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**FROM GROWTH-BASED TO PEOPLE-CENTERED:
HOW CHINESE LEADERS HAVE MODIFIED THEIR
GOVERNING STRATEGIES TO SUSTAIN LEGITIMACY IN THE
REFORM ERA**

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REFORM ERA**

by

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Dedication

To my parents *Zhang Xingquan* and *Zheng Peng*, my daughter *Jane Hu* and my husband *Hu Yue* who have been there for me for the last seven years with all their love, support and patience.

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The University of Texas at Austin, 2013

Supervisor: James K. Galbraith

This dissertation analyzes changes in the ruling strategies of the Chinese Communist Party (CCP) in the context of economic reforms, beginning in 1978. By employing both quantitative and qualitative methods, this dissertation investigates how Chinese leaders have utilized legitimization strategies, while modifying their governing strategies, in order to a) solidify the population, b) consolidate ruling authority and c) maintain political and social stability. Specifically, this dissertation looks at how Chinese policymakers have developed effective public policies in response to rapidly rising wage inequality, one of the most pressing problems undermining the CCP's ruling authority. By providing an original estimate of China's wage inequality and analyzing the government's response to it, this dissertation provides a unique look at how the CCP has transformed government functions from growth-based to people-centered to meet various social, political and economic challenges.

A comparative statistical analysis helps illustrate the philosophical roots and sources of the CCP's political legitimacy. The technique of Theil Statistics is applied to measure China's wage inequality during the reform period. A multivariate hierarchical

regression analysis is employed to measure the impact of rising inequality on Chinese society. Two models on social welfare system reform are studied in order to understand Hu Jintao and Wen Jiabao's people-centered governing philosophy and the rationale for constructing a service-oriented government.

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Glossary

CASS: China Academy of Social Science

CCP: The Chinese Communist Party

CHIP: China Household Income Project

CHNS: China Health and Nutrition Survey

CNKI: China National Knowledge Infrastructure

gangxing Wending: rigid stability

HA: Homogeneity Analysis

hukou: Household Registration System in China

Kuomintang: The Chinese Nationalist Party

Maotai: the only designated alcoholic beverage used on official occasions in feasts with foreign leaders visiting China.

Minxin: People's heart

Minben: People-Centered

NBS: National Statistical Bureau

NPC: National People's Congress

NLPCA: Non-linear Principal Component Analysis

NPL: Non-Performing Loans

NBS: National Bureau of Statistics

nong min gong: agricultural workers or rural labor migrants

PCA: Principal Component Analysis

PRC: People's Republic of China

PSC: Politburo Standing Committee of the Communist Party of China

renxing wending: resilient stability

SOEs: Stated-Owned Enterprises

TVEs: Township and Village Enterprises

Tuanpai: Youth League Faction in the CCP

WTO: World Trade Organization

Zhengfu zhineng zhuanbian: Transformation of Government Functions

Zhengzhi tizhi gaige: The political structural reform

Jiucuo Kunjing: The dilemma of Correction

Chapter 1: Introduction

INTRODUCTION

Since China implemented economic reform in 1978, many western observers have forecast that China will eventually collapse due to the contradictions between the nature of the Chinese Communist Party (CCP) and the nature of reform.¹ The problems resulting from reform—including rising income inequality, massive urban unemployment, overwhelming internal labor migration, corruption, declining party legitimacy, the collapsing of social values—are viewed as factors likely to trigger the collapse; some scholars like Gordon Chang have even predicted the approximate date of the coming crisis.²

These dire predictions are not unfounded. Since the start of economic reform, large-scale protests and demonstrations have rocked China many times. The number of massive incidents increased dramatically from 8,709 in 1993 to 90,000 in 2006 to roughly 180,000 in 2010.³ Although the Chinese government always responds harshly to protesters and demonstrators, the flame of protest and demonstration never dies. On February 20, 2011, a series of pro-democracy demonstrations occurred spontaneously in

¹ For some scholarly discussion on China's collapse, see, for example, Goldstone, J. 1995. "The coming Chinese collapse," *Foreign Affairs*, 99:35-52; Chang, G. *Coming Collapse of China* (New York: Random House: 2001); Studwell, J. *The China Dream: The Quest for the Last Great Untapped Market on Earth* (New York: Atlantic Monthly Press, 2002); Terrill, R. *New Chinese Empire: and What It Means for the United States* (New York: Basic Books, 2003); Pei, M. *China's Trapped Transition: The Limits of Developmental Autocracy* (Cambridge, Mass.: Harvard University Press, 2006); Shirk, S. *China: Fragile Superpower* (New York: Oxford University Press, 2007).

² In 2001, Chang published a book entitled "*The Coming Collapse of China*", arguing that the Chinese Communist Party would be overthrown eventually. It was just a matter of time. For more discussion, see Gordon G. Chang. *The Coming Collapse of China* (New York: Random House, 2001).

³ Data source: Yu, Jianrong. "How to treat massive incidents in a reasonable way", *Southern Daily*, 04/16/2009. Retrieved on April 16, 2009 from <http://www.sachina.edu.cn/Htmldata/article/2009/04/1861.html>

13 major Chinese cities, including Beijing, Shanghai, Guangzhou, Changchun and Chengdu. The protestors marched through the streets shouting: “We want food. We want work. We want housing. We want fairness. We want justice.” Triggered by the Arab Spring of 2011, these protests and demonstrations reflected the accumulated frustration of ordinary Chinese people over the Hu Jintao and Wen Jiabao administration and a strong desire for government accountability and transparency. However, like many other protests in China, this Chinese version of Jasmine revolution did not evolve into a nationwide, pro-democracy movement. The demonstrations were soon met by a harsh government crackdown, and resulted in nothing conclusive or influential.

Looking back over the last 30 years, it is interesting to observe that almost every influential protest, movement and revolution in the world have resonated in China. Nevertheless, China has not been affected as have other countries. Constantly shaken by protests, demonstrations and petitions, the Chinese government has not fallen as the former Soviet Union, the former communist regimes in Eastern Europe, or the authoritarian regimes in Tunisia and Egypt, even though it has teetered on the edge of collapse many times. Instead, the Chinese ruling authority continues to exhibit resilience, and has maintained general political and social stability for decades.

The CCP’s success to date raises a central puzzle about China at present: how has the Chinese government been able to achieve both economic prosperity and relative political tranquility while being challenged repeatedly by different destabilizing factors? Many scholars, researchers and observers have attempted to explain the secret of China’s success, mostly as a result of economic reform giving rise to China’s meteoric economic growth. The initiation of economic reform in 1978 not only helped to ease the escalating tensions between the government and the Chinese people at the end of the Great Cultural

Revolution, but also provided the CCP a chance to regain the people's support after Mao Zedong. From this perspective, it seems that economic growth has established a solid material base to secure the CCP's ruling authority. However, economic prosperity alone, most likely, cannot explain China's stability and the CCP's endurance.

Western scholars, such as Nathan (2003), argue that the CCP's success reflects the resilience of authoritarian regimes, which could be "in older sense summarized by Samuel P. Huntington as consisting of the adaptability, complexity, autonomy and coherence of state organizations." Shambaugh (2008) shares a similar view, attributing China's success to the CCP's capacity to adapt to various challenges during the transitional period. Baum (2008) contends that the consultative mechanism within the Leninist party expands the life of the CCP. Chinese researchers and policymakers also revisit the past in attempting to explain China's success. At the annual press conference after the closing of the National People's Congress (NPC) on Mar. 14, 2011, then-Premier Wen Jiabao claimed that—in addition to economic reform—political reform, safeguarding social equity and justice, maintaining stability, and protecting people's democratic rights are the main features of China's development path to success.⁴ The Chinese scholar Weiwei Zhang (2009) also published an op-ed entitled "Eight Ideas behind China's Success" in *The New York Times* on the eve of China's 60th birthday, summarizing the ideas that are articulated among the Chinese elite to explain China's miracle. These ideas include "seeking truth from the fact," prioritizing the aim of

⁴ At the press conference, in answer to the question raised by Le Point of France on whether other countries can be inspired by China model, Wen Jiabao said that China's success is attributed to the right development path that fits China's national conditions. The main feature of this development path are to continuously promoting economic and political reform, promoting social fairness and justice and maintain social stability and harmony For more details about Wen's appearance in the meeting with press, please read the report published on China.org.cn on March 14. Retrieved on Mar. 14, 2010 from http://www.china.org.cn/china/NPC_CPPCC_2010/2010-03/14/content_19605126.htm.

enhancing people's livelihoods, thinking holistically, maintaining harmony in diversity and so forth. One significant factor, Zhang pointed out, is "performance-based legitimacy." As he argues, the Chinese government practices performance-based legitimacy across the whole political spectrum. This is a major way to legitimate the CCP's ruling authority and to make the governance more resilient. Zhang's statement offers another interesting perspective for exploring China's story. However, looking into the literature on how the rhetoric of legitimacy nurtures the CCP's resilience, we find few in-depth studies of the actual role of legitimacy in securing the CCP's governing authority and sustaining China's economic progress. In fact, the CCP has been searching for legitimacy since the foundation of New China. This searching and self-legitimizing process has run parallel with the pursuit of economic growth during the reform period. Understanding the CCP's legitimization strategies can provide insight into its governing strategies, and so shed light on China's puzzle.

OBJECTIVES

This dissertation has two objectives. First, the dissertation seeks to thoroughly explore the interrelationship between legitimacy and success in modern China. To this end, the dissertation traces the evolution of the CCP's legitimization process as regime strategies have shifted over time. This detailed study of the CCP's legitimization process aims to provide a new look at how the CCP utilizes the idea of legitimacy to unify the population, to consolidate its ruling authority and to maintain political and social stability over the entire country during the reform period.

Specifically, the dissertation focuses on analyzing an important legitimization strategy—creating a service-oriented government—which has been less discussed by western scholars. This strategy is also be called "transformation of government functions

(*zhengfu zhineng zhuanbian*),” particularly referring to the changing focus of the government’s functions from economic-based to service-oriented in response to rapidly changing social and political conditions in the time of the Hu Jintao and Wen Jiabao.

The second objective of this dissertation is to provide an original estimate of China’s wage inequality during the reform era. Growing wage inequality in China is both a focal point of public attention and an irritating headache for the Chinese ruling authority. In addition to impeding economic growth, wage inequality also challenges the legitimate foundation of the CCP by intensifying social tensions. The strategy of establishing a service-oriented government is an innovation of the Chinese government to mitigate the negative impacts of rising inequality on the authority. Therefore, the dissertation places a special emphasis on the widening wage gap and the government’s response to that gap. Through this analysis, the dissertation attempts to explain the movement and sources of wage inequality so as to shed light on the rationale of the “transformation of government functions.” In this sense, the study of China’s wage inequality also provides another angle to look into the linkage between legitimacy and China’s puzzle.

RESEARCH QUESTIONS

The hypothesis of the dissertation is that reinventing legitimacy to meet the challenges raised by the transition is the key ruling strategy of Chinese leaders during the reform period. To test this hypothesis, the dissertation begins by considering the differences in how western and Chinese scholars perceive the concept of legitimacy and its applications in various types of regimes. Specifically, the dissertation proposes the following research questions and sub-questions:

- How do western scholars perceive the legitimacy of communist regimes in general and the CCP's legitimacy in particular?
 1. How does the western view of legitimacy evolve from ancient thinkers to contemporary political philosophers?
 2. How do contemporary western thinkers perceive the legitimacy of communist regimes?
 3. What is the major shift of contemporary western scholars' perception on the legitimacy of communist regimes?
 4. What are western views on legitimacy crisis and its effects on communist regimes?
 5. What are the main legitimacy crises that China has encountered, as identified by western political philosophers?
 6. From the perspective of western scholars, what legitimization strategies have Chinese leaders developed to sustain their legitimacy in response to threats?
- Compared with western scholars, how do their Chinese counterparts perceive the concepts of “legitimacy,” “legitimacy crisis” and “legitimation strategies”?
 1. How do Chinese political scholars define the CCP's legitimacy in different historical periods, both from an academic perspective and the perspective of policymakers?
 2. Why has the CCP's emphasis on legitimization strategies shifted over time and how?
 3. What have been the main threats to the CCP's legitimacy during the transitional period? How have these threats eroded the CCP's legitimacy?

4. What legitimization strategies have Chinese leaders developed to sustain their legitimacy in response to threats?
5. What are the new challenges under Hu Jintao and Wen Jiabao's leadership?

The comparison of western and Chinese discourses on the legitimacy of communist regimes is an attempt to bridge the perception gap between the two camps so as to provide a theoretical foundation for this case study of China. Regarding the evolution of CCP's legitimization strategies, the dissertation proposes the following research questions:

- What are the main threats to the CCP's legitimacy under different generations of leadership?
- How has the CCP's legitimization process evolved in response to a variety of economic, social and political problems generated during the reform period?
- In particular, how has wage inequality, one of the severest problems, challenged the foundation of the CCP's ruling authority?
- How have Chinese policymakers responded to mounting wage inequality, and what are main policy implications as regard to this issue?

Then the dissertation intends to generalize the CCP's governing mechanism which is guided by changing legitimization strategies and to further disclose how this governing mechanism has enabled the CCP to succeed during the reform period. The questions based upon this research inquiry are:

- What is the governing mechanism that Chinese leaders have pursued since the foundation of China?
- How has this mechanism evolved in light of changing legitimization strategies?

- What are the major components of the governing mechanism during the reform period?
- How is this governing mechanism carried out through the construction of a “service-oriented” government under Hu Jintao and Wen Jiabao’s administration?
 1. What is a “service-oriented” government, and what are the major functions of this type of government?
 2. What is the main aim of Chinese policymakers when they advocate for a “service-oriented” government?
 3. How have Chinese policymakers built a service-oriented government, and what are the policy outcomes?

METHODOLOGIES AND DATA

To answer the research questions above, this dissertation employs a mixed methodology including both qualitative and quantitative analysis.

The dissertation begins with a literature review of both western and Chinese scholarship on legitimacy in general and the CCP’s legitimacy in particular. The aim of this review is to develop the argument through a comparative framework. By telling the story from both perspectives, the dissertation seeks to offer a relatively objective viewpoint on the political legitimacy of communist regimes, and to lay a solid theoretical background for further discussion on China. Meanwhile, by analyzing official documents — including annual government work reports of presidents and prime ministers of different administrations; selected works of Deng Xiaoping, Jiang Zemin, Hu Jintao and Wen Jiabao; selected speeches of newly elected party-chief Xi Jinping; and lead articles from official state media outlets like the People’s Daily, Xinhua News Agency — this dissertation investigates how Chinese policymakers view themselves in terms of

legitimacy. The literature review and documents analysis are mainly descriptive, aimed at providing a broad overview of trends and the evolution of the legitimacy discussion in both western and Chinese elite circles.

Based upon the literature review and document analyses, we see that western and Chinese scholars share common views over the role of legitimacy in strengthening the ruling authority of any regime, regardless of regime type. However, views diverge with regard to the CCP's choice of sources of legitimacy and legitimacy strategies, particularly under the leadership of Hu Jintao and Wen Jiabao. Western scholars such as Gilley, Holbig, and Schubert, argue that under the decade long Hu-Wen administration, the CCP's legitimacy was mainly based upon ideology with other complementary sources, such as economic growth, institutions, nationalism, etc. In contrast, Chinese scholars and policymakers see the sources of legitimacy as more diverse and not as reliant on ideology. They are more likely to consider the role of other sources of legitimacy—growth, equity, fairness, law, social rights, culture—in consolidating and sustaining the CCP's ruling authority.

Since there are many sources of legitimacy identified by Chinese scholars, this dissertation attempts to categorize them in terms of their characteristics and relative importance. A homogeneity analysis (HA) and a principal component analysis (PCA) are employed in order to identify the larger categorizations of sources of legitimacy. This practice originates from Gilley and Holbig's work in investigating the CCP's legitimization strategies from 2003 to 2007. The data used for this practice are 280 journal articles collected from China National Knowledge Infrastructure (CNKI), the largest and most up-to-date database of Chinese scholarship across the humanities and social sciences. The articles were published between 2000 and 2010 on the subject of political legitimacy with

regard to China's ruling party, the state, and the political system.⁵ The results obtained from HA and PCA are compared for a theoretical standpoint.

In addition to presenting the legitimacy debate in Chinese intellectual circles, the dissertation also provides original estimates of China's wage inequality from 1987 to 2012, using a Theil index computed between regions and sectors. To map out the evolution of inequality, the dissertation primarily applies the group component of Theil's T Statistics with province and sector as the groups. The Theil statistic is preferred because it has a flexible structure that often makes it more appropriate than other inequality measures, such as the Gini Coefficient, when only aggregated data are available. In the case of China, aggregated data are easy to access. Therefore, the Theil index presents an opportunity to tell a rich story about wage inequality over different levels of aggregation.

Wages and employment data for measuring China's wage inequality are chosen from the China Statistical Yearbooks because they are disaggregated by economic sectors and provinces, and have been consistently classified since 1988. In this dissertation, the employment data refer to the total number of staff and workers at year-end by sector and province. The wage data are the total wage bills of staff and workers at year-end by sector and province. Total wage bills are the total remuneration payment to all employed staff and workers in all former sectors in urban units during the reporting period. These bills are including hourly-paid wages, piece-rate wages, bonuses, allowance and subsidies, overtime wages and wages paid under special circumstances. The wage bills are also pre-tax and no social insurance premium, utility bills, housing funds or subsidies

⁵ The similar collecting method as Gilley and Holbig's is applied in monitoring the debate on party legitimacy in China. But we extend the time period from 2000 to 2010. The selection criterion is any article with the word "legitimacy" both in the title and content.

are deducted (NBS, 2012). Staff and workers are persons who work in and receive payment from units of state ownership, collective ownership, joint ownership, shareholding ownership, foreign ownership and ownership by entrepreneurs from Hong Kong, Macao and Taiwan. Although persons employed in township enterprises, persons employed in private enterprises, urban self-employed persons, and foreigners are excluded, the wage and employment statistics on staff and workers are most representative, covering the majority of the working population in almost all ownerships.

Besides measuring wage inequality, the Theil index is also applied to map out the variations of crime rates between receiving and sending provinces of migrant workers during the reform period. This practice aims to discover the relations between wage inequality and crimes. In the early stage of economic reform, there was not much difference in crime rates between the 31 provinces. However, with an increasingly large number of migrant workers pouring into the eastern and coastal areas, the receiving and managerial capacities of the destination provinces and municipalities have been taxed, resulting in rapidly rising crime rates in these regions. The rationale for employing Theil statistics rather than simply using crime rates is that this technique can not only delineate the overall trend of variations in crimes across country, but also serve to identify the major contributors (i.e., regions) to these variations. To further probe the linkage between wage inequality and crime, a series of linear regressions based on a mixed effect model are conducted. Crime rates are regressed against wage inequality controlled by a group of economic and social factors, such as GDP, urbanization rate, unemployment rate, and the levels of education. Rates of petition, number of massive incidents and number of labor disputes—as indicators of social stability—are also regressed against wage inequality

separately in the same fashion. This statistical analysis seeks to illustrate whether there is a significant impact of rising wage inequality on social stability.

Combating wage inequality was the starting point of the Hu Jintao and Wen Jiabao administration's effort to consolidate the CCP's legitimacy. Understanding the story behind rising wage inequality will contribute to an understanding of Hu Jintao and Wen Jiabao's people-centered governing philosophy and the rationale for constructing what they called a service-oriented government. It will also help to disclose governing strategies under the new leadership of Xi Jinping.

DISSERTATION CONTRIBUTIONS

The dissertation contributes to the current literature in several ways. First, this study provides a new angle to decipher the survival of the CCP. We argue that the secret of China's success lies in the CCP's constant reinvention of its legitimacy in light of rapidly changing socioeconomic circumstances. However, this reinvention process is rarely discussed in western scholarship and rarely recognized as a key factor in the CCP's success and endurance so far. Therefore, the detailed and careful study of the CCP's legitimization strategies in this dissertation fills a gap in the current literature.

Second, the dissertation provides a comparative analysis of western and Chinese discourse on the legitimacy of Communist regimes in general and the CCP's legitimacy specifically. There is a considerable amount of literature on the CCP's legitimacy purely from the perspective of western scholars and researchers. However, not many works capture the main themes in the ongoing discussion of legitimacy in Chinese intellectual circles. Moreover, very few works purport to bring the debate of the CCP's legitimacy into a comparative framework. Therefore, this study attempts to offer the western

audience a more complete picture of the CCP's legitimacy with arguments from both camps.

The dissertation also has two methodological contributions. First, this study expands and deepens Gilley and Holbig's work by applying a longer time frame to evaluate the CCP's legitimization strategies. The time span from Gilley and Holbig's five-year duration is now extended to a ten-year period from 2000 to 2010 in this study. Also, the dissertation improves upon their factor analysis by employing a homogeneity analysis to fix the interpretation problems caused by dummy coding data.

Second, the dissertation brings a novel perspective to measuring China's wage inequality by using wage and employment data excerpted from China's Statistical Yearbooks. There is always a heated debate on the reliability of China's official statistics, and not much work calculates China's wage inequality based upon this data source. However, we find that despite doubts about China's official statistics, the Chinese statistical yearbooks provide the most complete and standardized source of wage and employment data for China. The results based on this data source are comparable to the results calculated using other data sources. Finally, this dissertation provides the original estimates of China's wage inequality up to year 2012, which is the most recent year for which inequality estimates based upon the Theil index are available.

DISSERTATION STRUCTURE

Following this introductory chapter, Chapter 2 analyzes the views of western scholars on legitimacy question – the legitimacy of communist regimes in general and the CCP's legitimacy in particular. Chapter 3 uses a similar framework but focuses on the Chinese perspective on the same topic. Both qualitative and quantitative analyses are employed in this section. Chapter 4 summarizes the social and political problems

generated at the different stages of China's reform period. Chapter 4 also places special emphasis on China's wage inequality and carries out an in-depth analysis on the evolution of inequality, its causes and impacts on the CCP's ruling authority. A brief discussion of the government's responses to this issue is presented at the end of Chapter 4.

The last substantive part of this dissertation is found in Chapter 5, which seeks to answer the core research question: Why have China and the CCP succeeded and endured so far? Chapter 5 first reviews the evolution of the CCP's ruling mechanism under different generations of leadership. Then the chapter proceeds to answer how this ruling mechanism has been modified and adjusted according to the changing legitimization strategies of the CCP. "Stability," as a fundamental principle underlying the CCP's legitimization process, is discussed in detail. In particular, this chapter introduces an invention of legitimization strategy by Hu Jintao and Wen Jiabao, which is summarized as the transformation of government functions. Two models for reforming social welfare systems are applied to embody this legitimization strategy. Finally, legitimization strategies under the newly-elected leadership Xi Jinping are discussed in detail. Policy directions during Xi's term in office are also predicted.

Chapter 6 concludes the dissertation by presenting the major findings of each chapter, providing some further thoughts on stability preservation and discussing the limitations of this study.

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Chapter 2: The western perspective: A revisiting of political legitimacy

This chapter aims to provide a detailed review of existing western scholarship on political legitimacy, the political legitimacy of communist regimes in general, and the CCP's legitimacy in particular. Legitimacy is a key concept in political philosophy. It is treated as the foundation for governing and the root justification for political authority. The discussion of "legitimacy" can be traced back to the Enlightenment, or even earlier. Some contemporary scholars and researchers, such as Fabienne Peter, attempt to draw a complete picture of legitimacy, its origin, sources, determinants and its relations to a political authority.⁶ Given the intense discussions on this topic, the chapter starts with a quest of the origin of legitimacy by drawing a philosophical map from early Enlightenment thinkers to contemporary political philosophers. As we proceed, we find that there is a heated debate about political legitimacy of communist regimes. The conventional wisdom conveyed by some western political philosophers is somewhat biased against ruling authorities of communist states. Applying western legitimacy theories to China, some western China observers argue that communist regimes would eventually collapse due to either their illegitimate nature or legitimacy crises. However, China, as one of the few surviving communist states, has aroused strong interests among western scholars in re-thinking the legitimacy of communist regimes.

THE PHILOSOPHICAL EXPLANATIONS OF LEGITIMACY

From ancient China, rulers' rights to govern were closely tied to the traditional Chinese philosophical concept, "the Mandate of Heaven," which was used throughout

⁶ In her article entitled "Political legitimacy" published in *The Stanford Encyclopedia of Philosophy*, Peter (2010) offers a detailed account of how the concept of legitimacy has developed in political philosophy, from ancient philosophers to contemporary political thinkers.

Chinese history as the most important legitimization strategy. Similar to these Chinese counterparts, the European Emperors also developed a set of theories of governance to legitimate their ruling authority, such as the Divine Right of Kings, absolute monarchy, etc. However, this received authority was overthrown by the Enlightenment philosophers, who rejected most previous assumptions and doctrines in political philosophy. They linked the concept of legitimacy to the two core values of the movement: one is respect for individual rights in politics; the other is commitment to science. The commitment to science was also recognized as the basis of politics. Guided by these two ideas, the Enlightenment thinkers began their quest for the origin of states and the legitimacy conferred upon them. In general, a legitimate political authority in their view is assumed to preserve individual freedoms and be realized through science rather than religion.

Thomas Hobbes looked into legitimacy by defining the state of nature first. In his account, the state of nature is a perpetual state of war. Men in the Hobbesian state of nature are in great need of an omnipotent figure to protect every man from being hurt by every other man. Thus, the *Leviathan* (1668) emerges based on the free will of men who were willing to create an absolute sovereign to end the chaos of the state of nature. The legitimacy of such a sovereign is therefore unquestionable due to the free will of all individuals in the state of nature.

Like Hobbes, the English liberal thinker John Locke also investigates the concept of legitimacy by defining the state of nature. But he has an entirely different account in defining it. In his work, *Of Civil Government: Second Treatise*, Locke (1690) describes the state of nature as a state of perfect freedom and equality, but without any type of political authority. People who lived in the state of nature are endowed with the law of nature and that law is Reason. As a result, people, by virtue of reason, are inevitably

willing to establish a state in a logical way by contracting among themselves to be subordinate to a government under free consent. The legitimacy of such a state, thus, arises from the consent among the governed. As Locke (*Second Treaties*: §192) states,

“...For no government can have a right to obedience from a people who have freely consented to it; which they can never be supposed to do, till either they are put in a full state of liberty to choose their government and governors, or at least till they have such standing laws, to which they have by themselves or their representatives given their free consent; and also till they are allowed their due property, which is so too be proprietors of what they have, that nobody can take away any part of it without their own consent, without which, men under any government are not in the state of freemen, but are direct slaves under the force of war...”

In this sense, a legitimate political power should protect people's possessions, liberty, health, their rights of being equal and independent, and maintain the state of nature. Like he states (*Second Treaties*: §173), “...voluntary agreement gives the second, viz. political power to governors for the benefits to their subjects, to secure them in the possession and use of their property...” Locke formulates the earliest version of social contract theory with consent as the essence. According to it, a civil state could be established only under one condition that “[anyone] is agreeing with other men to divest himself of his natural liberty...to join and unite into a community... (*Second Treaties*: §95)”

Jean-Jacques Rousseau agrees with Locke that consent constructs legitimacy. But he takes the interpretation of legitimacy a step further by adding democracy as one of the criteria necessary to justify a legitimate state. Similar to Hobbes and Locke, Rousseau began his book *On the Social Contract* by describing man in the state of nature. As he (1762: 1) wrote, “Man is born free; and everywhere he is in chains.” This statement leads to his inquiry into the origin of civil states that contradict human nature of being a free man. On his views, man is confined by the formation of civil states and any state that can

free its citizens or can preserve citizens' freedoms is legitimate. Rousseau clearly states the benefits of living in that state. As he (1762: 8) says,

“Although, in this state, he deprives himself of some advantages which he got from nature, he gains in return others so great, his faculties are so stimulated and developed, his ideas so extended, his feelings so ennobled, and his whole soul so uplifted, that, did not the abuses of this new condition often degrade him below that which he left, he would be bound to bless continually the happy moment which took him from it forever, and, instead of a stupid and unimaginative animal, made him an intelligent being and a man.”

To establish that state, Rousseau (1762) contends that it has to rely upon conventions. In his account, conventions refer to democratic procedures among all citizens, through which the social order can be achieved and legitimacy of a political authority can be realized under the general will. For Rousseau, the general will is not an individual will or a group of individual wills, but the will of a political body that represents all citizens. Under their general will, people are willing to unite into a community and representative political entities are elected via democratic process. Therefore, the general will lays the democratic foundation of a legitimate political authority. Starting from Rousseau, democracy is first linked to the concept of legitimacy.

However, not many are convinced by the social contract theorists' view that consent/will constructs legitimacy and democracy underlies legitimacy. For instance, utilitarianism offers an entirely different interpretation of legitimacy. Utilitarian theorists contend that the fundamental thing about human nature is to pursue happiness and to avoid pain. Thus, the ultimate goal of establishing a state is to maximize the greatest happiness among the greatest members. Any state without this function would be illegitimate. John Stuart Mill, a representative of neoclassical utilitarianism, enhanced the utilitarian approach from purely utility-driven to liberal by combining the pursuit of

utility with the pursuit of liberty. Liberty, according to Mill, is a crucial component of the individual's utility. Without liberty, one's utility can never be maximized. But, pursuing liberty must be preserved under the harm principle. In his magnum opus *On Liberty: The Principle of Liberty* (1869: 103), Mill states:

“That the only purpose for which power can be rightfully exercised over any member of a civilized community, against his will, is to prevent harm to others...”

In that sense, the only reason to exercise power over individuals is to prevent harm to others. Otherwise, any political authority will cease to be legitimate.

Like the Utilitarianism theorists, Robert Nozick thinks that a state can be legitimate without the consent of those governed. But in contrast to utilitarianism, Nozick defines the legitimacy of a state by defining justice. Nozick (1974) argues that the state would be legitimate only if it exercises its power in a just fashion. His argument underlines two crucial points about legitimacy: first, justice is the main source upon which legitimacy is formulated. Second, the explanation of political legitimacy cannot be separated from the understanding of the action of a state.

Nevertheless, Nozick's views on the relationships between legitimacy and justice were challenged by John Rawls who argues that justice and legitimacy are two distinct philosophical concepts and a state could be legitimate but not just (Rawls, 1995). In response to Habermas, Rawls (1995) states,

“A significant aspect of the idea of legitimacy is that it allows a certain leeway in how well sovereigns may rule and how far they may be tolerated...It may be legitimate and in line with long tradition originating when its constitution was first endorsed by the electorate (the people) in a special ratifying convention. Yet it may not be very just, or hardly so; and similarly for its laws and policies.”

Disagreeing that justice alone can legitimate a political authority, Rawls (2001) contends that public reason governs human beings to exercise their political power in a legitimate way. Public reason in the Rawlsian understanding refers to common reason that citizens with different religions or political beliefs are willing to accept (Rawls, 1997). Therefore, the acquisition of legitimacy can be interpreted as the process that citizens reach such common reason and exercise their political power guided by that reason. Most importantly, Rawls (1997) thinks that this process has to be democratic since “the form and content of public reason is part of the idea of democracy itself.” In that sense, this process echoes Rousseau’s democratic procedures through which legitimacy would be achieved under the general will of all citizens.

