Is Political Reform Ahead?--Beijing Confronts Problems Facing Society--and the CCP

Joseph Fewsmith

On July 1, Jiang Zemin, general secretary of the Chinese Communist Party (CCP), called for admitting private entrepreneurs into the party. Although this decision in some ways brought party policy into line with reality, it was an important announcement not only because it reversed a formal party decision made in the wake of the Tiananmen crackdown but also because it opened the door to a wide range of possible political changes.

Jiang’s announcement may be only the tip of the iceberg. Recent publications have suggested that, in the run-up to the Sixteenth Party Congress (scheduled for fall 2002), party leaders are thinking systematically about the changes it needs to make to cope with the very rapid socioeconomic changes in Chinese society. Although the clear goal is to keep the CCP in power, it is evident that party leaders at the highest levels understand that they can only stay in power by changing. Political change is not without danger. “Leftists” in the party have excoriated Jiang’s announcement, and there is widespread resentment over inequalities that have opened up in recent years in Chinese society. If the party is widely seen as speaking only for the well to do -- a perception that is already widespread -- popular discontent is likely to continue to spread.

In recent months, headlines in the American press have indicated that China has, once again, tightened political controls, reporting the arrest of ethnically Chinese scholars with either U.S. citizenship or permanent residency, the increasingly tough crackdown on the Falungong, a “strike hard” campaign against crime, and yet another tightening of controls over the media. Yet evidence is piling up that as the Chinese Communist Party (CCP) contemplates the vast changes occurring throughout the country, China’s entry into WTO, and the leadership turnover that must come with next year’s Sixteenth Party Congress, a new round of political reform -- whether fully intended or not -- is likely. The most visible indication of this trend is Jiang Zemin’s call on July 1, the 80th anniversary of the party’s founding, for the party to admit private entrepreneurs. Jiang’s statement not only brought official party policy closer to reality -- in fact, private entrepreneurs were already being admitted into the party -- but also opens the door to broader consideration of political reform. Such reforms are as necessary as they are contentious.

The issue of entrepreneurs becoming party members was pointedly raised by former General Secretary Zhao Ziyang in 1987 when he arranged for Guan Guangmei to be introduced to the press during the Thirteenth Party Congress in 1987. Guan was a party member in Liaoning province who had pioneered the leasing of state-owned enterprises and running them as essentially private enterprises. The “Guan Guangmei phenomenon,” as it became known, opened up the whole issue of the relationship between the CCP and the “exploiting classes,” and a limited number of private entrepreneurs began joining the party. Following the Tiananmen
crackdown, however, the party, reflecting conservatives’ concerns with class “purity,” announced a ban on admitting capitalists. It is that ban that Jiang’s July 1 announcement appears to reverse.

Despite the prohibition against private entrepreneurs joining the party, many had actually done so in recent years. Perhaps the most important reason for recruiting such people into the party despite the formal ban was the fact that entrepreneurs are among the most talented and energetic people in China. People (including those in party organizations) have tended to look to them for leadership, both in rural villages where the desire to move ahead economically is a constant concern and at the national level where they appear to be able to influence party policy. At the local level, the party has become less relevant since the household responsibility was adopted in the early 1980s and private enterprise began to develop. In some areas, the party is finding it more difficult to retain its cadres. For instance, a survey of Tonghua city in Jilin province found that, since 1992, three leading cadres at the municipal level and 12 leading cadres at the county level had resigned their positions to go into business. If the party is to remain relevant in the lives of millions of rural residents, it has no choice but to bring entrepreneurs into the leadership.

It should also be noted that Jiang’s speech called for re-evaluating Marxist theory on labor and labor value, a call that may prove even more far-reaching than his statements on admitting entrepreneurs into the party. Although Jiang revealed no details, the labor theory of value is absolutely central to Marxism. After all, it is Marx’s view of the labor theory of value that underlies the concepts of surplus value and exploitation. If wages are determined—as they are said to be by neo-classical economics—as a matter of supply and demand, there can be no exploitation. Of course, writing the notion of exploitation out of CCP doctrine might make good economics and is certainly consistent with admitting capitalists into the party, but it leaves precious little justification for a communist party.

