

## I

## Redistribution and Stratification Dynamics Under State Socialism

*The Chinese Revolution is for the latter half of the twentieth century what the Russian Revolution was for the first half. By transforming Chinese society, it has brought a great power into being which proclaims itself the revolutionary and developmental model for the poor countries of the world.*

*Franz Schurmann (1968, p. xxxvi)*

*In state socialist societies social inequalities are basically created and structured by redistributive mechanisms.*

*Ivan Szelényi (1978, p. 1)*

## INTRODUCTION

One evening in 1985, I found myself at a dinner table in Palo Alto, California, with Professor Arthur Wolf, a distinguished anthropologist of China studies, and several students of his. During that conversation, Professor Wolf asked this question: “How can we explain the phenomenon that, ever since population data have been recorded in China’s history, the Chinese population continued to rise, but there was a sharp drop in the late 1950s and early 1960s?” My heart sank as I followed Professor Wolf’s waving arm and visualized the long and upward trajectory and then a sudden, deep slump. Many images and stories rushed into my mind – the recollections of the so-called “Great-Leap-Forward” episode and the subsequent famine period that I heard about over and over as I grew up, from my parents, grandparents, my friends’ parents, and from the peasants in the village where I once worked.

Indeed, over so many dynasties, emperors, wars, famines, and other disasters in China’s long history, why did the 1959–1961 famine strike the

Chinese people so mercilessly, when an estimated thirty million perished in a few years (Banister 1987; Yang 1996)? As we know by now, this was not at all a “natural” disaster, but a “man-made” one, caused by policy mistakes by the top leaders! And this was by no means an accidental or isolated event. In the past five decades in the People’s Republic of China, this was but one of many episodes in which state policies affected individual life chances in dramatic and violent ways. The larger issue behind Professor Wolf’s question is this: Why did “man-made mistakes” have such far-reaching consequences?

To address this and other related issues, we must examine social stratification processes under state socialism. Social stratification – the structure of opportunities and social positions, and the processes of allocating individuals to these opportunities and positions – provides an important lens through which we understand the link between the state and individual life chances under state socialism. To understand social stratification patterns, we are confronted with these basic questions: How are the hierarchies of social positions and, ultimately, the social stratification system, constructed and maintained? What are the allocative mechanisms through which individuals are channeled to these positions and resources? Why are there noticeable variations in social stratification patterns across societies? By seeking answers to these questions, we come to recognize the importance of institutional arrangements that define and construct the structures and processes through which resources are allocated and transferred among social groups and across generations. In the twentieth century, especially after World War II, industrialized market societies and state socialist societies have presented two distinct and prominent models of social stratification.

This book is a study of how structures of opportunities and individual life chances evolved over time, especially the role of the state in this process, in the People’s Republic of China (PRC). We trace the historical evolution of the social stratification system in urban China over a forty-five-year span under state socialist governance, from 1949 to 1994. We accomplish this goal by examining patterns of state socialist redistribution and their impacts on individual life chances in such areas as educational attainment, job mobility, bureaucratic promotions, and the distribution of economic benefits, among others. There are two main themes that organize this book.

The first theme addresses *the interplay between redistribution and stratification dynamics under state socialism*. At the core of social stratification

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are redistributive institutions that provide stable organizational links between the state and its citizens. On the one hand, we observe stable structures of positions and patterns of resource allocation. On the other hand, as I elaborate in the following, the political logic of redistribution also leads to organizational failures that cause drastic changes in state policies and in macro-political processes, thereby introducing *stratification dynamics* that are often noncumulative, disruptive, and generate twists and turns in individuals' life chances across historical periods and over their life course. The interplay between the stable organizational basis of redistribution and stratification dynamics provides a key to understanding the relationship between the state and life chances. A main contribution of this study is to develop theoretical arguments about, and empirically study, the link between the state and life chances under state socialism.

The second theme addresses *institutional changes in the transformation of state socialism*. Since the 1980s, China and other former state socialist societies have embarked on the great transformation of state socialism. The extent of institutional changes and the mechanisms underlying these changes have generated enormous interest and debates among social scientists. Major theoretical work on the transformation of state socialist economies has been developed in the Chinese context. These theoretical arguments point to different sources and directions of institutional changes. A useful angle from which to address these theoretical issues is to examine how stratification patterns have evolved over time. Social stratification patterns reflect fundamental institutional arrangements of a society. If such arrangements have undergone significant changes, they should be first and foremost captured in changes in patterns of allocative mechanisms, hence patterns of social stratification. The study of social stratification patterns reported in this book addresses this set of issues by examining historical patterns of resource allocation over time, especially contrasting those before and after the economic reform, and by assessing changes in the mechanisms of social stratification in areas of job shift patterns and the distribution of economic resources.

