoisie still existed between 1956 and 1966. See Carl Riskin, *China's Political Economy: The Quest for Development since 1949* (New York: Oxford University Press, 1991), 97.

[12] R. H. Tawney, *The Agrarian Problem in the Sixteenth Century* (New York: Harper Torch Books, 1967).

[13] Capitalist sprouts in China could perhaps be traced back to the Ming Dynasty. By 1750, there were high parallels between China and northwest Europe in consumption and product and factor markets. See Kenneth Pomeranz, *The Great Divergence: China, Europe, and the Making of the Modern World Economy* (Princeton: Princeton University Press, 2000).

[14] Two contrasting views are found in Daniel Kelliher, *Peasant Power in China: The Era of Rural Reform, 1979–1989* (New Haven: Yale University Press, 1992); and Jonathan Unger, "The Decollectivization of the Chinese Countryside: A Survey of Twenty-eight Villages," *Pacific Affairs* 58 (Winter 1985–86): 585–607.

cient than socialism. This political pragmatism translated into a pro-capitalist strategy with an enormous dilemma. The survival of the regime is increasingly dependent on its economic performance, whose success requires a transformation of the economic system in a capitalist direction. But the CCP finds it hard to totally forsake Marxist ideology, which remains instrumental in maintaining its organizational cohesion and ideological legitimacy.

The contradiction between theory and practice could not be exposed more clearly than in the September 1999 party decision, which raised economic privatization to new heights on the reform agenda. Yet the central decision makers took great pains to wrap the adopted radical market measures in a socialist package, emphasizing that public ownership would remain "the economic foundation of [China's] socialist system."[15] The refusal to alter the public discourse was not simply a theoretical or propaganda matter; it was politically consequential. As Arnold Buchholz suggests in reference to the Soviet experience, if ideology undergoes little substantive change in reform, then "there is no fundamental change in the basis of the system."[16] To be sure, compared with the 1980s and early 1990s, when conservative leaders such as Chen Yun wielded a strong influence over central policy making, the post-Deng regime is more and more only rhetorically tied to Marxist ideology. But still, the regime has not shown an intention of abandoning socialism as one of its legitimizing symbols. As such, it is in doubt whether a free market economy will be set as the goal of the ongoing economic transition.

The fundamental political dilemma of Chinese capitalism to a large extent preordains its distinctive features. First, it is a mostly artificial, structurally limited, and probably halfway capitalism whose prospects are more or less politically contingent. The obstacles in the way of establishing conventional capitalist norms and regulations do not just come from the short history of the communist-led capitalism, but more importantly, from the regime's need for political manipulation of the economy. The socialist market economy as an innovation to fuse market and central planning economies seems to have achieved some short-term successes, but it is hardly sustainable in the long run. During the 1990s, the inherent contradictions in market reform accounted for considerable economic irregularities and market disorder. Along with a fragile legal system, they placed the nascent entrepreneurial class in a situation in which political protection and favor proved, if not crucial, important for its economic successes. It is true that the private sector has acquired a recognized status in the national economy as well as a friendly environment in which to grow. But compared with a traditional capitalist society, the private economy and the entrepreneurial class suffer from the state's discriminatory policy that is most mani-

[15] "Zhonggong Zhongyang Guanyu Guoyou Qiye Gaige he Fazhan Ruogan Zhongda Wenti de Jueding" [The CCP Central Committee's Decision on Some Major Issues Concerning the Reform and Development of State-owned Enterprises], *Renmin Ribao* (*People's Daily*), 27 September 1999.

[16] Arnold Buchholz, "Perestroika and Ideology," *Studies in Soviet Thought* 36 (October 1988): 149–68.

fest in bank loans and taxation. Moreover, the hybrid of market and planning mechanisms has led to unfair and unequal market competition in which entrepreneurs well connected to political power enjoy numerous privileges.

Second and relatedly, China's capitalism took off and evolved under a nearly almighty party-state. Since the market reform is politically motivated, the central leadership has been keen to control its momentum and prevent economic pluralism from spilling over into the political domain. Unlike a typical authoritarian state that usually does not seek an ideological justification of its dictatorship and hardly lasts long, China's communist regime not only remains institutionally entrenched, it sticks to those creeds in Marxist discourse that serve to legitimize the one-party system and political repression. Under such an exceedingly powerful state, it should not be taken for granted that sociopolitical pluralism and autonomous social organizations—as a presumable outgrowth of capitalism—would emerge out of the increasing diversification of societal interests.[17] One needs to use great caution in drawing a parallel between China and other relevant countries. In Europe, liberal democracy grew out of capitalism partly because political pluralism had been an historical accompaniment of capitalism and played a decisive role in taming monarchic power. In contemporary capitalist countries, such as those in southern Europe and Latin America, organized political opposition and civil society were long historical phenomena and posed constant challenges to authoritarianism. Even in Taiwan and South Korea, with a weaker democratic tradition and a more dominant state, uninterrupted capitalism eroded political control and contributed to an "authoritarian-pluralist" regime that "accepts or even encourages economic and social pluralism."[18]

Although bureaucratic power has been streamlined in China to accommodate market reform, it has not diminished the party-state capacity to a substantial degree.[19] To maintain an organizational check on the democratic potential of capitalism, the communist leadership has not sought alternative sociopolitical forces, but relied upon party cadres to implement market reform and has allowed them to retain considerable power to control the reform process. As David Wank's empirical study shows, this cadre power has resulted in the strengthening of commercialized patron-client ties between the local government and private businesses.[20] The party-state dominance in the marketplace

[17] A very powerful and almost entirely autonomous state in relation to social classes and groups, as David Potter argues, has provided "a most uncongenial setting for democratization." See his "Explaining Democratization" in David Potter, David Goldblatt, Margaret Kiloh, and Paul Lewis, eds., *Democratization* (Cambridge, UK: Polity Press, 1997), 1–40.