As mentioned above, Rousseau is the first political philosopher that links the concept of legitimacy to democracy. Since Rousseau, to investigate the relationships between legitimacy and democracy has become another strand of research in political philosophy. Nowadays, due to the fact that democracy has been practiced for a long time and democratic regimes have demonstrated strong capacities in dealing with different kinds of problems, democracy has been widely recognized as the most important source of political legitimacy in the contemporary world. As Peter (2010) argues, democratic elements of a political authority, such as government types, decision-making procedures, the forms of elections, are viewed as necessary conditions for establishing and maintaining a legitimate state. She (2011) further contends that democratic procedures based upon the respect of pluralism form an essential component of political legitimacy. This echoes Rawls’ views on democratic legitimization (Rawls, 1995). Buchanan (2002: 689) even states that “...where democratic authorization of the exercise of political power is possible, only a democratic government can be legitimate.” Diamond (1999) also

thinks that the consolidation of a democracy requires legitimization and *vice versa*. Chang et al. (2006) share a similar view. However, studying the first-wave of East Asia Barometer survey data, they (2006) find that this argument can hardly be applied to most East Asian countries except Japan and South Korea.

All in all, western political philosophers are most interested in normative explanations of political legitimacy, which are what legitimacy ought to be, what are the sources of political legitimacy and on what grounds a political authority can legitimately require obedience from its citizens. From a philosophical perspective, legitimacy of a political authority is mainly dependent on the following sources: 1) consent; 2) utility; 3) public reason, and 4) democracy, as Peter (2010) summarizes.⁷ Each explanation emphasizes one or more elements constituting this concept. However, in spite of the divergences in defining legitimacy and determining its origin and its sources, almost all these thinkers explicitly or implicitly lay out the significance of legitimacy conferred upon a political authority. As German political philosopher Dolf Sternberger (1968: 244) points out:

“Legitimacy is the foundation of such government power as is exercised both with a consciousness on the government’s part that it has the right to govern and with some recognition by the governed of that right.”

Sternberger’s definition of legitimacy, which is widely used in contemporary political science, captures several aspects of the concept of legitimacy. First, legitimacy refers to a power relation between the governing authority and the governed. Second, the legitimate right to rule is not congenital, but endowed by recognition of the governed.

⁷ Peter (2010) in fact summarizes three main sources of legitimacy. They are 1) consent, 2) beneficial consequence, 3) Public reason and democratic approval. We separate the source of “public reason” and the source of “democratic approval”. We argue that public reasons and democratic approval are two distinct sources of legitimacy and they play different roles in supporting the legitimacy of a political authority as we analyze in this chapter.

Third, legitimacy is crucial not only to create a political authority, but also to maintain it. This third point, in fact, reflects a more pragmatic understanding of this concept, which is different from the normative explanation of what a legitimate political authority ought to be. Rather, it underscores the significance of legitimacy regardless of regime type. As it implies, the question of legitimacy is essential for any type of ruling authority, whether or not the power is obtained through legitimate means. Johnson (2003) argues that for legitimate rulers, legitimacy is embodied in their acquisition of power while for political authorities which gain power by illegitimate means like violent revolution and manipulating elections, legitimacy is usually created or invented after the fact. As he (2003) also points out, the reinvention of legitimacy is often realized through various means including introducing new ideology, leveraging nationalism, promoting economic growth, reclaiming cultural or historical dispositions to trust rulers, indoctrinating people with ideas that the incumbent authority is legitimate to govern, etc. However, it is interesting to note that the above-mentioned strategies for realizing legitimacy are all commonly employed by ruling authorities in communist regimes. Does this imply that communist regimes are illegitimate by nature?

THE CONUNDRUM ABOUT POLITICAL LEGITIMACY OF COMMUNIST REGIMES

The conundrum about political legitimacy of communist states has long been a matter of theoretical debate (Tarifa, 1997; McAdam and Zald, 1996; Aslund, 1996; Horowitz, 1992; Huntington, 1991; Kirpatrick, 1988; Smith, 1987; White, 1986; Lewis, 1982). In recent decades the debate has attracted increasing attention due to the death of communism in the former Soviet Union and Eastern Europe. Two questions are often asked: 1) do communist regimes enjoy political legitimacy, and 2) how do communist regimes manage legitimacy crises (Zhong, 1996). The first question still centers on the

normative concept of legitimacy. The second question focuses on the reality regardless of how legitimacy is achieved.

According to many western democratic thinkers, communist regimes are by nature illegitimate due to the absence of democratic elements either in the formation of their political organizations or their decision-making process. However, is democracy a necessary condition for realizing legitimacy? This is not simply a matter of “yes” or “no.” Many offer different views on this controversy.

Huntington (1991) argues that the source of political legitimacy is not limited to democratic factors. He basically accepts that Marxism-Leninism is a nondemocratic ideological source of legitimacy of communist states. He also contends that besides ideology-based sources, the legitimacy of communist parties is reliant upon the capacity of the government to provide public goods. Thus, the long-term inability of communist regimes to fulfill their commitments to citizens actually undermines their legitimacy to a great extent (Huntington, 1991). D' Aspremont (2006), too, states that the end of the Cold War deepened the debate about the concept of legitimacy. As many illiberal democracies, which have some democratic features, but actually fail to deliver democratic outcomes (i.e., political authorities in the Middle East and North Africa), came to arise by the end of the Cold War, the conventional wisdom of legitimacy conferred upon democratic regime models has been significantly questioned (D'Aspermont, 2006). Machin (2012) also challenges democracy-based legitimacy by proposing an even weaker set of conditions for political legitimacy which can be realized in non-democratic forms of governments.

According to Max Weber (1946), there are four types of legitimacy: a traditional type derived from the sanctity of tradition⁸, a charismatic type based on the rulers' charisma, value-based legitimacy, and rational-legal legitimacy grounded in popular belief in the legality of established laws and custom. The Weberian definition of legitimacy has been widely cited in the literature. Scholars who agree with the Weberian definition of legitimacy usually hold the view that Weber's typology of legitimacy could be well applied to justify the political legitimacy of communist regimes. For instance, by looking for the legitimate foundation of Soviet-type societies, Pakulski (1986) asserts that the alleged mass legitimacy in most Soviet-type regimes is in line with the Weberian typology of legitimacy. Zhong (1996) argues that Weber's typology of legitimate rule is applicable to communist systems. Guo (2003) also contends that the traditional Chinese understanding of the original justification of political legitimacy shares similar insights with Weber's classification of legitimacy. These arguments may help to understand why some communist regimes could survive the wave of democratization that swept the entire communist world two decades ago.

In the late 20th century, the discussion of the legitimacy of communist regimes has gradually shifted from questioning whether these regimes are legitimate to questioning how legitimacy has been developed and maintained within these regimes. Many political scientists now concentrate on empirical studies of legitimacy of various types of governments. One major strand of literature focuses on the origin of legitimacy crises and the impacts of such crises on communist political systems (Wang, 2010; Heppell, 2007; Shue, 2004; Tang, 2001; Zhao, 1998; Zhong, 1996; Laffan, 1996; Ceteno, 1994; Ding,

⁸ The traditional type of legitimacy refers to the ability and right to rule, which is often passed down through heredity.

1994; Huntington, 1991; Palma, 1991; Pye, 1990; White, 1986). This research agenda arose from the collapse of communism in Eastern Europe and the former Soviet Union. The commonly held view is that legitimacy crises in communist countries were primarily brought about by the inefficiency of economic markets and the incapacity of governments to fulfill their commitments to citizens. As Pye (1990: 5) puts it, the death of communism results from “dictatorial rule (that) has failed to deliver on its promises of purposeful efficiency.”

Huntington (1991) expanded Pye’s idea by arguing that although democratic rhetoric has been increasingly used by communist leaders to justify their legitimacy, authoritarian regimes would encounter the inevitable decline of political legitimacy in that they have no mechanisms for self-renewal. Huntington (1991) also states that since authoritarian regimes are dependent more on performance-based legitimacy than are democratic regimes, the inability to sustain their achievements, such as poor economic performance or military failures, might undermine the legitimacy of authoritarian regimes. Shambaugh (2008) identifies more than 60 factors and causes that could lead to the demise of previous communist regimes.

By taking Eastern European states as examples, Tarifa (1997) finds that there are elements of legitimacy in each communist state, but legitimacy erodes in different phases, which led to the eventual collapse of their ruling authorities. Furthermore, he challenges the conventional wisdom about democracy-based legitimacy and acknowledges the importance of ideology in supporting legitimacy in communist regimes. But Tarifa points out that even though economies gain momentums in these countries, their political stability cannot be guaranteed due to the absence of political liberalization, which is resisted by the pseudo legitimacy of communist states. Horowitz (1992) holds the similar

view as Tarifa that communist countries actually have enjoyed a certain level of legitimacy, which was achieved by mass movement. However, he argues that this quasi-legitimacy has no clear relationship with the longevity of communist countries. China, one of the few surviving communist regimes with pseudo democracy has also posed new challenges to studying legitimacy. China is always the center of the debate. On the one hand, China has achieved stellar growth that makes all other economies pale by comparison. On the other hand, China is also facing enormous domestic challenges which threaten its political and social stability. As one of the few communist states surviving from the global political chaos in 1989 and 1990, China walks a thin line between pressures from both inside and outside. Whether or not China is legitimate is no longer an intriguing question to scholars. Now scholars want to know how legitimacy crises have influenced this unique country.

There is a widely-accepted view that China has experienced at least two severe legitimacy crises since the founding of New China. One was caused by the Great Cultural Revolution. The other was triggered by nationwide pro-democratic student protests in 1989. According to Zhong (1996), the erosion of legitimacy in 1989 was mainly due to two inherent contradictions. The first is the contradiction between the capitalist nature of China's economic reform and the very nature of the CCP as well as its so-called anti-capitalist ideology. The second contradiction lies in China's political system, which fundamentally prohibits political liberalization catalyzed by economic liberalization. This view reinforces Tarifa's assertion that communist regimes, like China, might have latent crises caused by the imbalanced development between economic reform and political reform. In contrast to Zhong, some scholars attribute the CCP's legitimacy crises to value changes during the transitional period (Gilley, 2008; Guo, 2006; Wang, 2005, Hjellum,

1996). They argue that during the transitional period the original belief and trust towards the CCP has been gradually weakened as the ruling authority repeatedly failed to deliver the expected outcomes. Therefore, the public expectations of the government have dropped dramatically. The growing lack of credibility, then, resulted in a trust crisis and a legitimacy crisis eventually.

In addition to these explanations, what are other factors in the delegitimizing of the CCP's ruling authority discussed in western literature? The next section will briefly review the main elements of the CCP's political legitimacy, its sources as well as the legitimization strategies it often employs to maintain its authority in the face of legitimacy deficits.

AN OVERVIEW OF THE CCP'S POLITICAL LEGITIMACY FROM A WESTERN PERSPECTIVE

A broadly-held view is that the CCP's quest for legitimacy is built upon popular support/popular consent among the Chinese population. Some scholars summarize this as "popular legitimacy" (Holbig, 2010; Gilley, 2008; Shambaugh, 2008; Chen, 2004; Tien and Zhu, 2000; Hjellum, 1996). As Hjellum (1996) defines it, popular legitimacy is the "the acceptance of the ruling groups and their methods by the broad masses." This concept contains very traditional connotations.

As discussed in the previous section, the social contract thinkers usually regard "consent" as a main source of legitimacy. For instance, John Locke stresses the significance of "consent" of the governed as a necessary condition for legitimacy and political authority. Locke's concept of "consent" could be interpreted as a collective agreement or belief among the governed. Rousseau also acknowledges the importance of "consent" in terms of formulating a civil state and summarizes the "consent" as general will. Inheriting the concept from Enlightenment thinkers, contemporary political

philosophers and scientists broaden the consent theory by transforming it into more concrete terms, such as beliefs and morality. In his famous work on democratic government, *Political Man*, Lipset (1981: 84) clearly states that regime legitimacy is “the capacity of the system to engender and maintain the belief that existing political institutions are the most appropriate ones for the society.” Beetham (1991) further develops three specific terms to reflect the connotation of people’s beliefs, which are conformity to the laws (legality), normative justifiability in terms of beliefs of the ruled and express consent among the ruled. Weatherford (1992) summarizes three ways to measure political legitimacy. One is to consider views from the grass roots. This approach highlights the importance of “citizens’ attitude and actions vis-à-vis the regime (Weatherford, 1992).” Gilley (2006), too, develops a three-fold measurement of legitimacy, which depends on citizens’ perceptions of government and its performance. Gilley’s view underpins the role of people in terms of recognizing the legitimate status of ruling authority and sustaining it.

The CCP has a long history of relying on the masses to maintain its ruling authority. As Wang (2010) perceives, legitimacy in China has been transformed as a type of political support among its population. The CCP’s authority will be legitimate as long as the Chinese people are content with the performance of their government and support its rules (Wang, 2010). According to empirical studies conducted by Wang in 2006, the public has high-levels of confidence and belief in the government and its institutions. Pan (2009) calls this collective belief *minxin* (People’s heart), which contains people’s faith, support, allegiance, and submission. The CCP clearly recognizes the great value of popular support in securing its ruling authority. From Chairman Mao to Xi Jinping, five

generations of leaders have all employed different strategies to keep the Chinese people believing that the CCP is the only appropriate ruling authority for communist China.

There is considerable evidence showing that the CCP enjoys a high-level of public support. Based on data derived from a sample survey of Beijing residents conducted before the 1997 crisis, Chen, Zhong and Hillard (1997) find that, before the Asian financial crisis, people were generally satisfied with government policies and optimistic about the country's economic and political futures. But at the same time, they also identify the party as facing serious challenges from its political performance. Two public opinion surveys on government, conducted in Beijing in 1994 and in six cities in 1999⁹, show that the majority of people do not want any change in the current communist-led multi-party system. A 2002 survey conducted by Tianjian Shi also shows that there is a high percentage of respondents trusting and supporting the incumbent government (Nathan, 2003). Based upon data from several surveys, Wang (2005) observes that even though the Chinese public expresses strong criticism of some aspects of Chinese society, they express high levels of confidence in the central government, sometimes higher than those found in most advanced industrial countries.

The validity of Chinese public opinion data is often questioned by western observers. But Kennedy (2009) provides an exposure-acceptance model to explain the phenomenon. According to his studies, the CCP actually has lower support from the most educated but higher support among the less-educated population who account for the majority of the Chinese population. These findings are confirmed by Li (2004), who finds

⁹ In December, 1995, Chen and his colleagues, cooperating with the Public Opinion Research Institute of the People's University of China, conducted a public opinion survey in the Beijing Region. The 1999 survey on Chinese urban residents in six cities, Shanghai, Guangzhou, Wuhan, Chongqing, Xi'an and Shenyang, was conducted by Tang, in co-operation with Research Centre for Contemporary China at Peking University.

that the central government enjoys the greatest trust in rural China. Chu (2011) also finds that similar conclusions can be drawn based upon credible international collaborative survey projects like Asian Barometer and World Values Survey. Shambaugh (2001), too, offers an interesting angle to explain the CCP's high-level popularity over decades. As he puts it, China is actually in a state of "stable unrest," which prevents China from collapsing. This stability is mainly attributable to the fact that specific locales, not the central government, are often the subject of much unrest at specific points in time (Shambaugh, 2008). Therefore, the central party-state has been able to achieve contained instability. In spite of the doubts about public opinion data, the general stability of China in the last two decades started to undermine the western bias that China's "communist regime is oppressive and hence the public must denounce it (Wang, 2006)."

The sources of the CCP's legitimacy are well documented. Tong (2011) argues that the CCP relies on a morality-based legitimacy, which is derived from Chinese political tradition. Holbig (2011) takes this discussion a step further by adding international dimensions of the CCP's legitimacy. In her account, the dynamic linkage between internal and external legitimacy has become increasingly important in the CCP's policymaking process. Holmes (1993) summarizes six common sources of legitimacy, including Marxist ideology, socialist goals, popular revolution, charismatic leaders, economic performance and official nationalism. Each source has been employed by the CCP to bolster its regime legitimacy at different times.

During Mao's era, the CCP mobilized considerable resources and effort to maintain its self-claimed legitimacy. According to Zhong (2012), the initial legitimacy of New China was built on the success of the people's revolutions and Mao's charisma, which empowered the communist party. Nevertheless, in periods of peace, neither

revolutionary legitimacy nor charisma-based legitimacy could sustain the CCP's ruling authority. Therefore, to secure their leadership, Chinese leaders had to seek other new sources, such as indoctrinating with Marxist and Leninist ideology, brainwashing, exaggerating the cult of leaders and advocating patriotism. Mao's strong fear of encirclement and security threats both from the US and the USSR distorted his original intention to sustain regime legitimacy and political stability. Thus, instead of consolidating the economy and improving the living standards of the Chinese people, then-leaders continued focusing on class struggles while launching a series of radical political and economic campaigns, such as the anti-rightist movement, and promoting the Great Leap Forward campaign (Weatherley, 2006). This distorted eagerness towards political stability finally led to massive political, economic, and social upheaval—the Great Cultural Revolution, which is broadly recognized as the first legitimacy crisis the CCP encountered in the post-revolutionary period (Tong, 2011; Holbig and Gilley, 2010; Zhong, 1996; Ding, 1994).

After experiencing a decade of chaos, the new Chinese leadership under Deng Xiaoping came to realize that the stability of a nation, and by implication the political viability of the ruler, is intricately bound up with the material prosperity of the population. Thus, immediately following the Great Cultural Revolution, the well-known market-oriented economic reform was initiated to compensate the party's previous failures to fulfill its commitments, and to rebuild the party's prestige among the population. It is, in essence, a key move of the CCP to ensure its enduring and stable ruling authority over the whole country. Guided by the new working priority on promoting economic development, the country not only achieved spectacular growth, but also mitigated endless class struggles and entered the most stable period of Chinese

history. The most important consequence is that the CCP regained the tremendous popularity and political support among its population (Zhong, 1996). As Deng anticipated, to promote economic growth has become an effective mechanism to stave off the destabilizing factors in Chinese society (He, 2003). Because of the extraordinary economic performance and its crucial role in securing the ruling authority of the communist party, performance-based legitimacy has even been recognized as the principle source of the CCP's legitimacy during the transitional period (Zhu, 2011; White, 2005; Downs and Saunders, 1998; Chen, 1995). As White (2005: 193) argues, "China's sterling economic growth has now become a major resource for the party and the government." Within China, the neo-conservatism emerging during the 1990s also advocates that "economic performance has become the *de facto* basis of political legitimacy since the reform... as long as the decision-makers are able to deliver 'good performance,' the regime can secure an adequate resource of legitimacy and thus win popular support (Chen, 1997)." Instead of using "performance-based" legitimacy, Chen (1997) invents a new term called "eudaemonic legitimacy" which emphasizes the crucial role that the successful economy plays to strengthen the CCP's legitimacy. Harding (1987) also observes this significant economic change from Mao to post-Mao China and its impacts on China's political system. But he argues that the CCP's regime legitimacy has been gradually transformed from charisma-based to rational-legal-based.

Furthermore, western watchers of China find that the deepening and widening market liberalization started to lead to soaring expectations of the population for more political liberalization and freedom, which fundamentally contradicted the CCP's political interests at the time. Meanwhile, various economic problems, such as an overheated economy with surging inflation rates in urban areas, began to erode the CCP's

legitimacy as well. As Chen (1997) points out, the CCP's eudaemonic legitimacy is intrinsically fragile, particularly when people expect more and more. Although the government to the greatest extent pursued a relatively moderate handling these pressing problems so as to alleviate conflicts rather than to intensify them, some problems still remained unsolvable, eventually escalating into an unexpected national movement. It led China to encounter another severe legitimacy crisis at the end of 1980s, when communism in many Eastern European countries declined and communist giant – the former Soviet Union – collapsed (Zhong, 1996; Ding, 1994).

After 1989, China entered a three-year period of stagnation, during which the government pursued an extremely conservative and cautious ruling strategy. This brief period offered Chinese leaders a chance to rethink their gains and losses in the early stages of reform. Many came to realize that economic performance alone cannot sustain regime legitimacy in China and began to seek a new basis upon which the CCP's legitimacy can rely, particularly under the pressure from both internal and external forces. Pei (1999) argues that economy-based legitimacy has serious problems due to its inherent unreliability. By the same token, Shue (2004: 28) contends that "economic success alone is neither a necessary nor a sufficient condition for political legitimacy." Instead, Shue (2004) emphasizes the importance of maintaining stability to rebuild and consolidate the CCP's legitimacy. As Shue (2004: 46) stresses,

"The maintenance of the conditions in which the economy does develop and the people do enjoy more prosperity – this, I believe, comes much closer to capturing the actual core of the contemporary Chinese state's claims to rule legitimately... Those conditions are, in a word, the conditions of stability – the conditions of social peace and order."

Nationalism and patriotism has become another important component of the CCP's self-identified legitimacy after the decline of communism in the late 1980s (Nam,

2006; Zheng, 1999; Downs and Sauders, 1998; Zhao, 1998). To prevent political instability, state-led nationalism and patriotism was promoted nationally during the 1990s (Zhao, 1998). In addition to nationalism and patriotism, ideology-based legitimacy was back in the sights of Chinese leaders, as President Jiang started to promote his masterpiece theoretical invention, “Three Represents” (Holbig, 2009).

Entering the 21th century, in the face of increasing threats related to social injustice, corruption, and economic inefficiency, which might catalyze another legitimacy crisis, the CCP continued to emphasize “ideology” and “governance” to preserve its legitimacy. Holbig (2006) states that this legitimization strategy has shifted emphasis from an economic-nationalistic approach to an ideological-institutional approach. By running a quantitative-qualitative analysis of 168 articles published in China on the question of regime and party legitimacy, Gilley and Holbig (2009) conclude that ideology remains the primary source of the CCP’s legitimacy. According to Schubert (2008), ideological-institutional based legitimacy is engendered by China’s political structural reform – branded as *zhengzhi tizhi gaige* in Chinese. Schubert (2008) also states that the CCP has endeavored to generate legitimacy through a mix of nationalism, economic performance, technocratic governance and limited political reform. Therefore, it is too arbitrary for most scholarly research to conclude that political legitimacy in contemporary China is precarious. In addition to ideologically based legitimacy, Gilley (2008) identifies some other concrete conditions that make the CCP’s legitimacy viable after 1989 from a large variety of academic discussions: (1) economic growth and development, (2) stability and governance, (3) political and civil rights, (4) international prestige and nationalism, (5)

cultural or historical dispositions to trust the national state (Ai 2008; Shue, 2004)¹⁰, and (6) social, cultural, and economic rights.

The sources on which the CCP builds its legitimacy are not congenital or unchangeable. Rather, they are developing and transforming given the rapidly changing social, political and economic situations. In response, the CCP has also developed a set of corresponding legitimization strategies on the basis of these sources. Ansell (2001) defines legitimization as an active process by which a ruling authority utilizes a specific source or more to salvage, maintain or even generate new legitimacy. The CCP's legitimization process since 1949 reflects its capacity to adapt to changing situations—a capacity that has been widely recognized by western scholars. Gilley (2008) points out that the CCP has continued exploiting the new sources of legitimacy, particularly after 1989. Shambaugh (2008) argues that, in the face of an atrophying communist ideology, the CCP is capable of significant adaptation and reform to cope with a more diverse society. Sharing a similar view, Guo (2003) thinks that the CCP has demonstrated a remarkable level of adaptability to the changing political environment. Laliberte *et al.* (2008) provides specific cases of the CCP's adaptation strategies which cover a wide range of perspectives such as history, politics and foreign policies.

In a nutshell, many realize that China's legitimization process has undergone tremendous changes as the relative importance of sources of legitimacy shifts over time. As presented in the previous section, under Mao's leadership, the government's focus on self-legitimation was predominantly ideology-based, while emphasizing Marxist and socialist ideology, promoting socialist goals, and deifying Chairman Mao (Guo, 2006;

¹⁰ Shue provides an historical account of China's legitimacy stating that the ideals of Truth, Benevolence, and Glory are key components in the logic of legitimization in China. Ai argues the culture-based legitimacy, which in particular refers to Confucianism.

Shue, 2004; Zhong, 1996). After Mao passed away and the Great Cultural Revolution ended, Deng Xiaoping pursued a more pragmatic method to rebuilding the CCP's legitimacy than his predecessors, by pursuing economic growth. However, while economic reform helped secure the CCP's legitimacy, it also played a role in delegitimizing the CCP thereby leading to the political instability of 1989 (Gilley and Holbig, 2010; Laliberte *et al.*, 2008; Shambaugh, 2008; Zhong, 1996; Ding, 1994). After reviewing the lessons of the 1989 Tiananmen incident and the massive overturn of communist governments in Eastern Europe and Soviet Russia, Chinese leaders started to pursue flexible and multifaceted legitimization strategies. Promoting economic growth is still at the top of agenda. The maintenance of political stability has also been given great importance. As a result, advocating nationalism and patriotism became a major means of legitimization during the 1990s so as to arouse patriotic enthusiasms for the state and the party and to rebuild public confidence in the CCP (Gilley and Holbig, 2010; Nam, 2006, Zhao, 2005; Downs and Saunders, 1998). Under the leadership of Hu Jintao and Wen Jiabao, the situation has become much more complex due to worsening social problems, such as the revival of class conflicts, rising income inequality, prevailing urban unemployment, overwhelming labor migration, etc., which has led to a serious erosion of the CCP's legitimacy (Yang, 2006). In response to these intensifying social problems, the party has had to adjust its existing legitimization strategies and seek out new ones.

The current, western academic discussions of the major legitimization strategies of the CCP during Hu's presidency can be summarized as follows:

- Reclaim ideology. Holbig (2010, 2009, and 2006) accentuates the adaptation and innovation of party ideology as a crucial measure to re-legitimize the CCP's rule in the current context, which also echoes the views of some Chinese party

theorists and scholars who see ideology as the primary source of the CCP's legitimacy.

- Institutionalize the regime (e.g., building inner party democracy, enhancing bureaucratic efficiency, incorporating new social groups, promoting consultative and electoral democracy, etc.) (Holbig and Gilley, 2010; Brady, 2009; Gilley, 2008; Heberer and Schubert, 2006; Yang, 2004, Nathan 2003). Holbig and Gilley (2010) elaborate the relative importance of various sources of legitimacy as well as inherent dilemmas and limitations during different periods, and find that there is a clear shift in emphasis from an economic-nationalistic approach to a more ideological-institutional approach. By exploring the CCP's strategy of using mass persuasion as a mean of legitimization, Brady (2009) concludes that to build up democracy within the party and the government is an important methodology employed by the CCP to maintain its political legitimacy. Gilley (2008) points out the close link between legitimacy and institutional change, and calls for more academic discussion of legitimacy in political science. Heberer and Schubert (2006) contend that political reforms should not be widely ignored by Chinese scholars. Instead, political reform, which enhances efficiency and accountability, plays an active role in supporting regime legitimacy and in prolonging one-party rule in contemporary China.
- Reconstruct Chinese cultural values. Holbig (2010) provides a brief overview of academic discussions on employing culturalism as a legitimating strategy. The discussions mainly focus on how the CCP is reconstructing traditional cultural values, in particular Confucianism. By examining the thrust and content of Confucianism, Ai (2008) provides an in-depth analysis of the interactions

between Confucianism, Marxism, democracy and modernization, and concludes that Confucianism has been re-functioned as a political strategy to preserve the CCP's legitimacy. Bell (2008) also explores China's regime legitimacy from a cultural perspective. In his account, Confucianism plays a significant role in maintaining the CCP's legitimacy. Chu (2011), too, summarizes viewpoints of culturists on legitimating the CCP's ruling authority. Furthermore, Shi (2001) argues that traditional values of hierarchy and collectivism contribute to generating diffuse support for the party in China.

- Cultivate traditional moral and utilitarian support. Guo (2003) argues that the Chinese perception of legitimacy is largely based on moral and utilitarian grounds. The fourth generation of leadership, under Hu Jintao, renews its political legitimacy through reinventing itself on the basis of moral and utilitarian support. This argument in fact reflects the core of Simmons' definition of legitimacy, which provides another perspective to understand the governing authority of communist regimes. According to Simmons (2008), moral justification should be added in terms of defining the legitimacy of a state. Tong (2011) holds a similar view that the CCP's legitimacy is deeply rooted in Chinese political traditions and moral justifications.

By conducting an in-depth study of political legitimacy, its origins, determinants, sources and the legitimacy conundrum in communist regimes, this chapter provides a general overview of legitimacy questions purely from a western perspective. In contrast, the following chapter presents a detailed discussion of the same questions among Chinese

scholars. The aim is to offer general western audiences a glimpse into Chinese intellectual circles on the political legitimacy of China and its ruling authority.

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Chapter 3: The Chinese perspective: A revisiting of the CCP's political legitimacy

INTRODUCTION

The chapter aims at giving western audiences a glimpse into Chinese intellectual circles on the political legitimacy of China and its ruling authority – the CCP. The conundrum about political legitimacy in China has long been a matter of scholarly debate. As presented in chapter 2, there are a number of western thinkers contending that communist regimes are inherently illegitimate because their political organizations and decision-making processes are undemocratic. However, in contrast to staunch defenders of this perspective, who stick by the significance of democracy in realizing legitimacy, many western political scientists look at this issue from other perspectives. To them whether or not communist regimes are legitimate is no longer an intriguing question. Instead, they are interested in how political legitimacy is acquired and maintained in these communist countries. China, as the largest and most resilient communist regime existing in the contemporary world, is always at the center of debate. Although many in-depth investigations of the CCP's ruling status have been conducted by western scholars, most analyses are still focused on western interpretations of this issue without bringing Chinese scholars' understanding into the discussion. Studying China without having the story from the Chinese perspective is prone to lead to a lopsided discussion or even misunderstanding. Therefore, this chapter hopes to fill the gap of current western literature by introducing China's perspective on the issue of legitimacy.

Both qualitative and quantitative methodologies are employed in the following study. As regards the qualitative study, the chapter starts from an extensive literature review of Chinese scholarship on the CCP's legitimacy. The review is primarily

descriptive, providing a broad overview of the legitimacy discussion in Chinese intellectual circles. Based upon the literature review and document analyses, it is found that western and Chinese scholars share common views over the role of legitimacy in strengthening the ruling authority of any regime regardless of regime types. However, views diverge in terms of the CCP's choice of certain sources of legitimacy and corresponding legitimacy strategies, particularly under the leadership of Hu Jintao and Wen Jiabao. Compared to western scholars, Chinese scholars think that sources of legitimacy utilized by Hu Jintao and Wen Jiabao are more widely diversified, ranging from ideology, culture, social justice, institution to performance. However, not much work attempts to systematically summarize and categorize this large variety of sources of legitimacy. Therefore, we ask whether there are any inherent relations among these various sources of legitimacy. Do any distinctive patterns exist? Can these sources identified by Chinese scholars be categorized based upon the western typology of legitimacy?

