

# Reinventing Chinese society, economy, and polity

A very short history and interpretation of China's reforms<sup>1</sup>

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## **1. Introduction: understanding China's reforms**

At the end of the Mao era, and especially after the Cultural Revolution, Chinese society was in a poor state: the Communist Party, that led the country to the 1949 revolution and, after a century of humiliations, was able to give the Chinese people a renewed faith in their future, had lost its reputation. The State had shown its incapacity to peacefully regulate tensions and conflicts within polity and society. And in spite of Mao's goal to develop the economy and catch up with Western countries, the standard of living of Chinese families had fallen behind the level attained before the Cultural Revolution. It looked as if State, Party, economy and civil society (i.e. people) had been disconnected from each other, or worse, that they had been put into a kind of permanent contradiction with each other. This was an extremely dangerous situation that could have drawn the People's Republic of China towards further conflicts and disorders, and eventually to a final collapse, which was in fact the forecast of many Western observers. To avoid this tragic outcome, it was necessary to re-construct, and, as history never repeats itself, to re-invent Chinese society, State, and economy, in other words to find means to reconcile State, market, and civil society. This is what Deng Xiaoping and his successors tried to do after 1976, and this is what this article tries to understand and explain.

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<sup>1</sup> This article presents a summary of the findings of an inquiry within Chinese society I started in 1997 when I was given the responsibility of managing the second phase of the Sino-Swiss Management Training Programme in the Public Sector of China. This programme, a joint venture between the Chinese and the Swiss governments, lasted from 1998 to 2003, with the aim of training more than 400 Chinese senior civil servants and senior cadres of the Party organization in the modern tools of public management. These cadres were trained in China, Switzerland, France and the United Kingdom, through seminars given by international European experts. Moreover, I benefited from the support and expertise from Chinese academics and experts in such great number that it is not possible to thank them here individually. Let me nevertheless at least mention that I have found an efficient and encouraging support from colleagues of the Universities of Tsinghua and Renmin, to whom I should like to express my gratitude.

This task is not easy for any academic, Western or Chinese. The reform process comprised, and still comprises, a very complex set of policies that change every component of society. Moreover, changes in economic, social, political, and cultural structures happen simultaneously at a very rapid pace. Consequently, explanations that seemed valid, or at least reasonable, yesterday, are not valid any more today. For the Western scholar, the task is even more difficult as he has generally the habit of analysing other societies from the perspective of his own culture, concepts and theoretical frameworks. Moreover, some ideological biases may appear, consciously or unconsciously, in the evaluation that inevitably he elaborates on the performance of these societies. It is out of the question for me to discuss here the interesting subject on the fundamental differences or similarities between Western and Chinese cultures. I would rather briefly explain via what kind of theoretical framework I arrived at the results that I present in the following pages.<sup>2</sup>

Taking a systemic perspective, I developed in detail elsewhere (Urio, 1984), I begin from the assumption that any type of society must perform some fundamental functions in order to survive (which corresponds to the idea of “functional imperatives”).<sup>3</sup> Each of these functions is performed by a specific structure. First, the socio-biological structure which assures the reproduction of humankind. Second, the economic structure, assuring the production of goods and services necessary to the survival of humankind, eventually (but not necessarily) to its economic development, thanks to an accumulation process. Third, the structure of norms, that can be subdivided into the structure of formal norms (or law structure), and into the structure of social norms (the cultural structure), including values, beliefs and norms of behaviour. It is at this level where one may situate the political culture or ideology. Finally, the informational structure assures the circulation of information within society. The latter can be subdivided into the intellectual means of communication (language, meanings, symbols, etc.), and the technical support of communication (technical devices such as mass media, newspapers, radio, TV, and internet).

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<sup>2</sup> The results of this research are presented more in detail in Urio (2009).

<sup>3</sup> By “any type of society” I mean Western, Eastern, Southern, Northern, developed, so-called primitive, developing, in-transition, etc., i.e. *all* societies no matter how structured they are. This is the first move that corresponds to my attempt not to construct a theoretical model biased by Western ethnocentric *a priori*.

If the above mentioned theory of fundamental functions (i.e. functional imperatives) is correct, then we can formulate two interesting hypothesis: first, that all questions, conflicts, cooperation, i.e. power relations will deal with one or several of the sub-structures producing the corresponding fundamental functions; second, that the actor(s) who will control these structures will exercise power within the corresponding society. Moreover, I formulate the hypothesis that the five sub-structures stand in a kind of structural inter-dependence necessary for assuring the cohesion of the overall structure. Therefore, changes in one of the sub-structures must be matched by changes in the other sub-structures, otherwise the overall structure will inevitably experience instability, tensions, and conflicts that will lead to its collapse.

Starting from the framework presented above, we may ask some interesting questions. For example: how market economy has been introduced in the West? How planned economy has been introduced in the Soviet Union and in China? How is market economy being implemented in China? How are the other structures linked to the market in the West and in China? Are there some functional equivalents? How can power seek legitimacy? Has the introduction of market mechanisms since the beginning of the 1980s improved the standard of living of the Chinese people? Eventually, what have been the negative consequences of change? If negative outcomes have emerged, what measures have been taken to correct them? I will propose some answers to some of these questions, taking those that are more closely related to the Chinese experience.

It is generally admitted that a new leadership that seizes power after a major crises, such as the Cultural Revolution, has to set up a strategy in order to attain the goals it has chosen and that has been publicly communicated to the people. A lot has been written about the strategy that the Communist Party of China (CPC) has implemented after 1976, and different interpretations have been proposed. For the sake of simplicity and for avoiding long discussion, I will follow the interpretation of Hu Angang (2005) that seems to be the one that better corresponds to reality, and has for me the advantage of having been put forward by a renowned Chinese scholar. Three successive development strategies have been implemented by the Chinese leadership. The first strategy adopted at the beginning of the P.R.C. is the

traditional development strategy implemented during the planned economy era, with the aim to catch up with the UK. In the mid-1960s Mao set the goal of achieving “four modernizations” by the end of the 20th century by implementing policies of “high accumulation, low consumption”, giving priority to heavy industry, including defense industry, capital-intensive industries, providing import protection, and resulting in increasing disparities between urban and rural areas. The second strategy is the transitional development strategy defined in the 1980s by Deng Xiaoping. This was a strategy setting up the goal of quadrupling GDP, based upon trade and investment liberalization, market development and competition. This strategy is still centered around the development of hard infrastructure, with top priority put on speed of development.<sup>4</sup> Deng Xiaoping advocated an imbalanced development, letting some regions and some people get rich first, by concentrating on the development of coastal regions. This resulted in greater regional disparities, in enlarging gaps between urban and rural people, not only in terms of income, but also in consumption and access to public services such as education and health.