[18] Robert A. Scalapino, *The Politics of Development: Perspectives on Twentieth-Century Asia* (Cambridge, MA: Harvard University Press, 1989), 71–131.

[19] An Chen, *Restructuring Political Power in China: Alliances and Opposition, 1978–1998* (Boulder, CO: Lynne Rienner, 1999).

[20] David L. Wank, *Commodifying Communism: Business, Trust, and Politics in a Chinese City* (New York: Cambridge University Press, 1999).

integrates with its still heavy political penetration into Chinese society to constitute the major source of the economic vulnerability and political submission of China's entrepreneurial class and other middle classes.[21]

A Political Analysis of China's Entrepreneurial Class

Social class in the West is largely about inequality and hierarchy, and it is usually categorized on the basis of occupation, income, and wealth. But class definitions should be carefully applied in the Chinese context. China's market reform, for instance, has bred a special wealthy group whose members are government officials or party cadres by occupation.[22] With low nominal salaries, they have amassed enormous fortunes through rent seeking and predation. A study indicates that in 1999 the majority of the "new, rich classes" (*xinfu jieji*) were bureaucrats and government-appointed managers of state-owned enterprises (SOE).[23] But the wealth they have acquired through illegal channels is usually deeply hidden and its actual amount hardly known. And their disposal of wealth does not entirely fit the definition of the bourgeoisie, either. As such, these corrupt "public servants" are not included in the category of the Chinese bourgeoisie discussed in this article.

Defining China's Bourgeoisie and Middle Classes

China's entrepreneurial class as a whole shares some basic politics-related features. But distorted market rules and the magnitude of bureaucratic meddling inherent in a somewhat spurious capitalist context have caused conflicts of economic interests that justify a political differentiation within the entrepreneurial class—more specifically between the bourgeoisie and the (entrepreneurial) middle class. Many Marxist and classic works on the historical political economy of Europe do not distinguish clearly between the bourgeoisie and the middle class. This conceptual confusion, inherited by Chinese researchers, seems to have well served the propaganda purposes of the CCP leadership, which never acknowledges the emergence of a bourgeoisie out of the market reform.[24] In

[21] It is true that the private sector, as Pearson argues, has acquired autonomy greater than state-owned enterprises. See her *China's New Business Elite*, 95–99. But in China's macroeconomic environment, this autonomy far from constitutes a base for alienation from the regime. Here one has to distinguish between the employees and owners of private enterprises who enjoy quite different degrees and natures of autonomy.

[22] Solinger classifies them into "entrepreneurs" and likens them to the "bureaucratic capitalists" in late dynastic times. See her *China's Transition*, 259.

[23] Cai Yongmei, "Hongse Zhongguo de Qieguo Dadao" [The Arch Usurper of State Power in Red China], *Kaifang* (*Open*, Hong Kong) 153 (September 1999): 39–42.

[24] Whether there is a bourgeoisie in China is a controversial issue among Western scholars as well. David S. G. Goodman defines China's "large- and medium-scale capitalists" as one of the "new middle classes." His refusal to categorize them as the bourgeoisie seems to be based on two questionable criteria: these capitalists are too few in number, and they are not, like the bourgeoisie of the European context, "independent of the party-state." See his "The New Middle Class" in Merle Goldman and Rod-

many party-state documents and officially censored social science publications, the richest social stratum is generally referred to either as private entrepreneurs (*siying qiyezhu*) or individual business households (*geti gongshanghu* or *getihu*) or middle classes (*zhongchan jieji*). These blurred references and deliberate mixing of the two social categories add much perplexity to our reading of the relevant statistics, from which one hardly gets an accurate picture of China's bourgeoisie. While in decreasing usage in contemporary Western scholarship, the term bourgeoisie basically denotes the owners of capital with a profit orientation and some distinctive values.[25] By this loose definition, perhaps most of China's entrepreneurial class could be labeled as the "bourgeoisie." But for my purpose of political analysis, as well as because of the enormous internal gap in wealth, I divide China's entrepreneurial class into two categories. While placing small entrepreneurs or the petit bourgeoisie within the middle-class category, I define China's bourgeoisie as comprising the owners of relatively large capital, namely the wealthiest Chinese private entrepreneurs.

Since most available data are fragmentary and treat private entrepreneurs in an undifferentiated way, the dividing line between big and small entrepreneurs has to be rough and somewhat arbitrary. By the end of 1999, the total number of private enterprises in China was 1.51 million. Their average registered capital was 682,000 *yuan* (US$82,398), with 200,000 exceeding one million *yuan*.[26] Some surveys disclose widespread underreporting or assets-hiding behavior. In Henan, for example, only forty-two private enterprises registered with the government with over one million *yuan*, whereas the actual number was 200.[27] On the other hand, the number of "individual business households" (*getihu*) reached 32 million by the end of 1999. But there is no indication of what criteria separate them from private enterprises.[28] Although most of them operate small stores or workshops and employ only a few workers, some *getihu*s own capital no less than do some private-enterprise owners.[29] Without income taxation data as the basis of calculation, it is hard to determine precisely the

erick MacFarquhar, eds., *The Paradox of China's Post-Mao Reforms* (Cambridge, MA: Harvard University Press, 1999), 241–61.

[25] The notion of "bourgeoisie" is sometimes quite vague and misleading in political discourse. For an examination of changing and differing usages of the word, see Raymond Williams, *Keywords* (London: Fontana, 1983).

[26] Guowuyuan Fazhan Yanjiu Zhongxin [Development Research Center of the State Council], *Zhongguo Jingji Nianjian 2000* [Almanac of China's Economy 2000] (Beijing: Zhongguo Jingji Nianjianshe, 2000), 723–24. The exchange rate between Chinese *yuan* and U.S. dollar was 8.2769:1 on 25 June 2001.

[27] Zhu Fangming et al., *Siyou Jingji zai Zhongguo* [The Private Economy in China] (Beijing: Zhongguo Chengshi Chubanshe, 1998), 76.