The descriptive literature review apparently cannot shed light on these questions. Rather, some statistical analyses, such as factor analysis, principal component analysis (PCA), and multivariate correspondence analysis, may sort them out. The common applications of these analytic techniques are to reduce the number of variables, to detect structure in the relationships between variables and to further develop an empirical typology. However, they vary slightly in terms of theoretical assumptions, data selection, and mathematical procedure. Gilley and Holbig (2009) employ a principal component factor analysis to study the major sources of legitimacy that the CCP's ruling authority relies upon and the relationships between these different sources. Inspired by their studies, this chapter also attempts to use statistical analyses to investigate this issue. The

principal intention is to identify distinctiveness or any cluster of sources of legitimacy recognized by Chinese scholars. Nevertheless, instead of repeating PCA, homogeneity analysis (HA), aka a multivariate correspondent analysis, is applied in this study. The main aim of running homogeneity analysis is to avoid the latent flaw of PCA when working on nonlinear data. Moreover, the chapter also attempts to compare the results obtained from different statistical analyses and offer more insights into the legitimacy question from a statistical perspective.

Chapter 3 is structured as follows. Section 2 provides a descriptive analysis of China's current literature on legitimacy issue. Section 3 is a comparative statistical analysis of the legitimacy debate in Chinese intellectual circles. The section starts from a critical analysis on the reliability of Gilley and Holbig's PCA on nonlinear variables and introduces homogeneity analysis employed in this study. Section 4 presents the results obtained from homogeneity analysis and compares them to results obtained from normal PCA, followed by conclusion remarks.

A DESCRIPTIVE ANALYSIS OF CHINA'S CURRENT LITERATURE ON LEGITIMACY ISSUES

Overview: historical background and development trend

The atmosphere for discussing regime legitimacy in China's intellectual circles has changed significantly in the past three decades. Searching China National Knowledge Infrastructure (CNKI), the largest database of China's up-to-date scholarship across the humanities and social sciences, we found that there are only 17 articles published between 1980 and 1999 covering the content of regime legitimacy and the legitimacy of

the CCP.¹¹ The lack of scholarly works on legitimacy during this period is not accidental, but a result of the government's strict censorship of all forms of public discussion on legitimacy and the like. Since the founding of the New China in 1949, the CCP has been making great efforts to consolidate its supreme political authority within the country. Any question, doubt or inquiry into its absolute ruling status is not allowable. Therefore, political legitimacy, which lays the foundation of the CCP to exercise its power, had been a forbidden topic for a couple of decades. Even if some scholars conducted research on the party's legitimacy, the chances for them to publish their research findings in China's mainstream journals was very slim.

However, not all sensitive topics related to China's politics had been constricted by the government. The emergence of China's pro-democracy movements in the 1980s' was catalyzed by a sustained resurgence of scholarly and intellectual inquiry into democracy. Market-oriented reforms that rejuvenated China's economy also exerted a subtle influence on China's intellectual scene. Chinese intellectuals who had been harshly suppressed during the Great Cultural Revolution were gradually emboldened. They looked for cracks in the ideological edifice built by the CCP and attempted to express their thoughts on regime, party and democracy. Like the students of the May Fourth Movement in 1919, Chinese intellectuals of the 1980s saw themselves as pioneers promoting a new enlightenment movement in China and aimed at modernizing China's culture. It was tacitly permitted by authorities and viewed as a necessary complement to the official campaign of "Four Modernizations" in agriculture, industry, national defense, and science-technology. As a result, this movement was not paid special attention by the

¹¹ Similar to Gilley and Holbig's selection criteria, qualified articles were selected based upon the criterion that any article with words "legitimacy", "Party" and "China" either in the title or in the content is counted.

government until it evolved into a nation-wide protest and reached its apex in 1989. The 1989 pro-democracy protest was not merely a stain on the CCP's history, but a thorn in its side for years. It not only discredited the CCP, but also cast doubts in the public's mind about the legitimate status of the CCP's ruling authority. With the decay of Communist parties in the former Soviet Union and Eastern Europe, the CCP is no longer a deified party with congenital political legitimacy in most Chinese people's eyes.

In fact, the CCP had realized the weakening of its power and its fading popularity earlier than 1989. As early as the mid of 1980s the CCP allowed legitimacy studies to be conducted by a small group of scholars, most of whom had a background in party schools either at the central or provincial level. Two important articles were published in party-related journals in late 1988 which seriously probed the legitimacy issue in China.¹² In *China's politics during the transitional period*, Min (1988) introduces the idea of five key crises in development identified by western scholars and applied them to China's political development. As Min points out, a legitimacy crisis was one of six crises that China would inevitably encounter during the transitional period, mainly resulting from issues such as the blurred separation between party and state and the increasing tensions between a central government and local authorities. This is the first time that the topic of legitimacy crisis appeared in Chinese scholarly works. In the other article, *Legitimacy and Politics*, Cai (1988) also implied that the CCP's political legitimacy had to be enhanced in order to meet a variety of challenges raised by economic reform. It is interesting to note that instead of quoting classic socialist and communist works, both

¹² The two articles are: 1) Min, Q. 1988. "Zhuanxing Shiqi de Zhongguo Zhengzhi", [China's politics during transitional period], *Xuexi yu Tansuo, [Study and Exploration]*, (4): 77-79; 2) Cai, Xianghua. 1988. "Lun Zhengzhi de Hefaxing," [Legitimacy and Politics], *Tansuo yu Zhengming, [Exploration and Free Views]*, (6): 41-42.

authors defined the CCP's political legitimacy based upon the concept of legitimacy developed by western scholars. Nevertheless, the early exploration of legitimacy issues in China's intellectual circles remained unsystematic. Thus, scholars and researchers could not provide pertinent suggestions to the authorities to prevent pro-democracy protests from escalating and ultimately turning violent at the end of the 1980s. After 1989, China's intellectual circles entered a period of hibernation, during which scholars were under much harsher surveillance. Even though several scholarly articles on legitimacy appeared sporadically during the 1990s, most were void of in-depth analysis and published for the sake of the CCP's propaganda.

Entering the 2000s, the freeze on intellectual life began to thaw as the CCP gradually lifted restrictions on expression of views and encouraged more variety in political discussion. As a result, there has appeared an increasing number of scholarly works on restricted topics like political legitimacy. According to the data collected from CNKI, around 368 articles, master theses and dissertations were published between 2000 and 2010 discussing the political legitimacy of China's ruling party, the state, and the political system respectively.¹³ As Figure 3-1 displays, the explosion of publications occurred in mid the 2000s, but the growing tendency stopped in 2006 with a steady decrease afterwards. This observation indicates several important points. First, in the first three years of the new century Chinese scholars remained cautious about covering legitimacy issues as only 45 related articles were found in CNKI database. But this situation changed significantly afterwards. Since 2004 the number of publications on legitimacy has grown sharply and reached its summit in 2006. This shouldn't be

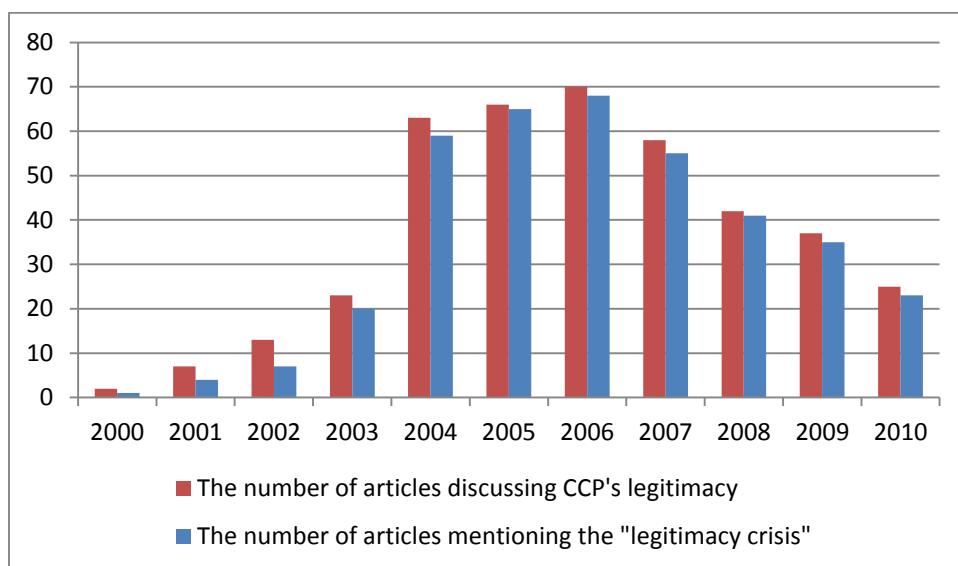
¹³ The similar collecting method as Gilley and Holbig's is applied in monitoring the debate on party legitimacy in China. But I extend the time period from 2000 to 2010. The selection criterion is any article with the word "legitimacy" both in the title and content.

surprising, because it is an exact reflection of the changing attitudes of Chinese leaders towards the legitimacy debate in intellectual circles. 2003 is special in China's politics, as it signals the end of Jiang Zemin's Presidency and the beginning of Hu Jintao's era. Compared to Jiang Zemin, then-President Hu holds a relatively friendly attitude towards public discussion of sensitive topics. Hence, at the early stage of his presidency, there was a dramatic increase in the number of publications on legitimacy. In addition, since the early 2000s, the CCP has faced worsening social and political problems which have severely challenged its ruling base. The leaders came to recognize the weakening of their ruling authority and had to rethink their survival strategies in the new chapter of economic development. The increase in discussions of the CCP's legitimacy among scholars, cadres, and policymakers was at the request of the government to provide the Hu Jintao and Wen Jiabao administration with a solid knowledge base for enhancing their ruling mechanisms.

However, it should be noted that even though public discussion on legitimacy has become more frequent under Hu Jintao's leadership than his predecessors, the CCP never loosened its strict control over intellectuals. As a matter of fact, Hu Jintao pursued even tougher measures in regulating intellectual circles than his predecessors. For instance, there is a divide in the types of journals that published articles before and after 2003. Prior to 2003, most articles on legitimacy were published in university or college journals. In contrast, this type of articles was mainly published in journals operated by party schools or the CCP-affiliated educational institutions right after Hu assumed office in 2002. As Gilley and Holbig (2009) illustrate, this heated legitimacy debate, starting in 2003, was actually another ideological campaign initiated and led by President Hu via the party school system. Thus, the ongoing debate is inevitably constrained by authority.

Nonetheless, it is still worthy to take a closer look because, in spite of bias that might be held by participants, this debate catches the mainstream idea of how Chinese intellectuals perceive the question of legitimacy. To learn how Chinese intellectuals perceive the legitimacy question may greatly help western scholars understand the CCP's survival strategies in this increasingly open and dynamic society.

Figure 3-1: Overview of Chinese scholarship on the topic of legitimacy (2000-2010)



Data source: Chinese National Knowledge Infrastructure

The main characteristics of the legitimacy debate in China's intellectual circles

In general, there is no single author that even mentions the acquisition of the CCP's ruling authority and where the CCP's legitimacy came from. Instead, Chinese scholars seem to be more interested in the normative question of what the CCP ought to do in order to prevent any type of legitimacy crisis and thereby maintain its supreme ruling authority. This observation is not surprising for two reasons. First, the legitimacy debate is not free from censorship. Even though the government started to lift restrictions on public discussion of political legitimacy, hidden rules still exist and confine the

debate. Therefore, any question on the CCP's nature and its legitimate status are all viewed as dangerous questions which would destabilize the CCP's ruling base. Second, amid both internal and external challenges to Communism, the CCP is actually eager to carve out its own pathway to survive. Hence, the majority of articles on legitimacy focus on providing the authorities pertinent suggestions and advice to avoid legitimacy crises. Regardless of restrictions, Chinese scholars and researchers have made great efforts to push forward the frontier of this debate.

Among the articles collected from CNKI regarding the legitimacy debate, 257 out of 368 explicitly or implicitly stated that the party is facing threats or challenges that could be easily transformed into political chaos if not taken seriously. One third of authors even bluntly pointed out that legitimacy crises are embedded in the CCP's ruling system. Nevertheless, only a small portion of authors use the term "legitimacy crisis" directly. On the contrary, most authors used "challenges," "threats," "issues," or "loss" instead of "crisis." This observation is confirmed by Gilley and Holbig (2009).

Some interesting descriptive statistics can be derived from these articles. First, about 44 percent of the journals that these articles were published in are either run by the central party or provincial party schools, or are affiliated with the party at different levels. The other half publishers are journals of colleges and universities. Second, compared to the relatively even split of journal type, only about 19 percent of authors are members of the party while the rest of the authors have other backgrounds. This observation underscores the CCP's attitude toward to this intellectual campaign – the party is not narrowly focused on internal debate within the party, but remains open to a much wider discussion, although with some conditions. The party's attitude not only determines the basic tone of the debate, but ensures that the debate is within an acceptable boundary.

Regarding the content of these publications, the majority of authors contend that seven primary sources could be generalized to constitute the ruling base of the CCP since the founding of the New China. They are revolution, ideology, performance, institution, leaders' charisma, mass support and nationalism (Yang, 2004; Liu, 2005; Yao, 2007; Li, 2008; Duan, 2009; Kuai, 2009; Wang, 2009). Instead of using the generalized terminology, these authors chose to use more concrete terms, such as economic growth, rule of law, social democracy, ideological education, etc. The most frequently-mentioned sources are economic growth, rule of law, party self-construction, social democracy, ideological education, civil rights and civil society, with 56 per cent, 44 per cent, 43 per cent, 42 per cent, respectively.

Many authors also point out that sources of legitimacy are not set once and for all; rather, the emphasis on these sources has been changed over different historical periods (Wan, 2003; Liu, 2004; Yang, 2004; Lu, 2005). Prior to the 1980s, the CCP's legitimacy was predominantly based upon ideology and leaders' charisma. Since the beginning of economic reform, performance-based legitimacy had taken up the role of ideology as the main source to underpin the CCP's ruling authority (Yang, 2004; Duan, 2009). This tendency was halted in the onset of the 2000s as an increasing number of social problems came into play, such as mounting income inequality, massive unemployment, and escalating social tensions. The new emphasis has been shifted from ideology-and performance-based legitimacy to legitimacy reliant upon social justice (Tang and Wu, 2004, Wang, 2008). Besides, there seems to be a consensus that people (the masses) are and will always be one of the core sources that support the CCP's legitimacy for good (Zhu, 2007; Chen, 2008).

Accordingly, the CCP's ruling strategies have changed regularly since 1949 (Yang, 2005; Lin, 2006; Zhang, 2006; Lu, 2007; Zhang 2007; Ma, 2008). Comparing the legitimization strategies of three generations of Chinese leadership, Lin (2006) presents an overview of how the CCP has utilized different sources of legitimacy since the founding of New China. Differing from the mainstream view that Deng Xiaoping built the CCP's legitimacy on economic growth, Lin argues that the second generation of leadership under Deng Xiaoping has made three contributions to the CCP's legitimization process. First, he admits that the huge achievements due to economic reform and open-door policies have become a crucial source of legitimacy. But instead of emphasizing performance-based legitimacy, Lin points out that Deng Xiaoping started to build the legal-rational basis of the CCP's legitimacy during his presidency. Furthermore, Lin contends that Deng revisited and enhanced the role of ideology in strengthening the party's legitimacy. Lin's argument accurately reflects China's complex political climate during the 1980s. Having survived ten years of the Great Cultural Revolution, Deng Xiaoping and other pro-economy leaders realized the importance of material prosperity as the foundation of their ruling authority and began to rebuild their reputation through promoting economic development (Lu, 2007). However, their push for economic liberalization was vehemently opposed by conservatives within the party, like Chen Yun, Peng Zhen and Bo Yibo. These conservatives pressured Deng to remove his protégé Hu Yaobang from office, after which they initiated a campaign against "bourgeois liberalization."

As a reformist, why did Deng Xiaoping approve this campaign? We find some clues from the third volume of Deng Xiaoping's works. On December 30th, 1986, Deng

delivered an important speech clarifying his stance on economic reform and the campaign against “bourgeois liberation.” As Deng said,

...By carrying out the open-door policy, learning foreign technologies and utilizing foreign capital, we mean to promote socialist construction, not to deviate from the socialist road...The purpose of allowing some regions and some people to become rich before the rest is to enable all to be better off eventually... We cannot do it without dictatorship. We must not only reaffirm the need for it but exercise it when necessary. Of course, we must be cautious about resorting to dictatorial means and make as few arrests as possible...Bourgeois liberalization would plunge the country into turmoil once more. Bourgeois liberalization means rejection of the Party’s leadership; they would be no center around which to unite our one billion people and the Party itself would lose all power to fight.”¹⁴

From his speech, it is clear that Deng remained committed to the ruling authority of the CCP, whether achieved through economic reform or ideological campaign. As Lin (2006) observes, although Deng abandoned some parts of Mao Zedong’s traditional communist ideology, he enhanced the role of ideology in the absolute authority of the CCP.

However, Deng’s hesitance to remove Hu Yaobang and his concession to party conservatives also reflect a “dilemma of correction (*jiucuo kunjing*)” which has long obsessed the Chinese leadership. As Sun (2012) describes, the government is always worried that if they go too far in response to some problems caused by economic reform, they probably won’t be able to find their way back. Therefore, “the party is simultaneously proactive and reactive, and is only partially in control of its own fate (Shambaugh, 2008: 2).”

About 70 per cent of the authors admit that the CCP’s legitimacy has been challenged or threatened by different types of rising social and economic problems which were generated by economic reform. Among the issues, corruption and inequality are

¹⁴ The translation of Deng’s speech is exerted from The People’ Daily. This speech was entitled “Take a clear-cut stand against bourgeois liberalization”.

most frequently discussed, accounting for 46 per cent and 38 per cent respectively. The decline of communist ideology is another problem pointed out by 32 per cent of the authors. Guo (2002) argues that the decline of communist ideology is the result of pressure from within and without. Jin (2004) agrees with Guo and contends that democratic thinking was instilled into ordinary Chinese people during the transitional period, which has gradually challenged the old thinking about the party and its ideological theories. Another pervasive view is that the idea of peaceful evolution has introduced more liberal thinking into Chinese society since China started to open its doors to the world. The emergence of new social classes is also an unexpected consequence often discussed in Chinese scholarly works. Tang and Wu (2004) state that as new social classes have emerged in the course of economic reforms, with their increasingly diversified interests, new issues have been raised for Chinese policymakers in coordinating the varied interests of these different social groups and classes.

Other problems that receive significant attention in these scholarly discussions include: changing social values (23 per cent), foreign influences (18 per cent), unemployment (6 per cent) and agriculture issues (5 per cent). These problems combined with the growing income gap and dangerous political corruption could be summarized as what Samuel Huntington (1993: 46) calls the “performance dilemma”—a situation in which the government’s performance, especially in economic matters, cannot fulfill its promises. About 70 per cent of the authors borrowed this term from Huntington, while pointing out that China currently faces such a “performance dilemma.” Many argue that the “performance dilemma” threatens not only a slowdown in the pace of economic development, but also could result in nation-wide political instability (Guo, 2002; Wan, 2004; Xiang, 2004; Lu, 2005; Zhang, 2005; Zhang, 2006; Ma, 2007; Tang, 2007; Peng,

2008; Su, 2009; Zhang, 2010). To cope with these issues, Chinese leaders have to constantly adjust their reform strategies. Just as Shambaugh (2008: 2) puts it,

...the party finds itself coping with a constant cycle of reform-readjust-reform-readjust...whereby each set of reforms triggers certain consequences (some expected, others unexpected) that in turn cause readjustments and further reforms..."

Whether these adjustment measures will be mild or brutal depends upon whether the underlying problems would lead to major social and political disturbances. Therefore, as in the case of the democratic protests of 1989, the government did not mind taking radical measures. Since 1989, China has been in the grip of an ongoing legitimacy crisis, which has been recognized by 18 per cent of the authors.

In addition to recognizing problems that the CCP has encountered during the reform period, Chinese scholars also provide the authority some pertinent suggestions to enhance the CCP's legitimization strategies. Hu (2004) argues that legitimacy is the most important component of the CCP's ruling resources. As she puts it, a legitimate ruling authority would not only reduce the cost of governance, but enhance ruling efficiency. She suggests the CCP should search for legal-rational legitimacy as economic reform is proceeding. To this end, the CCP ought to establish a democratic election system. Sharing a similar view, Jin (2004) reinforces the significance of a democratic election in acquiring legal-rational legitimacy.

Although strictly confined by CCP censorship, the discussion on legitimacy in Chinese elite circles is much more profound than what we expect. Comparing the Chinese political system with its western counterpart, Liu Hua'an (2004), a party member from Ningbo branch of the Central Party School, argues that western societies may encounter government crisis, but not legitimacy crisis. In most western countries wherein

governments are usually elected through democratic process, people may distrust in government due to the misdoings of the government, but it does not necessarily lead to their disbelief in entire democratic systems. Therefore, the government may fail, but not the system. However, Liu believes that this cannot happen in China because of the nature of the Party-state. In China, the CCP is the very incarnation of the socialist political system. Thus, the failure of the party will inevitably result in the failure of the system. Therefore, he proposes that the separation of party from the government is necessary to prevent a legitimacy crisis. Other scholars like Lu Ailin also criticize the high concentration of power and request fundamental institutional reform. In fact, some institutional changes, such as restructuring and downsizing government organs, did occur in Chinese political system. However, as Gilley (2007) argues, since these reforms are basically contained within the CCP's constitutional monopoly on political power, they still remain incompatible with rapid economic growth and hamper development in certain ways.

Liu (2006) also notes that the social base of the CCP has been broadened significantly during the transitional period. Previously, the CCP relied mostly upon support from industrial workers and farmers. All capitalists and private entrepreneurs were excluded and labeled as enemies of socialism. Since Jiang Zemin came into office, capitalists were recruited into the party. The CCP has increasingly relied on the class with the most economic and cultural resources. However, Jiang Zemin's bold move was criticized by some scholars and party officials, who warned that the new social elements would delegitimize the party and trigger its unexpected transformation (Liu, 2006; Tang and Wu, 2006, Lin, 2001; Yu, 2001; Chen and Xie, 2000; Feng, 2000). In 2001, a monthly magazine, *The Search for Truth* (*Zhenli de Zhuiqiu*), published a series of

articles criticizing Jiang Zemin's move to allow private entrepreneurs into the party. In his article, entitled *The CCP should lead and rein in the new class*, Lin Yanzhi, deputy secretary of the party committee in Jilin province, insisted,

“We must uphold the purity of the party. The CCP can never absorb capitalists; there cannot be agents of capitalists within the party... Otherwise, the CCP will lose its cohesion...”

Yu Quanyu, a former editor-in-chief of the People's Daily, also responded to Jiang's decision to recruit capitalists and called it “an international joke.” As he (2001) puts it, “the easiest way to capture a fortress is from within.” However, their voices were soon muffled as the magazine was suspended indefinitely in August 2001. The suspension of this magazine reflects the tense political atmosphere under then-President Jiang Zemin who pursued much more conservative measures than Deng Xiaoping, concentrating his power in the central party and harshly repressing dissidents.

The legitimacy debate in Chinese elite circles has become heated since Hu Jintao took power in 2002. One pervasive view among Chinese scholars is that under new circumstances the CCP should continuously promote political reforms and govern based upon the rule of law rather than the rule of man. Kuai (2009) contends that the CCP's governance has been based upon the rule of man since 1949 and the power has been greatly concentrated. It is therefore high time to separate the party from the government and emphasize the rule of law. Li (2009) also points out that the concentration of power in China's political system has significantly weakened the people's belief in judicial authority. Li thinks it is very ironic that people would rather believe in petitioning bureaus than in judicial systems. After analyzing problems like declining performance and increasing corruption, Zhang and Zhou (2007) conclude that enhancing inner-party construction is crucial to maintain the CCP's legitimacy. Agreeing with Zhang and

Zhou's view on inner-party reform, Xiong (2011) further argues that Hu Jintao and Wen Jiabao's administration should rely upon diversified sources of legitimacy while facing new challenges. As he puts it, under new circumstances the acquisition of the CCP's legitimacy lies in the transition from performance-based legitimacy to multi-source based legitimacy. Democratic election is the core source, complemented with other sources such as ideology, leader charisma and performance. The concept of "scientific development" is also widely recognized as another important source of legitimacy under Hu's leadership. Duan and Dang (2009) think that Hu's proposal on scientific development triggered a new ideological campaign and further enhanced the CCP's ideologically-based legitimacy. Wang (2008) thinks that scientific development not only reflects the Marxist value of improving people's welfare, but also consolidates the CCP's legitimacy by emphasizing justice and equity as moral foundations of socialist China.

Justice and equity is another heated topic in the legitimacy debate. Hu (2013) argues that justice and equity should be the top concern of the Chinese government in future reforms; it is the key to the success of economic reform. Many (Hu, 2013; Sun, 2012) question the famous "Cake theory"¹⁵ by contending that nowadays a difficult problem faced with Chinese policymakers is not how to make the cake big, but how to cut this big cake in a fair way. In recent years, the enlarging wealth gap has triggered many social conflicts that undermine Chinese society and the CCP's legitimacy. However, Sun (2012) argues that these conflicts are intrinsically conflicts of interest. Thus, they should not be viewed from a political or ideological perspective. In Sun's account, Chinese policymakers have taken these conflicts of interest too politically. It has

¹⁵ "Cake Theory" is a famous metaphor raised by Deng Xiaoping since the initiation of economic reform. It describes the relations between economic development and the redistribution of wealth in China.

led them to be trapped in a vicious circle of stability preservation whereby social conflicts are not alleviated but escalated. Yu Jianrong (2012) shares a similar view and argues that China is taking a “politically risky approach of pursuing ‘rigid stability (*gangxing wending*)’ through pressure” that in fact contradicts the original intention to maintain stability. Thus, Yu (2012) proposes that “rigid stability” should give away to “resilient stability (*renxing wending*)”; the government ought to actively create stability instead of passively maintaining it.

The short descriptive analysis above provides an overview of the ongoing legitimacy debate in China, its history, trends, principle topics and predominant viewpoints held by Chinese scholars. However, it is hard to measure and evaluate the impacts of the debate on Chinese society and its policy implications. In particular, it is impossible to identify whether these are distinctive policies or close-knit groups of policies based upon different legitimization strategies (Gilley and Holbig, 2009). Gilley and Holbig choose to employ what they call “principal component factor analysis” to sort out the relationships among various sources of legitimacy. Nevertheless, can this method really provide a meaningful way to solve the problem? The following section will present a comparative statistical analysis of the legitimacy debate in order to answer this question.

A COMPARATIVE STATISTICAL ANALYSIS OF THE LEGITIMACY DEBATE IN CHINA’S INTELLECTUAL CIRCLE

Method Comparison

In this section, we start with a brief introduction of Gilley and Holbig’s analysis of the legitimacy debate in China’s intellectual circles. In their studies, Gilley and Holbig conduct an in-depth analysis of Chinese scholarship on the party’s legitimacy by using

both quantitative and qualitative methods. From a statistical perspective, a principal component factor analysis was employed on a set of binary variables which were collected from Chinese academic articles published between 2003 and 2007. They established a $n * m$ binary data matrix with titles of article (in Chinese) in the first column followed by authors' names, year of publication, journal types, authors' affiliation, gender, and different types of sources of legitimacy. The coding procedure is straightforward. The main technique is to check whether a specific legitimacy source or a particular legitimization strategy is discussed in the article. If the answer is "yes", then it is coded as "1". Otherwise, it is coded as "0". By running a principal component analysis on 26 variables, the authors identify four dimensions of sources of legitimacy that Chinese scholars and researchers commonly recognize.¹⁶ They are ideology, liberalism, institutions, and social justice.

However, two problems are embedded in their methodology, which may influence the results significantly. First, they mistakenly identify their procedure. In theory, principal component analysis and factor analysis are two different statistical procedures. According to Hatcher (1994), the difference between these two analyses is clearly identified:

"… Perhaps the most important difference deals with the assumption of an underlying causal structure: factor analysis assumes that the covariation in the observed variables is due to the presence of one or more latent variables (factors) that exert causal influence on those observed variables…In contrast, principal component analysis makes no assumption about an underlying causal model."

¹⁶ In Gilley and Holbig's data set, 26 variables are included. They are: values, growth, welfare, equality, jobs, Marxism, Maoism, Dengism, Three Representative, harmonious society, nationalism, party, incorporation, corruption, congress, law, bureaucracy, separate, general democracy, party democracy, electoral democracy, consultative democracy, rights, freedom, civil society, repression.

Due to the fact that both analyses share a number of similarities in variable reduction procedures, many researchers are prone to confuse PCA with factor analysis. Nevertheless, there are significant conceptual differences between the two techniques. Therefore, it is better to be cautious in describing which analysis is performed.

Second, the binary data set violates a basic assumption of PCA, which is that observations should be linear combinations of unobserved noise, independent of observations and variables. There is a heated debate about whether the PCA is appropriate to deal with dummy variables. A group of statisticians contend that it is improper to employ PCA to manage binary data sets because PCA requires data to be continuous rather than discrete. PCA is a mathematical procedure that uses an orthogonal transformation to convert a set of observed variables into a set of artificial variables (principal components). The new variables should be linear combinations of the original variables. In this sense, it would be meaningless to interpret linear relationships generated from PCA employed on dummy variables. For instance, in Gilley and Hobig's studies, there are four principle components generated by PCA to summarize the larger categories of the CCP's sources of legitimacy, such as ideology, performance, social justice, and institution. Within each category there are several concrete sources. Take "ideology" as an example. Within "ideology", there are different ideological theories, such as Maoism, Deng's theories, "The Three Represents," and other ideologically-based sources of legitimacy. With regard to interpretation, it is odd to state that ideology, as a principle component, is linearly related to any specific source (e.g., Maoism) within the category of "ideology". However, in practice, linearity assumption is easily ignored, which may cause a serious reliability issue in the results.

Researchers like Jan De Leeuw, in contrast, provide a framework for dealing with the nonlinear PCA (NLPCA) with optimal scaling. NLPCA pursues the same objective as PCA does, but it incorporates categorical data (Mair, 2007). The basic idea of optimal scaling is to transform the observed variables (categories) in terms of quantification. One such NLPCA is homogeneity analysis (HA). The homogeneity analysis is a type of multivariate correspondence analysis, which aims at fitting an observed binary data matrix P (where $P = n*m = \{P_{ij}\} = \{P_1, P_2, \dots, P_m\}$ (where $i=1,2,\dots,n$ and $j=1,2,\dots,m$) to a predicted matrix $\Pi = \{G_1, | G_2, | \dots | G_m\}$. G_j ($j=1,2,\dots,m$) is a dummy matrix of dimension $n*k_j$ for each variable P_m , within which each row only has one non-zero element indicating in which category of variable j observation i falls. Each variable P_m has number of categories k_j (Mair and De Leeuw, 2009). The predicted matrix is also called optimal quantification matrix, referred to as optimal scaling, which is a transformation from categorical labels into numerical values. This procedure can be realized through homogeneity analysis. The basic idea of homogeneity analysis is to make a joint plot in p-space of all objects (or individuals) and the categories of all variables. In this plot objects are connected with the categories they are in, thus producing a graph plot (De Leeuw, 2009). In comparison with normal PCA used by Gilley and Holbig, the following analysis will employ a homogeneity analysis (NLPCA) to explore the CCP's legitimacy question. The principle aim is to figure out whether homogeneity analysis is a more appropriate technique to address this issue.

