
STATE-SOCIETY RELATIONS IN POST-MAO CHINESE ECONOMIC REFORMS: CHANGES AND CHALLENGES

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Abstract

This study examines the impact of China's post-Mao economic reforms on its state-society relation. The study first provides an overview of China's state-society relations before the post-Mao reforms. It then offers some detailed analyses regarding changes in state-society relations that stem from the economic reforms. Specifically, the analyses focus on changes in five major areas: (1) changes in rural areas, (2) changes in urban areas, (3) changes in social mobility, (4) changes in individual and social ideology, and (5) changes in social control and stability. After studying these changes, the study concludes with summaries and discussions about critical issues that may challenge China's future development.

Introduction

Since 1978, the post-Mao Chinese leaders have developed and implemented various reform policies to promote China's modernization and development. These reform policies have improved China's macroeconomic performance and the Chinese people's living standards. For example, during the period of 1978 to 1995, the Chinese economy achieved high growth rates in almost every aspect of economic indicators, including an average annual increase of 9.8 percent in gross national product (GNP), 8.3 percent in per-capita GNP, 6.6 percent in gross output value of agriculture, and 15.0 percent in gross output value of industry. In the same period of time, China also increased its foreign trade and investment activities, including the increase of export from about 5 percent of its GNP to about 22 percent of the GNP and the increase of foreign direct investment from less than 1 billion to more than 37

billion U.S. dollars (Liou, 1998). Despite the impact of the Asian financial crisis, China still achieved an impressive growth rate of 8.8 percent in 1997.

In addition to economic effects, the post-Mao economic reforms have also resulted in direct or indirect effects on other important aspects of Chinese society, such as state-society relations. The issue of state-society relations is important because it covers not only the environment of the economic reforms but also the impact of the reforms on the social environment. As emphasized in the literature, economic development researchers (Haggard and Webb, 1993; Rondinelli and Montgomery, 1990; Summers and Thomas, 1993) recognized the importance of stable political and social environment in the process of economic development. They noticed that a stable environment is one of the major factors that are associated with the success of reform and development and they maintained that the stable environment will allow policy makers to formulate and implement policies and structures to achieve development goals.

The study of China's state-society relations has also been recognized by many researchers as a new model of studying Chinese politics (Harding, 1994; Perry, 1994). The new model focuses on studies of neither the state nor the society in isolation, but rather on the interaction between the two (Harding, 1994). In other words, researchers interpret changes, both causes and consequences, in Chinese politics as a product of interactions between the state apparatus and society at large (Nee and Mozingo, 1983). The major research issue raised in the study of state-society relations is whether the post-Mao economic reforms are producing a significant change in the relative power of state-society relations. The research issue is important to China's future development because of possible outcomes and consequences associated with changes in the state and society relations (Lieberthal, 1995: p. 293). In the case of Eastern Europe and the USSR, for example, it is important to notice that the down fall of communist regimes in these countries between 1989 and 1991 was based on the initiative of the people living there, which was the outcome of their political and economic reforms. How do the Chinese economic reforms change the nature of the traditional tie that connects the society to the state? Especially, for many Chinese observers, the Tiananmen mass movement in April-June 1989 provided a clear signal that the reforms have indeed promoted democratic ideas and activities as well as the development of some forms of social groups that were not noticed in Maoist China.

While studying the issue of state-society relations, previous researchers have reported different conclusions about the possible consequences of the economic reforms. Some researchers (e.g., White, 1993) argued that the

economic reforms have resulted in a basic contradiction between economic transformation and political immobility and that the social and political changes associated with economic reforms will undermine the legitimacy of the previous state-socialist polity and accelerate its political breakdown. Others (e.g., Solinger, 1993) contend that economic reforms have blurred and softened, rather than sharpened, the separation of state and society and that the reforms have not yet led to the emergence of civil society and any immediate changes in the existing system.

Recognizing the importance of the state-society relations, this study will examine the impact of post-Mao economic reforms on Chinese society and identify major challenge issues. The study first provides an overview of China's state-society relations before the post-Mao reforms. It then analyzes changes in state-society relations that stem from the economic reforms, which include five areas: (1) changes in rural areas, (2) changes in urban areas, (3) changes in social mobility, (4) changes in individual and social ideology, and (5) changes in social control and stability. The study concludes with discussions about challenges that may affect China's future development.