[28] Guowuyuan Fazhan Yanjiu Zhongxin, *Zhongguo Jingji Nianjian 2000*, 724–25. In some authoritative official statistics, "private enterprises" and "individual business households" are mixed and placed in the category of "individual-owned enterprises." See State Statistical Bureau, *China Statistical Yearbook 2000* (Beijing: China Statistic Press, 2000), 407.

[29] During my 1998 fieldwork, I met some "large" *getihu*s who, for various reasons, preferred to register as "individual business household" rather than "private enterprise."

real size of the Chinese bourgeoisie. If the bourgeoisie denotes the owners of the above-mentioned private enterprises, then its members should be over 1.5 million. If the millionaire (*baiwan fuweng*) is the bourgeois as some researchers suggest, its number is put at three million in 1998.[30] Three million make up less than 0.25 percent (or approximately 1 percent if their family members are included) of the Chinese population.

In social science, the middle class is usually more broadly or ambiguously defined. It is not limited to small entrepreneurs and business people, but also covers many other professions that typically require good education, receive high pay, and have some particular consumption habits. In the West, the term refers more to a social status than a strictly circumscribed class and is therefore quite subjective. The majority of the population in many industrial democracies prefers to assign themselves to the middle-class category. By contrast, for historical and practical reasons, most Chinese urban citizens tend to identify themselves as the working class. As an alien concept, the "middle class" in China circulates mainly in intellectual discourses and used to be associated with living "comfortably" (*xiaokang*). As *xiaokang* becomes an increasingly common way of life, the standard of the middle class has been accordingly revised to denote a social stratum lying above ordinary working people but still not the richest.

For the same reasons as for the bourgeoisie, a precise assessment of the proportion of China's middle class is almost impossible. An official statistic indicates that in 1993 there were 5.3 million families whose annual income exceeded 50,000 *yuan* (roughly US$6,041), which was implied as the threshold for the middle class.[31] As nominal income rose to keep pace with inflation throughout the 1990s, that benchmark is obviously no longer applicable. Based on my investigation in 1999 and 2000 of wage schemes and sources of income for several trades and professions in some affluent provinces, I would assign a family with an annual income between 100,000 and 700,000 *yuan* to the middle class. My own approximate estimate is that such families cannot exceed 12 million in China. Including all the family members, middle-class people should number between 35-45 million. They constitute 9-11 percent of the urban population, but may not exceed 4 percent nationwide.[32] This social stratum includes small

[30] Despite their consensus on that figure, these researchers have not disclosed where and how they got it. See Chang Xinghua, *Jingji Biange Zhongde "Heixiang"* [The "Black Box" in the Economic Transformation] (Zhuhai, Guangdong: Zhuhai Chubanshe, 1998), 215; Wen Ming, *Zhongguo Youchanzhe Baogao* [A Report on China's Propertied Class] (Beijing: Zhonghua Gongshang Lianhe Chubanshe, 1999), 7; Tang Zhongxin, *Pinfu Fenhua de Shehuixue Yanjiu* (A Sociological Study on Economic Polarization] (Tianjin: Tianjin Renmin Chubanshe, 1998), 2.

[31] Qin Yan, *Zhongguo Zhongchan Jieji* [China's Middle Class] (Beijing: Zhongguo Jihua Chubanshe, 1999), 27.

[32] China's total population was 1.26 billion by the end of 1999, of which 30.9 percent (389 million) was defined as urban. See State Statistical Bureau, *China Statistical Yearbook 2000*, 95. The estimate of China's middle-class size is based on both my investigation and some official data. A statistic indicates that in China's urban areas (including townships) there were two million families with an annual income of over 100,000 *yuan* in 1996 and more than six million families between 30,000 and 100,000 *yuan*. The income gap between them and low-pay groups was being widened annually by 11.3 percent.

entrepreneurs and business people (mostly individual business households), many contract-based SOE managers, senior scientists, stockbrokers, estate agents, senior employees in some financial institutions, managers and white-collar employees in foreign and large private companies, and some special professionals such as lawyers, accountants, singers, fashion models, designers, and athletes.

Why Don't Chinese Bourgeois Like Democracy?

The bourgeoisie as a group of big private entrepreneurs should be singled out from China's entrepreneurial class for a separate analysis not just because its number is increasing. More importantly, this group wields social, economic, and political influence disproportionate to its size, particularly at local levels. Many bourgeois come from formidable political families and hold tremendous power resources. Many have established cozy collaboration with the local top officials. Many have infiltrated deeply into the party-government apparatus by buying agents to influence the governmental process. Others, as local celebrities, have landed a position for themselves in people's congresses and Chinese People's Political Consultative Conference (CPPCC) branches.[33] Chinese bourgeois are not a politically undifferentiated aggregate and should be divided into two types: parasitic and self-made. The first comprises the children, spouses, and relatives of incumbent senior officials/cadres as well as the former bureaucrats whose private companies thrive upon their official networks.[34] The second denotes the bourgeois who have risen from the bottom of Chinese society through self-help. An investigative report suggests that the first type may outnumber the second.[35]

How special is China's bourgeoisie as compared with its counterpart in traditional capitalist societies? The Chinese bourgeoisie is definitely not the one in Barrington Moore's sense which, as David Goldblatt understands it, is "the sociological vectors of liberal and democratic ideologies," and has emerged out of the capitalist economic relations recognizing "no enduring differences be-

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See Tang Zhongxin, *Pinfu Fenhua*, 32–33. According to another report, 10 percent of urban (including township) citizens belong to a vaguely defined high-income (*gao shouru*) stratum. Liu Yingjie et al., *Zhongguo Shehui Xianxiang Fenxi* [An Analysis of China's Social Phenomena] (Beijing: Chengshi Chubanshe, 1998), 72.

[33] From 1990 to 1994, the number of private entrepreneurs in people's congresses and the CPPCC at and above the county level increased by 42 percent and 62 percent, respectively. See Zhu Guanglei et al., *Dangdai Zhongguo Shehui Ge Jieceng Fenxi* [An Analysis of Various Strata in Contemporary Chinese Society] (Tianjin: Tianjin Renmin Chubanshe, 1998), 383.