Data set

Motivated by Gilley and Holbig's idea in constructing the data set, we construct a similar dummy variable data set (See Table A-1, Appendix A, for the partial data set with 20 selected articles and ten variables). We first summarize the basic information of each

article, including title, author's name, year of publication, journal type, author's affiliation and author's gender. Take Author's affiliation as an example. Author(s) who are cadres of the Central Party School is coded as "1"; "0" is coded otherwise. Then we characterize each article based upon the same logic. For instance, if "revolution" is recognized as one of the sources of legitimacy in the article, then it is coded as "1". If not, it is coded as "0." Due to the restricted access to the dissertation database, the data set excludes 82 master theses and dissertations, and retains 286 papers which were published in academic journals and party bulletins between 2000 and 2010.

In contrast to Gilley and Holbig's data set, this data set has a larger time span and more variables. The larger time span refers to the ten-year period from 2000 to 2010 which covers both Jiang and Hu's presidency. Moreover, unlike Gilley and Holbig's data set which includes "general democracy" and its several sub-types of democracy, such as electoral democracy, inner-party democracy and consultative democracy, this data set only contains the two most frequently mentioned democracy-related variables—social democracy and inner-party democracy. The variable "repressions", which is one variable in Gilley and Holbig's dataset, is removed. However, a new variable named "agricultural issues" is added, which is widely regarded as a severe challenge to the CCP's legitimacy, but omitted in Gilley and Holbig's data set. In short, the data set of this study includes 32 variables, each of which represents one highly-discussed sources of legitimacy or a legitimization strategy that the CCP has used to endure and consolidate its ruling authority (See Table A-2, Appendix A, for the 32 sources of legitimacy identified in this dissertation).

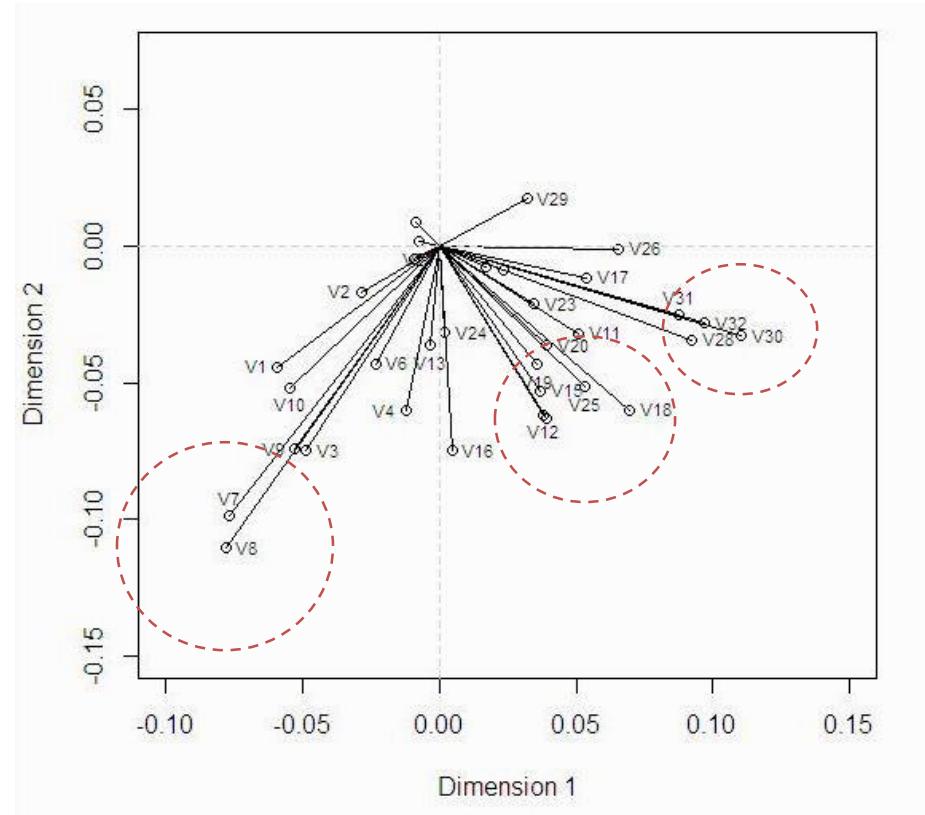
Results

The homogeneity analysis is preformed via the package **homals** in R to reduce the original dimensionality of these 32 sources of legitimacy. Figure 3-2 displays the component loadings of 32 variables with two dimensional solutions. In case the loadings are of unit length, then the angle between any two of them reflects the value of the correlation coefficient between the two corresponding quantified variables. Simply put, the loadings represent the correlation between two corresponding quantified variables, which has been transformed from categorical data into numerical values. It is noted that half the variables load positively on the first component (dimension 1) while the other half load negatively on this dimension. Almost all variables have negative loadings on dimension 2. Moreover, it can be observed that there are several latent clusters in this graph. For example, variable7 (V7: Marxism), variable8 (V8: Maoism), variable9 (V9: Dengism), variable3 (V3: Leaders' Charisma) are highly clustered, as are V28 (Social Democracy), V30 (Democratic Rights), V31 (Freedoms) and V32 (Civil Society). The former can be categorized as “ideology variables” and the latter can be categorized as “democratization variables.” The same pattern can also be found among V11 (Harmonious Society), V12 (Scientific Development), V15 (New Social Class), V18 (Fairness), V19 (Employment), V20 (Agricultural Issues), V22 (Corruption), which can be clustered as “development variables” or “development strategy”. Nevertheless, with the remaining variables, it is hard to identify a similar pattern. In addition, as is displayed in Appendix A-3, the **eigenvalues** of dimension 1 and dimension 2 are only 0.0014 and 0.0012, respectively, which can only represent 0.2% of variations.¹⁷ Therefore, both

¹⁷ According to the handbook “Principal Component Analysis” published by SAS, in PCA or NLPCA, one of the most commonly used criteria for solving the number-of-components problem is the eigenvalue-one criterion. With this approach, any component with an eigenvalue greater than 1.00 are retained and interpreted. The rationale for this criterion is straightforward. A eigenvalue represents the amount of

dimensions cannot be counted as the true principal components according to homogeneity analysis.

Figure 3-2. Component loadings of 32 sources of legitimacy



When the original data set is decomposed into several sub-datasets, the division of variables becomes much clearer. First, the original data set is decomposed into several sub-datasets, each of which is partial of the original one, containing variables only from

variance that is accounted for by a given component. Each observed variable contributes one unit of variance to the total variance in the data set. Any component that displays an eigenvalue greater than 1.00 is accounting for a greater amount of variance than had been contributed by one variable. As Hatcher (1994) put it, such a component is therefore accounting for a meaningful amount of variance, and is worthy of being retained. On the other hand, a component with an eigenvalue less than 1.00 is accounting for less variance than had been contributed by one variable. The handbook could be found at <http://support.sas.com/publishing/pubcat/chaps/55129.pdf>

two hypothetical dimensions. The hypothetical dimensions are based upon a descriptive analysis of previous literature reviews of Chinese scholarship. For example, data set one contains the data from “ideology category” (i.e. V7 (Marxism), V8 (Maoism), V9 (Dengism), V10 (The Three Represents)) and “development category” (i.e. V11 (Harmonious Society), V12 (Scientific Development), V15 (New Class), V18 (Fairness), V19 (Jobs), V20 (Agricultural Issues), V22 (Corruption)). Data set two contains the data from “ideology category” and “institution category” (i.e. V23 (Cooperation), V24 (Congress), V26 (Government) etc.) Data set three again contains the data from “ideology” and “democratization category”, which includes V28 (Social Democracy), V29 (Inner-party Democracy), V30 (Rights), V31 (Freedom) and V32 (Civil Society). We also have a group of historical factors, including revolutionary legitimacy, mass support, and nationalism. Data from this group are also used to contrast sub-dataset with variable from other categories. The next step is to run a series of homogeneity analyses based upon these three sub-datasets respectively. The aim of this practice is to test whether there is a clear division of dimensions as Gilley and Holbig identify in their PCA analysis. Figure 3-3a, 3-3b, 3-3c are the loadings plots for each two categories of variables in three sub-datasets. By plotting the clusters, the loadings plots mainly present the relationships between loadings in three sub-datasets. As displayed in Figure 3-3a, variables are heavily loaded on two components: “ideology” and “development”. In Figure 3-3b, variables are also heavily loaded on two components. So are variables in Figure 3-3c. The observation indicates two important points. First, in each small data set, dimensions (principal components) are easily identified. Second, within each dimension (e.g. institution category), the sources of legitimacy are highly correlated.

Figure 3-3a. Loadings plot for “ideology category” and “development category”

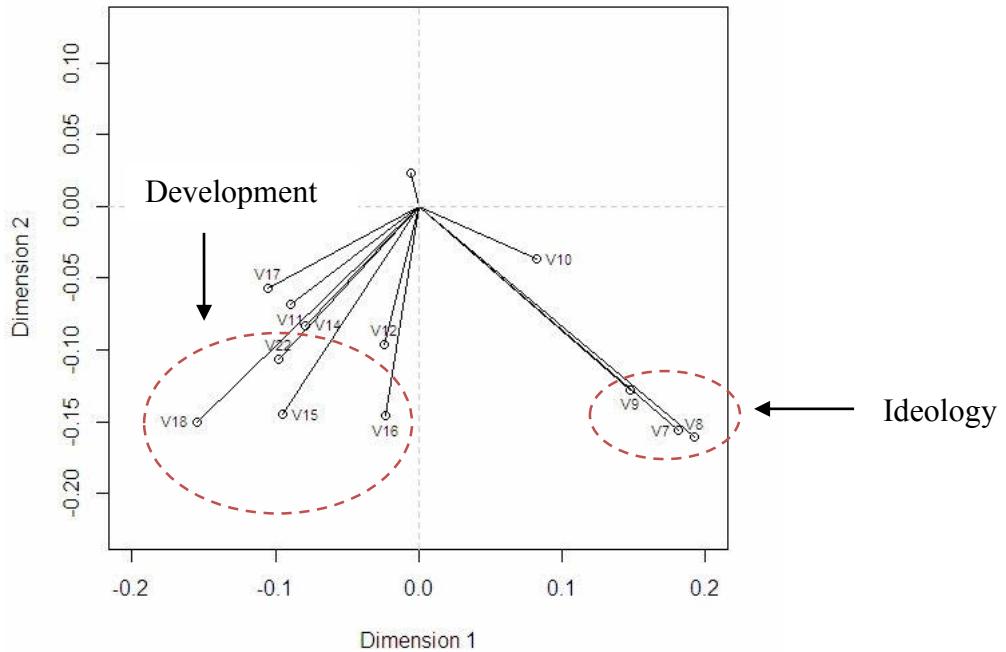


Figure 3-3b. Loadings plot for “ideology category” and “institution category”

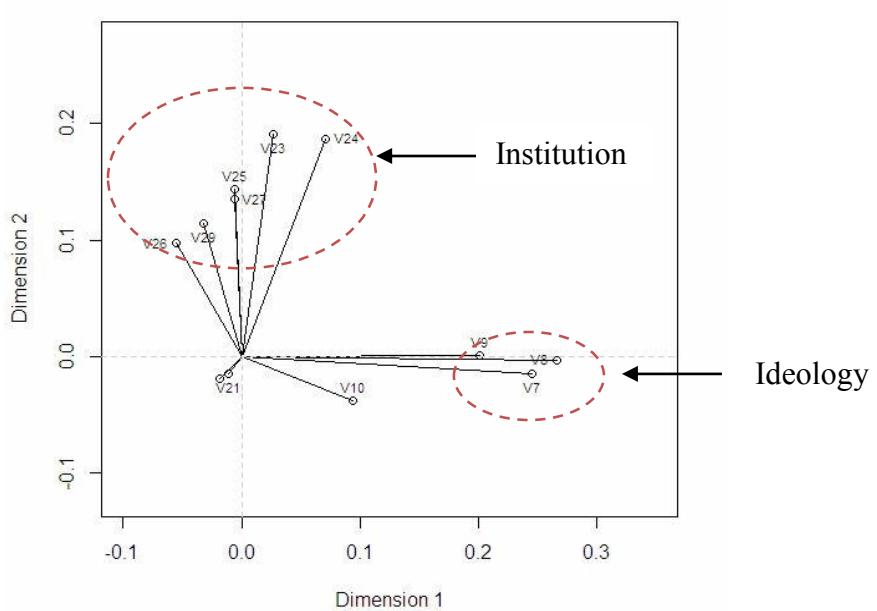
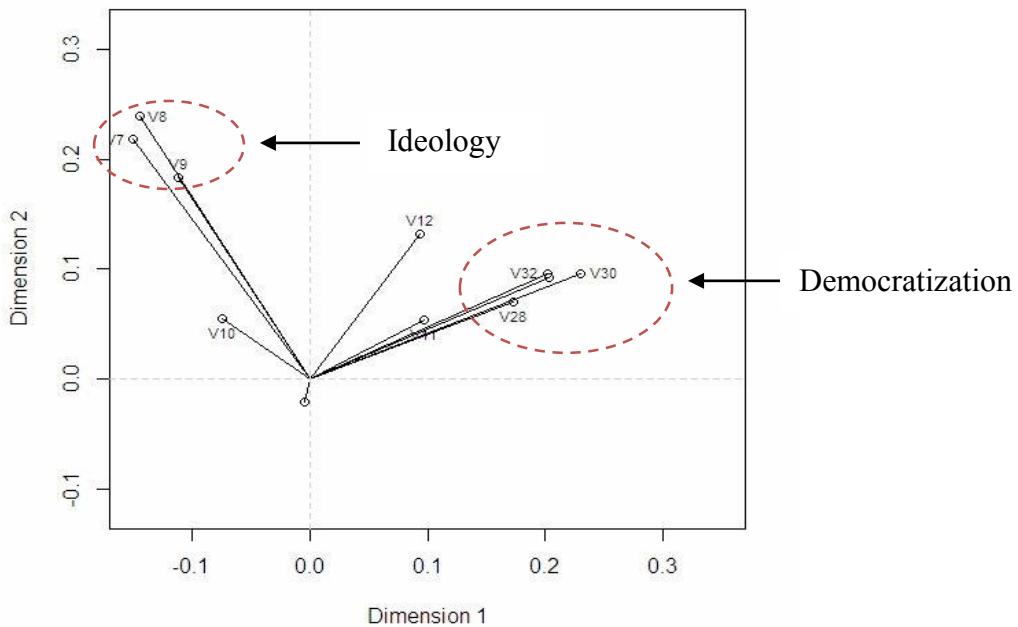


Figure 3-3c. Loadings plot for “ideology category” and “democratization category”



In order to compare the results obtained from homogeneity analysis and PCA, a PCA is also conducted in R as a reference. The factor loadings are shown in Table 1. The loading1 represents the first component. Each component represents an orthogonal (perpendicular) dimension. Factor loading is a general term for a coefficient that appears in a factor pattern matrix or a factor structure matrix. Simply put, it is the bivariate correlation between the observed variables and the components. The relationships between the loadings are presented in Figure 3-4, which is a pairwise plot (two components at a time). The values (both positive and negative) determine the position of each variable in the loadings plot (Figure 3-4). As Figure 4 shows, there are four clear clusters of loadings. The scree plot¹⁸ which is displayed in Figure 3-5 indicates the same

¹⁸ A Scree Plot is a simple line segment plot that shows the fraction of total variance in the data as explained or represented by each principal component. The principal components are ordered by decreasing order of contribution to total variance (Teneja, 2011). The Scree Plot often shows a clear separation in

pattern. There is no obvious break in the plot that separates the meaningful components from the trivial components after the fourth index. Therefore, four principal components should be retained. At the same time, a PCA is also performed in SAS as another reference. Compared to results obtained from R, the PCA results obtained from SAS are much clearer with better eigenvalues and a clear cut scree plot. The eigenvalues of the first four components can represent 70 per cent of variations (cumulative proportion is 71.34%).

fraction of total variance where the most important components cease and the least important component begin (Teneja, 2011).

Table 3-1. Factor loadings for PCA on all variables

	Loading1	Loading2	Loading3	Loading4
V1	-0.22	-0.15	-0.11	-0.21
V2	-0.11	-0.06	-0.06	-0.07
V3	-0.16	-0.26	-0.09	0.02
V4	-0.05	-0.21	-0.10	-0.19
V5	-0.05	-0.01	-0.06	-0.19
V6	-0.05	-0.16	0.04	0.21
V7	-0.22	-0.34	-0.04	0.29
V8	-0.23	-0.38	-0.11	0.28
V9	-0.15	-0.26	-0.07	0.20
V10	-0.22	-0.18	-0.14	-0.32
V11	0.18	-0.11	0.00	0.14
V12	0.14	-0.21	-0.15	0.22
V13	-0.03	-0.15	0.22	-0.06
V14	0.09	-0.05	0.23	0.16
V15	0.11	-0.20	0.14	0.03
V16	0.01	-0.28	0.10	-0.07
V17	0.17	-0.06	0.20	-0.12
V18	0.22	-0.25	0.34	-0.10
V19	0.10	-0.19	0.35	-0.08
V20	0.11	-0.16	0.28	-0.05
V21	-0.04	-0.01	0.15	-0.15
V22	0.10	-0.25	0.15	-0.29
V23	0.10	-0.06	-0.23	-0.01
V24	-0.01	-0.10	-0.23	-0.16
V25	0.15	-0.18	-0.17	-0.23
V26	0.23	-0.01	0.07	0.10
V27	0.05	-0.03	0.00	-0.09
V28	0.29	-0.11	-0.24	-0.12
V29	0.10	0.06	0.01	-0.12
V30	0.35	-0.10	-0.26	-0.02
V31	0.28	-0.07	-0.24	0.00
V32	0.31	-0.09	-0.21	-0.02

Figure 3-4. PCA Loadings Plot

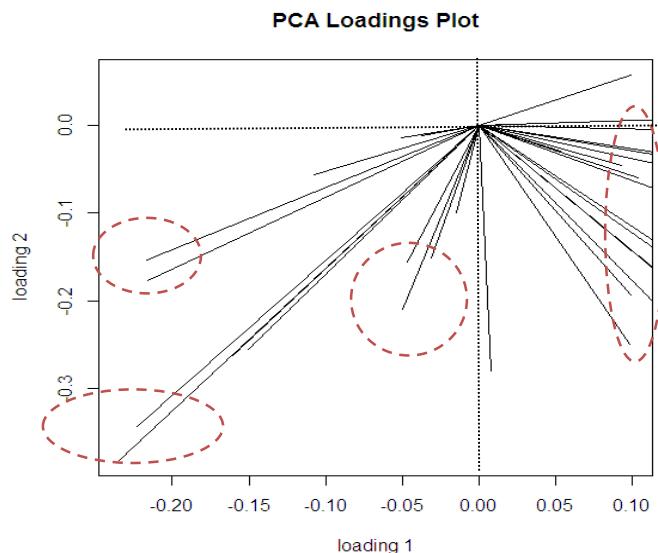
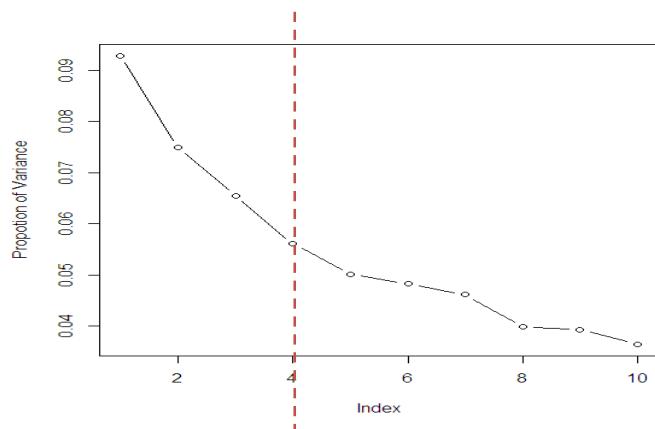


Figure 3-5. Scree Plot of PCA



By comparing results obtained from homogeneity analysis and PCA, we find that the homogeneity analysis is not as effective as PCA for the pooled data in terms of reducing the dimensionality of the original data set. PCA, on the other hand, provides a much clearer division of variables. However, after transforming the original data set into

several individual sub-datasets, it is found that homogeneity analysis is more reliable to produce the main components that should be retained. According to our studies, only four principal components could be retained. They are sources of legitimacy related to historical factors, ideological factors, institutional-democratic factors and development. We combine institutional factors and factors related to democratization due to high correlation between these two categories.

Historical factors refer to sources that are used to legitimate the CCP's ruling authority before economic reform. Variables in this category include revolutionary legitimacy, mass support, and nationalism. Except revolutionary legitimacy which was heavily under Mao's leadership, mass support and nationalism have been utilized all the time.

Ideological factors refer to sources of legitimacy based upon ideology, such as ideological education, Marxism, Maoism, Dengism, The Three Represents. The ideology-based sources and ideology-related legitimization strategies have been employed through the entire history of the CCP China. They are the most frequently used means of the CCP to advocate its opinions and to further manipulate the people. Nevertheless, the relative importance of each ideological source has shifted over time as the CCP's working emphases are changing under different leaderships. It is worthy to note that The Three Represents, as a newly-invented ideological theory by President Jiang, is widely mentioned in these selected articles. It is not surprising because one third of the selected articles were published during Jiang's Presidency. Thus, some articles inevitably echo the official discourse of the time. That is also why, as Figures 3-3a and 3-3b show, Marxism, Maoism, and Dengism cluster together closely as ideology-based sources while "The Three Represents" is relatively distant from other ideological theories. Also, President

Hu's favorite catchphrases, "Harmonious society" and "Scientific development," are not included in this category, even though they are more like ideological slogans. The reason is that, as displayed in Figure 3-3a, these two variables are more related to the category of "development strategies," which is a particular group of variables dealing with problems that hamper sustainable development.

The third category contains all variables that are related to institutionalization and democratization within the Party. The legitimization strategies designs based on this type of source mainly refer to approaches, such as improving governance, consolidating the capacity-building of government, separating the party from government, enhancing the cooperation between the CCP and other parties, emphasizing the role of law in decision-making processes, rebuilding the image of the People's Congress, strengthening self-construction of the party, and deepening inner-party democratization. Most institutional reforms are pro-democracy; most institutional changes are democratic. Thus, it is not surprising that these two categories are highly correlated according to our results. So we summarize them as one group named "institutional-democratic" factors.

The last category, "development factors," refers to sources of legitimacy that were utilized to cope with rising problems during the reform period. The main legitimization strategies developed at this time include establishing a harmonious society, promoting scientific development, enhancing social fairness, narrowing the wealth gap, recognizing the new social classes, improving social welfare systems, combating corruption, increasing employment opportunities, improving farmers' welfare in rural China, etc. This type of sources of legitimacy have been heavily utilized by Hu Jintao and Wen Jiabao. Among the collected articles published during Hu's presidency, around 14 per

cent of articles pointed out Hu's strategy of establishing a harmonious society and almost 10 per cent discussed the significance of promoting a scientific outlook on development.

This four-category division of sources of legitimacy and related legitimization strategies obtained from homogeneity analysis is confirmed by PCA regardless of the linearity violation. Since it is hard to interpret the PCA results in the strict sense, homogeneity analysis provides another angle to approach this problem and well complements the PCA. Comparing the above groupings with Gilley and Holbig's results, a similar pattern has been found. In their analysis of 26 variables, Gilley and Holbig retained four principal components – ideology, liberalism, institutions and social justice. The category of social justice is comparable to development-related factors in this study, but slightly different in terms of some variable selection. Also, the category of liberalism is comparable to our institutional-democratic factors. There are two obvious differences between the studies. First, in this study, Gilley and Holbig's liberalism-related sources of legitimacy are included in the larger category of institution-based sources of legitimacy. This categorization is reliant upon the fact that less than 10 per cent of articles discuss the important role of liberalism (such as democracy, civil rights, Freedom) in consolidating the party's ruling authority. In fact, after 1989 Tiananmen incident, "liberalism" in the western sense has become a forbidden topic in China's political arena. As a result, most words (e.g. "freedom", "civil rights") that appear in selected articles, do not, in fact, refer to traditional liberalism, but rather an official rhetoric. Therefore, instead of separating liberalism-related variables from institution-related variables, these two categories have been merged into one large group named "Institutional-democratic". As Figure 3-3b and 3-3c display, the variables in the category of "Institutional-democratic" are highly correlated.

The second significant difference between these two studies is that the category of historical factors has been omitted from Gilley and Holbig's analysis. However, looking through 286 selected articles, it is found that the proportion of articles that emphasize the crucial roles of revolution, mass support and leaders' charisma in legitimating the CCP's ruling authority are 32.5 per cent, 40.5 per cent and 14 per cent respectively. Thus, this study has enlarged Gilley and Holbig's data set by incorporating the category of history-related factors.

Furthermore, since the articles studied in this research were published between 2000 and 2010, the data set encompasses a larger time span than Gilley and Holbig's data set, covering both Jiang Zemin and Hu Jintao's presidencies. Therefore, different from Gilley and Holbig's study, the research presented also reflects a clear shift of policy emphasis from ideological-oriented to a balanced-development basis. It is shown that articles published before Hu Jintao came into office predominantly upheld the ideological flag of "The Three Represents". However, since 2004, the first year of Hu Jintao's presidency, there has appeared a large number of articles focusing on the topic of sustainable and scientific development. The rate of articles that discuss "The Three Represents" has declined from 76 per cent in 2004 to 11.1 per cent of in 2010. In contrast, the proportion of articles that discuss topics like economic equality has risen from 20 per cent in 2004 to 52.4 per cent in 2009. The shift mirrors the reality that Hu Jintao and Wen Jiabao's Administration faces problems that were generated by and have accumulated since previous administrations. The escalating social and political problems have greatly threatened the ruling base of the CCP. Hence, Chinese policymakers had to reformulate their working agenda and develop new legitimization strategies in order to meet the accumulated challenges presented by these problems.

In sum, this chapter mainly provides a glimpse into the legitimacy debate in Chinese intellectual circles. By using both qualitative and quantitative analysis, we first find that the legitimacy debate began in the mid-1980s and has become more popular in recent years. During this long period, both government and intellectuals pursue a conservative attitude towards this topic. However, Chinese intellectuals enjoy some degree of freedom in the legitimacy debate, particularly in the last decade. Although the debate is still confined within certain bounds, scholars and researchers have been tacitly permitted to lash out at government over issues such as corruption, declining governing capacity, state failure, wealth polarization, legitimacy crisis, etc. Secondly, the CCP is always seeking effective strategies to legitimate its ruling authority since the founding of the New China in 1949. As power was obtained through violent revolutions and civil war, the legitimacy of the CCP was not congenital and was usually lacking a solid foundation. Thus, Chinese leaders have had to constantly explore new sources and develop new strategies to endow themselves with legitimacy. There are basically four types of sources that the CCP has utilized to legitimate its authority. Different generations of leadership have different emphases on the selection of each source. Contrary to Gilley and Holbig's conclusion that the CCP's legitimacy is mainly ideology-based, this study concludes that resources used by the CCP to legitimate itself are much more diversified. There is no single source that could solely sustain the CCP's legitimacy at any moment. The overreliance on one or two sources would eventually lead to legitimacy crises. In particular, the new era has imposed new difficulties on Chinese policymakers. As a result, the CCP should be extremely cautious in developing and employing legitimization strategies in order to meet all challenges raised by the rapidly changing social and political environment.

The next chapter will concentrate on the analysis of primary social and political problems that have been created since the implementation of economic reform. Economic inequality, as the most dangerous problem faced by Chinese leaders, will be discussed in great detail.

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Chapter 4: Inequality and Instability

INTRODUCTION

The previous two chapters present an overview on both western and Chinese scholarship on the legitimacy question in general and the CCP's legitimacy in particular. As indicated in both Chapter 2 and Chapter 3, the combination of legitimization strategies and the selection of sources of legitimacy are changing all the time as the social and political context changes. Looking through the history of new China, we find that social and political problems vary under different leaderships and each challenged the ruling legitimacy of the CCP in a specific way. However, it is interesting to note that despite the various threats caused by these problems the CCP has survived and been one of very few ruling authorities still led by the communist party in the current world. Today, nobody appears to ever link China to the negative words like poverty, chaos, and underdevelopment, which were used to label this country three decades ago. Rather, China has successfully caught global attentions with its stellar economic growth and rapid development in all aspects. China's success to date is partly owed to the implementation of market-oriented economic reform in 1978 as well as the open-door policies. The original goals of this ground-breaking reform were to help the weak country recover from ten-year turbulence resulted from the Great Cultural Revolution and to lift its population out of extreme poverty. As the reform is progressing, the outcomes that the reform has brought about are far beyond what its designers expected. While achieving tremendous economic growth, a large variety of social and political problems has risen as well. Skyrocketing income inequality, massive unemployment, nationwide environmental degradation, the rising number of crimes and massive incidents – all have been generated as inevitable byproducts of rapid economic growth. These problems have played

substantial roles in influencing the further direction of China's economic development and challenging the ruling legitimacy of the CCP as they are accumulating and escalating.

The chapter begins with a general review of the social and political problems occurring during China's reform period. The analysis is presented based on three stages of economic reforms: market awakening (1978-1992), market prosperity (1993-2002) and market adjustment (2003-present). The principal aim of this analysis is to identify the main threats to the CCP's ruling legitimacy at different stages of reform. Next, the chapter presents an in-depth analysis on wage inequality in China, which has been recognized as one of the severest problems shaking the foundation of the CCP's ruling authority. This section is based upon presentation of original estimates of wage inequality from 1987 to 2009, using aggregate data organized by economic sectors and geographic regions to estimate the between-groups and within-groups component of Theils' T statistics. The impacts of growing wage gap are also presented, followed by a brief discussion of government's responses to this issue.

THE MAIN THREATS TO THE CCP'S RULING LEGITIMACY DURING THE TRANSITIONAL PERIOD

There has been more than three decades since the China's economic reform was initiated in 1978. This market-oriented economic reform has been successful in terms of transforming China from one of the world's poorest economies to the current global economic powerhouse, transforming China from a nation with one of lowest human development value into the current state with medium development index, and transforming the country into today's influential player in global affairs. However, the road to success has not been smooth. Within the transformation process China has been

faced with a variety of social and political problems emerging at different stages of economic reform.