The exploration of these two themes, we hope, can shed light on the evolution and decline of state socialism as a political institution. The rise and decline of state socialism was one of the major political events of the twentieth century. The Bolshevik Revolution of 1917 created the first state socialist country in Russia. After World War II, state socialist governments spread across continents, providing a seemingly strong, competitive societal model to challenge capitalist market societies. But by the end of

the twentieth century, most societies have abandoned the state socialist model; others are in deep crises or undergoing fundamental changes.

To explain the evolution and crisis of state socialism, one needs to seek answers not only in the political structure of the authoritarian states or in the economic inefficiency of the command economy but also in the ways in which the state and society interact with each other. It is, after all, the popular uprisings of the late 1980s involving millions of citizens and a wide spectrum of social groups that pronounced the demise of state socialism as a worldwide political institution. This recognition calls for a political sociology of state socialism that centers its explanations in the institutional structures of state–society relationships, which are sustained by and reflected in social stratification processes.

Moreover, although state socialism as a worldwide political system is withering away, its legacy has not lost contemporary relevance. Since World War II and with the expansion of the modern states, redistribution through the welfare state has greatly expanded in industrialized nations as well as in newly developed or developing societies in Asia, Africa, and Latin America. The institutional arrangements based on redistribution persist to various degrees in the former state socialist countries as well, shaping their unique paths of social transformation. Therefore, an understanding of the evolution of state socialism, its redistributive institutions, and their impact on social stratification is not a mere historical curiosity.

This study is in the sociological tradition of comparative social stratification. Throughout this book, we make explicit or implicit comparisons between market and redistributive institutions and between China and other state socialist societies in their patterns of resource transfer across generations and among social groups. It is in this comparative perspective, we believe, that the Chinese experience can best contribute to our understanding of social stratification processes in contemporary societies.

There are two main tasks in the rest of this chapter. First, we compare and contrast the main characteristics of social stratification patterns between industrialized market societies and those in state socialist societies. This discussion develops a comparative framework and highlights a set of distinctive issues in understanding social stratification in state socialist societies. Second, we present theoretical ideas and research issues on the two themes of this study – redistribution and stratification dynamics under state socialism and the institutional transformation in China – that will guide the empirical studies reported in this book. We outline the main structure of this book toward the end of this chapter.

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## SOCIAL STRATIFICATION IN A COMPARATIVE PERSPECTIVE

Our knowledge of social stratification processes is largely informed by studies of market societies. In a market economy, political and economic transactions are based on the principle of *exchange*. In this institutional structure, initial endowments of resources have a lasting effect on social positions because private property rights stabilize and reinforce the relative opportunities of various groups based on their preexisting social and economic resources. It is in this sense that Weber (1978, p. 928) viewed the stratification structure as ultimately resting on market position: “[T]he kind of chance in the *market* is the decisive movement which presents a common condition for the individual’s fate. Class situation is, in this sense, ultimately market situation.” Not surprisingly, then, social mobility and stratification in industrialized market societies have been characterized by persistent advantages of initial resource endowments. Studies invariably find that social mobility in these societies mainly operates through individual and family-based social inheritance and achievement. Improved socioeconomic status has resulted largely from the emergence of new opportunities due to industrialization and concomitant structural changes (Featherman, Jones, and Hauser 1975; Treiman 1970). These findings are broadly consistent with the historical pattern of the gradual extension of citizenship and social rights to lower classes in Western Europe and North America (Bendix 1964; Marshall 1950).

The importance of an individual’s market position leads to a theoretical focus on inter- and intragenerational social mobility and status attainment in industrialized market societies (e.g., Blau and Duncan 1967; Goldthorpe 1987; Hauser and Featherman 1977; Sørensen 1977). There have been extensive studies of channels of social mobility – the relative contribution to upward mobility of social status inherited from parents versus acquired human and social capital (e.g., Coleman 1988; Hout 1988; Yamaguchi 1983). The focus on structural conditions such as social origins and occupational position implicitly assumes that the stratification mechanisms are relatively stable across generations and over an individual’s life course. Indeed, in industrialized market societies, patterns of social mobility are relatively consistent over time and place (see, e.g., Erikson and Goldthorpe 1992; Grusky and Hauser 1984; Hauser and Grusky 1988; Sørensen 1992), even though some cross-national variations in mobility regimes clearly exist. Father’s social status and son’s education, for instance, have remarkably consistent positive effects on intergenerational mobility over time (see, e.g., DiPrete and Grusky

1990; Featherman and Hauser 1978; Hout 1988). For a theoretical re-assessment, see Ganzeboom, Treiman, and Ultee (1991), and Sørensen (1986).