[34] For an empirical analysis of the societal capital these people are endowed with, see Wank, *Commodifying Communism*, 124–32.

[35] According to this report, 92 percent of the children and spouses of top-level officials at the municipal level and 71 percent of provincial- and central ministerial-level officials run private companies. See Yue Shan, "Guanding Dalu Bage Shijie Diyi" [Eight Officially Designated World Champions in Mainland China], *Cheng Ming* (*Contend*, Hong Kong) 273 (July 2000): 17–19.

tween human beings on the basis of rank, status or family."[36] Of course, China is not alone in that respect. Capitalism plagued by cronyism, as one finds it in some developing countries, is not a hotbed for such a "liberal" bourgeoisie. The bourgeoisie would be pro-liberal when and where it could benefit from free competition and minimal state intervention. But politically, as both classic European cases and Guillermo O'Donnell's bureaucratic authoritarian model suggest, the bourgeoisie always wants itself to be included in state power and "rarely fought for further extensions [of political participation] once its own place was secured."[37] It might even see the political exclusion of the mass of the population as a requisite for overcoming economic stagnation.[38] Simply put, the ideal model for the bourgeoisie in most capitalist states is, at best, a liberal oligarchy rather than a liberal democracy.

Although Chinese bourgeois unquestionably reject a return to central planning, they are hardly proponents of true economic liberalism, let alone democracy. Their monopoly of economic resources through manipulating or buying state power contradicts efforts for transforming the oligarchic, exclusive regime into a liberal, inclusive one. A large proportion, if not a majority, of the bourgeois have prospered from the commercial privileges deriving from political lineage. They are essentially a parasitic appendage of corrupt and unrestricted political power and have a taken-for-granted personal stake in preventing regime change.

By contrast, self-made bourgeois do have a possibility of evolving into a pro-liberal force. Despite their own market edges that often make life difficult for smaller entrepreneurs, they face unfair competition from more privileged rivals and are compelled to pay a high price for access to politically monopolized economic resources. To stave off legally unjustifiable extortion and blackmail or to avoid falling victims to likely policy change, they have to place themselves under the umbrella of powerful political figures.[39] In the early stage of development, many of them made fortunes by exploiting market chaos and loopholes in the immature legal regulations. Once they have achieved success in businesses and established themselves as powerful competitors in the marketplace, they look forward to "rule of law," which will hopefully institutionalize free market order. In my interviews with these people, close to half of them equated democracy with rule of law and thereby denied that they are opponents of democratization.

[36] David Goldblatt, "Democracy in the 'Long Nineteenth Century,' 1760–1919" in Potter, Goldblatt, Kiloh, and Lewis, eds., *Democratization*, 46–70.

[37] Rueschemeyer, Stephens, and Stephens, *Capitalist Development*, 46.

[38] Guillermo O'Donnell, *Modernization and Bureaucratic Authoritarianism: Studies in South American Politics* (Berkeley: Institute of International Studies, University of California, 1973). Such examples could also be found in Peter Evans, *Dependent Development: The Alliance of Multinational, State, and Local Capital in Brazil* (Princeton: Princeton University Press, 1979).

[39] As the fate of the Beijing Dannong Corporation manifests, big private companies would be unsustainable or go bankrupt once they lose such protection. Xiao Bai, "Dalu Zhongchan Jieji zhi Zhenxiang" [True Stories of the Middle Class in Mainland China], *Kaifang* 149 (May 1999): 86–88.

But the implications of the support of self-made bourgeois for rule of law should not be misunderstood. This support would hardly translate into an endorsement of the political empowerment of the masses. Self-made bourgeois believe that rule of law will subject party (cadre) power to some transparent legalized rules; and it, too, could add some legal force to the political protection of their private property. One finding of my fieldwork is the ambivalence of self-made bourgeois toward the communist regime and corruption. To compete against SOEs and privileged bourgeois "freely" and "fairly," they want to use "rule of law" to deter officials/cadres from flagrantly offering state-monopolized resources and commercial opportunities to their children and relatives. This desire, however, does not mean that they hate cronyism and bureaucratic rent seeking or demand a transparent, democratic supervisory system. Self-made bourgeois hold incomparable competitive advantages over the entrepreneurial middle class, not simply because they possess more abundant funds and wider social networks. They also can afford to pay a higher price to buy off more senior bureaucrats on a more stable basis.[40] Their cooperation contrasts with the pattern of interactions between smaller entrepreneurs and officials, whose exchange of money and power usually takes place on a case-by-case basis, just like buyers and sellers in an open market. Self-made bourgeois usually have forged long-term clientelist ties with the local party-state chiefs and enjoy their special care in the allocation of government favors. Some bourgeois have loyal patrons in the provincial government or even in the central leadership. To get returns from the cumulative investment and maintain their market superiority over weaker competitors, most of self-made bourgeois prefer no substantial change in the existing power arrangement and no regular reshuffling of the government.[41]

If self-made bourgeois wish to rely on rule of law for legal protection, then this protection is aimed more against perceived threats from the lower classes than against the impingement of local officials or possible political reversals. It is the intensified confrontation between rich and poor in Chinese society that provides all Chinese bourgeois with a common cause in resisting democratization and averting the collapse of the regime. As economic upstarts in the reform, Chinese bourgeois are constantly haunted by a nightmare, namely that they might fall prey to seething popular anger because of "unjustifiable" eco-

[40] A big private company owner in Jiangsu disclosed that he spent a large amount of money every year on gifts to the top township officials. These gifts were used for investing in "personal affection" or "friendship" (*ganqing touzi*) rather than for a particular business. Shang Qing, "Siqi Laoban Yinian Songli Wuwan" [Private-company Boss Gives Gifts of 50,000 Yuan Each Year], *Qian Shao* (*Frontline*, Hong Kong) 105 (October 1999): 130.