Even before Jiang’s speech, the idea of allowing capitalists into the party had stirred strong criticism, especially among hardliners on the left. For instance, in March the leftist journal Quest for Truth (Zhenli de zhuiqiu) published a harsh attack on Li Junru, vice president of the Central Party School and one of the creators of Jiang’s new ideological system, the “three represents” (sange daibiao). The article asked sharply, “Is not this sort of party”—that is, one that would admit capitalists—“metamorphosing from being the vanguard of the working class into a ‘whole people’s party’?” The CCP, like other Communist parties, has always emphasized its “class character,” positing that “whole people’s parties” try to represent people regardless of class and therefore are “bourgeois” parties—in other words, democratic parties. Prominent party officials, including the CCP secretary of Zhejiang Province and a deputy party secretary of Jilin Province, have spoken out against admitting capitalists into the party.

Since Jiang’s speech on July 1, there has been a flurry of criticism from the left, most notably a “10,000 character open letter” signed by leftist ideologue Deng Liqun and others.
The vehemence of this document far exceeds the various “10,000 character manifestoes” that roiled the political waters in the 1995-97 period. Whereas those documents harshly criticized the political direction the party was taking, this document is a venomous attack on Jiang Zemin personally. It accuses him of engaging in a “cult of personality” worse than that of Hua Guofeng, pointedly noting that Hua’s effort to establish a cult of personality showed why he was not suited to continue as the party’s top leader. It asks pointedly why Jiang’s speech did not “face directly and solve the sharpest contradiction in society, namely the gap between rich and poor, rather than speak on behalf of the rich?” Most seriously in terms of party politics, it accuses Jiang of violating the party charter and issuing the speech in his own name. The letter’s questioning of the drafting process suggests a familiarity with the internal political process, and it challenged Jiang to explain to the party the results of any votes taken. In response, the party shut down Zhenli de zhuiqiu and Zhongliu (Mainstream), the most vocal of the three leftist journals.

The open challenge to the party leader by a group of senior party members acting as a group appears unprecedented. The action makes explicit what had only been implicit before, namely, that Jiang is unchallengeable in terms of political power but that his prestige within the party is low; no one would have raised such a challenge to Mao Zedong or Deng Xiaoping.

The Challenge to Party Rule

Jiang Zemin’s call to admit entrepreneurs into the party is clearly part of a broader gauged effort to maintain the relevance of the party in the face of the vast socioeconomic changes that have swept China over the past decade and of the challenges that the party faces as China prepares to enter the World Trade Organization (WTO). Put simply, the CCP faces a three-fold challenge. First, as China’s economy becomes increasingly integrated into the world economy, the ability to compete in high-technology goods and services has become critical to China’s hopes to move into the front-rank of economic powers. Jiang Zemin has clearly recognized this trend and has repeatedly emphasized the importance of technology (thus his slogan “Use science and education to revitalize China”). Second, China’s economy has diversified very rapidly in recent years as about one-quarter of the state-owned enterprise (SOE) labor force (over 26 million workers) has been laid off over the past four years, as income inequalities (both intra-regional and inter-regional) have grown sharply, and as the private economy has exploded. Both the rise of the high-tech and information industries and the employment of workers in the non-state economy have strained traditional understandings of the “working class.” Finally, related to these changes, there is widespread cynicism in society about the party as corruption continues unabated, as concern with social issues has increased, and as social values have changed.

The challenge of leading a disillusioned population is highlighted by a recent book published internally by the CCP’s Central Organization Department. The book reports a survey done by the State Commission on Reform of the Economic Structure (apparently in 1998) that revealed that 80.6 percent people are dissatisfied with the growing gap between rich
Fewsmith, China Leadership Monitor, No.1

and poor, and observes bluntly that the idea of getting wealthy legally is widely ridiculed. The sort of dissatisfaction such figures represent is widely spread across different strata of China, albeit for different reasons. For instance, 59 percent of workers and staff surveyed say that they believe that the status of workers has declined in China. When asked about the “social situation” (the term is not defined in the text but presumably measures specific concerns such as feelings about corruption and public order, as well as more abstract expectations about whether life is improving or not), 45.7 percent of workers and staff said that they believe that there are quite a few problems (wenti bu shao), while another 42 percent believe the situation is serious. That leads to a total of 87 percent who expressed considerable concern about the social situation. Corruption was cited as a prominent concern, but no figures were given. In conclusion, the book stated, “One cannot be optimistic about the attitudes of workers.”

