Part I

INTRODUCTION

1

Socialist and Market Social Contracts

OVER the last two decades, China has gone through a massive economic transformation. This book tries to capture the social and, to a lesser extent, the political aspects of that transformation. The transformation involves a fundamental redefinition of the social contract the government has with society.[1] The socialist social contract promised an egalitarian, redistributionist order that provided job security, basic living standards, and special opportunities for those from disadvantaged backgrounds. In return, the state demanded sacrifices in current consumption, a leveling of individual aspirations, and obedience to all-knowing party redistributors.[2] In time, some of the demands wore thin, particularly when economic inefficiencies accumulated and the sacrifices in current consumption failed to translate into long-term growth or into improved housing and consumer goods.

The new, post-1978 market social contract makes a different set of demands and promises. In return for abandoning the ideal of communal egalitarianism and security of jobs and other benefits, the market contract promises that giving free reign to individualistic aspirations will produce better jobs and greater consumption. Freedom from communal dictates by all-knowing redistributionist party superiors will allow the

1. In the voluminous contractarian literature, perhaps the emphasis on the moral obligation of citizens to obey an egalitarian social contract (Kant 1970; Rawls 1971) is the theme most relevant to socialist societies – though Rousseau's (1950) suggestion that citizens should be socialized from an early age into ethical values consistent with the social contract also seems relevant. China's emphasis on "virtuocracy," promoting the ideologically committed and societal guidance by the ideologically committed, provided an extreme implementation of some of these contractarian ideas.
2. Earlier applications of the idea of a social contract to socialist and postsocialist societies include Bialer (1980), Lapidus (1983), Breslauer (1984), Hauslohner (1984), Connor (1988), Hewett (1988), Kennedy (1991), Cook (1993), Berliner (1994), and Cheek (1994).

economy to adapt readily to changing domestic and international markets. While some may be left behind, the growing economic pie means that the vast majority of people will benefit.

As late 1980s student demonstrations against inflation and government corruption showed, much of this shift from old contract to new can provoke resistance. Once the transformation begins, many interest groups find that they miss parts of the old social contract.[3] In Eastern Europe and the Soviet Union, where economic downturns were more severe, the public often protested against problems with the transformation by voting Communist parties back into power.

This book examines the difficulties of transition, with an emphasis on promises kept and promises betrayed during the socialist period and with an emphasis on the politics of transition. We do this with a unique set of social surveys conducted over the most difficult of transition times, between 1987 and 1992. The surveys include repeated semiannual surveys, allowing us to monitor changing responses to reform (see Appendix B). The data sets also include surveys of political participation and surveys on specific population groups. The special population surveys let us examine how the changing social contract influenced women, workers, and civil servants. Finally, we have a pair of surveys comparing public attitudes in Taiwan and China, letting us examine popular reactions to market and socialist social contracts in two societies with shared cultural origins but radically differing economic systems. This final, "one culture, two systems" comparison helps pull together many of the observations made from regional and group comparisons within China.

SYSTEMIC DIFFERENCES

Two central issues guide the analysis: the systematic consequences of socialist and market systems and, second, the politics of transition. The first issue concerns how different social contracts shape people's lives. The second issue is about the winners and losers during market transformation. We begin with systematic intended and unintended consequences of the socialist system.