China's economic reform could be roughly divided into three phases: (1) market awakening, (2) market prosperity, and (3) market adjustment. The division is based upon the economic, social and political realities at that time. Within each phase, the problems are various and therefore the working agenda of the CCP has also been changed responsively. As Shambaugh (2008) identifies, China's reform period could be characterized as a constant cycle with reform and readjustment taking turns.

Stage 1: Market awakening (1978-1992)

The first stage of China's economic reform, which was from 1978 to 1992, was to awake the markets by all means. During this period, China's economic system was gradually transformed from plan-based to market-oriented. The nationwide reform first began with a series of pilot programs in rural areas, followed by a series of auxiliary reforms in light industry and commerce in urban areas. Through establishing the Household Responsibility System, the authority reallocated land and other previously commune-owned production resources to individual households. This move boosted the production incentives, greatly improved labor productivity in agricultural sectors, and thereby led to a dramatic growth in the early of eighties (Lin, 1992). Meanwhile, the success of agricultural reforms also brought significant changes in nonagricultural sectors in rural areas, such as the rise of township and village enterprises (TVEs) (Peng, 1998). The mushrooming growth of TVEs not only enormously increased the income of famers, but helped to trigger the labor migration in China, which provided a solid labor foundation for rural industrialization and urbanization in later years. Moreover, price reforms were initiated in urban areas, aiming to adjust the centrally-controlled price

system based on a planned economy and to further increase productivity. Last but not least, a series of special economic zones for foreign investment were also established during this period of time, which became the engine of China's economic start-up in the 1980s.

However, problems accumulated from previous decades of a planned economy couldn't be fixed overnight. The relics of a planned economy—including a large number of inefficient state-owned enterprises (SOEs) and little progress achieved in banking reforms, fiscal reforms and other complementary reforms—had become huge obstacles to the country's meeting its development goals. In addition, the overheated economy continued to create new problems, such as boosting up inflation rate in a short duration, which resulted in widespread discontent with the government (Galbraith and Lu, 2001). From a political perspective, market liberalization also fueled the demand for political liberalization, democratization and political freedom, which, in fact, conflicted with the CCP's fundamental political interests. In particular, as the third wave of democratization enveloped the world, causing the fall of communism in Eastern Europe and the former Soviet Union, the conflicts had been radicalized and evolved into the unexpected national movement of 1989. Even though the protest was harshly repressed, it impacted China significantly. In 1989, the CCP managed its power transition from Deng Xiaoping to Jiang Zemin, a conservative communist.

Inheriting a country fraught with political instability, then-President Jiang Zemin pursued much more conservative measures than Deng Xiaoping, concentrating his power in the central party and harshly repressing dissidents. During his presidency, he reclaimed the importance of Marxism and Deng Xiaoping's theories in bolstering the CCP's legitimacy and thereby stabilized the society. Jiang Zemin even developed his own

ideological thoughts, “The Three Represents,” to guide and formalize the actions of the entire party. His strict control over public speech and media exacerbated tensions in the political atmosphere. After 1989, China’s reform entered a relatively stagnant period lasting for three years. Not only had economic reform been halted, the political environment had become even harsher than pre-reform periods, leading to the strengthening of authoritarianism in China (Nathan, 2003). But the brief period offered Chinese leaders a chance to rethink their gains and losses in the early stages of reform and to develop new survival strategies in response to rising threats and challenges. This rethinking process built a solid foundation for the economic takeoff in the following periods.

Stage 2: Market Prosperity (1992-2002)

The beginning of the second stage of economic reform was signaled by Deng Xiaoping’s southern tour in 1992. Deng Xiaoping’s southern tour has been greatly highlighted by the CCP as a sign of reverting to rapid growth after political turmoil in 1989. In his speech made during the tour, Deng reassured the importance of economic reform and opening up policies. He also for the first time declared that the goal of economic reform was to establish a socialist market economy system. It is noteworthy that he reiterated the significant role of economic reform in terms of handling 1989 political crisis and maintaining mass support for the authority. As he said in his speech,

“If we do not adhere to socialism, implement economic reform and opening-up policies, if we do not promote economic development and improve people’s wellbeing, we will end up in a blind valley...Only if we stick by these policies and guidelines, people will trust us and support us...Whoever wants to change these policies and guidelines will be overthrown by people...Without tremendous

achievements obtained through the reform, we could not survive from “June 4th Incident,” which would lead to civil war eventually...”¹⁹

His speech sent out two messages. First, economic prosperity is the foundation of social and political stability of China. Therefore, it is crucial to continue promoting the economic reform despite crises that occurred or would occur during this course. The second message is that economic reform and any other related policies should strictly adhere to socialism and the guideline of the CCP. This message reinforces the socialist characteristics of China’s economic reform. Most importantly, it implies the supremacy of the CCP in managing and controlling the reform. Entering 1993, China’s economy quickly reverted to the road of rapid growth with an unprecedented expansion in following years.

At this stage, there were two drastic reforms that were promoted, both of which dramatically influenced the Chinese society. One is the reform of SOEs. The SOE reforms were officially initiated in 1994 when a new Company Law was issued, which provided a basic framework for restructuring SOEs (Li and Puttermann, 2008). Due to decades of declining efficiency and loss of SOEs, the reforms aimed at reshuffling SOEs and converting them into modern corporations that can comply with the core of market-centered economy. The very first step was to reduce the redundant labor force that used to be the greatest burden of SOEs. It brought the first wave of massive unemployment starting from 1996. In the same year, Zhu Rongji, then-Vice-Premier and then-President of People’s Bank of China, began to implement his reforms in the financial and banking system. Branded as a tough reformer, Mr. Zhu is, in fact, a centralizer (Naughton, 2002). Zhu Rongji largely applied Keynesian macroeconomic theories in China’s economic reform and reinforced the role of government in directing the market. For instance, the

¹⁹ Translated by the author.

principal aims of his reform in financial and banking sectors were to consolidate the state control over financial resources and to decrease the pool of the non-performing loans (NPL) owed by SOEs (Shih, 2004). Although reforms had encountered unprecedented resistance from local governments, the reforms in banking and financial system were basically successful in terms of centralizing financial resources to the largest extent and protecting China from being hardly hit by Asian financial crisis in 1997. However, banks' measures in reducing NPL did not very much ease the burden on the SOEs. Numerous small or medium-size SOEs could not survive the fierce competition of market economy. They either went to bankruptcy or underwent restructuring. After 1997, Chinese government speeded up the restructuring process of SOEs. Between 1995 and 2000, there were about 48,716 small and medium-size SOEs undertook reforms, accounting for 82 per cent of small and medium-size SOEs at that time (Li and Puttermann, 2008). Nevertheless, at the same time as revitalizing dying enterprises, the restructuring process directly led to the second wave of massive unemployment, which had extremely challenged the social and political stability of Chinese society. In addition to the problem of unemployment, the rapid rising trend of wage inequality also heightened the attention of the authority. Since 1993, China began to see a sharp rise of wage inequality across the country caused by the joint forces of rapid economic growth in several coastal regions and relative underdevelopment of most interior provinces. As accumulating and reaching its apex in early 2000s, wage inequality between provinces as well as sectors has been recognized the severest problem beneath the economic prosperity. Combating inequality has also become the top agenda of the government in 2000s.

Stage 3: Market adjustment (2003-the present)

Since Hu Jintao and Wen Jiabao assumed office in 2002, China's economic reform has entered a new phase. The new phase could be marked as "market adjustment," within which economic growth is no longer the principal objective of the government. Instead, Chinese policymakers focus most of their attentions on fixing and alleviating problems that took place and escalated in previous decades of reform. The main objectives are to pursue a balanced development and to establish a harmonious society. The ideas of "scientific development" and "harmonious society" were first proposed by then-President Hu Jintao during the 2005 National People's Congress (NPC), representing a new direction of Hu Jintao's leadership and a transition from Jiang Zemin to the new administration. Scientific development stresses the significance of science and technology in boosting economic growth and most importantly, making the growth sustainable and resilient. Harmonious society specifically targets to ease increasing social tensions caused by unbalanced development. Directed by these guidelines, the government started to transform its main functions from economic-oriented to service-centered. The guiding principle of creating a service-type government is to ensure that the benefits of social and economic progress can be shared by all citizens in a fair manner. Thereupon, since the beginning of new leadership, Hu Jintao and Wen Jiabao administration has promoted various campaigns in order to balance the rapid economic development on the one hand and to stabilize the society on the other hand. The major campaigns include Great Western Development, social welfare system reforms, and anti-corruption movement. Among these strategies, narrowing the widening gap between rich and poor became the top concern of Chinese policymakers at this stage. As the problem of rising inequality leads to public resentments among poor people who are usually the

vulnerable social groups with high potential of instability, Chinese policymakers have taken precautionary measures regarding this matter. One of the direct approaches is to compensate for the losses of poor people by entitling them to more economic rights. Establishing and enhancing a social welfare system which especially targets the poor has become the most effective strategy to mitigate the tension caused by rapid expansion of income inequality in China.

In order to further explore the far-reaching impacts of social and political problems on Chinese society and to provide a concrete example of government's strategies in response to these problems, the next section will expand the discussion by providing an in-depth analysis of the evolution of China's wage inequality in recent decades, its impacts and government's solutions towards this issue.

A SNAPSHOT OF CHINA'S WAGE INEQUALITY DURING THE TRANSITIONAL PERIOD

The widening income gap between rich and poor in China is both a focal point of public attention and an irritating headache for the Chinese ruling authority. In addition to impeding economic growth, the gap also challenges the foundation of the CCP by intensifying social tensions. Chinese policymakers often reform income distribution by raising individual property's income, increasing employment rates and minimum wage standards, expanding the middle class, improving the livelihood of the poor and enhancing the role of tax in income regulation.

China's income inequality is well documented. Many studies have concentrated on exploring rural-urban income inequality, its formation, direction and resultant social and political impacts (Tsui, 1991; Kanbur and Zhang, 1999; Gustafsson and Li, 2001; Lu and Wang, 2002; Benjamin, et. al 2005; Wu and Perloff, 2005; Sicular *et. al*, 2006; Luo and Zhu, 2008; Riskin and Gao, 2008). The well-accepted argument is that a rapid rising

trend in income inequality began in the early 1990s, which is mainly attributable to the widening gap between rural and urban regions. A variety of driving forces have been highlighted, ranging from endowments of household characteristics, such as location of residence and education (Sicular, et.al 2006; Luo and Zhu, 2008) to policy-related factors, such as economic restructuring and rural-urban reclassification (Benjamin, et. al 2005), the revival of market forces (Riskin and Gao, 2008), the degree of decentralization (Lin, 1999; Kanbur and Zhang, 2005), etc. Using income data from two household income surveys conducted by the China Academy of Social Science (CASS), Khan and Riskin (1998) find that the main sources of income inequality were different in rural and urban regions during the 1990s. They state that wage was the most important source of income inequality in rural China while the rental value of owned urban housing and urban housing subsidies were the two most dis-equalizing sources in cities. Studying rural data from the same surveys, Gustafsson and Li (2002) recalculated rural income inequality. They conclude that China's rural income inequality was more spatial than structural; the between-province inequality was more substantial than intra-province inequality at county level. Using the rural household income data collected by the State Statistical Bureau, spanning the period 1985-1990, Ravallion and Chen (1999) also observe that income inequality rose dramatically after the mid-1980s. However, they point out there are defects in the collection methods used in surveys which resulted in systematic undervaluation of income data. Thus, income inequality might be even larger than what they calculated. Wu and Perloff (2005) measured China's rural and urban Gini coefficients from 1985 to 2001 based upon data from the national statistical yearbooks. They also argue that urban consumption inequality might be a better indicator of economic well-being than income inequality.

In addition to the large body of literature on rural-urban income inequality, interprovincial inequality, as an inevitable outcome of market driven reforms, is another subject of heated debate (Tsui, 1993 and 2007; Shorrocks and Wan 2005; Fan and Sun, 2008; Gries and Redlin, 2008; Hao and Wei, 2010; Li and Wei 2010). Measurements by Galbraith, Krytynskaia and Wang (2004) show that much of the rise could be attributed to the relative gains of just one province and two municipalities: Guangdong, Shanghai and Beijing. Major losers in regional terms include the Northeast (Manchuria) and the Southwest (Sichuan). Trade, government expenditures, and foreign and domestic capital investments, globalization and marketization as well as human capital are all identified as crucial policy determinants of rising inequality (Kanbur and Zhang, 1999; Tsui, 2007; Gries and Redlin, 2008).

Three main indices are commonly used to assess China's economic inequality: Coefficient of variation (CV), Gini coefficient, and Generalized Entropy Index (Fan and Sun, 2008; Hao and Wei, 2009). Each index holds its own mathematical properties explaining inequality from different perspectives. The choice of indices is mainly dependent upon the objectives of researchers and data availability. The Gini coefficient is usually used to depict the panorama of inequality; it is also able to facilitate direct comparisons of two populations, regardless of size. Thus, the Gini coefficient is broadly applied to construct a global inequality ranking by country. The majority of literature examines China's income inequality using Gini coefficient. However, the major disadvantage of Gini coefficient is that the index is difficult to decompose. So when exploring the contributions of various factors to overall inequality, researchers prefer to apply the technique of Generalized Entropy Index (namely, Theil Index). Using Theil's T Statistics, Akita (2003) carries out a two-stage nested decomposition analysis using

provincial GDP and population data from various issues of the China's statistical yearbooks. He then reinforces the spatial characteristics of inequality in China during the 1990s. Using Theil L Index (also known as Mean Logarithmic Deviation), Gustafsson *et al.* (2008) also calculate overall inequality in China, but decompose it into three large geographical zones – East, Center and West. They conclude that the income gap between these three regions did not widen from 1995 to 2002 and that within the East inequality declined.

There are two major data sources available to measure China's inequality: household survey data and grouped data (Chotikapanich, Rao and Tang, 2007). Although complete individual data would be preferable for analyzing trends in inequality, such data are rarely available. The existing data sets, such as China Household Income Project (CHIP) survey data, the China Health and Nutrition Survey (CHNS), and the National Bureau of Statistics (NBS) household survey only cover several isolated years and individual provinces. Therefore, researchers are left to compromise with aggregated data, which provide national coverage over continuous periods of time (Chotikapanich, Rao and Tang, 2007). A good data source alternative to the traditionally used household survey is annual statistical yearbooks. Although the reliability of Chinese official statistics is somewhat questionable, numerous scholars still use these data to predict the Chinese economy, but with great caution (Chow, 2006).

In a nutshell, using different methods and data sources, scholars delineate the rapid rising trend of China's income inequality during the reform period. In the following sections, we will provide new evidence of this increasing inequality in China. An original estimate of wage inequality in urban China is presented based upon the Theil Index. Although seldom performed, wage and employment data from annual statistical

yearbooks are used for constructing the Theil Index. Wages are still the most important source of individual income for Chinese city-dwellers. Therefore, wage inequality may, to a large extent reflect the growing tendency of income inequality in urban China, its formation and direction. In addition, not only are we interested in how this inequality has evolved over time, we are also curious to know what factors have driven up wage inequality. We would also like to inquire what empirical evidence can reveal about the growing gap between rich and poor in the past three decades.

Methodology and data source

In this section, we first lay out the key features of Theil's T, the main technique to analyze the evolution of wage inequality in this dissertation. Then we introduce the data and explain why and how these data well suit this study.

The rationale for preferring Theil's T statistic is that, compared to other inequality indices, the Theil index usually has less stringent data requirements, which is a benefit when group data are easier to come by than individual survey data. Moreover, one of the most important features of Theil index is its decomposability, which allows inequality to be decomposed into the sum of a “between-group” component, T^B , and a “within-group” component, T^W , if a population can be divided into subgroups as well. The decomposability of Theil index helps us understand the dynamic of inequality of the subgroups, which usually cannot be achieved through calculating Gini coefficient.

The core formula is: $T = T^B + T^W$. T represents the overall inequality. The value of single Theil index doesn't contain much information. However, Theil indices over time often present a better picture. The between-group component of Theil inequality index can be expressed as follows:

$$T^B = \sum_{i=1}^n (Y_i / Y) \ln\{(Y_i / Y) / (P_i / P)\}$$

Where (Y_i / Y) is the wage weight for the i^{th} group that is the share of wage of i^{th} group in the total wage of all groups. (P_i / P) is the share of population of i^{th} group in the total population. Here, $(Y_i / Y) \ln\{(Y_i / Y) / (P_i / P)\}$ is also called the Theil element for i^{th} group. The between-group component is the most obvious index to show rising and falling inequality among different groups. Due to the properties of logarithm, it has a positive value when the average wage of group i is greater than the national mean wage, and a negative value when the average wage of group i is less than the national average.

The within-group component of Theil's T computes the inequality between subgroups j within a particular subgroup i . The within-group component can be expressed as follows:

$$T^W = \sum_{i=1}^m (Y_i / Y) T'_i$$

$$T'_i = \sum_{j=1}^m (Y_{ij} / Y_j) \log\{(Y_{ij} / Y_j) / (P_{ij} / P_j)\}$$

Where Y_{ij} / Y_j is the share of wage of i^{th} subgroup of j^{th} group in the total wage of j^{th} group and P_{ij} / P_j is the share of population of i^{th} subgroup of j^{th} group in the total population of j^{th} group.

In this analysis, the overall inequality can be decomposed into geographical components and sectoral components. For instance, the formula can be written as the overall inequality equals to the summation of between-province wage inequality and within-province wage inequality.

$$T = T_{\text{province}}^B + T_{\text{province}}^W \quad \text{within which}$$

$$T_{\text{province}}^B = \sum_{p=1}^n (Y_p / Y) \ln \{(Y_p / Y) / (P_p / P)\}$$

$$T_{\text{province}}^W = \sum_{p=1}^m (Y_p / Y) T_{\text{province-sector}}^B$$

$$T_{\text{province-sector}}^B = \sum_{p=1}^m (Y_{ps} / Y_s) \log \{(Y_{ps} / Y_s) / (P_{ps} / P_s)\}$$

or the formula can also be written as the overall inequality equals to the summation of between-sector inequality and within-sector inequality.

$$T = T_{\text{sector}}^B + T_{\text{sector}}^W, \text{ within which}$$

$$T_{\text{sector}}^B = \sum_{s=1}^n (Y_s / Y) \ln \{(Y_s / Y) / (P_s / P)\}$$

$$T_{\text{sector}}^W = \sum_{s=1}^m (Y_s / Y) T_{\text{sector-province}}^B$$

$$T_{\text{sector-province}}^B = \sum_{s=1}^m (Y_{sp} / Y_p) \log \{(Y_{sp} / Y_p) / (P_{sp} / P_p)\}$$

The calculation of Theil index requires two data sets, each of which can be classified into mutually exclusive and completely exhaustive groupings. This requirement makes the annual state statistical yearbooks an attractive data source. Every year China's National Bureau of Statistics (NBS) publishes a comprehensive yearbook, reflecting the country's economic and social development. The chapter on "Employment and Wages" includes basic labor statistics, such as the number of employed persons, staff and workers, persons employed in different units, total wage bills, average wage bills, and registered unemployment rate in urban areas (NBS, 2010). Wages and employment data

on staff and workers in urban units were chosen for this study because they are disaggregated by economic sectors and provinces, and, have been consistently classified since 1988. In the following analysis, the employment data refer to the total number of staff and workers at year-end by sector and province. According to the editors' explanatory notes (NBS, 2012), staff and workers are persons who "work in and receive payment from units of state ownership, collective ownership, joint ownership, shareholding ownership, foreign ownership and ownership by entrepreneurs from Hong Kong, Macao and Taiwan." However, persons employed in township enterprises, persons employed in private enterprises, urban self-employed persons, foreigners and persons from Hong Kong, Macao and Taiwan who work in urban units are not included. Even though some employed persons are excluded, the employment statistics on staff and workers are most representative, covering the majority of the working population in almost all types of ownership in urban work-units.

The wage data are the total wage bills of staff and workers in urban units at year-end by sector and province. Total wage bills are the total remuneration payment to all employed staff and workers in all former sectors in urban units during the reporting period. These bills are including hourly-paid wages, piece-rate wages, bonuses, allowance and subsidies, overtime wages and wages paid under special circumstances. The wage bills are also pre-tax and no social insurance premium, utility bills, housing funds or subsidies are deducted (NBS, 2012). According to this editor's explanation notes, it is evident that wage bills almost cover all types of pay in China's former sectors in urban areas. Admittedly, wage is still the most important source of individual income for ordinary Chinese urban residents. Therefore, this wage inequality calculated based

upon wage and employment, may, to a large extent reflect the growing tendency of income inequality in urban China, its formation and direction.

The biggest advantage of using statistical yearbooks is that yearbooks provide the most recent and standard official data on wage and employment over a continuous period of years. Furthermore, the comparison between the results of this study and those of measurements based on data from household surveys also provides clear evidence that the data used here are reliable enough for drawing valid conclusions about the trend of China's wage inequality during the transitional period.

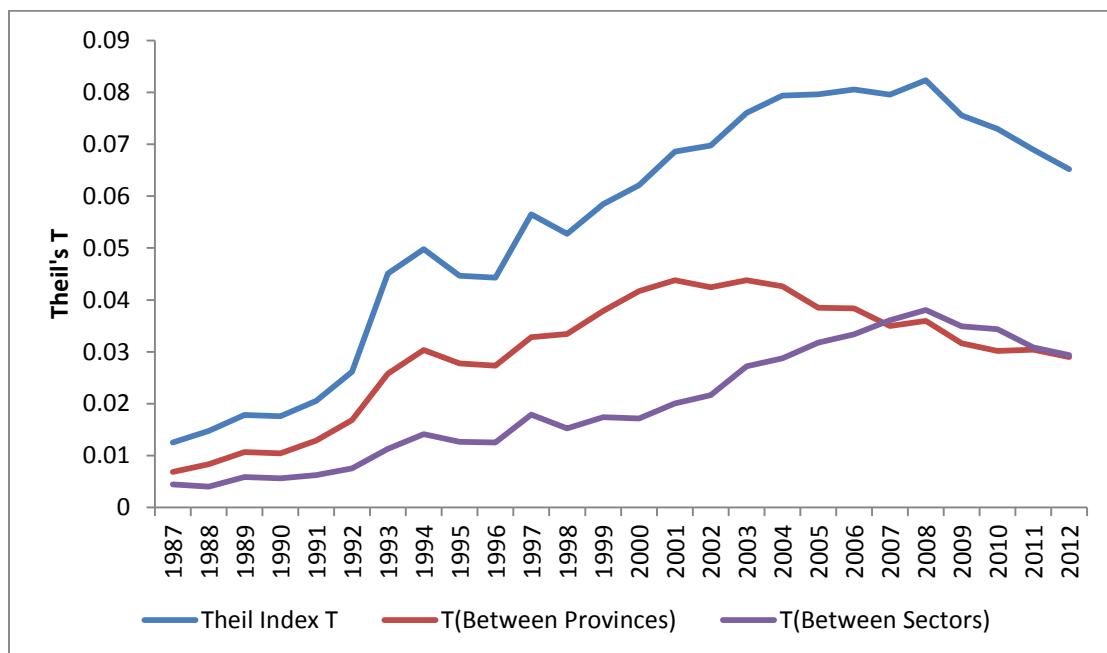
The evolution of China's wage inequality from 1987 to 2012

Entering the 1990s, China began to see a sharp rising tendency of wage inequality across the country. Based on the Theil index, a series of exercises are preformed to estimate the overall wage inequality and its decomposed components. Figure 4-1 presents a broad overview of the evolution of wage inequality in China, overall and by region and sector, updated through 2012. As Figure 4-1 shows, wage inequality in China's urban areas has been on the rise in China since 1992; however, the big jump in 1993 is mostly the result of changes in the classification of economic sectors. Before 1993, the economy was categorized into twelve economic sectors; in 1994, the National Bureau of Statistics reclassified the economic sectors into sixteen groups.²⁰ Whereas during the 1990s, inequality between provinces and inequality within provinces both rose, in the 2000s the behavior of these two dimensions of inequality diverged (Galbraith, Hsu and Zhang,

²⁰ Industrial classification for national economic activities was first issued and implemented as Chinese national standard in 1984. The first edition of "Industrial classification and codes for national economic activities (GB/T4754-1994) occurred in 1994. GB/T4754-1994 has the same level of industrial classification with ISIC/Rev3, issued by United Nations in 1989. See Appendix B (Table B-1) for the comparison between ISIC/Rev3 and GB/T4754-1994. The second edition occurred in 2004 by adding three more sectors.

2009). Inequality between provinces peaked early in the decade and declined after 2001. In contrast, inequality between sectors continued to rise and surpassed between-province inequality in 2007 for the first time. This implies that, before 2007, China's rising wage inequality was more geographical than structural. However, starting from 2007, the trend has become more complex with sectoral factors playing a greater role. Since 2009 the wage inequality has declined steadily, but it still remains at high level. The decline of overall wage inequality is attributable to the decline of both between-province inequality and between-sector inequality. In 2011 and 2012, between-province inequality and between-sector inequality are almost at the same level.

Figure 4-1. Inequality between and within provinces in China, 1987-2012²¹

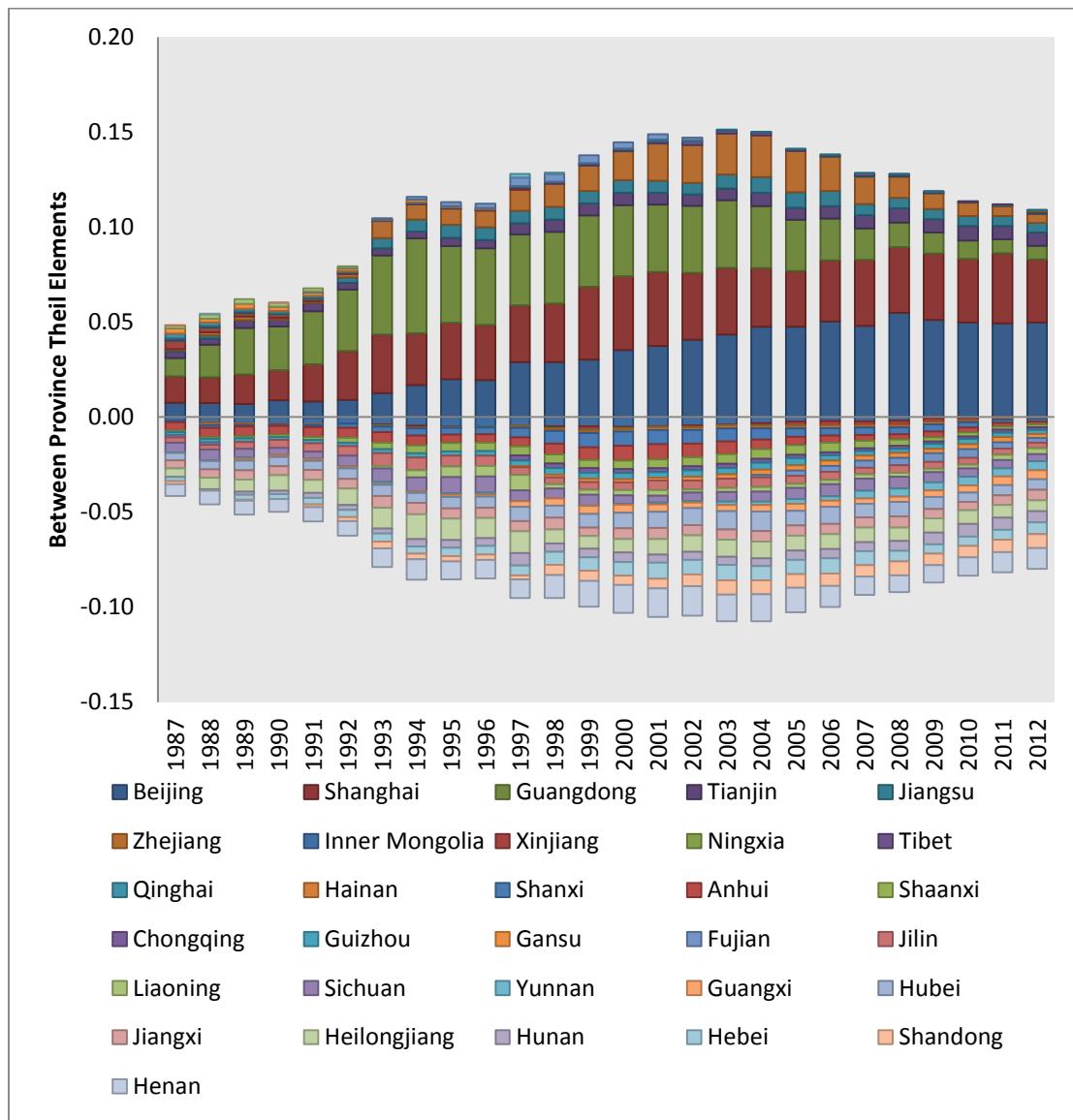


Source: China's Annual Statistical Yearbooks and author' calculations

²¹ The old version of Figure 4-1 (1987- 2009) was cited in Galbraith, Hsu and Zhang's paper "Beijing Bubble, Beijing Bust: Inequality, Trade and Capital Inflow into China," *Journal of Current Chinese Affairs*, 38(2)(September, 2009): 3-16.

Figure 4-2 breaks out the changing inter-regional dimensions of China's wage inequality in a stacked bar graph (Galbraith, Hsu and Zhang, 2009). Each bar represents a year, and each segment represents the contribution of a province to overall inequality in that year. Each segment reflects both the population weight of the province (measured by observed employment) and the ratio between average provincial wage and national average wage. Contributions greater than zero indicate provinces with mean wages above the national average. Contributions below zero indicate provinces with mean wages below the national average (Galbraith, Hsu and Zhang, 2009). The largest positive contribution (Beijing) is placed next to the zero line, while the largest negative (Henan) is placed at the bottom of the bar. As Figure 4-2 displays, the rising tendency of between-province wage inequality was largely attributed to the surging relative wages of several provinces and municipal cities, such as Guangdong, Shanghai, Beijing, Zhejiang, Jiangsu and Tianjin, as well as the unchanged low-level relative wages of interior provinces, such as Henan, Heilongjiang, Hubei, Sichuan, Jiangxi, Shandong and Hunan. The rapid development of rich provinces and municipal cities is clustered in eastern and coastal regions, most of which rely on manufacturing, wholesale and retail trade, construction, finance and banking, social services, utilities and other secondary and tertiary industries. They also absorb the majority of foreign trade and receive investments both internally and externally.