According to the same source, 40 percent of middle-aged intellectuals believe that China is working to build “Chinese-style capitalism” (rather than Chinese-style socialism). Among scientific and research units, SOEs, and institutes of higher education, 33.3 percent of intellectuals believe that China should “carry out general elections” and implement a “bicameral, multiparty, tripartite” political system. As to the nature of the party, 24.3 percent of intellectuals responded that it was a “whole people’s party” or “not clear” (rather than the vanguard of the proletariat).

In the countryside, the book observed, “[t]he peasants’ political consciousness, democratic consciousness, and participatory consciousness have been strengthened…” This apparent increase in what should probably be called “rights consciousness” seems directly related to the increase in rural demonstrations and violence in recent years. Although such incidents have been widely reported, a fascinating glimpse into the state of the relationship between the party and the population is found in another recent book edited by the Central Organization Department. Entitled China Investigation Report, 2000-2001, this book came to wide attention when it was published in Beijing in May. In response to this publicity, the book was quickly withdrawn from sale, though neither its contents nor the publisher (the Central Compilation and Translation Bureau) was repudiated or sanctioned. This book gained public attention because of its apparently high-level backing. The book’s introduction is signed by Yu Yunyao, a vice director of the party’s Organization Department, and it is unlikely that Yu would undertake such a study and its publication without the support of his immediate superior, Zeng Qinghong, head of the Organization Department and protégé of Jiang Zemin. According to people in Beijing, Zeng and others have been studying the rural situation and questions of political stability in preparation for next year’s Sixteenth Party Congress. Thus, it seems probable that this book is related to these studies. Indeed, the fact that it was published openly reflects progress (though its subsequent withdrawal marks the party’s continued aversion to public controversy).

Contradictions Among the People

The China Investigation Report confirms that public cynicism about the party is
widespread and that violence is increasing. For instance, the chapter written by the Sichuan provincial party Organization Department, which focuses on outbreaks of collective action (which can range from demonstrations, to blocking traffic, to violent attacks on cadres and party and government property), states that such actions are becoming more serious, larger in scale, more emotional, more complicated, and more harmful. Without giving specific figures, it says that collective actions of more than fifty people increased by 141.9 percent in 1999 over the years before and that the number of participants increased by 156.6 percent. In the first half of 2000, such instances increased 16.3 percent over the same period in 1999. Whereas participants in the past had been farmers and retired workers, now laid-off workers, individual entrepreneurs, demobilized soldiers, technicians, and even cadres were joining in. Moreover, whereas previously most such instances had been spontaneous and uncoordinated, now they have leadership and organization; some even hire lawyers and seek the support of the media.  

Most instances of collective action arise from conflicts over economic interests, which in turn stem from abuse of power. As the report puts it with admirable understatement, “some party and government departments and leaders put their department or individual interests ahead of the interests of the whole people and struggle with the people over interests.” This sort of action “shakes the faith of the masses in the party and government, thereby greatly weakening the ability of the party and government to resolve contradictions.” This economic conflict is exacerbated by the increasingly fragile state of local finance, a product both of the increasing size of local government at the township (xiangzhen) level and the tax reforms of 1994 that directed a greater percentage of revenue toward the central government. In addition, local leaders tend to be too old, too poorly educated, and too much at odds with each other. 