[41] Among my interviewees, only a couple of self-made bourgeois expressed an interest in the possibility of taking advantage of their wealth to seize political power through free elections. This result went against my expectation based on Taiwan's democratic experience. This is a phenomenon Eva Bellin explains in her "Contingent Democrats: Industrialists, Labor, and Democratization in Late-Developing Countries," *World Politics* 52 (January 2000): 175–205.

nomic inequalities. The Russian experience with democratization—transmitted through media reports, TV pictures, and party propaganda—has prompted Chinese bourgeois to associate democracy with political chaos, economic breakdown, the mafia, and other social evils. With deep apprehensions for political disorder, the Chinese search for a double guarantee of their private property. In case the communist power is paralyzed by people's uprisings such as those in Beijing during the short 1989 Tiananmen period, the rule of law may provide a legal framework on which to maintain social order and to keep the state machine functioning normally. Over three quarters of the entrepreneurs I interviewed were particularly suspicious about the notion of free elections and considered them to be inapplicable to China. In their imagination, free elections mean endless street demonstrations and mass rallies, and would bring about a government that desperately wants to please the poor majority.

Last but not least, private entrepreneurs often require a labor-repressive state power to maximize business profits. Mostly resulting from the way the owners treat their employees, capital-labor tension runs high in a growing number of private companies, particularly in coastal provinces. Observers, including congressional deputies, were shocked by the exploitation and worsening working conditions in enterprises where the employees, many of them children, were underpaid and forced to work overtime. With the local authorities standing behind them and sharing the profits, these private bosses unscrupulously ignored the demands of the employees for labor protection and improved welfare.[42]

The Middle Classes as a Vacillating Sociopolitical Force

Historical studies show that the middle class, just like the bourgeoisie, is keen to push for its own political inclusion. Its attitude toward democratization is often ambiguous and contingent, depending on "the need and possibilities for an alliance with the working class."[43] The experiences of South Korea and Taiwan suggest that the evolution of the middle class from an anti- into a prodemocratic social force closely correlates with its enlargement. As its percentage exceeds half of the entire population, socioeconomic equality is improved, the likelihood of extremist politics lessened, and the threats from the lower classes mitigated. Only with such a social structure can the middle class acquire a sense of economic security and hence care about state accountability.[44] Edward Muller's study comes to the same conclusion: economic development

[42] Detailed reports are found in Liang Xiaosheng, *Zhongguo Shehui Ge Jieceng Fenxi* [An Analysis of Social Strata in China] (Beijing: Jingji Ribao Chubanshe, 1997), 24–165; Chang Xinghua, *Jingji Biange*, 218–23.

[43] Rueschemeyer, Stephens, and Stephens, *Capitalist Development*, 8.

[44] David I. Steinberg, "The Republic of Korea: Pluralizing Politics" in Larry Diamond, Juan J. Linz, and Seymour Martin Lipset, eds., *Politics in Developing Countries: Comparing Experiences with Democracy* (Boulder, CO: Lynne Rienner, 1995), 369–415; Tun-jen Cheng, "Democratizing the Quasi-Leninist Regime in Taiwan," *World Politics* 41 (July 1989): 471–99.

would favor democratization if it could alter the "pyramid-shaped social stratification system" to a "diamond shape, in which the majority of the population is middle class and relatively well-off."[45]

Compared with South Korea, Taiwan, or other developing countries, China's middle classes have some particular features with a mixed blessing for democratic prospects. They have grown up in an uncertain economic-political setting. Having benefited from the market reform, China's middle classes have vested interests in its continuation. Unlike the bourgeoisie, most successes of the middle classes have been built on pro-market government policy or their true market power rather than on patron-client relations with the bureaucracy. As such, the middle classes constitute a real liberal force and a key social basis of China's transition toward a full-fledged capitalism.

Most small entrepreneurs and business people, who represent China's largest middle class, have not freed themselves fully from suspicions about the communist leadership's commitment to capitalism.[46] Furthermore, though not innocent of bribing, the entrepreneurial middle class perceives itself more as the victim than beneficiary of political corruption for two reasons. It is not unusual for major business activities—ranging from the registration of a company to the sale of commodities—to require governmental approval. In an institutionalized capitalist society, however, this approval or disapproval is based on explicit laws, rules, and regulations. In China, the massive rent seeking of local officials tends to make every governmental approval a "special favor," which must be paid for by business people and hence adds substantially to the turnover costs of their businesses. Second, the entrepreneurial middle class lacks sufficient economic strength to compete with the bourgeoisie for government grace and to level the playing field.

Small entrepreneurs and businessmen share the resentment of the lower classes against corruption—of course for different reasons. More strongly than self-made bourgeois, they demand legal-institutional constraints upon the party-state capacity to manipulate the market.[47] The lack of powerful political patrons deepens their feeling of vulnerability. These variables have shaped a middle-class agenda whose top priority is striving for institutionalization of and ideological (or constitutional) justification for capitalism in order to make their

[45] Edward N. Muller, "Economic Determinants of Democracy" in Manus I. Midlarsky, ed., *Inequality, Democracy, and Economic Development* (New York: Cambridge University Press, 1997), 133–55.

[46] This suspicion prompts some private entrepreneurs to register their companies as "collective (public) enterprises," which is referred to as the "private enterprise with a red cap." See Kristen Parris, "The Rise of Private Business Interests" in Goldman and MacFarquhar, eds., *The Paradox*, 262–82.