State-Society Relations Before the Reform Years

Before the post-Mao reforms, Chinese state-society relations could be categorized as a state-dominated society, i.e., the existence of a strong state and a weak society. The Communist Party-state controlled almost every aspect of social life among the Chinese people (Lieberthal, 1995). The Party-state control over the society was mainly through a huge and complex administrative structure, various monitoring policies and systems, as well as continued political and ideological struggles. Focusing on the impact of economic reforms, the present study of state-society relations before the reform years addresses the life and conditions among rural peasants, urban residents, and the intellectuals, as well as the overall attitudes of the general public in the society.

Before the reform years, the major policies used in China's countryside were the *hukou* resident-registration system, the food allocation system, and the work-point system. Under the registration system, every rural resident had to belong to a production brigade and a people's commune. The system strictly inhibited people's geographical mobility, especially from the villages to the cities. For rural peasants, they were required to engage in agricultural activities and produce agricultural products according to the state plan. A small group of local cadres provided political, economic, and cultural leadership in each village. These cadres had to implement state allocation policies and

fulfill state demands for grains and other services (e.g., labor forces for public works). The rural villages during the Mao era were basically isolated and separated from China's urban areas.

Similarly, the resident registration system also required every urban resident to belong to a unit (*danwei*). Most urban residents worked for different units such as government agencies (*zhenfu danwei*), public organizations (*shiyew danwei*), and industrial organizations (*Qiyew danwei*). These work units were very important to urban residents because they provided jobs, houses, health care, and other social welfare benefits. In addition, the urban residents were encouraged to participate in state-sponsored political organizations such as the women's federation, youth leagues, trade unions, and residents' committees to promote their interests. Both the work units and political organizations were closely related to the Party organs and controlled by the Party committees and cadres.

The role of the intellectuals in the Chinese society had been seriously challenged and damaged during Mao's era. In the traditional Chinese society, the intellectuals, both Confucian scholars in the past and the westernized scholars in modern times, enjoyed a special social status. Providing a society-wide balancing force (Pye, 1991), the intellectuals were allowed to criticize the government's policies to promote state interests. The special status and balancing role of the intellectuals were basically destroyed in the Maoist era. For example, the intellectuals did not trust the Chinese authority and became mindless supporters of the official policy after the Hundred Flowers and Anti-rightist campaigns in 1957. During the campaigns, the intellectuals were punished for their suggestions and critiques even though they were first invited by the authorities. Especially, these intellectuals were further humiliated during the Cultural Revolution and many of them suffered both physical and psychological abuse.

The result of the total state control over society in Mao's China was a highly homogeneous society, characterized by dull conformity: people wearing similar blue Mao jackets, having similar hair styles (even among women), riding on the same brand of bicycle, receiving similar low salaries from state-owned factories, spending and consuming foods and other goods according to ration coupons or quotas controlled by the government (Chen, 1998; Lieberthal, 1995). There were no business advertising, trading, or any other commercial activities in most of the cities.

The general public attitudes before the reform years were unstable and violent, anti-intellectual and anti-consumer, isolated within the Chinese

society and outside the world activities (Lieberthal, 1995: pp. 296-297). It was unstable and violent because continuous political and class struggles taught the Chinese people that violence is perfectly acceptable for the purpose of ideological purification. It was anti-intellectual because, influenced by the official policy, the public felt that it was better to be a worker or farmer than an intellectual. It was anti-consumer because officials emphasized plain living and basic egalitarianism and criticized anyone who pursued personal gains. It was isolated within the Chinese society because the registration system and the personnel system allowed no one to escape from their work units and communes without permission. Finally, the long-term isolation from world activities made the Chinese people distrust foreigners and believe that most of them wanted to exploit the Chinese.