Other reports in the same volume confirm the tense nature of party-mass relations in other parts of China. For instance, the report written by the Hunan provincial Organization Department, like the Sichuan report, puts differing economic interests at the center of conflicts between the party and the population. Individual households conducting their own economic activities are simply more aware of their own economic interests than they were in the days of collectivism, and as their economic circumstances and awareness of the outside world – both other areas within China and abroad – they are much more conscious--and more resentful--of money being taken out of their “rice bowl.” At the same time, trust between rural cadres and the population is nonexistent. Cadres fear the farmers, viewing the populace as “wild animals or a flood” and fearing to go into villages alone. 

Problems are at least as serious and perhaps more difficult to handle in urban areas where workers are being laid off. The report from the party organization department of Liaoning province, site of some of China’s oldest, largest, and least efficient SOEs, says that the number of workers already laid off--many of whom cannot find new jobs--are both causing problems in social order and making further reform of SOEs in that province difficult. As an urbanized, industrialized province, Liaoning cannot send workers back to the countryside, and private industry, particularly in the service sector, remains underdeveloped. Thus, the labor market is saturated, and there is nowhere for those laid off to go. Moreover, those laid off are
disproportionately older, less educated, and unskilled. The result is that collective actions, including petitioning, have been increasing. Without giving the number of actions, it says that the number of collective petitions in the first ten months of 2000 increased 56.2 percent over the same period the previous year. Mass action of various sorts are apparently also increasing as the central government has transferred control of some SOEs to local governments, which in turn lay off workers. In one such instance in February 2000, workers at a mine that was being closed in Huludao city in Liaoning protested their treatment by paralyzing transportation and production in the area. The “social influence” of the incident was said to be “serious.” The attitude of workers is: “If you break my rice bowl, I will break your skull.”

Of all of China’s social issues, none is more intractable than relations in national minority areas. Although China Investigation Report does not address the issue of Tibet, it does devote two of its eight investigative chapters to Xinjiang, the far western province with a substantial population of Uighurs, Uzbeks, and other Turkish peoples who adhere to Islam (about 60 percent of the population of Xinjiang are adherents of Islam). The first chapter, devoted to socio-economic issues, notes that Xinjiang is not only falling behind the rest of the country, but also that poverty is concentrated among the region’s minority populations. For instance, of the 104 poverty-stricken villages of Yili prefecture, 102 are national minority villages. Such inequalities are used to whip up anti-Han sentiment.

Reform, according to the chapter, has exacerbated ethnic tensions in the area because non-state enterprises, which tend to be Han run, feel freer to squeeze out non-Han employees.

The second chapter, devoted to religious issues, makes clear that religious tensions are serious and growing more so. Although the chapter cites some incidents, it does not go into them in detail or give any figures on the number of incidents. It does say that hard-core activists (gugan fenzi) under the influence of “extreme” religious thought number in the thousands, while tens of thousands more are influenced by such thoughts. It notes that Islamic fundamentalism has become an influence in the area since the early 1980s, and thousands of books and tapes are being confiscated. The growing strength of Islam is not the only problem: Protestant adherents in Xinjiang have increased from a thousand prior to the Cultural Revolution (1966) to some 30,000, while Catholics have increased from a few hundred to over 3,000. One Catholic priest is said to have traveled to Rome twice to meet the Pope.

Lessons from the Breakup of the Soviet Union

The breakup of the Soviet Union, the first socialist country and the model for many of China’s institutions, shook the leadership of China. In accordance with Deng’s dictum to “observe coolly, plant one’s feet stably, and respond calmly” (lengjing guancha, wenzhu chenjiao, chenzhuo yingfu), the CCP refrained from engaging in ideological denunciations of Gorbachev or recriminations after the end of the Soviet Union. Nevertheless, there has been a decade-long debate within China on the causes of the Soviet Union’s failure and the lessons to be drawn. Conservative opinion, which has been partially incorporated into official policy, points to Western (particularly American) efforts to destroy socialism through economic and
military containment and “peaceful evolution” (the use of ideological tools including everything from pop culture to neo-classical economics to convince people that socialism will not work). Conservatives have been particularly scathing in their assessment of Gorbachev, and they have warned against allowing such a person into the leadership of the CCP (or, even worse, a Yeltsin-like figure).