Even when social groups in industrialized market societies advance their interests through organized interests, they often engage in market-like competition. In the United States, for instance, Larson (1977) showed how powerful professional groups have advanced their common interests through “collective projects” to establish protective boundaries and social closures. These interest organizations play an important role in “carving out a labor-market shelter, a social closure, or a sinecure for its members in the labor market” (Freidson 1986, p. 59) and they provide the basis for collective action in interest articulation (Grusky and Sørensen 1998). They may use their resources to gain competitive advantages and adopt political means to acquire legislation in their favor (Zhou 1993a). But, in contrast to state socialist societies, the relative positions of social groups and classes can be appropriately seen as the outcome of private ordering through market-like lateral competition among groups endowed with varying economic and political resources.<sup>1</sup> Tilly’s (1998) theorizing on durable inequality based on social relations and social closures highlights an image of structural stability in social stratification systems in market societies.

Models of stratification in industrialized market societies provide a useful starting point for a comparative framework, but they are inadequate for understanding stratification in state socialist societies. In these societies, stratification is organized around the state-socialist redistributive economy rather than around the market economy, by political authorities rather than by market mechanisms. As we shift our attention from social stratification patterns in industrialized market societies to those in state socialist societies, the issues that demand explanations change accordingly. First, we must shift the analytical focus from individuals’ “market situations” to the broader redistributive institutions. Second, in addition to structural locations, we must pay attention to the stratification dynamics in order to explain individual life chances.

<sup>1</sup> The image portrayed here is heavily influenced by social stratification studies in North America. In a variety of governance structures in Western Europe, the states play a much more active role in constructing relationships among groups and organizations, thereby limiting market-like mechanisms in social stratification processes (see Esping-Andersen 1990). However, even the corporatist governance in European societies differs substantially from the state socialist societies in the role of state dominance and control over other organizations and groups.

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Redistribution, or the allocation of resources through a centralized authority, has been a distinctive mode of economic institutions in history (Polanyi 1965). It evolved into its full-fledged form in the Soviet-type state socialist societies, where almost all resources were subject to allocation by the state. To understand social stratification under state socialism, one must place squarely the role of the state and its redistributive institutions at the center of theoretical explanations. We begin by considering the main characteristics of the stratification system governed by state socialist redistributive institutions.

**The Political Logic of Redistribution**

A defining characteristic of state socialist political structure is the encompassing role of the state. As Lindblom (1977, pp. 238–39) explained:

[T]he scope of government is near all-encompassing – wider than in any other politico-economic system. Government owns most productive assets of the society – private property in the means of production is not the general rule – and government immediately and directly organizes the economy. But it reaches as well into the control of religion, all education, family, labor unions, all organizations, and details of personal behavior usually outside the scope of government in other systems.

If the stratification processes in capitalist societies reflect a market logic, redistribution under state socialism is governed by a *political logic* in the sense that “the political rather than ‘economic’ definition of the surplus means that wage levels and the extent of inequality among different categories of the labour force express first of all political considerations” (Szelényi 1978, p. 78). In this institutional context, the central authority, the Communist Party in power, plays an ultimate and decisive role in resource allocation. Allocative as well as redistributive priorities are decided through political processes structured by the monopolistic party-state. These observations provided the starting point for most studies of state socialist stratification in the literature.

The political logic of redistribution sheds light on distinctive institutional arrangements and authority relationships in these societies. In the economic arena, industries are prioritized based on the political goals of the state – heavy industry is favored and industries for consumer goods

are neglected, leading to unique patterns of resource transfers across economic sectors (Kornai 1959, 1972, 1992; Széleányi, Beckett, and King 1994; Walder 1992). Authority relationships also reflect such a logic. For instance, at each level of the government, the Communist Party organization (e.g., the party headquarters in a city) exercises authority over administrative offices (e.g., the municipal government) and other organizations. Similarly, in the workplaces, managerial positions associated with the political career line (e.g., the head of the party branch) are granted higher authority over administrators or technocrats.

Not surprisingly, the political logic of redistribution leads to distinctive stratification patterns in state socialist societies. Consider the socio-economic status of occupations in Széleányi's (1978) study of Hungary. As Széleányi (1978:75) observed: "Under State Socialism the State redistributes surplus, surplus which was never accumulated in personal income, but was directly centralized in the State budget and reallocated according to centrally defined goals." Although the occupational categories in Hungary are similar to those in industrialized market societies (i.e., professionals, managers, clerks, and skilled and unskilled workers), the stratification patterns differ substantially. The privileges and benefits of various social groups depend systematically on their relationships to the state (Bauman 1974; Konrád and Széleányi 1979). As a result, labor market structures in these societies differ markedly from those in market societies (Burawoy and Lukacs 1985; Connor 1979; Stark 1986).