3. E.g., Millar and Wolchik (1994), Kluegel and Mateju (1995).

Systematic Consequences

To give a set of names to the debate, the issue of systematic consequences can be thought of as a debate between Janos Kornai (1980, 1992, 1995) and Alex Inkeles (1968). Kornai, the famous Hungarian economist, argues that socialist systems, wherever they were put in place, had a systematic set of secondary consequences that shaped all areas of life. Many other authors, of differing political persuasions, join Kornai in emphasizing the differences between socialist and market systems.[4] Though the emphases vary by author, one of the presumed systematic consequences of a top-down planned economy is vertical dependency. With many goods distributed not through open, market principles but instead through redistributionist channels, people were indebted to redistributing bureaucratic superiors. This tendency was exacerbated by an emphasis on large production units and by the lack of alternative employment possibilities outside work units organized in a single, pyramid-shaped hierarchy. The result, Wiles (1977) and others suggest, is the very alienation from work that Marx decried as an evil of capitalist societies. In large, state-owned work units, despite individualized bargaining enhanced by patron–client ties, workers were not in control of their own fates. This produced feelings of hopelessness, powerlessness, and passive strategies of protest (Havel et al. 1985; Kaminski 1992). To the extent that people did pursue their interests, this was typically conducted through particularized contact in hierarchically organized corporatist systems. This particularized, person-to-person contact through informal channels could become corrupt in times of political relaxation (Chirot 1972; Hough 1977; Eisenstadt and Roniger 1981, 1984; Jowitt 1983, 1992; DiFranceisco and Gitelman 1984; Shi 1997). When particularized contact failed, people retreated into passive grousing among a small coterie of close kin and friends (Smith 1976; Kaminski 1992, p. 252). With some exceptions, the list of consequences included high levels of equality within a given society. Even when elites got additional in-kind benefits in housing and other goods, overall inequality remained modest (Ellman 1989). So much so, suggests Lenski (1994), that morale among elites and

4. E.g., Hayek (1944); Hollander (1973); Lindblom (1977); Wiles (1977, ch. 12); Ellman's (1989) chapter on the "Results of Socialist Planning"; Kornai's (1992) chapter on the "Coherence of the Classical Model"; Szelényi (1996).

skilled workers suffered. Moreover, with an emphasis on blue-collar work and a slowing in growth, mature socialist societies failed to provide the job and income opportunities that they initially promised. Morale sagged in response, particularly among blue-collar workers (Connor 1979, 1991). We explore whether these types of systematic consequences appeared in China.

Based on his 1950s work on the Soviet Union, Alex Inkeles suggests that while there are some obvious differences, industrialization is a great homogenizer that obscures differences among social systems. When societies industrialize, education, stratification, family systems, and even personality begin to converge (Inkeles 1950, 1960, 1968, 1974, 1976; Inkeles and Bauer 1959). More education, the freer flow of information through the media, and work in large, complex organizations creates a new, autonomous, assertive personality type that in time demands changes in both market and socialist top-down, authoritarian socialist systems.[5] While agreeing with many of these tendencies, other authors note that the change process occurs not in a smooth, linear progression but in tumultuous, episodic events that may be painful to all participants. With increasing information from abroad and rising aspirations, the more educated and those in close contact with information and ideals coming from abroad can come to expect much more than their governments can deliver. Social and political instability may be the result (Huntington 1968; Portes 1976). If true, then, parallel with tendencies in many market societies, the more educated and those in contact with media containing new ideals from abroad will be among the most discontent in Chinese society and the most likely to consider political actions outside official, corporatist channels.

Consistent with the theme that there are many commonalties among all complex societies, other authors note that socialist and market systems produced similar prestige rankings of occupations (Treiman 1977) and broadly similar patterns of occupational mobility (e.g., Connor 1979). Even the neo-Marxist critics often agree, arguing that in actually

5. Kohn and Slomczynski (1990) show parallel processes of personality formation in Poland and the United States. Almond and Verba (1963) provide a classic statement in the political modernization school, which emphasizes bottom-up pressures from more informed, participant citizens. Though emphasizing change at a later state of development, Ingelhart (1990) notes how increasing education and resources contributes to increased political mobilization.

existing state socialism – disparagingly labeled "state capitalism" – the structures of inequality, dominance, and personal motivation mimicked patterns in market societies.[6]

Part of the answer to this debate is, of course, that it is a matter of degree. Often the differences were not qualitative but instead quantitative – or a matter of degrees of difference. For example, in examining state-owned corporations in France, Michel Crozier (1964) reports a host of consequences, including worker repulsion to personalized dependency and problems of motivation once one moves toward a more rule-bound organization of work. Despite some variations among societies, the impressive aspect of the "bureaucratic phenomenon," according to Crozier, is its similarity across societies, with key differences being only of degree, not kind. Socialist states effectively reproduced Crozier's set of unanticipated consequences of the bureaucratic organization of work, only on a societal scale.