In contrast, reformers, while not excusing Gorbachev from blame, have focused their attention on the failure of the Soviet Union to reform in the pre-Gorbachev era. Thus, the 1996 book *Heart-to-Heart Talks with the General Secretary* placed the blame squarely on Brezhnev: the lesson to be drawn from the Soviet experience is that without reform there would be instability.28 Similarly, the 1998 book *China Will Not Be “Mr. No”* argued that it had been the stubbornness of Soviet leaders (prior to Gorbachev) in not opening up the country and cooperating with other countries that had brought about the demise of the Soviet Union.29

The tenth anniversary of the dissolution of the Soviet Union has renewed this debate. One major work, written by four authors at the Chinese Academy of Social Sciences (CASS) and called *The Collapse of a Superpower—An Exploration of the Reasons for the Dismemberment of the Soviet Union*, invokes Mao Zedong’s famous aphorism that “external contradictions” can only work through “internal contradictions” to argue that the collapse of the Soviet Union was a product of failed policies that left the country far behind the United States and other Western countries. The usual suspects are all invoked: an economic model that over centralized decision making; ossified understandings of socialism that did not allow the Soviet Union to evolve with the times; an overly ideological understanding of foreign policy that led the country to contend for world hegemony with the United States; and discriminatory policies toward the national minority areas that built up resentment in response. Although harshly critical of Gorbachev, the book concludes that Gorbachev’s “rightism” was a response to the long-term dominance of “leftism” in the CPSU. The lesson is that a ruling communist party must continuously reform, allow sufficient autonomy for localities, resolve problems in national minority areas through law and democracy, maintain peaceful relations abroad (while resisting peaceful evolution), and draw support from all segments of society.30

**Thinking About Political Reform**

One of the most interesting documents to surface on the Internet in recent weeks is a proposal for political reform by Pan Yue, the deputy head of the State Council Economic Restructuring Office and son-in-law of the retired Politburo Standing Committee member, General Liu Huaqing. In the early 1990s, Pan was active in neoconservative circles, but he recently gathered a number of liberal intellectuals together to draft his proposal on political reform. Perhaps the most interesting aspect about his proposal is its frank admission that the CCP’s legitimacy is precarious. Pan says that the party’s claim that it should rule because it won the revolution is no longer adequate: time has passed and popular support has declined. Similarly, Pan argues that the party’s accomplishments in building the economy are no longer persuasive, either. The party’s image has been badly damaged by corruption, and economic
growth can never refute the argument that someone else might be able to do a better job. In short, the party must increasingly bolster its legitimacy by strengthening legal procedures. Pan does not argue for Western-style multi-party democracy (not surprisingly), but he does argue for the need to greatly expand inner-party democracy by having multiple-candidate elections for official posts (cha’e xuanju) at all levels. He also argues, along the lines of Jiang Zemin’s “three represents” but more explicitly, that the party must change its understanding of the “working class.” Today, it is the scientific and technological personnel along with entrepreneurs who represent the advanced forces of production. If the party does not represent such people, China will fall behind in global competition.  

Like Pan Yue’s discussion of political reform, the China Investigation Report emphasizes that interests in China are growing in number and diversifying, and--under the pressure of economic restructuring--they are increasingly in conflict. Old notions of socialism and even traditional concepts of morality have eroded under the pressures of economic development and external political change, and there is an inevitable tendency for cadres to use their power for personal enrichment. The China Investigation Report stresses that China must develop mechanisms of law, must accept the legitimacy of different interests in society, must increase transparency and competition in the selection of local cadres, and must work to develop a middle class society in order to meet the political challenge it faces today. Although the China Investigation Report asserts that the party can continue to play the leading role in the Chinese polity, the book’s description of the problems facing China and the direction of the political changes it points to suggest that China must enter a period of political change. If the CCP manages to sidestep the fate of its Soviet “elder brother,” it will have to become a very different type of political party.

