

Question 1

China is still predominantly a rural society, though its character is changing rapidly in many areas.

- What are the principal problems facing China's rural populace today and how have those problems changed over the last twenty-five years? What are the principal sources of rural discontent?

The principal problems facing the rural populace today are overtaxation, unemployment, lack of sufficient social services and growing inequality. As outlined in our Bernstein and Lu reading, the rural populace suffers from overtaxation, uncertain and arbitrary taxation, and lack of accountability of funds. While official taxation is set at 5% of income, a large amount of unofficial taxes, fees, and levies are extracted by local officials such that the real taxation burden on peasants are closer to 10%-15%. More serious than the problem of overburden of the rural populace by taxes, according to the reading, is the arbitrary and uncertain nature of this unofficial taxation, and lack of accountability, which Bernstein and Lu describe as the *sanluan* (three problems). The perceptions opaqueness and arbitrariness of unofficial taxation is reinforced by, and reinforces perceptions of corruption of local officials.

The problem of excessive tax burden on the rural populace is compounded by the decrease of the rural population in its ability to provide for itself as reform has taken place since 1978. As the economic philosophy of the regime has changed from a centrally planned economy to a market economy, unemployment has been increasingly rising as state owned enterprises (SOEs) have been streamlined, privatized, or shut down completely, decollectiveization has occurred, and rural industries have been outpriced in the market. As my recent research on WTO related economic reforms indicates, while in the coastal and urban areas, unemployment have been absorbed by reform-related enterprises and activities, rural areas rarely have this benefit. Even the town and village enterprises (TVEs), are beginning to be privatized or out-competed, such that even this is no longer sufficient to counter unemployment.

Related to the decline in collectives and the danwei system, we have seen a decline in the level and the scope of social services. Because the danwei are no longer the central economic and social unit, increasing problems of funding and lack of importance hinder the capability of the danwei to provide basic social services such as health care and education.

Finally, as reforms have progressed, there is a growing gap of equality between the coastal and the inner areas, as well as between the rural and urban areas, as has been described by Wang and Hu.

Many of these problems are direct results of the reform process in the last twenty-five years. As many of my research regarding WTO entry has indicated, scholars have identified two main phases of reform: a period from 78-94, and the period after 1994. The earlier period from the beginning of reform until 1994 has been characterized by shallow international economic integration, and the economic changes have created a "win-win" situation. Even though urban and coastal areas were gaining faster than the rural areas, everybody was perceived to be better off. After 1994, though, China entered a period of *deep integration*, where the situation more resembled a "zero-sum", or "win-lose" situation where the coastal and urban regions have gained at the expense of the

rural population. Examples of this has been the massive reform of the state sector, and the TVE privatizations. Especially as WTO entry has recently been achieved, the rural sector will be faced with increasing problems as agriculture and industry will be facing even tougher competition from imports from countries with relative competitive advantages.

- What considerations affect the way in which government at all levels addresses, and is able to address, these problems? What has happened to government capabilities to deal with these problems over the last twenty-five years?

Different considerations affect the way and the ability government to deal with these problems at the center and at local levels. At the center, the government is facing a decreasing ability to collect revenue and to redistribute this revenue. Therefore, their main method of dealing with rural problems is through policy and mandates that flow down to local government. At local government, however, local officials find themselves in a quagmire. Much rural discontent derives from how the local government conducts themselves, however, this pressure from below is matched from pressure above, as local officials attempt to implement mandates. Pressure to implement policy from above without adequate funds or direction creates a problem of “unfunded mandates” for these local officials. In order to deliver successful implementations for their superiors, they must come up with the funding themselves, by through their constituents.

Again, these issues and problems will continue to get worse as reforms continue, and will be especially exacerbated by WTO entry. In addition to worsening the rural economic situation as noted above, another affect of lowering tariffs, as mandated by WTO obligations, is to drastically reduce customs tariffs that the central government is able to collect, this will even further the extractive capability of the central government, worsening the social services crisis, and increasing the trend of unofficial taxation.

- How would you assess the revolutionary potential of China’s rural dwellers now and under what conditions might that potential be actualized in the future?

While there is widespread discontent throughout the rural regions of China, my recent research regarding effects of WTO accession has indicated that areas of discontent are separated by distance, linguistic differences, and a focus on local conditions and local grievances. Therefore, while the overall level of widespread discontent is relatively high potentially indicating a high revolutionary potential, the probability and capability to aggregate and to mobilize is relatively low. The dangers that the regime does face are movements or concerns that have unifying effects that could bring the masses of discontent together and realize their revolutionary potential. This is why we have seen the central government act so harshly against such movements as the Falungong, and why they have acted so incessantly to co-opt labor movements, and to control intellectual and social groups.

While the actions of the central government, by limiting opportunities of communication and aggregation of the masses of discontent, have kept low the probability of the discontent masses to realize their revolutionary potential, they have done little to actually reduce the level of wide-spread discontent. Therefore, events or

movements that unite the masses, though having a low probability, could occur unnoticed or occur spontaneously. For example, Tiananmen in 1989 occurred spontaneously and unexpectedly, and the Falungung movement had become very large and widespread before the central government realized its potential and threat. One interesting point that has come out of my WTO research (written by Wang Shaoguang, I believe), is that it is becoming increasingly necessary and imperative that the government act in a much more redistributive manner to compensate the losers (the rural and heavy-industry sector) for the gains of the winners (the coastal entrepreneur export-oriented sector) in the reform process. Faced with an extractive and decentralization crisis, the central government will need to restructure its fiscal and taxation system in order to be able to do this. However, it is necessary, as this is the only way for the central government to truly address the problem of the rural masses, and to decrease its revolutionary potential.