Changes in State-Society Relations during the Reform Years

A. Changes in Rural Areas

The post-Mao reforms introduced not only policy changes in the agricultural prices but also structural changes in production methods (Chen, 1998). The policy changes consisted of, for example, increasing state procurement prices for agricultural products and reducing grain procurement quotas. The production changes included, for example, allowing more household production activities and granting communes autonomy in making decisions over production, distribution, and management. Especially, the government gradually introduced the Household Responsibility System: first, leasing land for household farming (*fentian dangan*) and second, setting quotas of agricultural production on a household basis (*baochan daohu*).

The implementation of the Household Responsibility System has made significant changes in China's rural society. The new system not only promoted agricultural productivity but also changed social structures in the rural areas. Under the responsibility system, peasants have more freedom to make their farming decisions and selling their products in free markets for flexible prices after the contract quotas are fulfilled. By the end of 1984, most of China's cultivated land had been contracted to individual households. People's communes were abolished and their functions divided between local townships for governmental operations and local economic committees for economic management. In other words, through the responsibility system, Chinese peasants have been liberalized from the state control regarding their economic activities.

Moreover, the rapid development of Township and Village Enterprises (TVEs) in China's rural areas has brought further changes to both the peasant's life and the social structure.¹ The TVEs have not only helped the rural areas to solve the problem of surplus labor that resulted from the reform but also provided additional sources of income for the individual households and communities. Local governments are especially interested in developing TVEs because the profits associated with them became the primary source of extra budgetary revenues. In addition to the improvement in the peasant's living standards, one of the negative outcomes of the changes in China's rural society has been the increasing income gap between the new wealthiest households and the general public. In general, the wealthiest households consisted of two types of people (Unger, 1994). The first type refers to some cadres and their relatives, who became rich by converting official positions into sources of revenues. The second type includes some rich peasant individuals or households who made money quickly through specialized agricultural production or diversification into local trade and transportation (Kelliher, 1991).

B. Changes in Urban Areas

The post-Mao reforms have also introduced major changes in China's urban society. The changes were especially related to the industrial reforms that were implemented gradually since the late 1970s. The government first decentralized the control of enterprises to enterprise managers and allowed these enterprises to share profits and control daily operational issues. Next, the government gradually created markets for inputs and outputs of certain goods and reduced its control in urban services. Finally, enterprise managers were required to behave according to the market rules after the government introduced mechanisms that emphasized competition. These include, for example, the introduction of the bankruptcy law and the management contract system, as well as the abolition of the guaranteed bail-out.

The reform measures introduced in the industrial sector affected urban residents, both workers and managers, in two ways. First, both workers and managers welcomed the opportunity to share enterprises' profits. The bonus system was introduced to help managers reward better work performance. The system, however, was found to be ineffective in the link between individual worker performance and material rewards because of the coalition established between workers and managers (World Bank, 1990). The coalition refers to a condition that, on the one hand, workers were able to arrange the rotation of bonuses with one another, and on the other hand, managers would

like to satisfy workers' demand in order to increase their own wages and benefits.

Next, the reform provided managers the power to punish workers who show such work problems as absenteeism, tardiness, low quality, and wasted materials. The manager's power to dismiss workers, however, was still limited because of the absence of a labor market. Workers were able to unite to resist the manager's power. The conflict between managers and workers was also related to the situation when the managers occasionally employed temporary workers to fulfill the demand work. This conflict may cause some serious labor problems if different wages and benefits were arranged for temporary workers.

In sum, the life of urban residents changed significantly during the reform years. The urban society in the late Mao's era was relatively homogenous, made up of a great mass of wage workers in well protected state or quasi-state sectors. The industrial reforms have transformed the past stable and equitable work environment to a new unstable and competitive work situation. Some workers have left their government jobs either to work for private, joint-venture companies or to start their own business. A few of them have been very successful and became a new class of private entrepreneurs (Young, 1994). The success of several state-owned enterprises also gave rise to a growing number of rich enterprise managers. Both successful private entrepreneurs and enterprise managers became a new rich class in the urban area. The income gap between the general public and the new rich class has also increased even though the gap is smaller than that in the rural area.