The political logic of redistribution points to a distinctive set of mechanisms in resource allocation under state socialism. Consider the role of political capital versus human capital in social stratification. In a market economy where factors of production are allocated through competitive market transactions, it is argued that human capital plays an important role in determining one's economic rewards (Becker 1964; Mincer 1974). In contrast, the political logic of redistribution establishes a qualitatively different reward system. The central authority places a premium on political loyalty and the command economy demands the effective implementation of the administrative directives from the above. Accordingly, the reward system favors those with political status and loyalty, such as Communist Party membership or those who are closer to the redistributive power. In contrast, those with human capital (e.g., educational qualifications) are subordinate to the political authority. This line of argument has been especially advanced in the Chinese context. Many scholars observed the common practice of rewarding political loyalty rather than



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competence in the Chinese industries and bureaucracies (Harding 1981; Lee 1991; Nee 1989; Walder 1986; Zhou 1995).

### The Bureaucratic Class Thesis

In line with the political logic of inequality under socialism, the most commonly noted social boundaries have been those between the bureaucrats (cadres) on the one hand and all other social groups on the other. Following Djilas's (1957) bureaucratic class thesis, students of socialism have emphasized the fundamental divide between "redistributors" and "immediate producers" (Szelényi 1978) and the importance of bureaucratic positions in acquiring economic benefits. The main argument is that, because of their privileged positions in the command economy, bureaucrats possess enormous authority in the redistribution of economic resources and enjoy better access to economic benefits. Similar arguments have been advanced in the Chinese context. Nee (1989, 1991), in particular, emphasized the central role of cadres in the stratification order in China. The redistribution of resources through central planning led to the rise of bureaucratic organizations and hierarchical structures from industries and economic sectors down to work organizations. Cadres – those administrators, managers, or personnel belonging to the bureaucratic apparatus – are advantageous in their political positions, promotion ladders, and economic benefits.

But who belongs to the bureaucratic class, if such a class indeed exists? In what ways can we identify the bureaucratic class? One insight, often labeled as the Weberian approach, highlights the proximity in socioeconomic situations among members of a social class. The notion of common "market situation" occupies a central place in the contemporary discussions of the Weberian approach to social classes. More generally, these market situations are reflected in individual life chances. In this light, we expect to observe *significant differences between the bureaucratic class on the one hand and other social groups on the other with respect to important aspects of life chances.*

The Marxian approach to social class provides the second insight: social classes are rooted in the property right relations in the production processes. The ownership of money, property, and other means of production is the major divide between the exploiting class and the exploited class. However, there is a fundamental difficulty to apply this approach in state socialist societies, where all means of production belong to the state. This recognition led to major revisions in the neo-Marxist approach: a

shift of focus from property ownership to “authority relationships” in the work environments. Wright (1989:16–17) argued:

In state bureaucratic socialism, organization assets assume a much greater importance. Controlling the technical division of labor – the coordination of productive activities within and across labor processes – becomes a societal task organized at the center. The control over organization assets is no longer simply the task of firm-level managers but extends into the central organs of planning within the state. Exploitation in such societies is thus based on bureaucratic power: the control over organization assets defines the material basis for class relations and exploitation.

In this light, authority relationships within work organizations are another key analytical focus for understanding the role of the bureaucratic class. We expect to uncover systematic evidence of the advantages conferred in positional power over workers on the work floor.

Finally, the third aspect is related to “class reproduction” – intergenerational resource transfer, especially in terms of status inheritance – the central issue in class analysis and studies of social stratification. Insofar as classes are stable, recurring social groups, the issue of class reproduction is central to any explanation of class formation. In the transition from the aristocratic society to the capitalist society, principles of class reproduction changed from property-based inheritance to credentialist strategies and legal monopoly through state-sponsored occupational licensure (Parkin 1979). As cumulative evidence has shown, as long as opportunities are limited and resources matter in social mobility, intergenerational resource transfer has been and still is the most direct way of generating status inheritance and the reproduction of social classes.

Using these criteria, we can develop a working definition of the bureaucratic class in state socialist societies as a group whose members (1) enjoy significantly better socioeconomic benefits relative to other social groups, (2) exercise power and control over organizational assets and in “authority relationships” in the work organizations, and (3) can reproduce their class through status inheritance across generations. These three dimensions provide the basic criteria for us to evaluate the bureaucratic class thesis. As Parkin (1979, p. 53) pointed out succinctly: “The relevant question is not whether surplus extraction occurs, but whether the state confers rights upon a limited circle of eligibles to deny access to the ‘means of life and labour’ to the rest of the community.”

At the empirical level, the notion of a bureaucratic class becomes muddy. In the early critique of the bureaucratic class in the Soviet Union and Eastern Europe (e.g., Djilas 1957), the top echelon of party and state leaders were conceptualized as the bureaucratic class proper. Although