Figure 4-2. Contribution of provinces to inter-provincial inequality in China, 1987-2012.²²



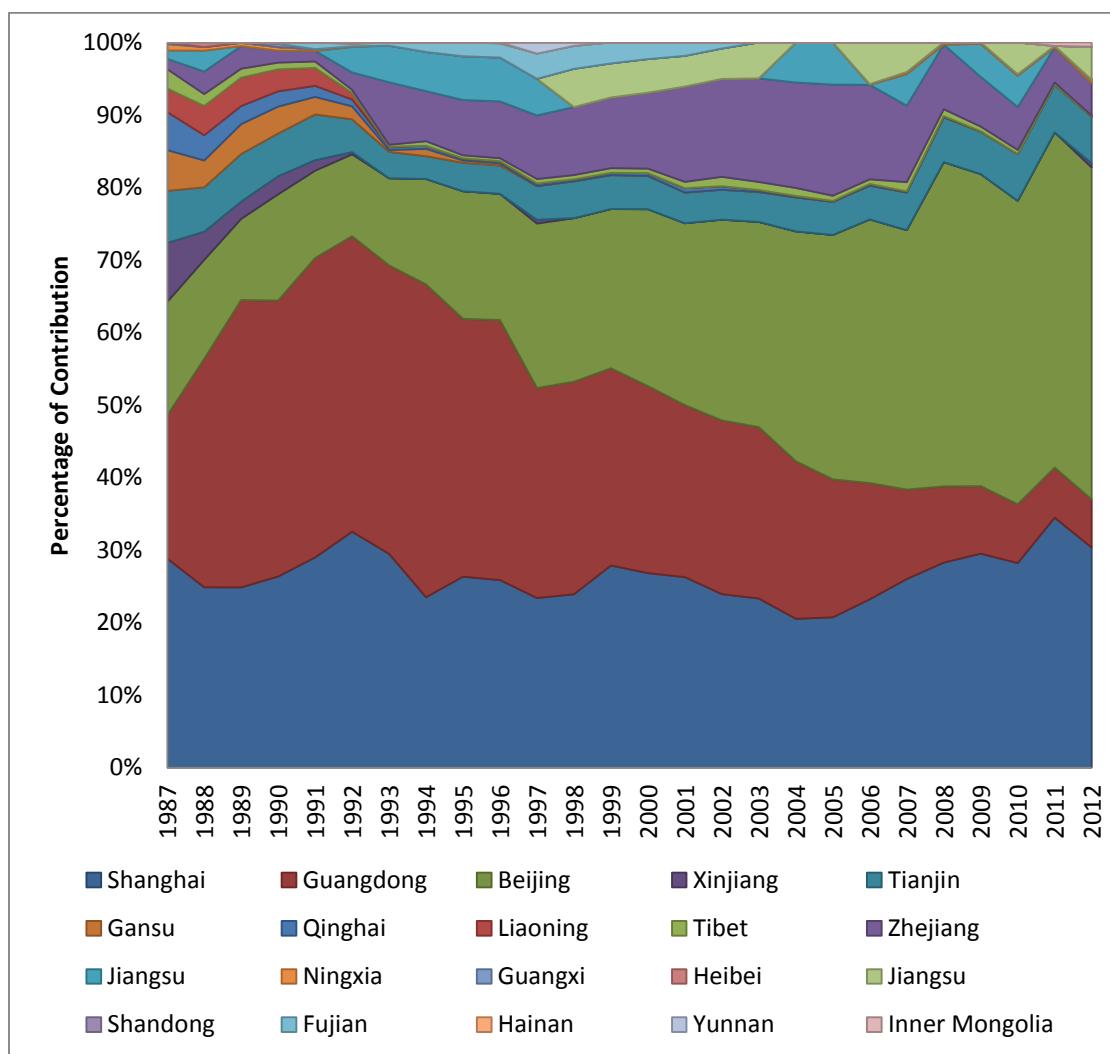
Source: China's Annual Statistical Yearbooks and author' calculations

Figure 4-3 confirms our observation by providing a clear chart of percent contribution of each province that has average pay higher than the national average. As is

²² The old version of Figure 4-2 (1987- 2009) was cited in Galbraith, Hsu and Zhang's paper "Beijing Bubble, Beijing Bust: Inequality, Trade and Capital Inflow into China," *Journal of Current Chinese Affairs*, 38.2 (September, 2009): 3-16.

displayed in Figure 4-3, the contribution of Shanghai is relatively steady during the entire period. In contrast, Guangdong has switched its place with Beijing. During eighties both rose rapidly. However, the behavior of these two provinces has diverged since mid-1990s. The contribution of Guangdong has gradually declined while Beijing started to outshine all other provinces.

Figure 4-3. The percentage of contribution of the provinces from above (1987-2012)



Source: China's Annual Statistical Yearbooks and author' calculations

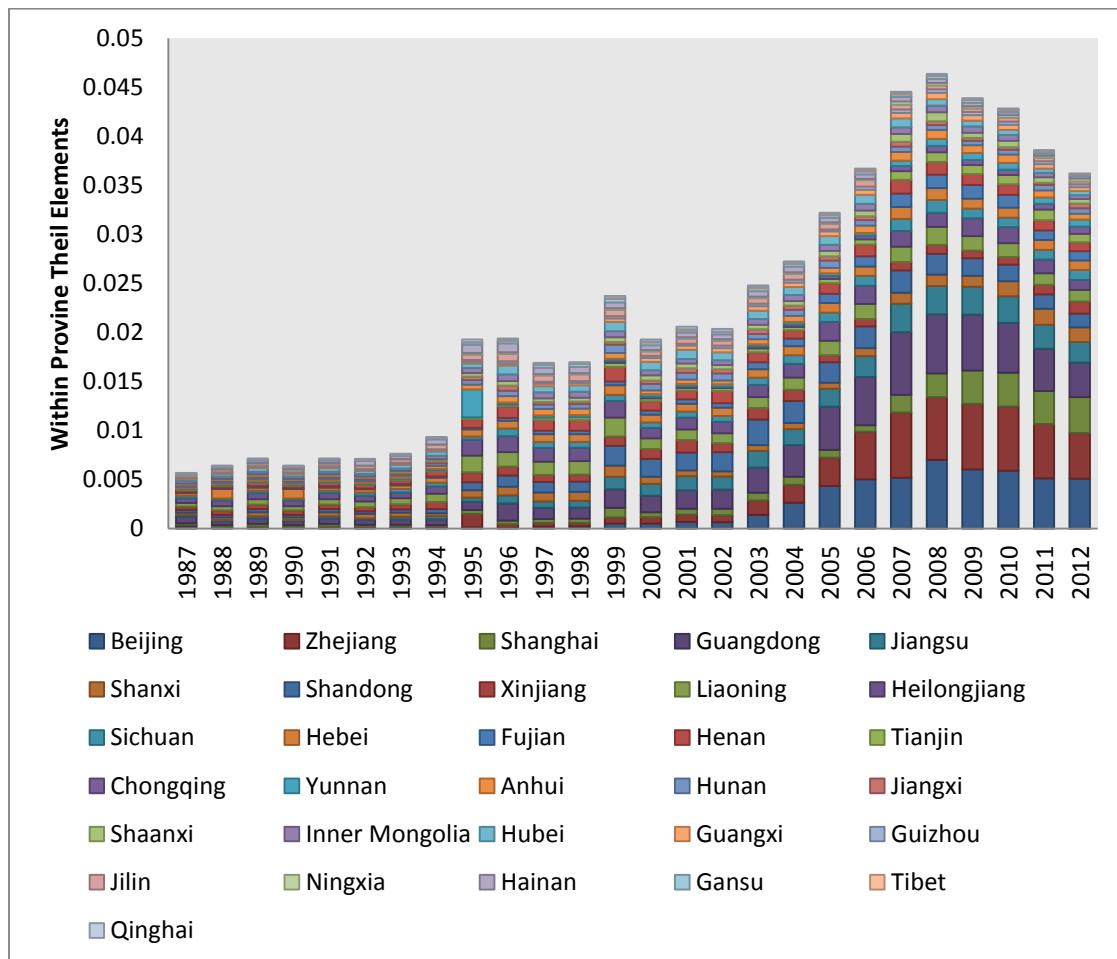
The rise of Beijing is not surprising. First, Beijing, as the capital of China, was given more opportunities to attract resources advantageous to its development. Particularly, after Beijing won the right to host the 2008 Olympic Games in 2001, the total number of workers and staff in manufacturing and construction rose remarkably from 2001 to 2003. Second, wages in the financial and real estate sectors skyrocketed in Beijing from 2001 to the present, further widening the wage gap between the capital city and other locales. Third, Beijing has more jobs in relative high-wage sectors, including construction, social services, wholesale and retail trade, and education.

The contribution of Guangdong has shrunk dramatically since 2004. The decline of Guangdong is not accidental. As one of the first economic special zones in China established in 1980, Guangdong has attracted huge amounts of foreign investment and capital in support of its economic development. Guangdong was viewed as the country's hub of manufacturing for export in the 1980s. The average wage in Guangdong Province was much higher than the national average. However, with the rapid rise of Shanghai, Jiangsu, and Zhejiang in the 1990s, Guangdong has gradually lost its advantage in manufacturing, and the mean wage in Guangdong has become less attractive. Therefore, it is observed from Figure 4-2 that Guangdong's contribution to overall wage inequality has significantly shrunk since the early 2000s. While the rich regions prosper in their own ways, the poor provinces suffer alike. Almost all poor areas, located mostly in western and central China, are dominated by agriculture and heavy industry.

Even though between-province inequality has played a more dramatic role in the rise of overall inequality, within-province inequality still deserves a close look. Within-province inequality is measured as the sum of each province's between-sector inequality weighted by the province's share of the national wage. Figure 4-4 presents the wage-

weighted contribution of each province to overall within-province wage inequality. Not surprisingly, Zhejiang, Beijing, Guangdong, Shanghai, and Jiangsu remain the major forces widening the wage gap. During the 1990s, the contributions of these five regions to overall within-province (between-sector) inequality were relatively small, fluctuating between 14 and 18 per cent. However, since 1999 they have risen dramatically. Only within a decade, the total contribution of these five regions has jumped from 22 to 56 per cent. This phenomenon implies that the wage difference between economic sectors in these rapidly developing regions is much higher than that in the rest of China. More intuitively, it means that not every economic sector gains in rich provinces. The underdeveloped economic sectors remain poor even in the rich regions.

Figure 4-4. Contribution of provinces to between-sector inequality within province from 1987 to 2012²³



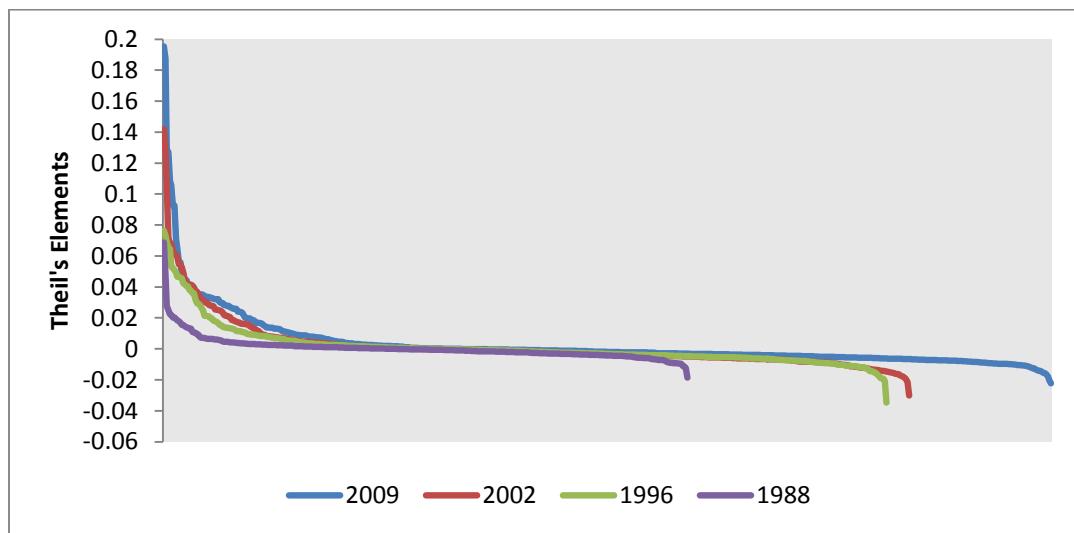
Source: China's Statistical Yearbooks and author's calculations.

Figure 4-5 presents sector-province Theil elements ranked by size in 1988, 1996, 2002 and 2009. The sector-province Theil element refers to the between-sector within province Theil's T statistics and sector now is the subgroup within province. Simply put, it represents the contribution that a particular sector within a particular province makes to the overall inequality. As Figure 4-5 shows, there is a marked tendency for inequality

²³ The old version of Figure 4-4 (1987- 2009) was cited in Wenjie Zhang's master thesis "The relationships between crime rate and income inequality: Evidence from China."

grows at the tails of sector-province distributions in these selected years, indicating that rising inequality might be largely attributed to the rise of a particular sector in a particular province. The length of each curve represents the number of sector-province cells in a particular year. China reclassified its industrial sector categorization twice, first in 1994 and again in 2004. Therefore, the length of each curve is different.

Figure 4-5. Contribution to inequality (sector-province cells) in 1988, 1996, 2002 and 2009



Source: China Statistical Yearbooks and author's calculations.

Table 4-1 and 4-2 further explore sector-province Theil elements by exemplifying the contribution of sector-province to overall inequality again in single years 2009, 2002, 1996 and 1988. Positive numbers mean that the average wage in this cell is higher than the national average while negative numbers stand for a lower mean wage. In each table, the top ten contributors from above and below are both listed. It is interesting to see that the pulling forces from both directions have changed significantly over two decades. In 1988, the farming sector in Hebei province was the biggest contributor to overall wage inequality, which indicates that the difference between the pay of people employed in

farming sector in Heibei province and the pay of people employed in the same sector but in different provinces was the largest in 1988, compared to other sector-province difference. Correspondingly, the biggest losers were people working in the farming sector in Heilongjiang province. As reform deepened, it is observed that the top ten contributors became less diversified than they were in the 1980s.

In 1996, the biggest winners were workers and staff in the banking and insurance sectors in Guangdong. Meanwhile, Guangdong province and Shanghai had four places among the top ten, respectively. The other two were taken by Beijing. However, this situation has changed since 2002. Beijing outshone all other provinces and municipal cities. In 2009, while Beijing took seven places among the top ten sectors with the highest wages, Guangdong stepped down from the pinnacle of ranking. Taking a look from below, we see that losers remain losers. The populations of Henan and Heilongjiang, two interior and traditionally agricultural provinces, are not better off even as the economies of other provinces take off. In addition, this observation confirms one of our hypotheses that not every economic sectors gain in rich provinces. The dramatic rise of Beijing or Shanghai may only be attributed to the rapid development of a handful of sectors, such as high-tech related sectors, financial sectors and service sectors.

Table 4-1. Province-sector contribution to overall wage inequality (2009 vs. 2002)

			2009			2002
1	Beijing	Information Transformation and Computer Science	0.19542	Beijing	Other	0.14176
2	Beijing	Leasing and Business Services	0.18779	Beijing	Social Welfare	0.12814
3	Beijing	Wholesale and Retail Trade	0.12867	Beijing	Scientific Research	0.10462
4	Beijing	Culture Sports and Entertainment	0.12718	Beijing	Wholesale and Retail Trade	0.07189
5	Beijing	Financial Intermediation	0.10851	Beijing	Real Estate	0.06826
6	Beijing	Scientific Research Polytechnic Services	0.10561	Beijing	Bank and Insurance	0.06784
7	Heilongjiang	Financial Intermediation	0.09269	Shanghai	Bank and Insurance	0.06305
8	Shanghai	Financial Intermediation	0.09268	Shanghai	Wholesale and Retail Trade	0.06174
9	Beijing	Real Estate	0.07114	Shandong	Excavation	0.06057
10	Beijing	Hotel and Restaurant	0.06480	Guangdong	Real Estate	0.05945
580	Zhejiang	Leasing and Business Services	-0.01375	Henan	Real Estate	-0.01605
581	Henan	Culture Sports and Entertainment	-0.01416	Shandong	Wholesale and Retail Trade	-0.01619
582	Henan	Financial Intermediation	-0.01418	Hubei	Farming	-0.01636
583	Shandong	Financial Intermediation	-0.01474	Henan	Construction	-0.01701
584	Hebei	Financial Intermediation	-0.01553	Shandong	Manufacturing	-0.01745
585	Henan	Public Management and Social Organization	-0.01561	Henan	Healthcare	-0.01786
586	Tianjin	Services to Household and other Services	-0.01643	Henan	Education	-0.01875
587	Shandong	Wholesale and Retail Trade	-0.01784	Henan	Government	-0.01958
588	Henan	Wholesale and Retail Trade	-0.02021	Henan	Wholesale and Retail Trade	-0.02145
589	Liaoning	Farming Forestry Animal Husbandry Fishery	-0.02219	Heilongjiang	Excavation	-0.03016

Source: China's Annual Statistical Yearbooks and author's calculations

Table 4-2. Province-sector contribution to overall wage inequality (1996 vs. 1988)

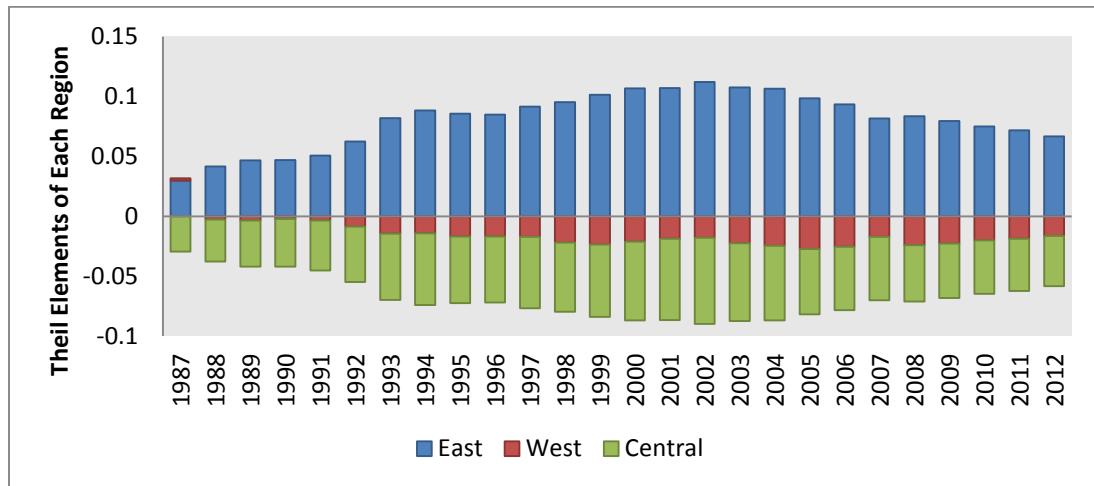
			1996			1988
1	Guangdong	Bank and Insurance	0.07623	Hebei	Farming	0.06857
2	Shanghai	Bank and Insurance	0.07312	Guangdong	Real Estate	0.04781
3	Guangdong	Social Welfare	0.06883	Guangdong	Wholesale and Retail Trade	0.02782
4	Shanghai	Others	0.06555	Shanxi	Real Estate	0.02505
5	Beijing	Social welfare	0.06455	Xinjiang	Mining	0.02240
6	Shanghai	Wholesale and Retail Trade	0.05313	Guangdong	Finance	0.02202
7	Guangdong	Real Estate	0.05222	Beijing	Real Estate	0.02026
8	Guangdong	Wholesale and Retail Trade	0.05098	Guangdong	Transportation	0.02022
9	Beijing	Bank and Insurance	0.04927	Shanghai	Transportation	0.01928
10	Shanghai	Social Welfare	0.04661	Shanghai	Wholesale and Retail Trade	0.01837
471	Heilongjiang	Bank and Insurance	-0.01465	Guizhou	Real Estate	-0.00916
472	Sichuan	Electric Power	-0.01528	Heilongjiang	Real Estate	-0.00917
473	Sichuan	Transportation	-0.01546	Heilongjiang	Wholesale and Retail Trade	-0.00918
474	Henan	Others	-0.01664	Hubei	Farming	-0.00942
475	Heilongjiang	Social Welfare	-0.01759	Sichuan	Farming	-0.00954
476	Henan	Wholesale and retail trade	-0.01878	Guizhou	Education	-0.00960
477	Liaoning	Bank and Insurance	-0.01912	Guizhou	Transportation	-0.01111
478	Shandong	Others	-0.01928	Henan	Healthcare	-0.01124
479	Heilongjiang	Farming	-0.02092	Henan	Wholesale and retail trade	-0.01233
480	Heilongjiang	Others	-0.03470	Heilongjiang	Farming	-0.01855

Source: China's Annual Statistical Yearbooks and author's calculations

To examine further the spatial characteristics of China's wage inequality, the wage and employment data have been regrouped based on a broad geographical classification. According to China Statistical Yearbook 2010, China can be divided into three large geographical zones: east, west and central. The East includes nine provinces and three municipal cities: Liaoning, Beijing, Tianjin, Hebei, Shandong, Jiangsu, Shanghai, Zhejiang, Fujian, Guangdong, Guangxi and Hainan. The west region includes Xingjiang, Qinghai, Gansu, Ningxia, Shaanxi, Sichuan, Chongqing, Guizhou, Yunnan and Tibet. The central region consists of Heilongjiang, Jilin, Inner Mongolia, Shanxi, Henan, Anhui, Hubei, Hunan and Jiangxi. On the basis of this geographical division, the Theil's T index of the east, west and central regions were recalculated; the Theil Element between the three regions was also recalculated. The result is a new picture of wage inequality across China.

Using the same technique as applied in Figure 4-2, Figure 4-6 presents the contributions of east, west and central China to the overall wage inequality from 1987 to 2012. It is evident that the average pay in eastern regions is much higher than the rest of China. Both western and central regions have average wages that are lower than the national average. Compared to the other two regions, sectors within the central provinces have the lowest wages.

Figure 4-6. Contribution of East, West and Central to overall inequality (1987 to 2012)



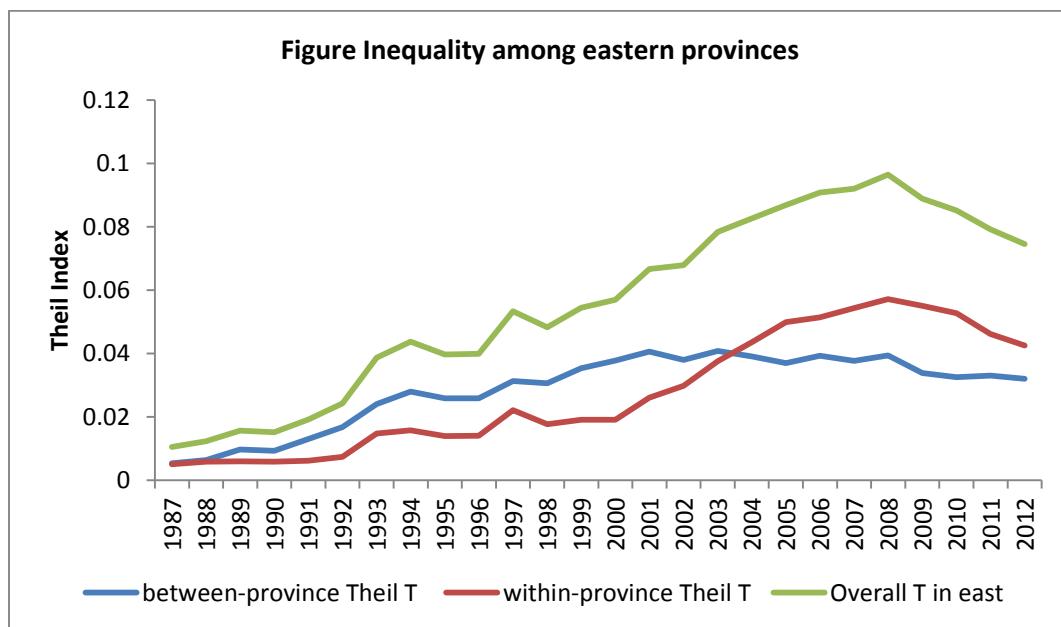
Source: China Statistical Yearbooks and author's calculations.

Next we examine each region and explore determinants of wage differences in the east, west and central China, respectively. Figure 4-7, 4-8, 4-9 and 4-10 present several profiles of wage inequality in three large geographical units. As Figure 4-7 shows, the pattern of wage differences among eastern provinces follows the same trajectory as the national wage inequality grows. Meanwhile, within east China, between-province inequality was a bigger contributor than within-province inequality before 2004. Since 2005, the two dimensions have diverged: within-province inequality continued rising and between-province inequality started to decline. However, this pattern did not occur in western and central regions. Within western and central China, the variation between provinces is very small, whereas wage differences within provinces are significant. This observation indicates that there is no obvious difference in average pay between poor regions. The poor remain poor. However, even within each under-developed region, the average pay is considerably different between sectors. It is also remarkable that since 2008, the within-province wage inequality in all three regions has shown a declining tendency, probably as a result of the global economic downturn, which severely hit the

most prosperous sectors like financial intermediation and real estate as well as sunset industries like manufacturing in China.

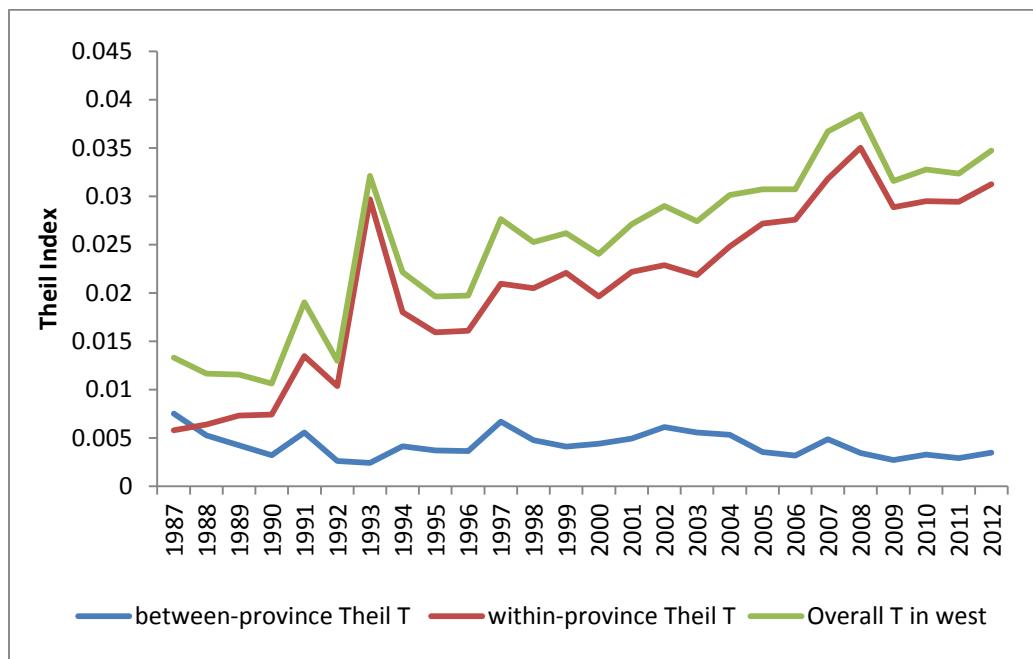
Figure 4-10 displayed the inequality between and within regions. Some interesting findings can be drawn from this figure. First, it confirms our previous findings that wage variation within three different regions is getting larger, particularly in East. This may be due to the fact the eastern region contains both the richest communities, such as Beijing and Shanghai, as well as the poorest provinces, such as Liaoning, where many ill-performing, state-owned enterprises are concentrated. Second, the between-region wage inequality was relatively smaller than the inequality within a specific region (namely the east) after 2003, but the tendency has declined since, which mirrors that of Figure 4-1. This observation indicates that wage gap between East, West and Central have gradually shrunk.

Figure 4-7. Inequality among eastern provinces (1987 to 2012)



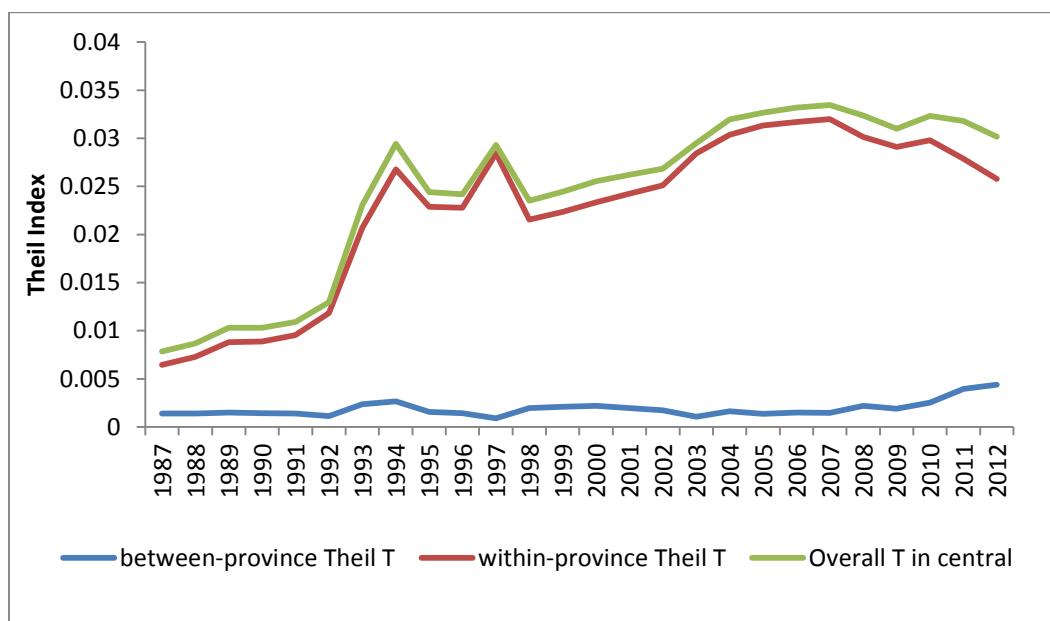
Source: China Statistical Yearbooks and author's calculations.

Figure 4-8. Inequality among western provinces (1987 to 2012)



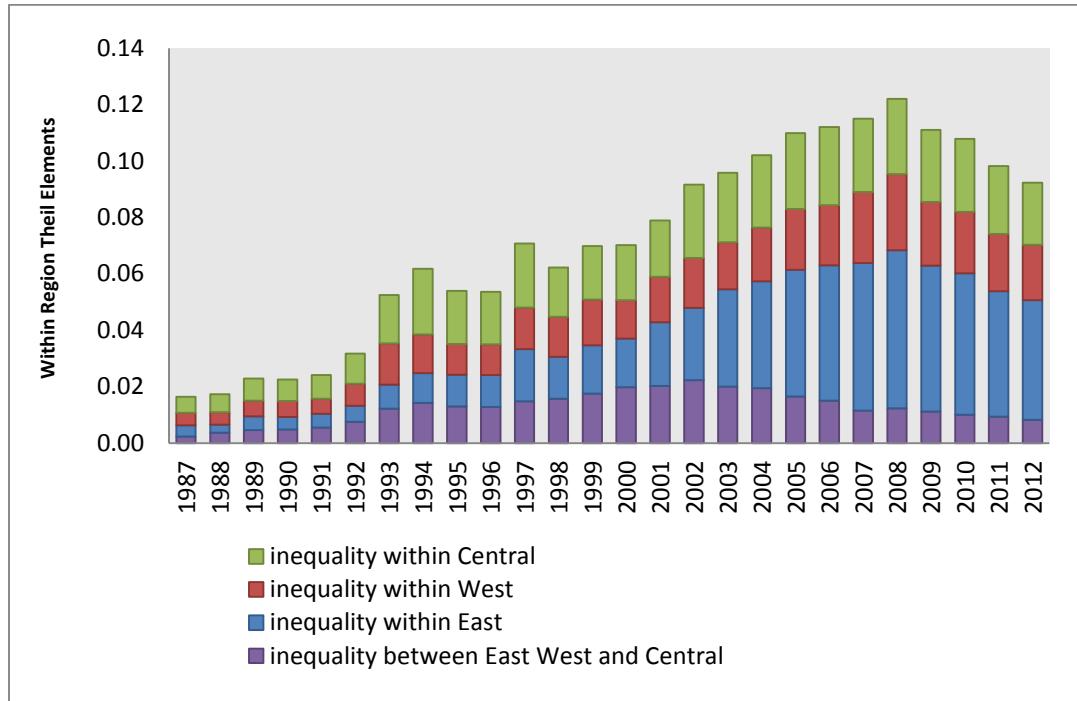
Source: China Statistical Yearbooks and author's calculations.