C. Changes in Social Mobility

In addition to the changes within China's rural and urban areas, the post-Mao reforms have also brought a major change regarding the connection between the two areas. The change is especially related to the large and increasing numbers of people moving from the rural to the urban areas, i.e., the rural to urban migration. The increase of the rural-urban mobility is related to several factors (Chan, 1996; Li, 1992; Wu, 1994). First, the dramatic rise in productivity in the countryside has made tens of millions of rural laborers redundant. Second, the high growth of industrial and commercial activities in the urban areas has created many job opportunities for rural peasants. Moreover, the increase in mobility also resulted from the changes in the government's policy toward migration. The economic reforms have weakened much of the traditional administrative control of social and economic changes (i.e., the *hukou* system; the street committee) for the

purpose of promoting economic growth. Relaxation of migration and employment controls were officially recognized in 1983 in some provinces and later extended to nationwide in 1985 (Solinger, 1985; *Renmin ribao*, 1985).² The system was further eroded by Deng Xiaoping's 1992 summons for unbridled economic growth. That call mobilized an army of nearly 100 million migrant laborers pouring into the cities in search of work.

The result of this removal of traditional control mechanisms is that in the present Chinese society, there is an estimated 100-150 million people on the move at any time (Ferdinand, 1996). The so-called "floating population" refers to people staying in places for which they do not have a permanent household registration status, which include people hunting for jobs, away on official business, visiting relatives, on holiday, etc. (Li, 1994: pp. 65-72; Solinger, 1995: pp. 127-146) In addition, the situation of the rural to urban migration includes both intra-provincial and inter-provincial moves. While the former refers to individuals moving from rural to urban areas within the same province, the latter has to do with individuals moving from inland provinces to the cities in the coastal provinces.

The migrant workers have had both a positive and negative impact on China's economy (Gilley, 1996; Kuhn and Kaye, 1994). On the positive side, the migrant workers are the lifeblood of China's economic boom. The workers contributed to the construction work in major cities and provided baby-sitting and house cleaning for urbanities, which in turn allowed city dwellers to do extra jobs in the industrial and professional workforce. The migrants' incomes are usually much lower than what a duly registered city-dweller gets paid but more than twice the earnings of their counterparts back home. Thus, the migrants actually provide a bridge between the rich cities and poor hinterland because their remittances allow relatives at home to improve their standard of living. In addition, after many years of hard work in the city, many migrants take their savings back home to set up small businesses and create much-needed jobs in the rural villages.

On the negative side, it is very common that not all the migrants can find some kind of employment. Some of them turn to trading to make ends meet. Some estimates suggest that 60 percent of all street markets in China are run by the migrants or vagrants (Ferdinand, 1996). Especially, migrants tend to group themselves into ad hoc ghettos according to their place of origin and profession to provide mutual support and assistance. One example of these groups is "Zhejiang village" in Beijing. Most of its denizens come from southern Zhejiang province and concentrate in the garment trades. Moreover, an estimate 10 to 30 percent of the migrants get dragged into the spreading

urban criminal underworld (Kuhn and Kaye, 1994: p. 27). These would include crimes ranging from prostitution, illicit trading of foreign currencies and state-controlled commodities, producing fake products, to drug trafficking and robbery.

The relationship between urban residents and the migrants worsened. The urban residents blame the migrants for a host of ills, such as overstretched city services and rising crimes. The migrants, on the other hand, feel unfairly or unequally treated by the natives of the cities. They complain that the established residents look down on them and discriminate against them. For example, the migrants are not allowed to buy property in the cities, or send their children to city schools.

In sum, the increasing migrants from China's rural area to urban areas have fundamentally changed the traditionally separated rural and urban societies. The migrants on the one hand have provided needed human resources for most of the low-level jobs in the urban areas and mitigated the income gap between rural and urban areas. The migrants on the other hand have also brought new problems of crime and unhealthy economic activities. The control of the floating population became increasingly difficult because of the collapse of the traditionally administrative control system. The floating population may contribute to short-term economic prosperity at the expense of long-term social and political stability.