In order to correct the negative consequences of the first and second strategy, the Chinese leadership started to move towards a third approach to development in the late 1990s by first defining the “Campaign to open up the West” that became a top priority for the government in the next decade (Chow, 2002: 168). This new strategy clearly changed the focus of development from a purely economic perspective to a socio-economic one, whose declared objective was to narrow the gap between the coastal and the inner regions (Holbig, 2004). This strategy was first defined by Jiang Zemin in the mid-1990s, and was later developed by Premier Zhu Rongji in his “Report on National Economic and Social Development during the Tenth Five Year Plan” (2001-2005) delivered to the People’s Congress on March 5, 2001. The major dimensions of this strategy are: (1) infrastructure construction, such as land, air and water transportation facilities, power generation plants, and water conservation projects; (2) environmental protection; (3) adjustment of the industrial structure of the western regions, namely by putting more emphasis on consumer

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<sup>4</sup> I have proposed to make this distinction in Urio (2010). Hard infrastructure comprises for example roads, railways, energy; soft infrastructure is directly related to human capital and comprises for example education, health, safety nets.

goods industry and less on heavy and defence industry, as was done in the past; (4) the promotion of science, technology and education; (5) making the western provinces benefit from the open-door policy (Chow, 2002: 169-180). This strategy combines hard and soft infrastructure as two complementary components of the development strategy in favour of the west.<sup>5</sup> Bearing this in mind, let us see through what process these changes have been managed by the Chinese leadership and with what success.

## **2. China's development strategy and the changes of the cultural structure**

After the years of public management of the Mao era, based mainly upon ideological considerations, it was out of the question to introduce market mechanisms without finding some new ideological basis for legitimizing this fundamental change. Nevertheless, in the Chinese tradition it is not easy to introduce innovations that are (or that may be interpreted as) fundamentally different from the ideas of the past. This capacity to combine elements inherited from the past (especially from the Empire) and new ideas emerging from the modernization process of the XIX-XX centuries, is no surprise to the sinologist who has studied the long history of Chinese thought. Nicolas Zufferey (2008: 65-66) has drawn our attention to the fact that Chinese political philosophers have always felt the need to place the novelties they wanted to introduce in the mouth of the great philosophers of the past. This way of presenting new ideas was in fact a rational choice in order to appear more convincing than if they were simply proposing their new ideas without any reference to their predecessors. Zufferey further explains that "this distrust towards originality and innovation can be explained by the conservatism that is typical of so-called traditional societies, but also for reasons more linked to the Chinese particularities. (...) To invent, it is to suggest that the models of the past require some adjustments, it is to question their perfection, it is to fail in filial piety to the ancestors." (Zufferey, 2008: 181, my translation).<sup>6</sup>

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<sup>5</sup> See note 4 above.

<sup>6</sup> For further sustaining his analysis, Zufferey mentions the ostracism that Wang Chong (27-97 AD) faced in the past, when he was severely criticized during the imperial era (and above all by Emperor Qianlong, 1736-1895 A.D.) very likely because his ideas constituted a threat to the ideology upon

In 1977 Deng introduced the first innovation within the CPC political culture when he declared that it was necessary to restore the traditions of the party by “seeking truth from facts” which was, according to him, the quintessence of the Maoist approach. Deng thus sought to assert his legitimacy in the same way as Hua Guofeng: by appealing to the Maoist heritage, i.e. a legitimacy of the traditional type. Nevertheless, the reformists were not strong enough in 1977 to openly oppose Hua, without the risk of appearing to be against the Maoist heritage. Moreover, Deng has still to gain the support of the cadres of the Party, many of whom had remained faithful to Mao. In order to assess his power within the Party, Deng had to demonstrate being in line with Mao, and this continuity was against any kind of abrupt change. Nevertheless, the criterion of “seeking truth from facts” is not simply an epistemological position; it is also an indicator of a break with the policy pursued by Mao. Such a departure from at least part of the Maoist legacy was necessary. Indeed, during the Cultural Revolution the Maoist ideology had lost a great part of its credibility within the Chinese population (Zhang, 1996: 24). It is thus well and truly the legitimacy of the Party which is at stake here, and the reformists had very well understood that the Communist Party could not remain in power without a serious change of policy. Deng thus skilfully succeeded in presenting himself as Mao’s successor, while defining the first steps of a radical policy change. Now, how does this first change fit in with the political culture inherited from the Empire, and especially the value of unity?

The ideology that deeply modelled the imperial bureaucracy for two thousand years is a unique example of stability of a system of thought which constituted the ideological support of imperial power, in spite of the many periods of instability. This ideology has become in fact, during the Han dynasty, a synthesis which combines with the Confucian values the yin/yang, legalism, Taoism, as well as other streams of

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which rested the imperial power. In fact Wang Chong can be considered a pioneer for the post-Maoist era, as he considers innovation and creativity to be the major qualities of the intellectuals. No wonder Wang Chong’s ideas were rediscovered in China during the XX century, and they may constitute an interesting support to the new trends of the development strategy, as defined by Hu Jintao at the last Party congress of October 2007, when he put a lot of emphasis on the necessity to introduce innovation into several important domains of Chinese society. I will come back to this important point.

the pre-imperial era.<sup>7</sup> Amongst the values that constitute the core of the Confucian ideology, two stand out for their capacity to persist after the end of the Empire: unity and harmony, and their logical and practical consequence, i.e. stability.

By analysing the evolution of the political culture of the CPC, a first finding is evident: the principles of unity and harmony are still at the core of the Chinese political culture after 1949, in spite of (or maybe because of) the adoption of Marxism-Leninism, although Mao has adapted Marxist ideology to the Chinese situation.<sup>8</sup> Even if there are considerable differences between the traditional imperial ideology and Marxism-Leninism, the implementation of the political ideals of the latter necessitates a centralized and unified political direction under the leadership of the Party. The principle of unity is therefore also at the core of the new Chinese political ideology.<sup>9</sup> This is true first for the management of the revolution (1921-1949) and second for the implementation of the revolutionary ideals after the victory over the Kuomintang (October first, 1949), in spite of the fact that the ideals based upon Marxism-Leninism constitute a radical change from the Imperial past. Deng Xiaoping has further developed Mao's ideas by introducing the Four Cardinal Principles and the Four Modernizations, and these will constitute additional elements of the new ideology. As these new elements will be confirmed by Deng's successors, they will acquire, in my opinion, the statute of fundamental elements of "the traditional PRC ideology". Concerning the Four Modernizations it should be noted that Mao was the first Chinese leader who defined them. Nevertheless, it is one thing to define the dimensions of the process of modernization, and another to set up the management style adapted to their realization. It is here that Deng introduces the fundamental innovation of market mechanisms. But it should not be forgotten that market

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<sup>7</sup> It is not possible in the framework of this article to discuss the interesting question whether the official ideology of the Empire was faithful to what Confucius actually said or was, on the contrary, as suggested by Zufferey (2008), a compilation of ideas from various sources. Neither is it possible to discuss the changes introduced in the official imperial ideology through the centuries. I just want to point out the fact that an ideology called « Confucianism », comprising some very stable values, constituted for a very long time the ideological support of the Imperial power.