[47] This capacity, of course, mainly denotes the control of local officials over the market. Although market reform has stripped these officials of many power resources, it has also created some new ones for them such as the authority for tax collection and financial lending. See Susan Shirk, *The Political Logic of Economic Reform* (Berkeley: University of California Press, 1993); Jean C. Oi, "Fiscal Reform and the Economic Foundations of Local State Corporatism in China," *World Politics* 45 (October 1992): 99–126.

businesses and capitalist way of life politically safe.[48] This agenda has an obvious pro-democratic element as it exerts pressure on the communist regime for some fundamental economic-political changes. Assuming that democracy reinforces capitalism among other things, China's middle classes are likely to develop, though perhaps unconsciously, into a democratic force.[49]

But one needs caution in thinking of the middle classes as staunch, conscious democrats. Here again, how to understand democracy makes a difference. Middle-class citizens are not mere economic animals apathetic to politics. They place political reform high in the government agenda. But what do they really want from political reform? They expect a system of checks and balances that could effectively constrain party power over the market and hold a tight rein over corruption. But sharing the bourgeoisie's concerns, the middle classes hardly accept the complete breakdown of the CCP government or majority rule. The type of polity that the majority of them seem to desire is a liberal, oligarchic, relatively small state that—as found in the predemocratized Europe—guarantees some institutional checks and balances of political power, but excludes the majority of the population from participating.[50]

An examination of the political mentality of the middle classes may offer some clues to why one cannot expect them to be active agents of democracy soon or why they have taken great caution to eschew political challenge to the regime. Quite a few middle-class members showed a strong interest in such ideas as political pluralism and multiparty systems. This interest could be logically interpreted as a preference for civil society. But these people hardly displayed enthusiasm for promoting such a civil society with their own efforts. Nor did they desire to make themselves the building blocks of civil society by resisting the regime's attempt to maintain control.[51] The middle classes may not resort to state power for getting rich, but they could not afford to offend the regime, which maintains formidable sanctions against them.

The middle-class disposition against lower class empowerment has two psychological roots and is unlikely to change quickly. The first is a sense of economic insecurity. China's exceptionally huge population, most of which is poorly educated and lives in rural areas, makes it remote, if ever possible, for the middle classes to expand to the same proportion in China as in South Korea

[48] Zhu Fangming et al., *Siyou Jingji*, 86–87; Zhu Guanglei et al., *Dangdai Zhongguo*, 382.

[49] This likelihood could be discerned from private entrepreneurs offering funds for the pro-democracy activities during the 1980s. See Michael Bonnin and Yves Chevrier, "The Intellectual and the State: Social Dynamics of Intellectual Autonomy during the Post-Mao Era," *China Quarterly* 127 (September 1991): 569–93.

[50] Author's interviews. It is interesting to note that over half of my middle-class interviewees, when questioned, were quick to deny their opposition to "majority rule" as a democratic value. But they firmly believe that this "majority rule" must be "led" (*jia yi ling dao*), at least in the Chinese context, where peasants constitute a majority of the population. Some others "honestly" rejected "majority rule" as either impossible or unacceptable.

[51] Author's interviews. This impression tallies with Pearson's observation of the political behaviors of China's foreign-sector managers. See her *China's New Business Elite*, chaps. 3, 4.

and Taiwan. In other words, the rich (the bourgeoisie plus middle classes) in China will remain a small minority over a long developmental phase. Meanwhile, the government will face heavy pressure from the propertyless for egalitarian policies. As socioeconomic polarization continues to deteriorate, this pressure has already risen to an explosive point.[52] Widespread street protests and grievances, particularly among overcharged peasants and unemployed workers, cause much panic among the middle classes who are fearful that extremist politics would loom large once "necessary" political control is abandoned.[53] As the diversification of social interests aggravates class antagonism, the middle classes and the bourgeoisie as "affluent" strata find common ground for an alignment. They share the need for repressive state power that if free from the influence or control of the populace would protect their wealth and "noble" status in the societal hierarchy. It is not surprising that for all their discontent with the regime, nearly all my interviewees with a roughly middle-class identity unhesitatingly endorsed the party-state agenda that was characterized by a well-known slogan: "social stability is above all" (*shehui wending yadao yiqie*).

This economic analysis only accounts for the conflict of material interests that has a strong potential to evolve into political confrontation between middle and lower classes. But economic conflict is not the sole source of the alienation of the two social strata. Albeit humbled by the bourgeoisie in wealth, middle-class people—especially those well educated—condescend to the "masses," assigning themselves to China's "upper class" (*shangliu shehui*). After all, the real "upper class," the bourgeoisie, is too small in size. The middle classes see themselves as superior to the lower classes in nearly all relevant aspects, including the level of knowledge, intelligence, vision, legal-political consciousness, governing capability, and life style. Such an elitist complex poses a psychological obstacle to their acceptance of political equality based on the one-citizen-one-vote principle.

Middle-class people typically distrust the ability of the majority to govern. In their views, the party-state hegemony should not be checked and balanced by the masses, but by social elites such as themselves. They tend to choose to pursue political influence or power by joining the establishment rather than through opposition politics and mass mobilization; they are averse to running

[52] World Bank studies indicate that from 1981 to 1998, the Gini coefficient in China jumped from 28.8 to 40.3. See The World Bank, *Sharing Rising Incomes: Disparities in China* (Washington, DC, 1997), 7–13; The World Bank, *World Development Indicators 2000* (Washington, DC), 66. The urban unemployed plus the surplus rural labor seeking urban employment pushed China's rate of unemployment to a staggering 27.76 percent in 2000. Long Hua, "Zhongguo Zhengzhi Fazhan Keneng Yinqi de Shehui Wenti" [The Social Problems that China's Political Development Might Bring About], *Xin Bao* (*Hong Kong Economic Journal*), 13 September 2000.