D. Changes in Individual and Social Ideology

The post-Mao reforms have caused many changes not only in the structural aspect of Chinese society but also in the ideological and attitudinal aspect of the society. The ideological and attitudinal changes include: the demising role of the state in guiding daily life of the Chinese people, the rising materialism in the Chinese society, and the increasing perception of social inequality among most of the Chinese people (Ferdinand, 1996; Lieberthal, 1995; Shih, 1995). The outcomes of these interrelated ideological changes have also had major impacts on Chinese society.

First, with regard to the role of the state, Chinese government no longer provides a moral compass for the general population. During the reform years, many traditional, non-state sources of moral authority have emerged in Chinese society. For example, there has been a resurgence of traditional religions such as Buddhism, Daoism, and Christianity. Unlike Mao's society, official political ideology has become increasingly irrelevant as a source for the future direction of society. The socialist norm of collective

interests has been replaced by the concern of the self interest and the importance of individualism.

The increased interest in individualism is especially important to the Chinese society. In both the traditional and socialist China, the right and autonomy of individuals have been constantly denied by the state in order to maximize the benefit of the group and the government (Pye, 1991). During the post-Mao reform years, it has been noticed that many artistic and intellectual creativity works (e.g., films) were produced for a greater individual self-expression. In addition, it has been noticed that individuals are increasingly shaping their own identities less in terms of their family or *danwei* but more in terms of their broad strata of the society, such as workers, migrants, students, and intellectuals (Pye, 1991: pp. 464-465).

Next, along with the improvement of economic conditions, the post-Mao society also witnessed the rise of materialism and commercialism. In Mao's era, the leaders emphasized plain living and criticized anyone who pursued personal gains. To promote economic development, the post-Mao leaders used material incentives to spur greater effort. They claimed that to be rich is glorious and that spending on consumer goods is good for the economy. This emphasis on material incentives occurred at the same time as the Chinese society experienced the decline of the traditional Confucian value system and the loss of confidence and interest in the socialist norms of collective interest.

The rise of commercialism and the concern for business interests have affected not only the general public but also many government agencies. For the general public, it was noticed that many people left their stable government jobs and jumped into the sea of commerce to make money. The increased interest in making money among the general public was also evident in a situation where in daily life, many basic services were not undertaken unless additional fees were provided. For the government agencies, many of them were doing their best to become involved in business activities to enrich themselves. For example, it was recognized that even the People's Liberation Army (PLA) has been involved in various business activities (e.g., dealings in arms, hotels, and traditional Chinese medicine) to supplement the official defense budget. The PLA's business activities have resulted in some negative problems, including both its internal control (e.g., corruption and conflict between units in different regions) and its external relations with civilian officials (e.g., disputes about the PLA's control of local land and resources as well as receiving special treatments such as tax breaks)(Bickford, 1994).

One of the major problems of the material-oriented drive is that not everyone has the knowledge and skills as well as the opportunity to make money and become rich. For example, the Chinese intellectuals believe that market opportunities are not available to them. Unlike government and party officials, most intellectuals do not have the power that would provide opportunities for them to make additional income (i.e., corruption). Unlike state workers, the intellectuals receive a fixed salary and have little chance to earn bonuses on the job. They feel frustrated about the fact that many street vendors earn more money than do professors at leading universities. Similarly, with limited education and experience, a number of young people will resort to illegal means to make money. Thus, the emphasis on materialism in the society has also resulted in an increase of illegal activities among China's young people.

Finally, despite many improvements in people's standard of living, many Chinese people have perceived an increase of social inequality among them (Lieberthal, 1995: pp. 308-309; White, 1991: p. 16). The unequal feeling is related to not only the income gap between the rich and the poor but also the general feeling of falling behind the advance of others. Many people expressed dissatisfaction over their personal status. They felt that too many others are acquiring wealth they do not deserve. The feeling of social inequality is easy to understand because of the homogeneous and egalitarian nature of Mao's society. The consequences of the inequality perceptions are the general lack of empathy for other groups and the increase of social hostilities and conflict. For example, the urban residents who frequently suffered the effects of food-price inflation resented the fact that certain elements of the peasantry are better off than they are. Especially, they showed negative attitudes toward the migrants and blamed them for the increase in crimes and the deterioration of their quality of life.