Question 2

At the just-concluded 16th Party Congress, China's "Third Generation" of leaders departed the political stage, for the most part, and we are now entering the era of the "Fourth Generation."

- What is meant by the "generation" concept and what is its analytic importance?

Li Cheng examines this very question in the first chapter of his book. The generation concept refers to grouping a set of political actors within a band of ages (year born) to create a set of people with grew and developed in a common or similar environment, facing similar concerns, and influenced by similar external forces. This is then used as a comparative tool, to analyze the behavior of one generation against another, and also as a predictive one, trying to extrapolate the future behavior of a group based on the known commonalities between them. While being able to draw common linkages between a group of leaders has analytical importance, one must also recognize the limitations of this tool and realize that broad generalizations can be undermined by specific differences. For example, China's 4th generation, or the "Cultural Revolution Generation" as Cheng describes them includes members from opposing sides of the Cultural Revolution (CR) includes both benefactors and losers from the CR, and therefore will include members with very different outlooks and judgments of the CR. However, both sides would probably agree in their distaste for widespread chaos and over reliance on ideology.

- In what respects are each of these generations different from one another? How do you think these differences have affected the political and policy behavior of the various generations since 1949?

Li Cheng demarcates and describes the generations in the following way: The first generation, with Mao at the helm, Li describes as the "Long March" group. Their predominant experience is the revolutionary struggle and the fight for socialist ideology. As Prof. Lampton (you) have recently noted, within this context, it is not surprising that Mao, leading up to and throughout the CR sought to recreate a revolutionary environment, as it was his primary and predominant experience. The second group, led by Deng Xiaoping, Li calls the "Anti-Japanese" group, and is the group whose primary

experience is winning the war against the Japanese and the Nationalists, and creating the state and party system of the PRC. By viewing Deng as the help of a group of leaders who were founders of the system, it is more understandable the personal threat Deng felt during the '89 Tiananmen crisis when the regime that he and his cohorts created was threatened. The third generation, led by Jiang Zemin, Li describes as the “socialist transformation group” whose primary experience is the socialist transformation experienced by the country after the accession of the CCP in 1949. This group experienced both the height of the success of the socialist transformation in the early '50's as well as the spectacular failures in the GLF. This group is characterized by its technocratic leaders, and their common background and experience have led them to be *system maintainers* as opposed to *system reformers*. As mentioned above, Li describes the fourth generation as being the “Cultural Revolution” Generation. This group, experienced the horrors of the potential an uninstitutionalized system and the over reliance on ideology. This common experience probably has led them to seek for a greater institutionalization as well as decentralization of power and greater plurality. The next, “fifth generation”, Li ventures to call the “Reform Generation”. They will be much more international and cosmopolitan, and their primary common experience will be life in the era of reform, both the benefits (greater prosperity), and costs (inequality, volatility).

- How would you compare the just-concluded (to some extent still ongoing) succession to previous successions in the communist era?

One major characteristic of this just-concluded succession, that Jiang Zemin particularly enjoys brag about, is its regularity, and the absence of outwardly visible power-struggle. Institutionalized norms have been followed, such as term limits and age based retirement rules. In addition, the hand-picked successor, Hu Jintao, has made it to the top as the first and only successor, as opposed to succession to Mao and Deng, who each went through multiple successors and finally was succeeded by relative unknowns.

However as Pei Minxin, at a conference held recently at Carnege, noting the CR style media treatment of the succession has expressed, there is good reason for pessimism reservation. First, despite the regularity and institutionalization there seems to have been a resurgence of factional politics surrounding the succession, as indicated by Jiang's Shanghai Clique. Secondly, while the rules that had existed were followed, where there were no established rules unexpected things happened. For example, the PBSC has been expanded from 7 to 9. Even more uncertain, is that Jiang, now no longer the head of the CCP still holds the chair to the MAC, potentially creating a crisis of authority.

- What do you believe this succession, in terms of process, means for the future and what do you expect in terms of policy out of the new generation just taking over? Why?

The recent succession is promising in its adherence to institutionalized norms and insistence on smoothness. Especially because Jiang has expressed the importance and the prestige and legitimacy associated with a regular smooth succession, this will hopefully set a standard and a trend for future successions of power. Additionally, hopefully the

recent succession represents a continuing trend of increasing institutionalization and normalization of politics.

This group observing the relative success of the open door reform and modernization process will hopefully continue this opening process of integrating with the world that the generation before them began. Additionally, coming out of the Cultural revolution, they will probably be less influenced by the pull of ideology, but rather reflect of mood of pragmatism. Like their predecessors, they will continue to be system maintainers, but will probably hope to leave their own legacy as they deal with the issues and crisis of their own generation. This will probably include addressing the challenges of reform on equality and income distribution, and the crisis of legitimacy of the CCP. Hopefully this will result in a more pluralistic system that is better able to function to provide for its citizens.