Figure 4-9. Inequality among central provinces (1987 to 2012)



Source: China Statistical Yearbooks and author's calculations.

Figure 4-10. Income-weighted between sector inequality with regions (1987 to 2012)

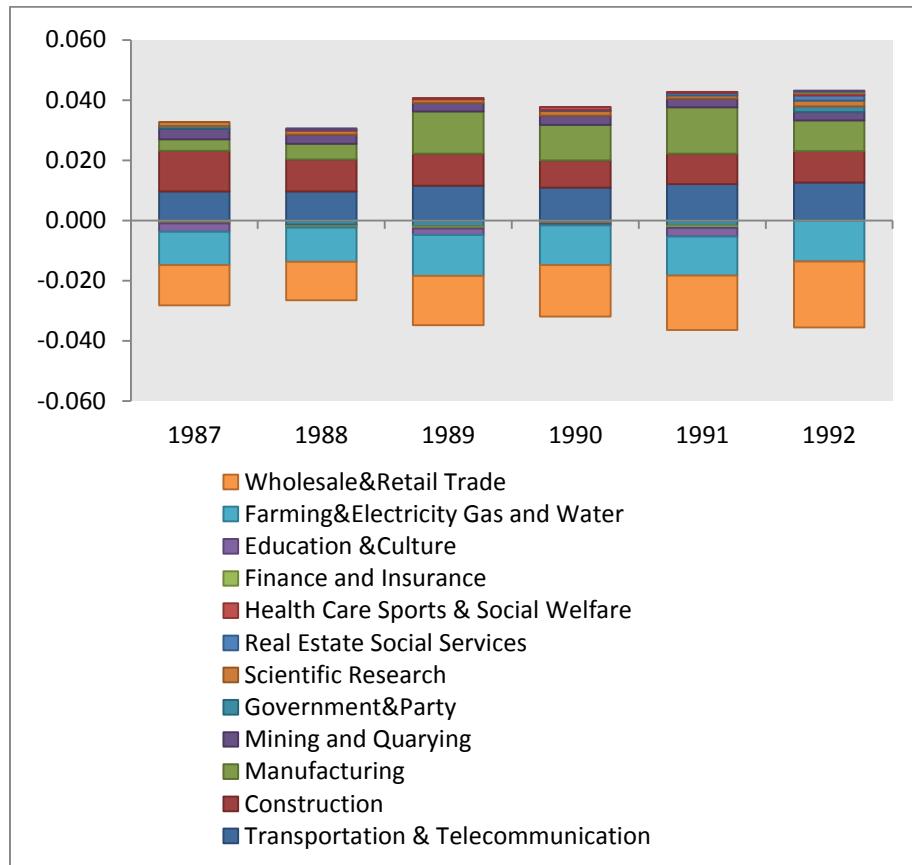


Source: China Statistical Yearbooks and author's calculations.

Although geographical distribution plays a considerable role in China's wage inequality, the sectoral factors' impacts should not be overlooked. In particular, since 2007, when between-sector inequality replaced the between-province component as the major contributor to overall wage inequality, the analysis of China's sectoral wage inequality has had more realistic meaning. Figures 4-11, 4-12, 4-13 and 4-14 display the contributions of each economic sector to inter-sectoral inequality from 1987 to 2012. Although the variation in earnings across provinces is much larger than the variation in earnings between sectors, there is substantive difference in the structural dispersion of earnings. According to Figure 4-11, during the 1980s, transportation, construction and manufacturing were major contributors to wage inequality between sectors due to relatively high wages in those sectors. However, this pattern began to change in 1993. During the 1990s, the original high wage industries, such as manufacturing and

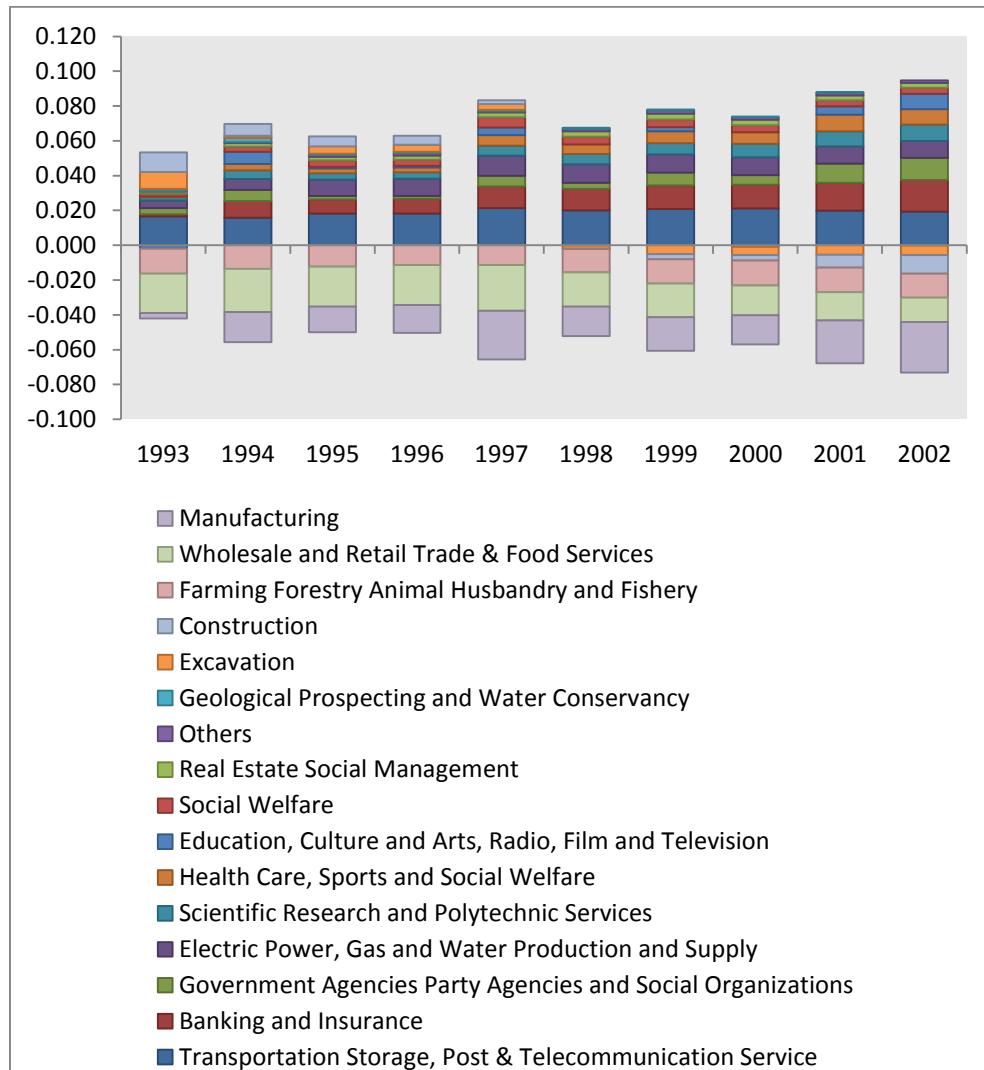
construction, gradually lost their advantages and started to be replaced by a handful of other economic sectors, such as transportation & telecommunications, banking and insurance, and electric power, gas and water production and supply, as the new high wage industries. From 2003 to 2007, the financial and intermediation sector is, without any doubt, the biggest winner, followed by IT, government agencies and scientific research. The top three losers are manufacturing, construction and farming. Since 2008 the rising tendency of between-sector wage inequality has been halted. As Figure 4-14 shows, after 2008 there is a steady decline of the wage variation between sectors. The financial and intermediation sector is still the top contributor to between-sector wage inequality during this period. However, the sector of public management and social organizations has stepped down from its pinnacle. It is evident that the Chinese economy has experienced significant structural change over the past two decades. China has relied more on tertiary industries than on primary and secondary industries. Furthermore, it is remarkable that financial sectors are always winners, neck and neck with high-tech sectors, research-related sectors and transportation & telecommunication sectors.

Figure 4-11. Theil Elements for Sectors in China from 1987-1992



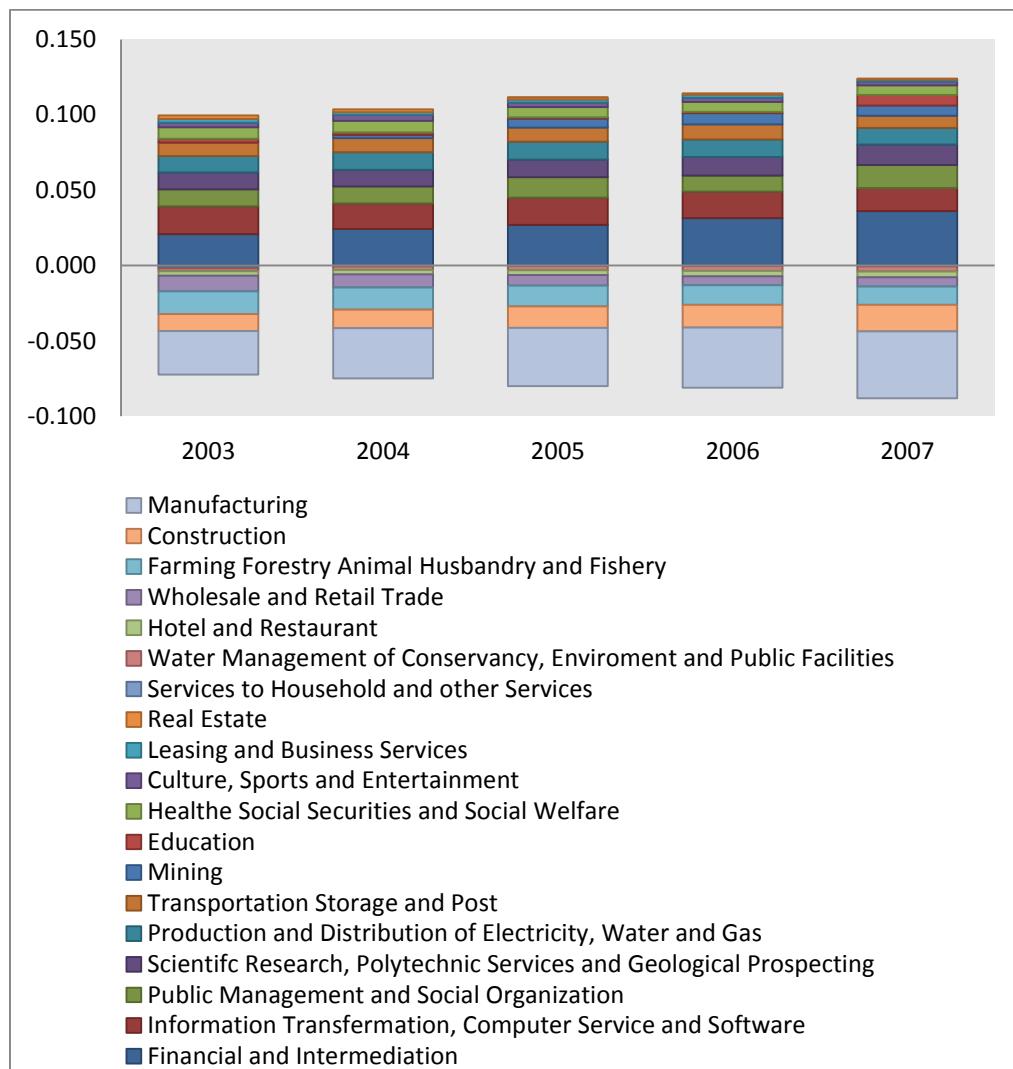
Source: China's Statistical Yearbooks and author's calculations

Figure 4-12. Theil Elements for Sectors in China from 1993-2002



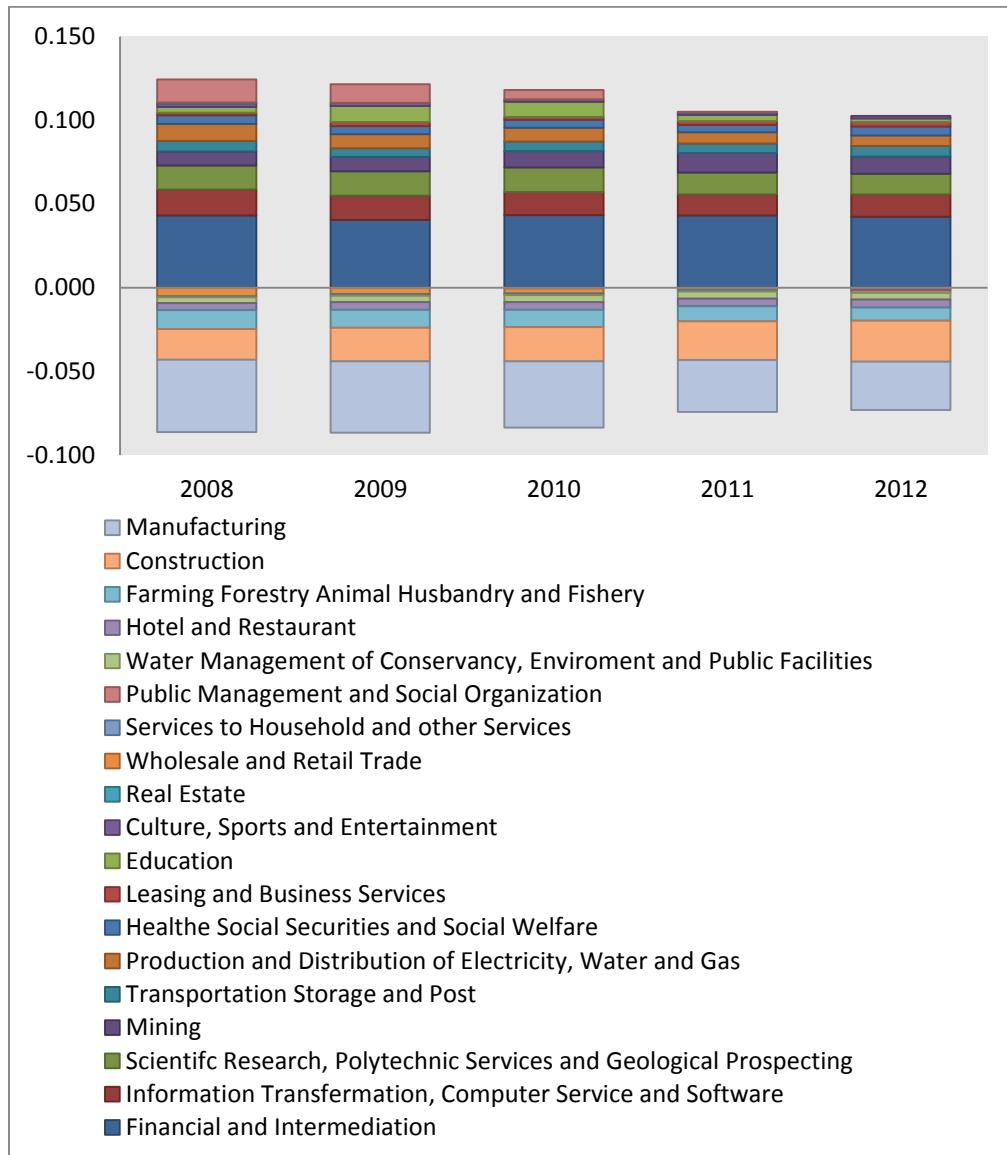
Source: China's Statistical Yearbooks and author's calculations

Figure 4-13. Theil Elements for Sectors in China from 2003-2007



Source: China's Annual Statistical Yearbooks and author' calculation

Figure 4-14. Theil Elements for Sectors in China from 2008-2012



Source: China's Annual Statistical Yearbooks and author' calculation

Kuznets (1955) argues that the source of between-sector inequality increase could be the result of either – or both – changes in relative average wage between different sectors or changes in the distribution of the population across sectors. In addition, it should be noted that changes in wages or employment may have different impacts on inequality in high and low-wage sectors. High-wage sectors refer to sector whose average

wage is higher than the national mean whereas low-wage sectors are sector that have average wage lower than the national mean. Generally, in the high wage sector, inequality will increase when average wages increase; inequality will decrease when average wages decrease. In contrast, the tendency is the opposite in low wage sectors. In addition, the change in employment share will also impact the change in inequality. The increase in employment share in either high-wage or low-wage sectors will cause inequality to rise, while the decrease in employment in either high-wage or low wage sectors will lead to the decline of inequality. Therefore, the compositional change of wage and employment share exerts different impacts on inequality in high-wage sectors and low-wage sectors. For example, if both relative wage and employment share in high-wage sectors increase, inequality will rise. However, if both relative wage and employment share in low-wage sectors increase, it is hard to determine whether inequality will rise or drop. The impact of employment growth may offset the improvement in relative wage. Similarly, if both components experience a decrease in low-wage sectors, the trend of inequality will also be hard to determine. Further investigation will be needed. If the decreasing rate of relative wage is more rapid than that of employment share, then inequality will increase. In contrast, if the decreasing rate of employment share is much faster than that of relative wage, then inequality will increase accordingly. For high-wage sectors, it is much simpler. If relative wage increases and employment share drops, inequality will increase since fewer people share an increasing amount of wages. If relative wage drops and employment share increases in high-wage sectors, inequality will decrease since more people share a decreasing amount of wages. Table 4-3, 4-4 and 4-5 show the changing pattern of the relative average wage and employment share over three time periods.

From 1993 to 2002, nine sectors experienced dramatic increases in both relative average earnings and employment share. They are: 1) banking and insurance, 2) real estate and social management, 3) education and culture, 4) health care and sports, 5) electric power, gas and water production and supply, 6) scientific research and polytechnic services, 7) social welfare, 8) government agencies, party agencies and social organizations, and 9) transportation storage and telecommunication services. These are all sectors that have average wages higher than the national mean. Therefore, they are all components above the zero line in Figure 4-8, which pulls inter-sectoral inequality from above. Among them, the banking and insurance sector and the real estate sector saw the most rapid growth in both relative wage and employment share, which, to a large extent, reflects the financial boom and real property prosperity of the 1990s in China. Conversely, the low-wage sectors, such as manufacturing, construction, wholesale and retail trade, farming, excavation and geological prospecting and water conservancy, all declined considerably in both dimensions. But shrinking employment in these sectors cannot offset the dramatic decrease in their relative earnings. Therefore, they continue widening the inequality gap from below.

Table 4-3. Relative average wage and employment share changing pattern in 16 China Sectors from 1993 to 2002

	The percentage change of relative average wage	The percentage change of Employment Share	The impact on inequality
High wage-sectors			
Others	70.87%	67.54%	Increase
Banking and Insurance	58.61%	40.81%	Increase
Real Estate Social Management	56.00%	56.44%	Increase
Education, Culture and Arts, Radio, Film and Television	47.86%	43.49%	Increase
Health Care, Sports and Social Welfare	47.11%	38.46%	Increase
Electric Power, Gas and Water Production and Supply	44.79%	42.22%	Increase
Scientific Research and Polytechnic Services	41.36%	21.68%	Increase
Social Welfare	39.10%	37.86%	Increase
Government Agencies Party Agencies and Social Organizations	35.00%	30.60%	Increase
Transportation Storage, Post & Telecommunication Service	6.25%	4.30%	Increase
Low-wage sectors			
Wholesale and Retail Trade & Food Services	-78.13%	-74.35%	Increase
Excavation	-52.33%	-22.40%	Increase
Manufacturing	-49.39%	-33.78%	Increase
Construction	-47.00%	-8.38%	Increase
Farming Forestry Animal Husbandry and Fishery	-37.91%	-17.20%	Increase
Geological Prospecting and Water Conservancy	-22.47%	-6.59%	Increase

Source: China Statistical Yearbooks and author's calculations.

As presented in Table 4-4, real estate, leasing and business services, scientific research, public management, IT, and construction all gained employment share and increased relative earnings. It is noteworthy that even though relative average earnings in construction improved from 2003 to 2007, this improvement was not enough to counteract wage inequality resulting from an increase of new jobs in this, the only low-wage sector represented above. The relative wage and employment share in low-wage sectors like agriculture, wholesale, food services, water management and household services all shrank. Similarly, the rate of the employment shrinking in these sectors was unable to counterbalance the dramatic decrease in their relative earnings. Furthermore, while the average wage decreased in water management and manufacturing, employment share in both sectors gained. This compositional change in low-wage sectors kept deteriorating between-sector wage inequality. For high-wage sectors, average wages increased in financial intermediation and education, but employment share decreased by a small percentage. It is also observed that the relative pay in public management and social organizations decreased while the employment share increased from 2003 to 2007. This might, to large extent, reduced its impacts on rising inequality. However, this small impact did not play a significant role in hampering the growing tendency of inter-sector inequality. Thus, between-sector wage inequality continued to rise from 2003 to 2007.

Table 4-4. Relative average wage and employment share changing pattern in high-wage and low-wage sectors from 2003 to 2007

	The percentage change of relative average earnings	The percentage change of employment share	The impact on inequality
High-wage sectors			
Financial Intermediation	17.94%	-0.37%	Increase
Public Management and Social Organization	-2.55%	0.54%	Decrease
Real Estate	10.07%	21.97%	Increase
Leasing and Business Services	11.11%	17.95%	Increase
Scientific Research, Technical Services and Geological Prospecting	6.15%	1.01%	Increase
Public Management and Social Organization	3.61%	0.91%	Increase
Information Transmission Computer Service and Software	3.43%	17.50%	Increase
Health Care, Sports and Social Welfare	7.32%	1.48%	Increase
Culture, Sports and Entertainment	-2.44	-12.05%	Increase
Education	0.37%	-2.93%	Increase
Low-wage sectors			
Construction	3.91%	12.37%	Increase
Agriculture, Forestry, Animal Husbandry and Fishing	-43.14%	-29.97%	Increase
Wholesale and Retail Trade	-27.27%	-34.29%	Increase
Hotel and Restaurants	-15.53%	-1.33%	Increase
Water Management of Conservancy Environment and Public Facilities	-11.67%	1.27%	Increase
Services to Households and Other Services	-7.89%	0.00%	Increase
Manufacturing	-0.12%	5.99%	Increase

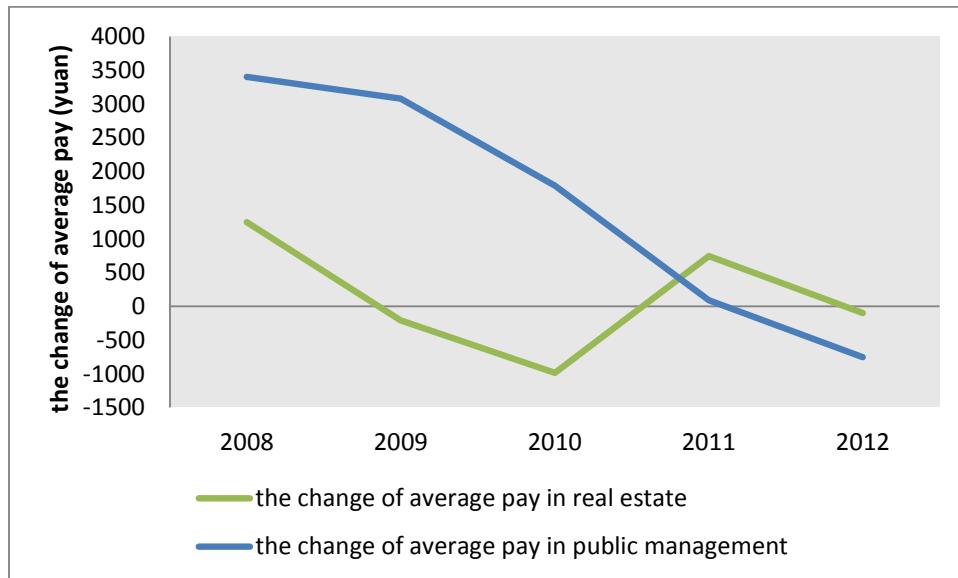
Source: China's Annual Statistical Yearbooks and author's calculations

As Figure 4-1 illustrates, over the third period from 2007 to 2012, between-sector wage inequality exhibited a declining tendency. To further determine the factors that have driven the decline of inter-sector wage inequality, we present the changing pattern of relative wage and employment share during this period in Table 4-5. From Table 4-5, it is observed that while half of high-wage sectors continued pulling inequality from above, the other half of high-wage sectors, such as production and distribution of electricity, education, culture-related sectors, mining, all declined in both dimensions, which led to a narrowing trend in wage inequality between sectors. From below, the picture is very blurred with many uncertainties. Construction, wholesale and retail trade, and hotel and food services all gained momentum in average earnings and employment share, contributing to a reduction in inter-sector inequality. Manufacturing encountered a rise in relative average wage and a decline in employment share, which also lead to declining inequality. In the farming sector, more people left as the average earning continued to drop, which ironically resulted in narrowing the inter-sector wage gap. For the rest of the low-wage sectors, such as water management and services to households, the declining rate of relative average wage is faster than the declining rate of employment share, which may lead to a slight increase in inequality.

It is also interesting to note that real estate and public management related sectors have changed from high-wage sectors in 2007 to low-wage sectors in 2012. Therefore, it is hard to determine their impacts on the changing pattern of inter-sector inequality. More evidence is needed. As illustrated in Figure 15, the average pay in real estate fluctuated from 2008 to 2012. In 2008, the average pay for real estate is 1,248.6 yuan higher than national average. Then it dropped significantly in 2009 to 209.2 yuan lower than national average pay. It continued declining in 2010 to 987.6 yuan lower than national mean. The average pay in real estate rebounded in 2011 to 744.9 yuan higher than national mean.

But it dropped below national average pay again in 2012. Although the average pay in real estate increased every year in this period, it increased at a slower rate than the national average. The same happens to the sector of public management and social organizations. The increasing rate of average pay in public management and social organizations is also much smaller than that of the national average pay. Therefore, it is observed from Figure 4-15 that the average pay in public management and social organizations has encountered a continuous decline since 2008. In 2012 it even dropped below the national average. Since both relative average and employment share of public management and social organization shrank from 2008 to 2011, it contributes to the decrease in between-sector inequality.

Figure 4-15. The change of average pay in real estate and public management



Source: China's Annual Statistical Yearbooks and author' calculation

Table 4-5. Relative average wage and employment share changing pattern in high-wage and low-wage sectors from 2007 to 2012

	The percentage change of relative average earnings	The percentage change of employment share	The impact on inequality
High-wage sectors			
Financial Intermediation	22.99%	27.21%	Increase
Leasing and Business Services	4.35%	-10.70%	Increase
Scientific Research, Technical Services and Geological Prospecting	3.24%	9.05%	Increase
Information Transmission Computer Service and Software	4.40%	16.98%	Increase
Health Care, Sports and Social Welfare	1.55%	3.51%	Increase
Transport, Storage and Post	-11.86%	-13.42%	Decrease
Production and Distribution of Electricity, Gas and Water	-20.56%	-13.41%	Decrease
Culture, Sports and Entertainment	-18.75%	-13.46%	Decrease
Education	-18.96%	-16.41%	Decrease
Mining	-2.87%	-9.61%	Decrease
Low-wage sectors			
Construction	63.66%	56.84%	Decrease
Wholesale and Retail Trade	25.35%	10.45%	Decrease
Hotel and Restaurants	13.98%	12.23%	Decrease
Agriculture, Forestry, Animal Husbandry and Fishing	-30.07%	-34.12%	Decrease
Manufacturing	1.55%	-4.83%	Decrease
Services to Households and Other Services	-18.42%	-8.89%	Increase
Water Management of Conservancy Environment and Public Facilities	-7.50%	1.27%	Increase
Public Management and Social Organization	-20.14%	-8.25%	More evidence needed
Real Estate	28.78%	36.36%	More evidence needed

Source: China's Annual Statistical Yearbooks and author's calculation

The impacts of rising wage inequality on Chinese society and the responses of Chinese policymakers

Wage inequality is not an isolated phenomenon. Economic reform was its catalyst; wage inequality gained momentum as reform deepened and it peaked in 2004. As an inevitable byproduct of economic reform, the enlarging wage gap has had tremendous impacts on China.

At the early stage of economic transition, a certain level of wage inequality was actually good in supporting China's development. First and foremost, wage inequality broke the equally-impoveryed status quo existing since the founding of New China; it gave ordinary Chinese hope of rising up from and out of poverty. Just as Deng Xiaoping's favorite slogan, "Let some get rich first; then the rest will follow," accurately captured the mood of Chinese society at the time. Like many Eastern European societies that traded socialism for market-oriented economies, China showed increasing normative support for economic inequality (Kelly and Zagorski, 2005). Especially influenced by the government-promulgated principle "more pay for more work," Chinese people came to believe that income distribution is the legitimate reward of education, occupational achievement and job performance (Kelly and Evans, 2008). Therefore, wage differentials became a socially acceptable phenomenon and an important factor in inspiring the unprecedented pursuit of material prosperity across the country particularly at the early phase of economic reform.

Another positive impact of wage inequality is that it has triggered an unprecedented wave of labor migration, which, in turn, has fueled China's three decades-long, economic boom. Generally speaking, labor migration in China is the result of both economic and political changes. In the pre-reform period, the *hukou* registration system restrained the free flow of the population and the labor force. Realizing the disadvantages

of this registration system in the context of market-oriented economic reforms, the government chose to dismantle it incrementally. As *hukou* system has been gradually lifted, regional wage disparities have become one of the major drivers of labor migration.