In sum, the reforms have resulted in major changes in China's individual and social ideology. The Chinese people today have no interest in the official political ideology and the government is in no position to provide any moral and value guidance. Motivated by the material incentives and business interests, most of the Chinese people are concerned about individual wealth and want to make money and become rich as soon as possible. In addition to the increasing income gap between the rich and the poor, many Chinese perceive various inequalities arising from the reforms, which have given rise to social hostilities and conflict.

E. Changes in Social Control and Stability

The success of the economic reforms has made Chinese society more complex and fluid. The complexity refers to the structural and attitudinal changes in both rural and urban areas, while the fluidity has to do with the increased mobility between the rural and urban areas as well as between the interior and coastal regions. In addition, the process of the social changes has also caused a redistribution of social power from the state and toward individuals, households, and groups (White, 1991).

The increases in social complexity and fluidity as well as the distribution of social-economic power have resulted in problems of social control. Before the reform years, the Chinese Communist Party controlled the country (the government and the society) through various party and administrative mechanisms (e.g., the registration system, the street committee). In addition to their production function, for example, work units (*danwei*) also performed many police functions such as disciplining employees convicted of crimes. In both rural and urban areas, party cadres supervised communes and work units with regard to the control and implementation of official party policies and ideologies. The Party-controlled system worked well as long as there were no political struggles within the Party.

The problems of social control occurred during the process of economic reforms because many of the past control mechanisms have been removed for the purpose of increasing incentives and productivity. The control problems became a serious policy issue also due to the changes in social mobility and changes in individual and social ideologies. People are more free in both their attitudes and behaviors with regard to almost every aspect of life (except the political activities after the Tiananmen Incident). The control problems were further intensified by the lack of or weak new control mechanisms. One example of the problem of social control is that the state has lost its control over society in China's single-child population policy. After the success of economic reforms, it is noticed that the peasants' households have the ability to resist state pressure and avoid or adjust to the related penalties (Croll, 1991). The outcome of this problem is that the Chinese population passed the 1.2 billion mark in early 1995, five years earlier than the date of 2000 which the government laid down in the early 1980s (Ferdinand, 1996).

The problems of social control were also evident in the rise of crime rates (e.g., murders, robberies, kidnaping, and drug trafficking) and other indicators of social life (e.g., divorce rates, suicides) in the Chinese society. For example, as researchers (Ferdinand, 1996; Meyers, 1989; Zafanoli, 1985) noticed, many of the rising crimes were related to economic activities (e.g., more than 600,000 between 1982 and 1992), occurred in urban areas (about

40 percent of crime throughout the country), and committed by those migrants who were unable to find jobs in the urban areas (e.g., 80 percent of all criminal offences in Beijing in the early 1990s) (Ferdinand, 1996: p. 484).

In addition, some types of crimes have appeared in the Chinese society since the beginning of economic reforms. For example, drug-related crimes (drug-trafficking, -taking, and -planting) have grown rapidly since 1980, with the reopening of the border trade with Burma and the increasing trade with Hong Kong and Macao (Wang, 1993; Hong, 1995). In 1983, the Public Security Bureau only arrested 10 people for the drug-related crimes and seized only 5 grams of drugs for the whole country. By 1993, officials cracked 26,000 drug-related cases, seizing 4,400 kilograms of heroin and 3,300 kilograms of opium (*Beijing Review*, 1994). Similarly, prostitution has also increased sharply. Between 1982 and 1992, more than 860,000 people were arrested for involvement in prostitution or committing indecent acts. A consequence of this has been an increase in venereal disease, with an increase from only 3 people registered being infected with it in 1977 to more than 700,000 people in 1992 (Ferdinand, 1996: 485). Especially, China has also witnessed a rise in crimes committed by Chinese gangs. In 1993, officials crushed 150,000 domestic criminal gangs, involving 570,000 offenders (*Beijing Review*, 1994).