<sup>8</sup> It is not necessary in the context of this article to evaluate to what extent Mao has been able to effectively adapt Marxism-Leninism to the Chinese situation. For an evaluation of the positive and negative of Mao's policies between 1949 and 1976 one can rely upon the vast literature available in the West by both Chinese and Western scholars. An interesting evaluation made officially by the historians of the CPC can be found in Hu Sheng: 1994.

<sup>9</sup> Let me note that this is also exactly what happened at the time of the first Chinese Republic both under Sun Yat Sen and Chiang Kai-shek (Jiǎng Jièshí), in spite of the three-stage developmental strategy of Sun. And this constitutes an additional proof of the stability of the concept of unity after the end of the Empire.

mechanisms are introduced within a framework that is considerably different from that of Western countries. The new Chinese economy is guided by the Party-State that keeps under control the modernization process and assures the unity of Chinese society, including its sub-structures such as economy and polity.

The second finding is that the structure and the formal organization of Chinese State power is a clear indicator of the persistence of the value of unity: (1) China is a unitary country; (2) within the administration and the organisation of the CPC the principle of democratic centralism and the system of responsibility for the administrative head are implemented at all levels; and (3) there is a considerable symbiosis between government and Party, to the point that many researchers consider that China is a Party-State. Finally, the value of harmony does not appear in the discourse of Chinese leaders as clearly as the value of unity. Nevertheless, I will show, by comparing Jiang Zemin's and Hu Jintao's discourse, that it was implicitly present, ready to reappear as soon as economic and social disequilibria would put in danger China's harmony, and would require from the Chinese leadership the implementation of re-balancing public policies.

Before I turn to the re-actualization of the value of harmony in the discourse of the Chinese leaders (and later on its consequences on Chinese public policies), let me simply summarize Deng's strategy. First, a fundamental remark: the ultimate goal of Deng's strategy is not different from that of the Empire at the end of the XIX century, that of Sun Yat Sen, of the Nationalists, or of Mao: to restore China as a world power and improve the standard of living of the Chinese population, the two objectives being strictly interdependent. Only the means differ. Bearing this in mind, I propose to subdivide Deng's strategic level into two complementary components, i.e. the ideology and the economy-military levels. At the ideological level Deng reaffirms four of the main features of Party's ideology by defining the four Cardinal Principles, i.e. : to keep to the socialist road, to uphold the people's democratic dictatorship, to maintain the leadership by the Communist Party, Marxism-Leninism and Mao Zedong Thought. At the economic-military level, Deng defines the target of China's modernization by identifying four domains necessary for restoring China's strength both internally and internationally, i.e.: Agriculture, Industry, Science and Technology, and National Defence. At the operational level the main goal is to improve economic

performance and the standard of living of the Chinese people. The means for realizing this goal is the introduction of market mechanisms and opening up to global economy. The strategy-tactics orienting the day-to-day implementation of this vast policy objective can be defined as follows : (1) maintain the leadership of the Party and restore (re-establish) its legitimacy, (2) introduce reforms on an experimental basis, (3) reform gradually (not like Russia), (4) privatise gradually and partially, by keeping the strategic economic sectors in the hands of the State, and reinforcing the macro-economic policies of the State<sup>10</sup>, (5) maintain economic, social and political stability, (6) in case of difficulties, slow down or stop, then re-start.

In order to discover old and new elements in the political culture of the Chinese leadership, let us now compare Jiang Zemin's and Hu Jintao's strategies for legitimizing their policies, by analysing their speeches at the national party Congresses of 2002 and 2007.<sup>11</sup> I propose to take into consideration references to four legitimacies, and first of all to Marxism-Leninism. This seems quite a rational reference for leaders of a party that has introduced Marxism-Leninism as one of its "Cardinal Principles". Second, I will consider references to science. This, too, seems to be a normal reference by Chinese leaders for legitimizing power as Marxism is considered by its followers to be a scientific theory of history; moreover the "Four Modernizations" defined by Deng clearly imply the use of a scientific approach to modernization (the "seeking truth from facts" principle). Third, I will take references to the Chinese situation or, in Deng's terminology, to "Chinese characteristics". Finally I will consider references to the new legitimizing values, i.e. the balance between economic efficiency and equity. For identifying references to these four sets of values

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<sup>10</sup> In December 2006 the State Assets Supervision and Administration Commission (SASAC) published a list of seven sectors critical to the national economy and in which public ownership is considered essential: armaments, electrical power and distribution, oil and chemicals, telecommunications, coal, aviation, shipping. Moreover, to reorient state capital away from non-critical areas to priority sectors, SASAC said China will reduce the number of central SOEs by at least one third to between 80 and 100 before 2010 through mergers. Finally, it announced that "China aims to build between 30 and 50 large, internationally competitive companies by 2010". According to Xinhua, updated: 2006-12-18 21:00.

<sup>11</sup> The length of the two speeches is almost the same; this means that we will not have to standardize the data and we will simply use the frequencies, i.e. number of times Jiang and Hu refer to the indicators of different types of legitimacy which I will define in the following paragraphs. Note that these speeches are often considered as mere propaganda. I think that this is a mistake. In view of the fact that they are addressed to a large audience both domestic and international, it is highly improbable that the leaders would not fear a backlash, should they not put their actions in conformity with what they say in their speeches.

in the discourse of Jiang and Hu, I will use a number of indicators. For the traditional Marxist legitimacy I will consider references to Marxism, Marxism-Leninism, to Mao, Deng and to democratic centralism. For scientific legitimacy I will take the use of words like science, scientific, and scientific development. For the conformity to Chinese characteristics I propose to take: Chinese characteristics, stability, harmony and harmonious, and innovation. Using innovation as an indicator of the reference to Chinese characteristics may look a bit strange, but this corresponds quite clearly, especially in the discourse of Hu Jintao, to the assertion (or-reassertion) that China's fundamental goal is to become a major global player in the course of the XXI century. The consequence is that by considering this goal as the *de facto* China's fundamental policy goal, this goal becomes "the new reality of Chinese characteristics". And this will imply that if China wants to play a leading role in the international system it has to cease to imitate the West and start instead to invent its own ways of managing its society in all domains and of influencing the course of international affairs. This last aspect of the third legitimacy constitutes the bridge towards the fourth one, i.e. the new legitimacy based upon the balance between economic efficiency and equity. For this new legitimacy I will use the following indicators: efficiency, market, equity, justice, law and its derivatives, namely "ruling by law" or "according to law" and "the rule of law". Let us see what we discover by applying this methodology to Jiang's and Hu's speeches at the 2002 and 2007 Party Congresses.<sup>12</sup>

Starting with the first type of legitimacy, i.e. the reference to the traditional legitimizing values of the Party (such as Marxism-Leninism, Mao, Deng and democratic centralism), I have found that they are present in the two speeches, although they are more numerous in Hu Jintao's speech. Nevertheless, it is interesting to remark that whereas Jiang mentions his predecessor, Deng Xiaoping, 16 times, Hu mentions Deng only 11 times, and only twice he mentions by name his predecessor (Jiang Zemin) and 8 times the "important thought of the Three Represents", but without mentioning the name of Jiang. It seems therefore that for Hu Jintao, referring to the values of Marxism-Leninism and to the leaders who have

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<sup>12</sup> This methodology may look rather simple to the specialists of discourse analysis. I am on the contrary convinced that the results I present in the following paragraphs, obtained thanks to this simple methodology, clarify to a satisfactory and interesting degree the changes introduced by the present Chinese leadership in its ideological discourse.

developed the Marxist ideology of the Party is less important for the purpose of legitimizing his policies. This does not mean that these values are of no importance to Hu Jintao, as they are nevertheless mentioned several times in his speech. What does this mean? Does this mean that Hu Jintao planned to refer to other legitimizing values, and therefore he had to limit the time devoted to the traditional Marxist values in order to have sufficient time for developing and giving sufficient importance to the new values he had chosen? This is what I will discover by taking into consideration the other three legitimacies.