[53] During the late 1990s, demonstrations and protests took place in over 230 cities across the country. "Li Peng Cheng Meitian Duyou Xiagang Gongren Qingyuan" [Li Peng Admits that Laid-off Workers Petition Every Day], *Qian Shao* 87 (April 1999): 100.

any risk of making the society more "autonomous" or adopting other potentially confrontational tactics.[54] According to a survey conducted in Guangdong, 28 percent of private entrepreneurs aspired to join the party or to be appointed as local government leaders; 77 percent desired to join the Association of Industry and Commerce, a party-controlled organization influential over the making of local economic policy; 55.3 percent preferred to be elected congressional deputies or CPPCC members.[55] The party's decision, which was announced by Jiang Zemin on 1 July 2001, to throw its doors open officially to private and individual entrepreneurs has led to a significant increase in the number of applications for CCP membership. Some of these entrepreneurs are expected to attend the 16th Party Congress or even join the Central Committee.[56]

A Pragmatic Partnership

As the private economy has become a powerful engine of growth, the communist state takes a more accommodating approach and thereby makes it easier to coopt China's entrepreneurial class and neutralize it as a potential opposition force. For my analytic purposes, it makes sense to differentiate the central from local policy. Despite some twists, the central policy toward the private economy in the post-Mao reform has gone through three phases: tolerance, permission, and encouragement.[57] Since the pronouncement of the 1997 Party Congress that the private sector "is an important component part of China's socialist market economy,"[58] which was incorporated into the 1999 amendment to the state constitution, the regime has been speaking more in favor of the private sector. But even so, the private sector is still denied certain advantages conferred upon legally or nominally "public" firms.[59] How to rescue SOEs has remained a priority in the state's macroeconomic policy making. By contrast, at local levels, though with considerable regional variations, the private economy and entrepreneurial class enjoy more amiable treatment by the government.

While remaining keen not to deviate too far from the central government's basic guidelines, local officials are not bothered by ideology or regime legiti-

[54] Author's interviews. In 1989, the Central Committee issued a document that prohibited private entrepreneurs from joining the party. To qualify for party membership, an entrepreneur donated his company to the government. Shou Beibei, "Zhongguo Siying Qiye Ershi Nian" [The Two Decades of China's Private Enterprises], *Qian Shao* 99 (April 1999): 31–33.

[55] Wen Ming, *Zhongguo*, 353–54.

[56] "Zibenjia Kewang Ruxuan Zhongyang Weiyuan" [Capitalists Are Expected to Be Central Committee Members], (http://www.secretchina.com/news/sc.asp?id=7345, 28 November 2001), accessed on 7 December 2001.

[57] This pro-capitalist process was interrupted twice, in 1983 and 1989–1991, when conservative party leaders attempted to reassert the orthodoxy of Marxism and block the development of the private sector.

[58] Jiang Zemin, "Hold High the Great Banner."

[59] Wank, *Commodifying Communism*, 33.

macy at all. Instead, they are more practical and oriented toward their concrete personal stakes. As some scholars found, these officials do not necessarily obstruct local economic privatization, although it might diminish their sphere of authority. They embrace privatization with great enthusiasm whenever chances for profitability are available.[60] A large number of local officials in positions of authority have their own private companies registered under the names of their family members. These officials tend to reciprocate favors by granting privileges and benefits to one another's enterprises under their jurisdiction. For other officials, the relationship with the private entrepreneurs has evolved into a symbiosis. Some entrepreneurs set up a special coffer to feed the officials, who use part of the "donated" money to bribe their superiors for job security or promotion. In turn, they let the entrepreneurs enjoy tax reduction or exemption and grant them government contracts and loans. Local officials usually have strong incentives to boost the private economy, whose profits they share as part of hidden personal income. A provincial party secretary reportedly reprimanded a growing number of officials in his region for "living upon wealthy entrepreneurs" (*bang da kuan*). They are "buddies and as thick as thieves." To protect the private enterprises, some officials even move their offices to these enterprises as a shield to avoid regular government inspections.[61]

Given that the government lacks a workable strategy for rescuing money-losing SOEs, private businesses have become increasingly indispensable to local economies, particularly in terms of employment and government revenue. Nonstate sectors share more and more of the job market. By 1997, the number of employees in the private economy nationwide rose to over 50 million.[62] An economist predicted that by 2004, more than 60 percent of the economy would be in private hands and employ some 75 percent of China's workforce.[63] An important criterion in appraising the performance of local officials is the ability to reemploy laid-off state workers. In Wuxi, private enterprises offered nearly 20,000 jobs to these workers in 1999. To help the local government perform well, some entrepreneurs reserve a quota of employment especially for former SOE workers.[64]

The financial magnitude of private businesses as taxpayers is impressive as well. According to an official statistic, the private economy paid 46 percent of the total tax revenues nationwide in 1998, and its tax payment increased by 21

[60] Yan Sun, "Reform, State, and Corruption: Is Corruption Less Destructive in China than in Russia," *Comparative Politics* 32 (October 1999): 1–20.

[61] Shu Huiguo, "Ganbu Bang Dakuan Xianxiang" [The Phenomenon of Officials Living upon the Wealthy Entrepreneurs], *Qian Shao* 98 (March 1999): 11.

[62] Qin Yan, *Zhongguo*, 141.

[63] Roberts et al., "China's New Capitalism."

[64] Wuxishi Siying Qiye Xiehui [The Wuxi Association of Private Entrepreneurs], "Wuxishi Gesi Xiehui 1999 Niandu Gongzuo Zongjie" [A Work Summary of the Wuxi Association of Private Entrepreneurs in 1999], document no. 21 (1999).

percent annually over the past two decades.[65] The private sector has become the main source of government revenue and the largest donor for local public welfare in many areas.[66] The private sector in Zhejiang, for example, made up over 75 percent of the gross value of the provincial industrial output in 1999. And their tax payment was of a similar percentage in government revenue.[67] In a private high-tech company I visited, the owner paid 17 percent of the company's profits (called enterprise tax) to the state, and 33-43 percent income tax. In other words, the local government took more than half of his business profits. In addition, he frequently received "requests" to donate to local welfare projects.[68]

Economic "contribution" is, of course, rewarded. The local party-state apparatus appoints entrepreneurs to people's congresses and CPPCC branches, confers upon them various honorary titles, and even recruits them into the party. In capital-labor confrontations, local governments more often than not are aligned with capital.[69] Ironically, this phenomenon has invited vociferous protests from Marxist fundamentalists. They allege that the political, ideological, and economic agents of the "bourgeoisie" have formed a powerful lobby group within the party-state apparatus and have "attempted to topple the socialist system from within."[70] Some reformers have even complained that corruption has downgraded government officials to the status of spokespersons for economic upstarts.[71]

Conclusion

China's market reform has not brought a real civil society into being nor are there signs of its emergence, mainly because China's entrepreneurial class and other middle classes have tremendous difficulty developing their own autonomy. This difficulty is not merely caused by a repressive one-party system that

[65] "Feigong Jingji Nashui zhan Zhongguo Banbi Jiangshan" [Tax Payment by the Nonpublic Sector Makes up Half of China's Total Tax Revenues"), *Qian Shao* 104 (September 1999): 135.