Another serious problem related to social control is the increasing prevalence of official corruption (Liu, 1983; Ma, 1989, Rocca, 1992; Root, 1996; Sands, 1990). In 1994, for example, officials reported more than 95,000 cases of corruption and recovered up to 1.7 billion yuan (*Beijing Review*, 1995a). Especially, the level of official corruption has also risen, from the county, the provincial, to the national level. For example, in spring 1995, the anti-corruption movement reached the Party's highest levels with the removal of Chen Xitong, who was a member of the Politburo and the former Beijing Communist Party Chief (Ferdinand, 1996). Moreover, it was noticed that a growing number of corruption cases involved offenders from judicial and law-enforcement departments (*Beijing Review*, 1995b). Today, some Chinese feel that cops and robbers are of the same tribe (Kuhn, 1994a).

To deal with the problems of social control and stability, the Chinese leaders have continuously emphasized the importance of maintaining law and public order to ensure a better social environment for economic development. They urged that local Party and government officials work together with judicial departments to double their efforts to crack down on crimes. With regard to corruption, the leaders have enacted ethical codes for government officials and have actively prosecuted corruption cases. Without an

independent legal and supervisory system, however, the overall effect of the government's campaign against crimes and corruption has been relatively limited.

Discussion: Issues and Challenges

The analysis of the impact of the post-Mao economic reforms on China's state-society relations clearly revealed that the economic reforms indeed have brought many fundamental changes in China's society. The reform measures such as the decentralization from the central to local governments, the contract responsibility system, and the separation of government administration and enterprise management have certainly changed the lives of peasants in the rural areas as well as the lives of workers and managers in the urban areas. In the rural areas, the peasants have been liberalized by the reform measures because they are now allowed to make their own decisions about the production, management, and distribution of their agricultural activities. Cooperating with their local governments, some of the peasants have been involved in the development of TVEs and have increased their overall incomes. Similarly, workers and managers in the urban areas have also been affected by the reform measures and worked closely with each other to obtain additional bonuses and benefits from their work units. Again, some of them left their government jobs and worked for the growing private or joint-venture sector. Based on their relationship with the authorities, a few of them also started their own companies and were involved in domestic or international business activities. All of these indicated that the economic reforms have changed the Chinese society by gradually reducing the size of the state-directly controlled economic activities on the one hand, and increasing the size of some private-oriented market activities on the other. These changes have resulted in several critical issues that may challenge China's future development

A. Social Inequality

While economic reforms have brought prosperity in the Chinese society, the increased resources and incomes, however, have not been fairly distributed among the Chinese people. The income gap between the new rich class and the general public has risen in both the rural and the urban areas. Influenced by the new material incentives, the general public is now using all kinds of methods, officially or unofficially, to make money and become rich (i.e., to become rich is glorious). Some jealous and negative attitudes have developed among those who feel they are falling behind because of the lack of relationships or opportunities. For some Chinese, this perception of inequality

is especially difficult to accept because they were used to the past state-controlled system which provided a poor but equitable environment.

B. Social Mobility and Urban-Rural Conflict

To promote development, the post-Mao reform leaders have also removed the past monitoring and control system (i.e., the household registration system) and allowed Chinese people to move freely from the countryside to the city and from one province to another. While it is good for business activities, the free mobility situation has resulted in some social problems in the Chinese society. Especially, among cities in the coastal areas, a large number of peasants have moved from their country homes to the city streets to find jobs and to make money. Despite the fact that they provide a cheap labor force, these new migrants also caused additional problems and burdens for the city government in terms of social services and public safety. Gradually, the relationship between the urban residents and the migrants became worse and the conflict between the two increased.

C. Social Unrest and Crime

The rise of the material-oriented incentives and the decrease in the control system have resulted in an increase of crimes in the society. Being attracted by the luxurious western life style, some Chinese people, especially young men and women, became involved in crime activities because of their lack of knowledge, skills, and experience for some well-paid formal jobs. The crime rate has increased and the crime types have extended from theft and robbery to gang-related organized crimes such as prostitution and drug-trafficking. Making things worse are the increasing cases of official corruption, especially corruption among judicial and law enforcement agencies.