Taking now the second form of legitimacy, i.e. the reference to science, I found that both Jiang and Hu make many references to science as a legitimizing value, but a second difference appears: Hu is the only one to mention scientific development in relation to social harmony, and not just once, but 34 times. This difference will become even more striking when we consider the following legitimizing values, i.e. based upon reference to the Chinese characteristics.

Here the differences between the two Chinese leaders are even more profound. Although both mention the necessity to take into consideration the Chinese characteristics in the process of implementing the development strategy, as well as the importance of safeguarding stability in the development process, the necessity to realize harmony and a harmonious society is mentioned only once by Jiang and 33 times by Hu. Even more striking, whereas Jiang mentions innovation 25 times, but mainly referring to 'theoretical innovation', 'scientific-technological innovation' and 'institutional innovation', in Hu's speech innovation is mentioned 46 times and appears to be one of the most central and important values. Hu develops a very complex discourse on innovation by first considering that it must be linked to the reform process, and second that it must be independent from other sources of inspiration. Very likely he refers here to the fact that in the past China has above all imitated foreign countries. For Hu in the future innovation should be initiated by Chinese people. Moreover, Hu stresses that independent innovation should be implemented in a large number of important domains: re-balancing between regions, general management, banks, enterprises and their modernization, army, science and technology, Chinese investments abroad, and use of Foreign Direct Investments (FDI) in China. This is clearly a sign that opens a new era in the development of

Chinese society. This new trend is even more evident when we turn to the fourth and last source of legitimizing the role and policies of the Party.

The fourth type of legitimacy is based upon the reference to the necessity to establish a balance between economic efficiency and equity. I have found that both Jiang and Hu mention economic efficiency, market and law. Striking differences appear when we look at the other indicators of the new legitimacy. Contrary to Hu, Jiang never mentions “equity” and refers to ‘justice’ only three times, these references being limited to judicial justice. Moreover, Jiang mentions 21 times the necessity of ‘ruling by law’ or ‘according to law’, but only three times he refers to the ‘rule of law’, and these last references are always considered together with the building of a socialist state (twice) or the necessity to combine it with the ‘rule of virtue’. Hu Jintao is much more assertive about the necessity to implement these values: he mentions equity 12 times and social equity 8 times, refers to justice 9 times and links social equity and justice 5 times. Moreover, Hu mentions only once the rule of law in conjunction with the building of a socialist country and, even more interesting, he considers that the rule of law is a fundamental principle on its own merit (5 times) and he considers in another passage that the rule of law constitutes the essential requirement of socialist democracy. Of course this does not necessarily mean that Jiang is not sensitive to equity and justice. It simply shows that there has been a change in the importance that Hu is giving to the core values of official Chinese ideology. This is a clear sign that the new Chinese leadership has taken very seriously the contradictions that have emerged in Chinese society in the process of modernization under Deng and Jiang. Furthermore, at least at the ideological and political level, it also shows that the new Chinese leadership is ready to take several serious measures in order to rebalance Chinese society. Hu says very clearly that it will be necessary to manage the relationship between efficiency and equity in the distribution of income by market mechanisms, and that the Party–State should pay increasing attention to the redistribution of income.

The numerous references to harmony and stability (especially in Hu’s speech within the second and third legitimacies mentioned above) seem to indicate a revival of traditional values inherited from the Imperial era. And there is certainly some truth in this statement. Whereas for a long time since the creation of the CPC Confucian

values have been practically banned from the official ideology as they have been made responsible for the backwardness of China during the last century of Imperial power, this is not any more the case as it is witnessed by the increasing interest of both Chinese intellectuals and political leaders in the values of Confucianism, especially for (re)affirming the originality of Chinese political culture and creating a barrier to the westernization of Chinese society (Zufferey, 2008: 221-250; Bell and Hahm, 2003, and Bell, 2008). For the Western scholar who is well acquainted with the influence that Greek philosophy and Roman law exert still today on Western societies, this revival of Confucian values comes with no surprise. But as is the case in the West for the Greek and Roman inheritance, the revival of Confucian values in China is to be placed and interpreted within the context of today's situation. Whereas during the Imperial era the values of stability and harmony were instrumental in maintaining the structure of Chinese society as it was, these same values are today used in the framework of a development strategy that aims at transforming China to an extent that maybe even the present Chinese leadership cannot fully predict.

### **3. The outcomes of reforms from Deng to Jiang**

The impact of the development strategy implemented by the Chinese leaders has been quite impressive not only for the magnitude of the changes they have introduced, but above all because reforms touch all the dimensions of Chinese society. To begin with, the class structure has been completely de-constructed and re-constructed: under pressure from a rapid modernization, the employment structure has undergone some important changes. The rural population has lost its place, not only in terms of size but, more important, in terms of contribution to GDP; moreover under pressure from the process of industrialization an increasing part of its workforce has been attracted by the urban areas where millions of migrant workers seek employment, and most of the time in low-paid jobs and poor working and social conditions. A new middle class is also developing in the urban areas and, even more in contrast to the social structure of the past, a new class of private entrepreneurs

and private employees is emerging.<sup>13</sup> In an attempt to control the increasing size of the population, the demographic structure has been considerably changed by a restrictive family policy that led to a rapid aging of the population. This is not necessarily a negative outcome; it can be interpreted as a sign of socio-economic development as has been the case in the West. Nevertheless, the difference is that in China the aging of the population occurs at a time when the economy is not yet sufficiently developed to financially cover the risks of an aging population, especially for pensions and health insurances. Even at the top of the power structure, there are important changes within the Party-State. True, the CPC continues to play the dominant role in guiding the reform process. But the changing role of the State (from an organisation that was in fact doing everything, to one that is assuming the role of an organization regulating and monitoring the emerging market) implies the acquisition of new technical competencies, skills and attitudes that need to be developed. Moreover, the impressive growth of GDP has been achieved at the expense of a considerable degradation of the environment. I have analyzed these aspects elsewhere (Urio: 2009). In this article I will mainly focus on the economic and social impact of reforms by separating the positive and the negative outcomes.