Capturing degrees of difference is always difficult, both because there are few truly comparative studies and because people who live within each system are often insensitive to the peculiarities of their own social lives. Observations that have been most useful in capturing these subtle differences often arise from people who have left one system for the other. However, these analyses are risky. Those who have left might be special in some way, either because only people who were different chose to leave or because they were changed by the process of leaving and relocating in a different society. Nevertheless, accounts from emigres are suggestive. In earlier years, popular media and interview accounts report culture shock among emigres who left East Germany, Russia, and China for the capitalist West or hyper-capitalist Hong Kong. Emigres deplored the social costs of individualist competition and the loss of close, supportive ties among workmates, neighbors, and friends.[7] Similar to Tönnies's account of early market transformation in the West, people in new, cold, "*gesellschaft*" settings longed for the warm, "*gemeinschaft*" relations they had left behind. Much as in the early emergence of the market, individualistic mobility and competition created a new set of less personalistic social relations.

Besides losses in warm personal relations, in the early 1980s, Russian

6. Lane (1985, pp. 85–88) reviews the state capitalism literature.
7. WGBH (1983); Whyte and Parish (1984), ch. 11; Gill (1986).

emigres in the United States reported a loss in social support mechanisms. Once out of the Soviet system, emigres reported that subsidized housing, education, and health care were important aspects of Soviet life that they missed. When emigres were asked what lesson the United States might learn from the Soviet Union, socialized medicine led their list of suggestions (Millar and Clayton 1987). During the early 1990s in the postsocialist states of Europe, many residents remained attached to old egalitarian values.[8] Of course, there were less flattering images as well, with employers, coworkers, or neighbors in West Germany, Israel, and Hong Kong finding their socialist brethren excessively passive, waiting on someone else to provide for their wants rather than striking out on their own.

In this book, a series of new surveys lets us observe a great natural experiment. Like during early market and industrial transformation in the West, people in the midst of market transformation are more sensitive to differences between old and new systems. This is the same type of transformative moment that produced an antimarket backlash in the West. There, the utopian communes of the early and mid-1800s were one counterreaction to the growth of the market (e.g., Kanter 1972). Marx was only one of many people who commented negatively on the spread of the cash nexus in human relations. Simmel, Durkheim, Weber, and many other social scientists made a career of analyzing the changes caused by the spread of the market. More recently, following themes about "the great transformation" by Karl Polanyi (1944), E. P. Thompson (1971) and Charles Tilly (1975) have noted how the market's erosion of the old "moral economy" of communal sharing was a wrenching experience in early modern Europe.

Once again, with the decline of idealistic socialism, characterized by a panoply of subsidized housing, food, and other benefits, and the rise of the market in these same societies, we have a chance to capture people's reactions as old socialist, communitarian contracts are shelved to be replaced by more individualistic, market social contracts. By capturing people's reactions at the very onset of reform, we hope to get a better sense of what each of these social contracts meant for people's everyday lives. Also, using similar survey instruments in marketized Taiwan and

8. E.g., Duch (1993), Berliner (1994), Dobson (1994), Millar and Wolchik (1994), Kluegel and Mateju (1995), Mason (1995), Zaslavsky (1995).

socialist China, we hope to get a clearer sense of how people in a common cultural tradition react to different systems of economic opportunity.

Negative Consequences

On the negative consequences side of our study, we will examine the consequences of the socialist contract for authoritarianism, life chances, and job satisfaction. Our study of authoritarianism considers the degree to which people could participate in spite of one-party rule. We will note that as they matured, socialist states increasingly sought feedback from below, both to help produce better policies and to deal with spontaneously arising interest group pressures.[9] The question is whether citizens used the corporatist system of institutionalized contact through official channels (such as contacting supervisors, mass organizations, or ombudsmen, or writing letters to the editor) to solve their problems. Furthermore, we ask whether that system of institutionalized contact continued to work for most people and whether among the young and more educated other means of interest articulation were coming into play. Our studies of both worker participation and general political participation deal with this issue (Chapters 6 and 8).

Also, in passing, we will consider whether democracy and free expression were very high on people's demands for change. During the 1989 student demonstrations many foreign observers concluded that this was a major demand (e.g., Schell 1988; Ogden et al. 1992; Calhoun 1994). In contrast, some studies of postsocialist societies in Eastern Europe suggest that democracy was not a major concern of many people (e.g., Mason 1995, p. 56). By observing how people ranked complaints during the upheavals of the late 1980s, we hope to get a better sense of the priority of democracy in people's list of demands. Also, in comparisons both among subgroups within China and between Taiwan and China, we will try to get a better sense of the forces that increased people's sense of political efficacy, or the ability to influence political decisions, and how that might be changing (Chapters 5 and 11).