[66] Zhu Guanglei et al., *Dangdai Zhongguo*, 396; Zhu Fangming et al., *Siyou Jingji*, 89–90; Qin Yan, *Zhongguo*, 142.

[67] Deng Yun, "Zhejiang Minying Jingji de Xianzhuang yu Weilai" [The Status Quo and Future of the Private Economy in Zhejiang], *Jingji Daobao* (*Economic Reporter Weekly*, Hong Kong) (19 June 2000): 36–37; Shou Beibei, "Zhongguo."

[68] Author's interview with Ying Zhineng, chairman of Wuxi Modern Applied Technology Research Institute Co, Ltd, 22 December 1999.

[69] When a writer attempted to bring the misery of the employees and exploitation in a private company to the attention of the local officials, these officials categorically rejected his plea, claiming that were it not for their "benign" boss, these employees would simply be jobless. Liang Xiaosheng, *Zhongguo Shehui*, 24–166.

[70] Ma Licheng and Ling Zhijun, *Jiao Feng: Dangdai Zhongguo Sanci Sixiang Jiefang Shilu* [Confrontation: A Record of the Third Spiritual Emancipation in Contemporary China] (Beijing: Jinri Zhongguo Chubanshe, 1998), 276–80.

[71] Yu Zuyao, "Baofahu dui Gaige de Weihai" [The Upstarts Do Damage to Reform], *Qian Shao* 95 (December 1998): 55.

stifles sociopolitical initiatives; more crucially, it is related to some special features of the Chinese capitalism. During the 1980s and early 1990s, because of the opposition of some powerful conservative leaders, capitalism was hard to legitimize or institutionalize. In the post-Deng period, when the ideological obstruction has faded, the development of a true capitalism has been stymied by corruption, cronyism, and inadequate efforts for rule of law. Throughout the reform process, therefore, China's private businesses must rely heavily upon arbitrary political power to survive and prosper. The perceived threats from the lower classes further strengthen their dependence on the state's protection to reduce their social vulnerability and precariousness. In that regard, Chinese private entrepreneurs, particularly those big ones, bear a strong resemblance to their counterparts in some Latin American countries during the 1970s.[72] These variables are part of the explanation of why capitalism and social autonomy have not evolved in tandem in China, as one would see in a traditional capitalist society.

But China's entrepreneurial class and other middle classes are not entirely passive or left without political options. Their disposition toward democratization hinges on how, in their own imagination, their socioeconomic interests may be affected. In developing countries plagued by socioeconomic polarization, class warfare often turns affluent social strata into the staunch supporters of the authoritarian regime. Class confrontation in China tends to be more explosive and constitutes a long-term destabilizing factor. Economic inequality is harder to justify culturally or ideologically in the Chinese context. Within China's huge population, a high percentage of which is illiterate and poorly educated, the income gap between rich and poor can hardly narrow unless the communist state is able to enforce an egalitarian policy. But the state probably will not do so, for such a policy would dampen the dynamics of economic growth, to which the base of regime legitimacy is shifting. The resentment of the relatively poor majority against the polarization in the redistributive process and its feelings of relative deprivation, push self-made bourgeois and middle-class people into a dilemma that shapes their love-hate relationship with the regime. To acquire an equal footing in the marketplace against the politically privileged, party-state power must be circumscribed and at least partially withdrawn from the market. But out of anxiety about the potential threats from the lower classes and fear of social chaos, the affluent classes expect the party-state to remain commanding, even ironhanded if necessary. This dilemma translates into ambivalence toward political reform. Most members of China's entrepreneurial class are enthusiastic proponents of rule of law, with the hope that a sound legal system will provide legal-institutional protection for their private property and prevent the abuse or misuse of party power. But they are hostile

[72] See Alfred Stepan, "State Power and the Strength of Civil Society in the Southern Cone of Latin America" in Peter B. Evans, Dietrich Rueschemeyer, and Theda Skocpol, eds., *Bring the State Back In* (Cambridge, UK: Cambridge University Press, 1985), 317–43.

to the basic ideas modern democracy stands for, namely free elections and democratic majority rule.

It is, of course, risky to predict a social class's future attitudes toward democracy from its present stances, because the balance of gains and losses keeps changing. Some studies on East European democratic experiences suggest that private entrepreneurs within a socialist context—if well organized and adopting the right strategies—could contribute considerably to democratization. Civil society might emerge in an unconventional way and take on different features, but it still could play its classic role in eroding authoritarian power.[73] Although this scenario cannot be completely ruled out in China, it is perhaps likely only under some hypothetical conditions. If capitalist development is impeded for political reasons, some private entrepreneurs may turn their agitation for capitalism into a political struggle against the regime. If significant progress could be made toward rule of law, it might reduce the dependence of the entrepreneurial class upon political power or ease its worry about the possibility of extremist politics. On China's uncertain future path, however, there will be many intervening variables, and firm predictions are therefore not warranted.*

[73] Andrew Arato, "Civil Society Against the State: Poland 1980–1981," *Telos* 47 (Spring 1981): 23–47; Daniel V. Friedheim, "Bring Society Back into Democratic Transition Theory after 1989: Pact Making and Regime Collapse," *East European Politics and Societies* 7 (Fall 1993): 482–512.

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