### **3.1. The positive outcomes of reforms**

There are a great number of published researches by both Chinese and Western scholars on these aspects for example: World Bank (1997); Hu Angang 2007 a; Hu Angang 2007 b; Chi Fulin 2000 a; Chi Fulin 2000; Chi Fulin 2008; Peerenboom 2002; Peerenboom 2007; Naughton 2007; Bergère 2007; Nolan 2001 a, 2001 b, 2004 a, and 2004 b; Lardy 1998 and 2002; Lin Yi-min 2001; Garnaut and Song 2004; Lee, Nan-Shong and Wing-Hung 2001)

In spite of some negative accounts of China's reforms (for ex.: Chang, 2002), we may begin by saying that both Western and Chinese researchers consider that the reforms allowed an enormous economic growth and a significant improvement of

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<sup>13</sup> The Party has very well understood the danger of this developing (and eventually powerful) new class, and has called the new entrepreneurs to join the Party. This is another indicator of the importance of the value of unity within the Chinese political culture.

the living conditions of the Chinese people, even if there are substantial disparities both between provinces and within provinces (Wang and Hu 1999, and 2001). For example there are no more famines, as was for example the case during and after the Great Leap Forward. It is obvious that the inequalities must be reduced in the future in order to maintain the stability of the country. During recent years there already have been several widespread demonstrations by peasants and workmen inside the country. Nevertheless, as early as 1990, a study of the World Bank makes the following synthesis: "The average income of the 800 million rural populations more than doubled and absolute poverty receded nationwide. In 1988, some 13% of rural households fell below the poverty line, compared with 17% in 1981. Infant and child mortality declined, the rate of population growth was slowed and universal education of five years was achieved." <sup>14</sup> After that date, the economic development achieved by China continued to be quite impressive. In its report of 1997 (i.e. before the reform trend was to be confirmed by the September 1997 congress of the CPC) the World Bank compares the time needed for doubling the GDP by several countries: the United Kingdom needed 58 years (from 1780 to 1838), the USA 47 (from 1839 to 1886), Japan 34 years (from 1885 to 1919), South Korea 11 (from 1966 to 1977), and China only 9 years (from 1978 to 1987), not only once, but twice (the second time from 1987 to 1996), and even more impressive, during 2 consecutive periods of 9 years. And it is likely that this will re-occur during the third consecutive decade. Even though this type of comparison must be made with care (the overall situation at different historical periods of time is quite different and can, at least in part, explain the difference in speed), the achievements, when measured by GDP, are quite impressive. Other data comfort this impression:

- (1) the general standard of living has considerably improved, even though it is counterbalanced by the increasing disparities between regions, provinces, and between individuals within provinces,
- (2) extreme poverty has been eradicated,
- (3) housing has been improved, especially in the coastal regions,
- (4) communication infrastructure has been improved (railways, roads, telecommunication),

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<sup>14</sup> Quoted by ZHENG 1994. Data elaborated by us.

(5) the education system has been improved at all levels; illiteracy has almost completely disappeared, etc.

That the reforms have produced positive overall results, and not only from the point of view of the economy, is also supported by the data of the UNDP. In fact, economic indicators cannot fully describe the situation of a population. For this reason UNDP, partially following in this the ideas of Nobel Prize winner Amartya Sen (1997a and b, and 1999) has developed a mixed indicator for better measuring the actual wellbeing of a country: the Human Development Index (HDI) combining life expectancy at birth, education (measured by literacy), and GDP per capita. These three dimensions are then given equal weight and combined into a single indicator (the HDI). On this count, China does much better than by taking into consideration economic indicators only. According to the HDI-Statistical update 2008, and based upon 2006 data, China's HDI is equal to 0.762. That places China at the 94th rank (out of 179 countries) within the 'Medium Human Development' group (i.e. countries placed from rank 76 with index 0.798, to 153 with index 0.502). China is placed after, for example, Ukraine—82 rank, Thailand—81, Colombia—80, Russia—73, Brazil—70, Albania—69, Romania—62, Venezuela—61, and Bulgaria—56; but before for ex. Tunisia—95, Paraguay—98, Philippines—102, Indonesia—109, South-Africa—125, India—132, and Pakistan—139. Moreover, the UNDP data prove that from 1975 to 2006 China's HDI index has constantly improved, and that the improvement has accelerated during the reform era.

Nevertheless, as I have already anticipated, some negative outcomes appeared that need to be addressed by the Chinese leadership.

### **3.2. The negative outcomes of economic development**

One of the most important consequences of market mechanism has been the development of disparities within provinces and regions, as well as between provinces, regions and municipalities. The rift between rural and urban areas, which already existed during the Mao era, has thus been considerably widened. The first consequence of this phenomenon has been the appearance and growth of

unemployment (one of the factors explaining poverty), that was practically absent at the time of the command economy. That this would be the outcome of the introduction of market mechanisms could have been easily forecast either by sound socio-economic theory or by available empirical data on the development path followed by Western countries.<sup>15</sup> A study by the World Bank (2003: 10) very clearly shows this point for China. At the end of the Mao era and the command economy the distribution of income was quite fair (low Gini index, just above .25) and the number of poor people was quite high. But, as soon as market mechanisms were introduced, economic efficiency was boosted and poverty decreased dramatically. Nevertheless, at the same time income distribution became more and more unequal: the Gini index is well above .45, i.e. higher than that of countries that traditionally increase economic efficiency at the expense of equity, such as the US and the UK. Moreover, we observe that, following the Party Congress of September 1997 that confirmed and even accelerated the reform process, the number of poor people is increasing. Some more recent data confirm this new trend, which corresponds very likely to the appearance of new forms of poverty (both in the rural and urban areas) linked to the development of market mechanisms, as is the case in Western countries (Smeeding, 2002 and 2006). Finally, the appearance of unemployment, in conjunction with the one-child policy and the consequent de-structuring of the traditional solidarity, needs to be compensated by the setting up of another social policy: unemployment insurance.

Unemployment has also an impact on migrations. Unemployed people in the most vulnerable zones (especially in the rural provinces and areas) try to seek working opportunities in the urban areas where the dynamism of the economy is creating new jobs. Of course the majority of these new jobs are to be found at the lowest level of the salary hierarchy, especially in construction and services (Li Qiang, 2002 and 2003). Working conditions of these people are most of the time minimum, to say the least, and have attracted much criticism from abroad, but also from several circles within mainland China. Nevertheless, the situation of these people is slightly improving since the Government has taken several measures to protect them (Fang

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<sup>15</sup> This is particularly evident if we take data from about 1980 to 2007 about income distribution, poverty rate, employment, crimes, and health in Western countries and we compare countries with strong privatization policies and a relatively weak welfare State against those with a strong welfare State. See for example Urio 1999.

*et al*, 2006). However, (as was the case for migrations within Europe and elsewhere for centuries) migrant people generally find in the hosting country (or in the case of China in the hosting provinces) better opportunities than they would have enjoyed, had they remained in their home town or village. As a consequence, in the case of China, migrations from rural villages led to significant increases in consumption per capita, and this effect is stronger for poorer households within villages (De Braw and Giles, 2008).