9. E.g., Daniels (1971), Skilling (1971), Chirot (1972), Hough (1977), Nathan (1985), Lieberthal and Oksenberg (1988).

Our study of life chances examines whether at the height of the socialist era in China, the promise of greater opportunity was realized. Perhaps more than in any other socialist society, China in its 1966–76 Cultural Revolution decade enacted an affirmative action program for the children of peasants and workers. Studies of other socialist societies suggest that as these societies mature and economic growth slows, socialist states fail in their promise to provide more mobility opportunity for the formerly dispossessed – or for anyone, for that matter.[10] Studies of China also suggest that the Cultural Revolution's attempt at change by brute force was often counterproductive (e.g., Parish 1984; Whyte and Parish 1984; Davis 1990, 1992b; Deng and Treiman 1997). We will revisit this issue with fresh data, asking about both past trends in education and job opportunities and the new opportunities that may or may not be provided by the spread of the market in the late 1980s and early 1990s (Chapter 3).

Our study of job satisfaction asks how people responded first to the socialist system and then to changes during market transformation. This builds on an earlier literature about workers in European socialist states and in China. Part of that literature is involved in a debate about the relative dependency and bargaining power of workers.[11] We revisit this debate, suggesting that much as in early industrialization in the United States, workers object to personalized dependency on supervisors (e.g., Edwards 1979). Combined with the need to wait many years until seniority created modest pay increases, the system of institutionalized control and weak financial incentives led to a generalized dissatisfaction with income and work opportunities – even as these same workers express satisfaction with interpersonal relations among coworkers and with the fringe benefits attached to work. We examine these issues in discussions of popular reactions to reform, of reactions of workers and of civil servants, and of workers in China in comparison to workers in Taiwan (Chapters 5–7 and 11). In the conclusion we return to themes from Marx and others about how growing dependency in large factory settings pro-

10. E.g., Connor (1979, 1991); Dobson (1980b); Matthews (1982); Lapidus (1983); Erikson and Goldthorpe (1994), p. 300.
11. Sabel and Stark (1982), Walder (1986), Kennedy and Bialecki (1989), Lu (1991), Burawoy and Krotov (1992), Burawoy and Lukacs (1992), Lin (1992), Crowley (1994), Fish (1995).

duces alienation among workers, first in the early industrial revolution and more recently in socialist factory settings.

Generalized Dependency

One of the major themes that emerges in this book is the generalized role of dependency and its debilitating influence on people in all walks of life. As already noted, this is a common theme in writings on European socialist states. Perhaps even more so than in Europe, Chinese socialist institutions forced people to live and work within large organizations, with hierarchical chains of command (Xu 1994b; Li 1995; Shaw 1996). The secondary consequence was to convince not only workers but also professionals and bureaucrats that one needed personal connections to superiors in order to get ahead in life (e.g., Yang 1994). "I didn't have the right personal connections" became an easy explanation of why one did not get ahead in life. People who were promoted were often suspected of having special connections. Non-party intellectuals, in particular, saw party members as having special access and special privileges. In part they did. The systematic way of maintaining party loyalty was through "principled particularism," with the party faithful and political activists being given more access to resources (Walder 1986). However, among the general population the suspicion often grew that party members with only modest educational qualifications were using their special access for personal gain and that those outside the party could have little control over policy decisions or the distribution of public resources. Most galling of all was the feeling that much of the exercise of party and bureaucratic authority was arbitrary – similar to Edwards's (1979) description of the reaction of workers to the arbitrary use of power by intermediate supervisors in the early industrialization of the West. By the 1980s this led to increasing complaints that China was ruled by a system of "personal whim" rather than predictable, uniformly applied "law." Or, in the parlance of Talcott Parsons, this was a system based not on universalistic rules but on particularistic social ties. We want to trace these types of behaviors, asking both whether party members and others had special access to policy making and to privileges and how the public reacted to the system of personalized dependency that this system tended to create.