Social Inequalities

As suggested above, growing social inequality is perhaps the most volatile issue in China today. The China Investigation Report notes that the Gini coefficient--a measure of income disparities--has climbed from 0.389 to 0.397 in only four years (1995-1999) and that in the rural areas the Gini coefficient is between 0.3 and 0.4 (with 0.4 taken as the danger line) in fifteen provinces. It states bluntly that “[I]f this difference between rich and poor cannot be controlled within a certain range, it will inevitably destroy the simple faith of the broad masses in socialism, shake their trust in the party, and even stop reform in its tracks and create social turmoil.”

By opening up the party, in both theory and practice, to private entrepreneurs, the CCP is risking the charge that Deng Liqun and others have leveled at it, namely, that it has come to speak for the rich and powerful in society, not the poor and dispossessed. This is a criticism that resonates widely across different segments of China’s population, including liberals and nationalists, and could become the basis for an anti-CCP populism. In short, Jiang’s decision to open the party to capitalists, while it should be welcomed for its jettisoning of notions of class struggle, risks widespread public alienation. That is why, unless other reforms follow to increase
the accountability of the party and address inequalities, the party will face difficulty in governing 
China, and perhaps holding on to power.

(September 1, 2001)

1 Daniel Sutherland, “The Party Says ‘To Get Rich Is Glorious’,” Washington Post, 

2 This was announced on August 28. “Zhonggong zhongyang guanyu jiaqiang dang de 
jianshe de tongzhi” (Notice of the Central Committee of the Chinese Communist Party on 
strengthening the construction of the party), in CCP Central Committee Documents Research 
Office, ed., Shisanda yilai zhongyao wenxian xuanbian [Selected important documents since 

3 Jiang’s statement does not appear to carry the force of an official change in party 
policy; for that the CCP constitution must be revised. But it can be assumed that party 
organizations will increase the rate at which they admit private entrepreneurs and that the party 
constitution will be revised, presumably at the Sixteenth Party Congress next fall.

4 One should not push this thought too far. Local party secretaries remain powerful, but 
it is indeed the contrast between their power and their lesser importance in the economic lives of 
local residents that breeds the tension so prevalent in the countryside.

5 Dangjian yanjiu conghe ngtan (1999) [Talks of research into party construction 
(1999)], p. 92.

6 Huang Rutong, “Jiujing yao jiancheng yige shenma dang?” [What sort of party are we 

7 Zhang Dejiang, secretary of the Zhejiang Provincial CCP committee, published an 
article called “Private Entrepreneurs Must Not Be Allowed to Enter the Party” in Seeking 
Truth (Zhenli de zhuiqiu) in May, and Lin Yanzhi, deputy secretary of the Jilin CCP 
committee, published an article entitled “How the Communist Party Should ‘Lead’ the 
Capitalist Class” in Social Sciences Front (Shehui kexue zhanxian) in June.

8 “Deng Liqun dengren pi Jiang Zemin gongkaixin” (An open letter from Deng Liqun 


10 Dangjian yanjiu conghe ngtan, pp. 85-86.

11 Ibid., p. 73. In May, the leftist journal Seeking Truth published a series of articles 
focusing on the difficulties facing workers and their resentment over income gaps.
12 Ibid., p. 75.
13 Ibid., pp. 75-76.
14 Ibid., p. 88.
17 Ibid., p. 287.
18 Ibid., pp. 289, and 291.
19 Ibid., pp. 221 and 222.
20 Ibid., p. 200.
21 Ibid., pp. 201-202.
22 Ibid., p. 81.
23 Ibid., p. 251.
24 Ibid., p. 253.
26 Ibid., pp. 269 and 271.
28 Wang Jieming, Zhang Ximing, Zhang Qiang, and Qu Kemin, eds., Yu zongshuji tanxin (Heart-to-heart talks with the general secretary) (Beijing: Zhongguo shehui kexue chubanshe, 1996), pp18-19
29 Shen Jiru, Zhongguo bu dang “bu xiansheng” [China Will Not Be “Mr. No”] (Beijing: Jinri Zhongguo chubanshe, 1998).

31 This document carries no title but is dated January 11, 2001.

32 *Zhongguo Diaocha baogao (200-2001)*, p. 79.