Nevertheless, the migrations mentioned above, that involve according to reliable estimates at least 120 million people, exert a considerable pressure on the infrastructures of urban areas.<sup>16</sup> This in turn necessitates the (re)definition of the land use planning policy (including urban infrastructures) and an additional pressure to set up a modern safety net also covering migrant workers. Moreover, in order to fix part of the population in the rural areas<sup>17</sup>, and to reduce the gap between rural and urban areas, the Chinese leadership has set up (since the mid 1990s) a policy of investing in the infrastructures of the Western poor provinces and the rural areas in general.

Finally, the economic development has aggravated the situation of the Chinese environment, and this requires the setting up of regulations supported by effective controls. The conjunctural aging of the population, increasing disparities, unemployment, migrations, and environmental deterioration has aggravated the health of the Chinese people both in the rural and urban areas (Hu Angang, 2007: 133-166; Blumenthal and Hsiao, 2005; Hougaard *et al.*, 2008). For the latter, an additional negative consequence of disparities has been the migration from rural to urban areas of competent people working in the health services, attracted as they are by better job and salary opportunities offered by the cities.

Last but not least, the opening up of the Chinese economy, especially after the entry of China into the World Trade Organization at the end of 2001, has put additional pressure on the Government for the development of a legal system

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<sup>16</sup> According to the China Daily, there are today 150 million migrant workers (China Daily, October 17, 2008) or even more than 200 million (China Daily, October 28, 2008).

<sup>17</sup> Let us remark that at the same time the Government has publicly declared that it will take measures to accelerate the urbanization process in China. This is very likely because the urban areas are supposed to create more relatively well-paid jobs than the rural areas, and in any case the process of urbanization is the inevitable consequence of the development of a modern economy.

compatible with the international obligations China has subscribed to as a member of the international economic system. This pressure is complementary to the one exerted by the introduction of market mechanisms within the Chinese economy. They both require the establishment and implementation of legal rules compatible with the functioning of market mechanisms (Peerenboom, 2002 and 2007; Zhao, 2006; Lubman, 1999 and 1996).

Let me now take one of the consequences of economic development that is considered by some Chinese and Westerns experts as one of the major problems facing the Chinese leadership: the increasing disparities between provinces and regions, as well as within provinces, namely the disparities between rural and urban areas. Different methodologies have been used to study this phenomenon; one-dimensional indexes measuring disparities in terms of productivity, education, public services, infrastructure, institutional development, etc., or overall indexes combining several one-dimensional indexes (Wang Xiaololu, 2007), or using multidimensional and diachronic analysis (Yang and Hu, 2008), or a more comprehensive approach mixing economics, sociology and management (Wang and Hu, 1999 and 2001, Hu 2004, 2007 a and b). In all cases the disparities between and within provinces are very well documented. Moreover, they are increasing and in all cases they are mainly determined by the level of economic development that most of the time is associated with improvements in education, health and social services (Yang and Hu; 2008, Keidel, 2007). Let me give just one example: the ratio between the disposable income of urban areas and the net income in rural area within the Chinese provinces, which varies from a minimum of 2.26 for Shanghai to a maximum of 4.59 for Guizhou, confirms that it is in the less developed provinces that the disparities are the greatest.<sup>18</sup>

A research conducted recently by Albert Keidel (2007) in the framework of the Carnegie Endowment for International Peace, dealing with the disparities between the rural areas belonging to different provinces, provides some less discouraging findings. This research confirms that the disparities between rural areas are linked to the level of economic development of the province to which they belong; disparities

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<sup>18</sup> My calculations from the 2006 data in the 2007 China Statistical Yearbook. I should like to thank Liu Dehao, PhD student of Renmin University for communicating the data.

have been increasing all the time between 1985 and 2005, and they are likely to further increase in the future. Nevertheless, Keidel proposes an interesting and more encouraging interpretation, by putting these results in perspective with the overall development strategy of China. First, the rate of growth (in terms of both per capita income and consumption) is so high in all the regions, that issues of convergence or divergence become less important (Keidel, 2007:16). In other words, in spite of the widening gap between rural areas belonging to different provinces, the overall outcome of China's economic development is so important, that in every rural area there is a substantial improvement in terms of both per capita income and consumption.<sup>19</sup> Of course Keidel implicitly applies here the logic of economic development followed by Western countries since the beginning of the Industrial Revolution that led to an overall improvement of per capita income, in spite of an increasing divergence between different categories of people. This opinion is supported by the results of a research by De Brauw and Giles (2008) that revealed that migrations from rural villages led to significant increases in consumption per capita, and this effect is stronger for poorer households within villages. Moreover, Keidel (2007: 16-17) suggests that whether inequalities will constitute a negative consequence of economic development or, on the contrary, useful incentives for voluntary movement of workforce to more productive locations and vocations will depend on the capacity of the market to create large numbers of better-paid jobs in the urban areas, and on the ability of the Government to favour the development of infrastructure in all domains (transport, communication, energy, but also education, health and social security) that will contribute to a more balanced development of the economy.

In spite of the optimism that could transpire from Keidel research, there is no doubt that the list of problems and policies necessary to solve them is quite impressive. As I have already mentioned, what is even more impressive is that the corresponding changes in Chinese society are happening practically simultaneously and over a relatively short span of time, contrary to their evolution in Western countries which had at least a century to adjust their policies to the consequences of

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<sup>19</sup> We have already mentioned the results of a research by De Brauw and Giles (2008) that revealed that migrations from rural villages led to significant increases in consumption per capita, and this effect is stronger for poorer households within villages.

the Industrial Revolution. The results of the researches mentioned above confirm one of the main findings of Hu Angang about the disparities in Chinese society as they have been developing since the 1980s. With the purpose of taking account of the complexity of the Chinese situation, Hu has forged the expressions: “One China two systems - One China four worlds, and One China four societies”. “Two systems does not refer to ‘one country, two systems’ carried out between the mainland and Hong Kong, and Macao as well, but to two different systems of identity, education, employment, public service, and financial transfer for the inhabitants in rural and urban areas. ‘Four worlds’ refers to the reflection of China’s unbalanced development in different regions” (Hu Angang, 2004b:149). In his book, *China’s New Development Strategy* (Hu Angang, 2004a) Hu demonstrates that farmers have been left far behind the urban regions (especially in the coastal provinces). This segregation exacerbates income disparity between the rural and urban populations and is responsible for the decline in public services for the poor. Moreover, according to Hu, China is an even more complex society, as he considers that it can be subdivided into four societies: farming, manufacturing, services and knowledge. Only about five per cent of China’s workforce is engaged in what Hu calls the knowledge society, which comprises people working in sectors such as technology, education, health, finance, business and the civil service. In order to narrow the gap, Hu suggests that the Government should speed up the process of urbanisation, invest more in the economically backward western provinces and accelerate the development of manufacturing, service and knowledge sectors (Hu, 2004c). Based upon these findings, Hu Angang (2005) considers that the biggest challenge to China in the 21st century is not how to further speed up economic growth, but how to maintain a sustainable and equitable growth to reduce poverty and promote human development by focusing on the purpose of development instead of on development for the sake of development. “People first” approach to development means to invest in the people, serve the people, develop the economy for people and promote human development to enhance the people’s development capabilities and increase their development opportunities.