D. The Importance of A Modern Legal System

To deal with the increased social conflict and crimes, it is important for the Chinese government to control the society based on a modern legal system. In other words, if the Chinese society becomes more market-oriented, it is natural for the Chinese government to manage the society according to a well-established legal system, which is characterized as impartial and impersonal. Under this system, the law applies equally to all without exception, including the government and the Party. Indeed, the Chinese government has graduated developed a new legal system and promulgated many laws and regulations in order to support the socialist market economy since the reform

(Dicks, 1989; Lo, 1992). Despite its comprehensive nature and rapid growth, the legal system developed during the economic reform years has failed to clarify the relationship between the law and the Party. After the experience of the Tiananmen Incident, it is clear that in the Chinese society, the Party still dominated and controlled the law (Lo, 1992). From a legal point of view, there were several questionable issues related to the authority's action (Dicks, 1989; Lo, 1992). For example, people challenged about the legality of charging students not merely as disrupting the socialist system but as counter revolutionaries. In addition, the subsequent arrests and trials of the dissidents also showed the political influence of the procedural aspects of the criminal law. In other words, the Tiananmen Incident revealed not only that the legal system cannot offer legal protection to those exercising their democratic rights but also the continuing dominance of the Party to the law and the society.

The dominance of the Party to the law is also evidenced in the fact that the Party treats the law as a tool to enforce its own agenda. In practice, it is noticed that Chinese judges report to district party politics and law committees that routinely review and discuss major cases before they come to court. Judges become mere servants of the Party's will. In addition, Chinese judges follow a political, not academic or professional, path to the bench because they generally start out as court clerks and are gradually promoted to assistant judges and to full judges if they prove willing to carry out party order. Thus, Chinese judges generally fail to meet a lawyer's qualifications because more than half of them are demobilized soldiers and officers (Forney, 1996).

E. The Role of the Party

The forgoing analysis of the changes in China's state-society relations suggested an important role of the Party in the process of changes. That is, in the process of decreasing the state power and increasing the individual and group activities in the society, the Chinese Communist Party controlled both the state and the society as well as the interaction between the two. The Party's control over the state and the society, however, has become difficult because the Party itself has also experienced some changes during the process of economic reforms. In addition to the issue of corruption among its members, the Party has faced major challenging problems such as the lack of commitment among party members to the socialism ideology and the increasing diversity of views and activities within the Party (Ferdinand, 1996: 486-488). The consequence of the lack of ideological commitment and the increasing democratic activities is that the central Party leadership is no

longer capable of providing sole direction for reforms, or of ensuring unified, disciplined implementation of its decisions.

In sum, there is no question that Chinese society under the economic reforms has changed dramatically, from a dull-homogeneous society to an energetic and complex society characterized by different kinds of views and actions. Chinese society has become more complex in terms of both structure and attitudes as well as more fluid and dynamic in terms of both horizontal and vertical mobility. Chinese life has also changed greatly as individuals enjoy more freedom in terms of their work and leisure activities and their knowledge and information about the society and the world. The increased complexity and freedom have resulted in the problem of social control and stability because of the decline of the traditional control mechanisms, the limitation of political freedom and supervision, and the lack of an effective legal control system during this transition period.

The consequences of the changing state-society relations are critical to the future development of China. With regard to the impact of the changes, it is possible that some kinds of social disorder problems will continue to exist in Chinese society in the near future. It is unlikely that we will see changes overnight in the Chinese state as those that occurred in former socialist countries in Eastern Europe and the USSR. The key issue lies in the role of the Party. It is important for the Party to arrange and develop some kinds of mechanisms to resolve conflicts between different faction groups, between the central and the local governments, between the coastal and the interior regions, as well as between the new rich class and the poor people. It is also necessary for the Party to gradually adjust its role in the society and to distinguish its functions and activities from those of the government.

Notes

1. Factors that contributed to the rapid growth of the rural industry include, for example: low taxes, high profits, available capital, organizational diversity. For more information see: Naughton (1995a: pp. 149-157); Byrd and Lin (1990, especially the Chapter by Du Haiyan regarding causes of rapid rural industrial development).
2. For more information about changes in China's *hukou* system, see Chan (1996), Ferdinand (1996), and Wu (1994).

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