### 3.3. Re-balancing the Chinese society: in search of unity and harmony

The re-orientation of the Chinese development strategy has been implemented incrementally and experimentally, well in line with one of the elements of Deng Xiaoping's strategy. Already in the mid-1990's, the Party launched the "Open the West Policy". But given the acceleration and accumulation of the negative consequences mentioned above, a more radical re-orientation was needed. In the first part of this article I have shown how this change has necessitated a revision and update of some of the components of the political ideology of the Party: exit "economic efficiency first" and "let some regions and some people enrich first"; enter "equity" and "people first". But not "equity and people first" *per se*. This change is necessary because putting people first and distributing wealth with equity are today the means for reclaiming unity and harmony.

In practice what are the major measures taken by the Chinese leadership for realising this objective? In fact, the new development strategy defined at the beginning as "opening up the west" has been further confirmed and generalized at the time of the preparation of the 11<sup>th</sup> Plan. In February 2004, Zhu Rongji's successor, Premier Wen Jiabao recognized that China's fast economic development has resulted in the accumulation of such issues and conflicts, such as enlarging gaps between urban and rural areas in income; enlarging regional gaps; increasing inequality in family income; mounting pressure of employment and social security; lags in the development of education, health and medicine, and culture; intensifying conflicts between the growing population and development, and in ecological environment and natural resources; low quality of the economic system, and lack of competitiveness. Based upon this appreciation of the situation of Chinese society, Premier Wen Jiabao concluded that China must solve these problems in good time. According to Hu Angang (2005), by doing so, Premier Wen defined the new approach to development, i.e. the third strategy, based upon "people first". This strategy implies the following dimensions:

- Implementation of harmonious development between the urban and rural areas to narrow their income gaps.
- Implementation of the Western China Development Drive and the drive to revitalize the old industrial bases in Northeast China with the purpose of

narrowing regional gaps: the gaps between the western and eastern parts of the country and the gaps between the south and the north.

- Bringing economic and social development into good harmony.
- Implementation of “green development” to improve ecological environment.
- Prioritizing employment to bring about an employment-based growth model.
- The biggest challenge to China in the 21st century is not how to further speed up economic growth, but how to maintain a sustainable and equitable growth to reduce poverty and promote human development by focusing on the purpose of development instead of on development for the sake of development.
- The “People first” approach to development means to invest in the people, serve the people, develop the economy for people and promote human development to enhance the people’s development capabilities and increase their development opportunities.

These policy options have been confirmed at the last Party Congress of November 2007. In the framework of the third development strategy, hundreds of RMB billion have been invested in the poor provinces and regions. Whereas it is too early to evaluate the overall impact on the disparities, the fact that all the Chinese regions experience an improvement in terms of both income and consumption is an encouraging indicator that should drive the government to confirm the validity of the new strategy. Two recent reports by the World Bank (2009a and 2009b), although pointing to several difficulties and challenges especially in the domain of environmental protection and energy efficiency, recognize that considerable progress has been made in practical all domains and that most of the Millennium Development Goals have either already been achieved or China is well on the way to achieving them. Other indicators can be summarized as follows.

### 3.3.1. The improvements in the financial sector and of the SOEs

Even scholars like Riedel, Jin and Gao (2007) who are very critical of the organization of China's financial sector, recognize that "important reforms have been undertaken in the financial sector, including the restoration of a commercial banking system, the emergence of a fledgling bond market, and the establishment of stock exchanges in Shanghai and Shenzhen, and these reforms have not been without success," (Riedel, *et al.* 2007:16; Sanders and Chen, 2007); and that in spite of many difficulties in this domain (Goodhart and Zeng, 2007: 105-118; Yao and Han, 2007: 119-143), "China has achieved high rates of investment and growth" (Riedel *et al.*, 2007: 67). In this context it is interesting to note that the size of the non-performing loans (NPL), that have attracted some severe criticism from Western economists, has been considerably reduced in recent years: the percentage of NPL dropped in 2005 to as low as 4.5% for ICBC<sup>20</sup>, 9.6% for BOC and 3.3% for CCB. Only ABC still had a percentage as high as 23.5. Nevertheless, the Chinese Government has recently approved the project of ABC to restructure itself into a shareholding bank, paving the way for its listing, with a reported injection of \$19 billion from the Government (China Daily, October 22, 2008).

In the meantime, serious measures have been taken for improving the governance of SOEs whose performance has greatly improved, to the point that some of them have become important global players.

### 3.3.2. The improvements in environmental protection

It is in this domain that improvement has been generally considered less impressive, especially by Western observers, worried as they are by the increasing use of natural resources by the Chinese economy that may increase (and is in fact increasing) the contribution of China to the world environmental damage. Moreover, not all the experts consider that the official Chinese statistics on the environment are

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<sup>20</sup> Industrial and Commercial Bank of China (ICBC), Bank of China (BOC), China Construction Bank (CCB), Agricultural Bank of China (ABC).

reliable. Nevertheless, it cannot be said that the government has not taken and implemented several measures in order to put a halt to environmental degradation. First, a number of non-performing and polluting SOEs have been shut down. Second, the use of coal for heating has been reduced in the cities. Third, an important effort of re-forestation has been carried out. Fourth, since the beginning of the reform process, many laws and regulations have been adopted and implemented: after the first law on the protection of maritime environment of 1982, many other laws have been passed in the domain of water, prairies, fishing, land, wild animals, agriculture, air, etc. Moreover several research institutes provide expertise to the authorities that will be useful for designing better laws and regulations, such as the Chinese Academy of Sciences, and the Chinese Academy for Environmental Sciences, as well as number of research centres at the local level.

Furthermore, several efforts for educating the Chinese population in the domain of environmental protection have been undertaken by both governmental agencies and non-governmental organizations (Ran, 2005).

Last but not least, China, a signatory of the Kyoto Protocol on May 29, 1998, at the summit of the UN Conference on Sustainable Development in Johannesburg in 2002 declared that it would approve the Protocol. The formal acceptance on 30 August 2002 is certainly one of the major successes of this Protocol. This showed not only that China was taking seriously the environmental problems, but also that it committed itself to behave as a major global player economically, politically, and environmentally.<sup>21</sup>

### 3.3.3. The improvements in public management

Many innovations have been introduced since the beginning of reforms that have improved the effectiveness of public management of the P.R.C. First of all, since the 1980s the administrative structure of the Central government of China has undergone a long series of reforms. Whereas it is not possible to exclude that

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<sup>21</sup> China has signed a long list of international treaties in the domain of environmental protection that would be too long to quote and comment here.

political considerations have been at the source of some of these restructurings, it is certain that most of the time the aim of these reforms has been to facilitate the transition from the planned economy, where State ministries and agencies in fact managed the entire economic domain, to the new Chinese economy, where market mechanisms were being introduced progressively. This transition entailed a change in governmental functions by reducing the direct management of economic sectors, whilst increasing the regulatory functions, among which the macro-economic ones were to acquire an increasing importance. This process needed some (almost) permanent changes in the structure of the Central administration. The last episode of this movement has been the creation of five super Ministries whose role will be to better guide the policies in the most important domains crucial for the realisation of a balanced and prosperous society.<sup>22</sup>

But restructuring the administration, as necessary as it is, is not enough for the implementation of the new public policies. It is necessary to put into practice the attitudes, skills and knowledge necessary for this purpose. Although the fundamental options in public policy matters are the paramount responsibility of the political leadership, the design and implementation of public policies must be supported by a number of civil servants that it has been necessary to train in the new domains of State activity. This has been done through different means, such as the training by the Party schools at the central and local levels, the National School of Administration, as well as by the Universities, some of which have been given the responsibility of setting up new Public Administration Master programmes. In addition, hundreds of civil servants have been trained within overseas programmes set up in cooperation with Western and Asian countries. Furthermore, the Government has supported research realised within both governmental research institutes and university research centres and think tanks. Moreover, China has taken advantage of the cooperation with international organizations such as the World Bank and the Asian Development Bank, as well as individual foreign countries to realize applied research in the domains useful for the Chinese decision-making

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<sup>22</sup> The new Ministries are the Ministry of Information, Ministry of Human Resources and Social Security, Ministry of Environmental Protection, Ministry of Housing and Urban-rural Construction, and the Ministry of Transport.

process in fields such as the restructuring of social services, waste water treatment, financial sector management, etc.. Most of the time these research projects have been carried out by teams composed of Chinese and foreign experts. By organising the acquisition of knowledge in this way, China has benefited from the experience of foreign Governments and experts. This knowledge, used in conjunction with the knowledge developed by Chinese experts (who moreover have a better knowledge of the Chinese situation than the majority of foreign experts) has been very useful for improving the management capacity of the Chinese leadership. Let me mention the case of the preparation of the new Chinese health system, in which the National Development and Reform Commission (NDRC), several ministries (including of course the Ministry of Health), several leading Chinese Universities (one of which in cooperation with a leading Western University) an international organization (The World Health Organization) and a private consultancy organization have cooperated in order to suggest to the Chinese leadership ways of reorganizing the Chinese Health System. The imminent completion of the design of the new system was announced by President Hu Jintao at the last Party Congress of November 2007.

Last but not least, the considerable development of the Chinese legal system, even if the majority of experts considers that it should be further developed and completed, and the frequent references in public discourse to the necessity to abide by the rule of law, show an important commitment of the Chinese leadership to introduce more legal security within the functioning of the new Chinese economy (Peerenboom, 2002 and 2007). This trend is further confirmed by the development of important domains of laws, such as the new Contract Law, that gives more security to employees within the domain of employer-employee relations. This trend, confirmed by the increasing number of cases brought before the courts, suggests that the Chinese legal system is moving towards the attribution of rights to its citizens in domains where until recently inter-personal relations were the main way of establishing mutual obligations and of resolving conflicts.

## Conclusion

Let me come back to one of the hypotheses I introduced at the beginning of this article: if a substructure is changed (as has been the case for the Chinese economy during the reform era) then the other substructures have to be adapted to this change in order to maintain the cohesion of the overall structure. I have shown how the Chinese cultural structure (i.e. the political culture) has been modified accordingly, and what have been the changes in the policies set up by the Chinese leadership, first to sustain the development strategy of the Deng and Jiang era, and then to sustain the new development strategy of Hu Jintao that puts “people first”. I have also given examples of the changes introduced to organise the decision-making process, i.e. its opening up to a variety of information and analysis coming from different sources. These changes correspond to what I have called the “functional equivalents” of China to sustain the introduction of market mechanisms within its economy. But, the question is: “equivalent to what?”

It is at this point that we have to consider the dominant opinion of Western scholars for whom the introduction of market mechanisms will inevitably need the adoption of a legal and political system in China similar to the Western one. As I have suggested with the concept of “functional equivalents”, this is by no means the necessary conclusion of China’s reform process. Why should China embrace the main features of the Western liberal democratic system? The dominant Western answer is: because market economy and democracy Western-style (i.e. a system based upon free elections and the rule of law) go hand in hand, i.e. they support each other (Friedman, 1962). This is what the Italian philologist Luciano Canfora (Canfora, 2002 and 2008) calls “democratic fundamentalism”. Now, democracy in the West has been criticised by both Chinese and Western scholars. Democracy as it is practised today in Western countries is characterized by an important symbiosis between the political State’s institutions and the economic elite that dominate the market economy. It is within a complex game between economic, political and intellectual elites that policy options are examined, choices are made and then presented to the public. Of course there exists a “free press” that can monitor the work of the elites. Nevertheless, the majority of the mass media that have a large circulation within and amongst western countries is under the control of powerful

companies that themselves belong to the economic elite, with which they share ideological values and economic interests. It is not likely that these mass media can exert an efficient and impartial control over the ruling elite. Furthermore, Western governments have abdicated in favour of the managers of financial markets by giving autonomy to their Central banks and renouncing to better regulate financial markets. The consequence of this transfer of power from the political system to the economy, and more particularly to the financial system, are today before everyone's eyes thanks to the financial crisis that exploded in September 2008 in the US (at the moment I was revising this article) in spite of several warnings in the form of smaller crises that occurred during the "wonderful years" of neo-liberalism and the "Washington consensus" (Urio, 1999).

Bearing this in mind, the most interesting conclusion that we can draw from a comparison between Western countries and China is that both systems are based upon the dominant role of elites (or oligarchies) that possesses the necessary knowledge and skills that seem necessary for managing complex industrial and post-industrial societies (Canfora 2004 and Unger 2005 and 2007). There certainly is a difference in the degree of freedom the two systems leave to the various economic, social and political actors within each of the two systems, but overall the mechanisms for organising public management are the same. The result obtained by these two systems for the people can of course be evaluated by some objective scientific means of social science enquiry. But at the end, it is up to the people living within these two systems to evaluate the advantages or disadvantages they obtain from the policies implemented by their elites. In the West, a two and a half millennia long history has led the people to treasure both political and economic freedoms as means of obtaining a satisfactory way of living in terms of both material and immaterial means. In China the four-millennium long history has led to treasure stability and harmony as the means for obtaining a satisfactory way of living in terms both material and immaterial. It seems that the Chinese leadership is on the right track for further improving the standard of living of the Chinese people. And the majority of the Chinese people seem to be satisfied with the improvement already realized and look forward with confidence to the improvements to come. So, why should China adopt a Western-type system not compatible with its history and culture?

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