Many studies of Chinese internal migration confirm the important role of regional income disparities in initiating migratory flows, which is directly derived from neoclassical economic theory (Cai, 2000; Du, 2005). According to Harris and Todaro (1970), one of the driving forces behind labor migration is wage differentials between sending regions and receiving regions, which in turn mirror wage and welfare disparities. As Du (2005) describes, as China's embrace of a market economy ushered in widening wage gaps between regions; regions with labor surpluses, extremely low wages, and poor social services generated an upward-moving stimulus to regions with labor-intensive economies, high market wages, and good social services. Meanwhile, considering the huge demand of labor in fast developing places and redundant labor in underdeveloped areas, Chinese policymakers also encouraged migration by lifting institutional barriers, giving rise to a hike in labor migration. The number of migrant workers has grown dramatically from two million in the late 1970s to 30 million in the late 1980s. This figure has almost quintupled from 1989 to 2009 (see Table 4-6). China's labor migration is not sporadic and disordered. Its formation, direction and volume have been tremendously influenced by regional and sectoral (or structural) factors. Recall Table 4-1 and 4-2 that display the contribution of a specific sector within a specific region to overall wage inequality. As both tables show, regional disparities are much more spectacular than structural disparities in China. Even in the same sector, wages are remarkably different across regions. People in the same sectors, but in different provinces, earn significantly different wages. From the viewpoint of labor migration, wage differences construct important incentives for people to move across provinces.

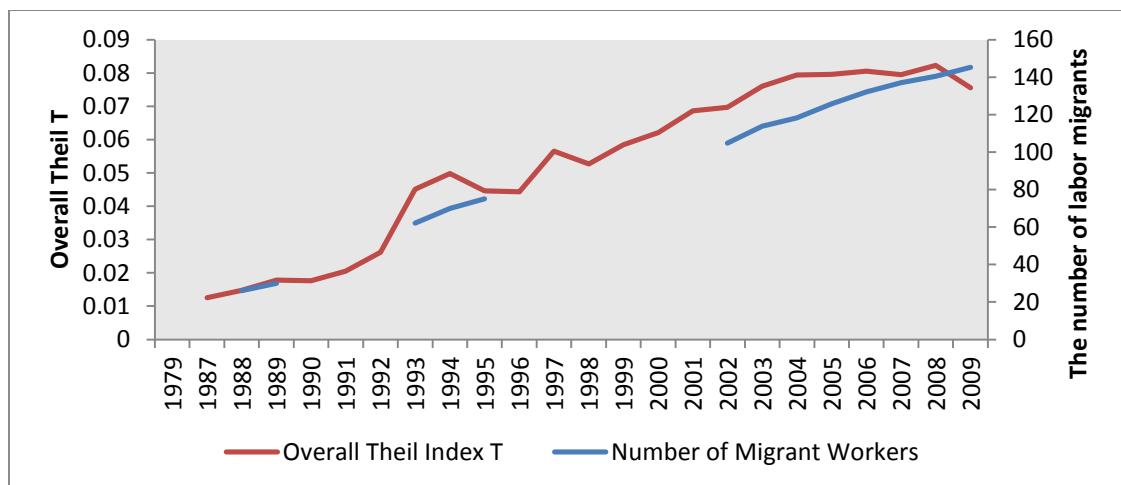
Table 4-6. Number of migrant workers in China (1979-2008) in millions

1979	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998
2	30	N/A	N/A	52.8	62	70	75	N/A	N/A	79.8
1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
N/A	N/A	N/A	104.7	113.9	118.2	125.8	132.1	137	140.4	145.3

Data Source: China's National Bureau of Statistics

Figure 4-16 presents trends of both labor migration and wage inequality in the past two decades. It is clear that the rise of migrant workers follows a similar trajectory as wage inequality grows. Just as Cai (2000) contends, examining regional disparities is key to understanding spatial patterns of internal migration in China.

Figure 4-16. The number of migrant workers and the evolution of income inequality (1979-2009)

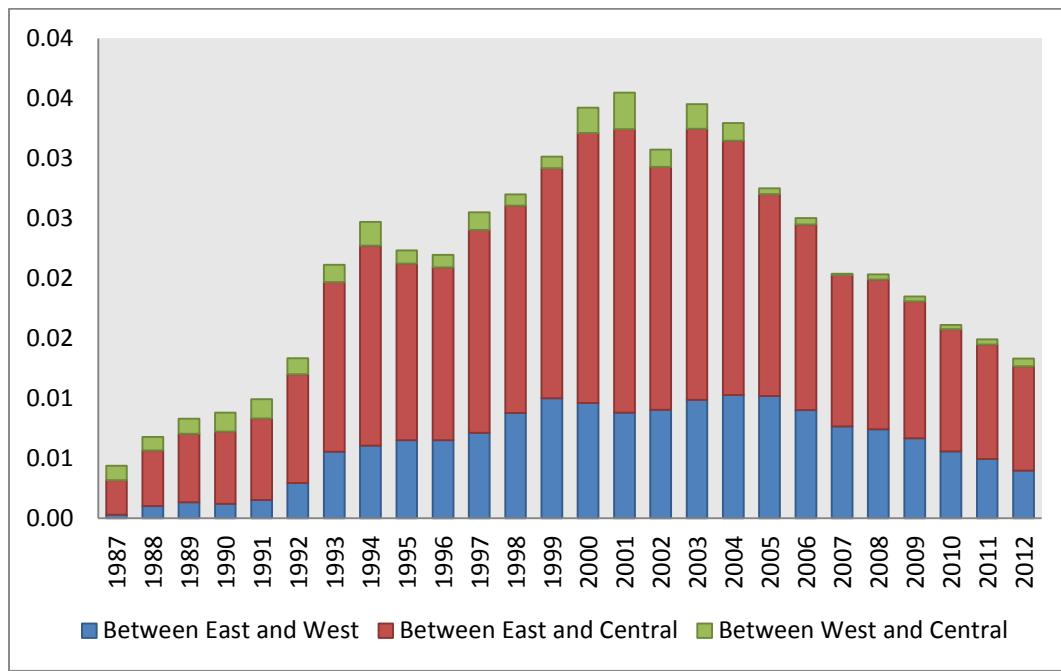


Source: China's Annual Statistical Yearbooks and author' calculations

The eastern coastal region, which benefits from the policies of special economic zones, has become the biggest beneficiary of market-oriented economic reforms and the most popular destination of labor migrants. In contrast, the central region is the largest source of migrant workers, having the highest labor out-migration rate and volume, followed by the western region. Given that wage difference is the key driving force behind labor migration, it should be noted that the greatest variation of Theil elements is

between eastern and central regions, followed by Theil elements between the east and the west. The variation of inequality between the central and western regions is the smallest. This is demonstrated in Figure 4-17.

Figure 4-17. Between-region wage inequality from 1987 to 2012.



Source: China's Annual Statistical Yearbooks and author' calculations

Although low-level wage inequality, at the embryonic stage of reform, played a relatively positive role in terms of awakening markets and bolstering economic growth, it has generated huge downward pressure on the social and political stability of Chinese society. Even though China's population has a high tolerance for inequality, public resentment of the rich has displaced the public's interest in or focus on their expectations for material prosperity through reform. In spring 2010, a spate of violent attacks against schoolchildren in some eastern provinces of China was reportedly motivated by wage

inequality.²⁴ The first assault was committed by a retired doctor, who explained in his death note that his behavior was driven by a desire to take revenge on the rich. The following four killing sprees were all committed by unemployed or under-employed adult males, most of whom admitted that they were inspired by the doctor and thought killing was the most effective way to express their anger at rising inequality and heightened authorities' concern about the plight of the poor. These attacks were only the tip of the iceberg. Massive labor strikes that broke out in Guangdong province in 2010 were initiated by ill-treated migrant workers who bristled at low wages, social injustice and the lack of authentic rights.²⁵ In addition, as an increasing number of migrant workers pour into the eastern coastal areas, the receiving and managerial capacities of the destination provinces and municipalities have been taxed significantly. Skyrocketing inequality has become an important trigger of violent crimes in China in recent years.

Figure 4-18 presents a time-series plot of China's crime rates for each province from 1987 to 2007. It is evident that in most rich provinces and municipal cities, like Beijing, Shanghai, Guangdong, Zhejiang and Fujian, the crime rates have increased significantly during this period. In contrast, most interior poor provinces and major migrant sending regions like Shaanxi, Sichuan, Jiangxi, Hebei and Shandong, have relatively low crime rates that have not changed much over time. This observation is also confirmed by plotting provincial crime rates over years in Figure 4-19. It is easy to capture the variation of China's crime rate among 31 provinces.

²⁴ For more details about these assaults against school children, please read news entitled "Fifth deadly attack on a school haunts China" from *New York Times* at <http://www.nytimes.com/2010/05/13/world/asia/13china.html>

²⁵ For more details on the strikes of Chinese migrant workers in Guangdong in 2010, please read news entitled "36 pay strikes over 48 days in Guangdong" from *The Washington Post* at <http://chinawatch.washingtonpost.com/2010/07/36-pay-strikes-over-48-days-in-guangdong-1.php>

Figure 4-18: China's crime rate by province from 1993 to 2007.²⁶

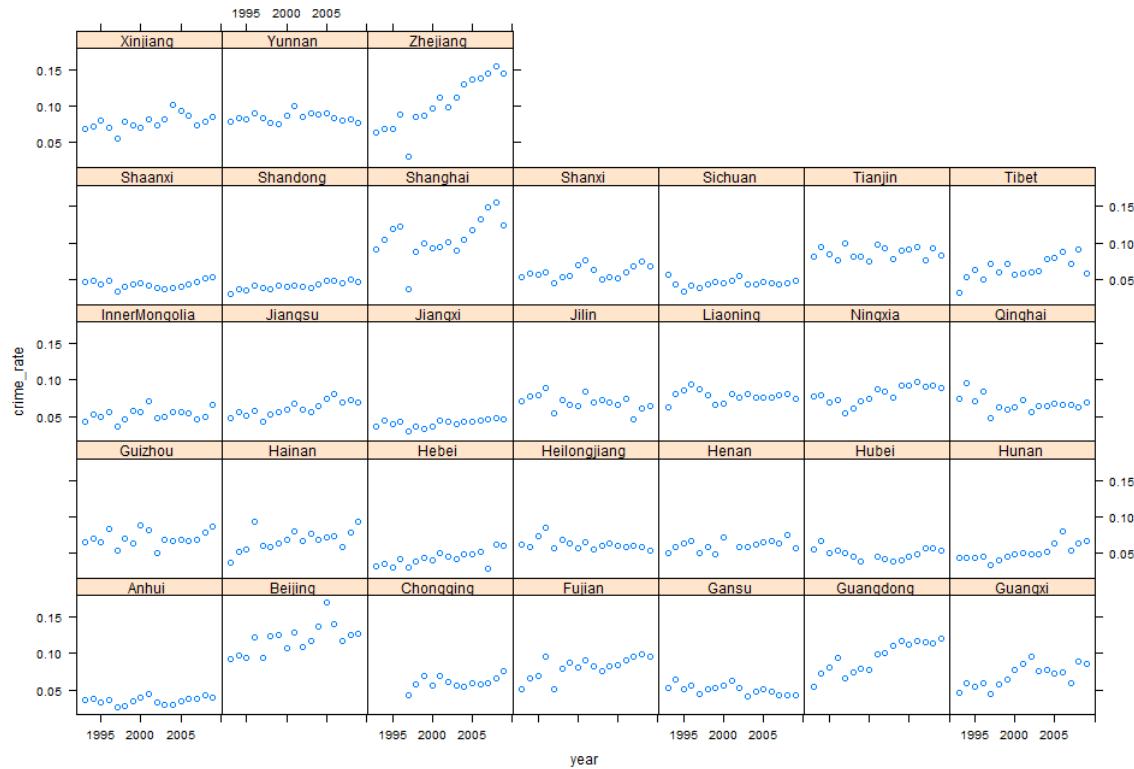
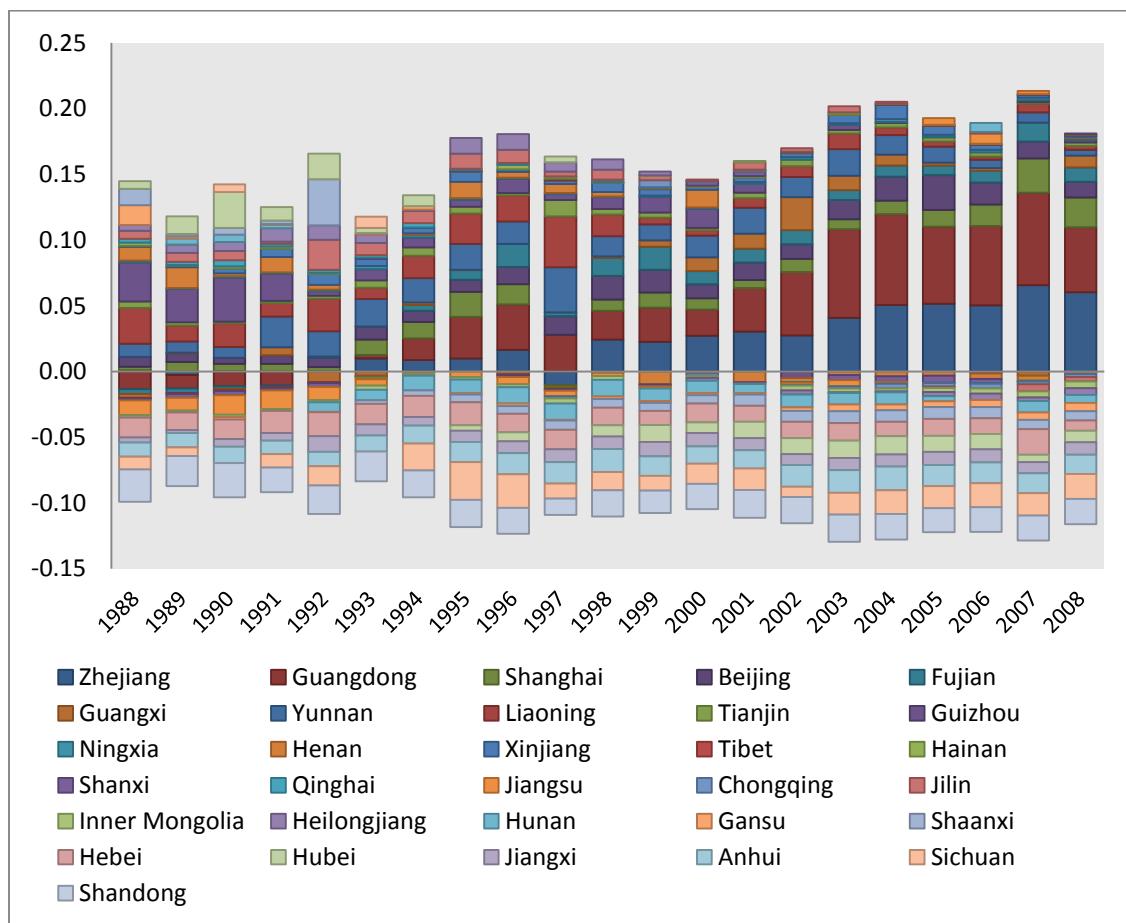


Figure 4-19 illustrates variations in China's crime rate among 31 provinces using the same technique as Figure 4-2 does. The changing pattern is even much clearer. Each bar represents a year and each segment represents the contribution of a province to overall variations of crime rate in that year. Each segment reflects both the population weight of the province and the ratio between the average number of provincial crimes and the average number of national crimes. Contributions greater than zero indicate provinces with mean crime rates above the national average. Contributions below zero indicate provinces with crime rates below average. Take year 2008 as an example. The largest positive contribution (Zhejiang) is placed next to the zero line, while the largest negative

²⁶ Figure 4-18 was cited in the author's master thesis (Aug. 2013), entitled *The relationships between crime rate and income inequality: Evidence from China*.

(Shandong) is placed at the bottom of the bar. According to Figure 4-19, it is easy to see that the five regions in China with the highest crime rates are all provinces and municipal cities with the highest wage inequality and that are major receiving regions of migrant workers. This is not a coincidence.

Figure 4-19. The changing inter-regional dimensions of Chinese crime inequality (1987-2008)²⁷



Source: China's Annual Statistical Yearbooks of Law and author' calculations

Examining the impact of intra-provincial regional inequality on crime rate in China, Cheong and Wu (2013) argue that between-province inequality is positively

²⁷ Figure 4-19 was cited in the author's master thesis (Aug. 2013), entitled *The relationships between crime rate and income inequality: Evidence from China*.

correlated with the crime rate. Cao and Dai (2001) also contend that the widening income gap is one of the important causes of the crime upsurge in China, and that urban crimes especially are closely related to the increasing number of rural migrants in the cities. To explore further the relationships between inequality and crime rate, we build a multivariate hierarchical fixed effects model²⁸. We aim to run a series of linear regressions of wage inequality against crime rate, controlled by some socioeconomic variables, such as GDP, the rate of urbanization, unemployment rate and education. This practice helps to examine the impact of rising inequality on occurrence of crimes. The model is presented as below:

$$\text{Crime} \sim \text{inequality} + \text{GDP} + \text{unemployment} + \text{urbanization} + E1 + E2 + \text{region} + \varepsilon$$

$$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + \alpha \text{ region} + \varepsilon$$

where Y represents the crime rate. X_{1-6} represents the annual inequality index, annual GDP per capita, annual unemployment rate, annual urbanization rate and two education levels²⁹. We omit the high education level, since it can be represented by $1 - E1 - E2$. The inclusion of all three variables will cause issues of independence. β_i is fixed and does not have probability distributions. α represents the parameter of region and it is fixed. “Region” is an indicator variable, indicating three regions of China: East, West and Central. We expect that the relationships between crime rate and urban wage inequality are positive. We also expect that the relationship between crime rate and urbanization rate might be positive, since more people residing in urban areas will lead to more crimes. A similar pattern between unemployment rate and crime rate is expected to be observed as

²⁸ The following regression analysis was also carried out in the author's master thesis (Aug. 2013), entitled *The relationships between crime rate and income inequality: Evidence from China*.

²⁹ Education is categorized into three levels: the percentage of population with primary school education, the percentage of population with middle school and high school education and population with college education or above.

well. Moreover, more people with low-level education are likely to breed more crimes. Table 4-7 summarizes the regression results of the hierarchical model. As is shown in Table 4-7, inequality has a positive impact on crime rate and it is statistically significant with P-value less than 0.001. Urbanization rate and lower education also have a positive effect on crime rate and they are statistically significant as well. GDP, by contrast, has a negative impact, but it is not significant. The adjusted R² equals to 0.9473, indicating that the hierarchical model fits the data well.

Table 4-7: Regression outputs from the multivariate hierarchical model³⁰

	Estimate	Std.Error	t-value	Pr(> t)	
inequality	5.82E+00	9.69E-01	6.004	3.71E-09	***
GDP	-1.74E-07	1.51E-07	-1.15	0.2506	
unemployment rate	-7.41E-04	9.26E-04	-0.8	0.4243	
urbanization rate	6.64E-02	8.33E-03	7.977	1.04E-14	***
E1	2.91E-02	1.16E-02	2.505	0.0126	*
E2	-1.26E-02	1.03E-02	-1.224	0.2214	
factor(region)1	2.54E-02	1.08E-02	2.364	0.0185	*
factor(region)2	1.37E-02	1.07E-02	1.281	0.201	
factor(region)3	2.70E-02	1.11E-02	2.44	0.015	*

Signif. codes: 0 ‘***’ 0.001 ‘**’ 0.01 ‘*’ 0.05 ‘.’ 0.1 ‘ ’ 1

Multiple R-squared: 0.9483, Adjusted R-squared: 0.9473

F-statistic: 909.8 on 10 and 496 DF, p-value: < 2.2e-16

Likewise, when testing the relationships between the petition rate and inequality as well as between the rate of massive incidents and inequality, similar results are exhibited. It implies a simple logic – the more unequal, the more unstable. The more unstable, the faster legitimacy diminishes. Undeniably, skyrocketing wage inequality has become the greatest irony facing Chinese leaders who have always rallied for “fairness” and “equality” as the traits that make socialism superior to capitalism. Chinese scholars also recognize growing inequality as the greatest social problem undermining social

³⁰ The regression results were cited in the author’s master thesis (Aug. 2013), entitled *The relationships between crime rate and income inequality: Evidence from China*.

stability and the ruling authority of the CCP (Wan, 2003; Lu, 2006; Zhang, 2006; Ma and Wang, 2007; Zhang and Zhou, 2007; Peng *et.al*, 2008; Su and Lu, 2009; Zhang, 2010).

In response, Chinese policymakers promulgated a series of measures in early the 2000s to tame the growing wage gap, including the Great Western Development Program, increasing government spending on poverty relief, increasing the minimum wage in all provinces, promoting fiscal and taxation reform, improving social safety network, etc. Some measures have been effective; others remain experimental.

In 2001, the Chinese government embarked on the Great Western Development Campaign covering six provinces, five autonomous regions and one municipal city. This program was aimed at boosting economic development in the vast interior regions on the one hand and narrowing the gap between eastern and western regions on the other hand. After a decade of development, positive effects are evident. First, as Figure 4-1 and Figure 4-10 show, between-province wage inequality started to decline two years after the initiation of the program. Second, a large number of labor migrants chose central and western China as their destination instead of eastern coastal regions. According to the *2009 Peasant Workers Monitoring Survey* by the NBS, even during the current recession there are about 21.77 million workers in central China and 29.43 million workers in western China in 2009, up by 33.2 per cent and 35.8 per cent from 2008, respectively. The increasing tendency of migrant flow to western and central regions greatly reduced the potential instability of previously receiving regions that have shown signs of saturation and diminished absorption ability.

Chinese policymakers have also attempted to improve the current social welfare system in order to protect vulnerable populations such as migrant workers. In 2003 the State Council issued "*The opinion on stepping up the management and services for the floating population,*" which marked the beginning of implementing measures to improve

the rights of labor migrants. In 2006, another document “*Some opinions on resolving the problems faced by migrant workers*,” was published, prescribing guidelines, principles and policy actions for improving migrant workers’ status. It carried great importance for diminishing discrimination and protecting migrant workers’ rights and interests. Since then, most cities have embarked on new social programs to gradually incorporate migrant workers into the urban social welfare system. From economic perspective, an improving social safety network meets the economic goals of increasing economic efficiency and competitiveness by providing cheaper social services. From political perspective, it also attains the goal of the Chinese government to buffer relentless impacts of widening wage gap by offering more secure living conditions to population with high potential instability. A detailed analysis on this specific topic will be presented in Chapter 5.

The preceding section provides a general overview of China’s rising inequality during the transitional period in order to offer the audience a closer look into one of severest threats to the CCP’s ruling legitimacy. In nutshell, China is confronting a severely imbalanced economic situation, which emerged in the early 1990s and peaked in 2004. It was mainly caused by the wage spike in certain municipal cities and eastern coastal provinces as economic reform deepened. In recent years, the sectoral factors have contributed more to enlarging the wage gap than have geographical determinants. The nationwide financial and real estate boom have accelerated between-sector wage inequality since 2005. Although between-sector wage inequality has declined since Hu and Wen came to office, overall inequality remains very high. While propelling economic growth at the early stages of economic reform in terms of catalyzing the overwhelming labor source, the rapid rise in inequality poses extreme challenges to the ruling authority of China’s leaders and potentially threatens the legitimacy base of the CCP.

In 2005 then-President Hu Jintao started to promote his favorite catchphrases, “Scientific Development” and “Harmonious Society,” to emphasize the importance of balancing development with fairness and social justice. Here is an excerpt from a speech he delivered at Yale University in 2006:

“We will work to strike a proper balance between urban and rural development, development among regions, economic and social development, development of man and nature, and domestic development and opening wider to the outside world. Greater emphasis will be put on addressing issues affecting people’s livelihood, overcoming imbalances in development and resolving key problems that have occurred in the course of development.”³¹

The idea of constructing a harmonious society informed by scientific development serves as the ultimate goal for the CCP under Hu’s leadership. It also marks a shift of the government’s focus from economic growth to societal balance and harmony. Under these guidelines, a series of measures and campaigns have been promoted and some have become very effective in terms of taming the worsening wage inequality during Hu Jintao’s presidency. However, it doesn’t give cause for optimism. The power transition from Hu Jintao and Wen Jiabao to the new generation of leadership in 2012 has also raised new questions for China’s future strategies towards this issue. Nevertheless, it has to be particularly noted that inequality is only a tip of the iceberg. There are many other entangling social and political issues that the government has to tackle with carefully. These problems weave into the fabric of China’s economic development, resulting in public grievance towards the government at the various stages of reforms. Some grievance accumulated and eventually triggered the radical political movement, such as Tiananmen Square Protest in 1989. Some arose in a large scale and led to the deepening of social welfare reform, such as the workers’ demonstration in Northeastern provinces in

³¹ For more about this speech, please see “Speech by Chinese President Hu Jintao at Yale University,” published at Ministry of Foreign Affairs of PRC at <http://www.fmprc.gov.cn/eng/zxxx/t259224.htm>

late 1990s. Some emerged sporadically and ended up with nothing conclusive and influential, such as the kids' assaults in China's southern provinces in 2010. However, in spite of constant public resentments towards unbalanced development and further towards the authority, China has maintained relative social and political stability over past few decades. In addition to that, China has exhibited strong resilience and capability in terms of crisis management. It, without any doubt, provides a unique laboratory for exploring the ruling mechanism of the CCP to maintain economic growth on one hand and to mitigate social and political inequality on the other hand.

The next chapter will mainly focus on decoding the CCP's governing strategies during the reform era. "Stability," as a fundamental principle underlying the CCP's decision-making process will be discussed in great details. An in-depth analysis on the transformation of government functions under the leadership of Hu Jintao and Wen Jiabao is carried out to help understand the transformative nature of development and the relevant transformation of government functions. Since Hu Jintao and Wen Jiabao administration the Chinese policymakers have gradually transformed government functions from economic-oriented to service-oriented. Two models on reforming current social welfare system are applied to embody their people-centered governing philosophy and the rationale of constructing a service type of government. Policy directions and legitimacy strategies under the new leadership are also predicted.

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Chapter 5: Decoding the ruling mechanism of the CCP

INTRODUCTION

The preceding chapter presented major challenges that China encountered at various stages of economic reform. The impact of rising wage inequality on Chinese society and the CCP's response to this issue was analyzed in detail. By investigating government strategies for handling inequality, we find that Chinese policymakers pursued a governing mechanism that was not formulated in a day or two, but changed, modified, adjusted and improved based upon lessons learned from past.

In retrospect, there are several stains on the CCP's ruling history, such as the Great Famine (1959-61), the Great Cultural Revolution (1966-76), and the student protests of 1989—any of which could have dragged the country to the edge of collapse. However, the CCP did not lose its supreme authority after making these dire mistakes. Rather, it has become one of the few communist party-states that not merely survived but also exhibited resilience and robustness in its governing style. China's success represents a central puzzle about modern China: How was the ruling authority able to achieve both economic prosperity and political stability while being challenged by a variety of destabilizing factors generated during the transitional period?

Western scholars offer some explanations. Shambaugh (2008) attributes China's success to the CCP's capacity to adapt to various challenges during the transitional period. Bian, Shu and Logan (2001) explain the CCP's success as the result of its evolving criteria for political screening. They argue that besides political loyalty, education and occupational competence have played increasingly important roles in China's politics, particularly in post-Mao China. Baum (2008) contends that the consultative mechanism within the Leninist party expands the life of the CCP. Nathan (2003) attributes the CCP's survival to the unique characteristics of its authoritarian

regime, which he summed up in the concept of regime institutionalization. As Nathan states, regime institutionalization ensures the relative stability of the inner-party as well as the viability of the party. Gilley (2003) disagrees with Nathan by pointing out the limits of authoritarian resilience. Gilley argues that the power of authoritarian regimes will tend to be concentrated in a handful of individuals and misused by them. These limits of authoritarian regimes will eventually destroy the foundations of communist-ruled countries. Therefore, Gilley concludes that the success of the CCP is not because of the historical uniqueness of its authoritarian traits, but owed to the mitigation or elimination of the weakness of traditional authoritarian regimes.

This chapter is aimed at solving this puzzle by providing a new look at how the CCP utilized the idea of legitimacy in order to unify the Chinese people, to consolidate its ruling authority, and to maintain political and social stability of the entire country, particularly during the reform era. The chapter begins with a review of the evolution of the CCPs ruling mechanism under different generations of leadership. “Stability,” as a fundamental principle underlying the CCP’s decision-making process, is discussed in great detail. We argue that the CCP’s ruling mechanism has changed in light of changing circumstances, but under the guideline of “maintaining stability.” The transformation of government functions during Hu Jintao’s presidency is analyzed to help understand this changing process. As we find, since Hu Jintao and Wen Jiabao assumed office in 2002, Chinese policymakers have gradually transformed government functions from growth-based to people-centered. Two models of reforming current social welfare systems are applied to embody Hu Jintao’s people-centered governing philosophy and the rationale of constructing a service-centered government. Legitimation strategies under the new leadership are also analyzed for comparison.

THE GENERAL IMPORTANCE OF “STABILITY” IN THE CCP’S DOCTRINE AND ITS IMPACT ON FORMULATING THE CCP’S RULING MECHANISM

In November 2012, Chinese then-Vice President Xi Jinping was elected as the general secretary of the CCP at the end of the 18th National Congress in Beijing. Xi’s coronation signaled the end of Hu Jintao’s administration and the coming era of the fifth generation of the CCP’s leadership. This once-in-a-decade event is not simply a routine election of China’s nomenklatura system, but lays a solid foundation for achieving long-term stability within the Party. The election mechanism that successors are usually selected by predecessors as designated heirs allows the CCP to prevent radical changes or policy discontinuity that might occur during power transitions and to maintain the coherence of the party’s fundamental policies and guidelines.

From the first leader Chairman Mao to the current party-chief Xi Jinping, China has experienced power transitions four times, dividing the CCP’s ruling history into five generations of leadership. The first generation of leadership was literally composed of prominent and influential senior communists, but was *de facto* ruled by a paramount figure, Mao Zedong. Mao’s death officially ended Mao’s era and marked the start of the second generation of leadership with patriarch Deng Xiaoping as the core. Despite the shadow of Mao’s legacy, Deng Xiaoping, as a social reformer, opened a new era of reform. Under the guidance of Deng Xiaoping, Deng’s successors, Jiang Zenmin and Hu Jintao (recognized as the third and fourth generation of China’s leadership respectively) continued to consolidate leadership. At the current stage, the party’s leadership has been transformed from a single person’s party to the current collective leadership, which has one person identified as the core leader and supported by a Politburo Standing Committee (PSC) formed by seven or nine people. The newly-elected party-chief Xi Jinping seemed to inherit and carry forward all traditions from previous leaders except that he reduced the

PSC to seven members. These five generations of leadership are highly similar in terms of their loyalty and beliefs in Communism and their fundamental ideas to govern the country. They are also significantly different with regard to leadership composition, decision-making processes, policies favored and pursued, and governing strategies in response to legitimacy crises. However, no matter how policies are changed, modified or even abandoned, there is one thing that is never changed. It is the concern about “stability,” which is deeply rooted in Chinese politician’s hearts.

The quest for enduring stability is woven into the fabric of much of Chinese history. As early as 2500 years ago, Chinese sage Confucius placed great emphasis on the stability of a nation. He said, “Harmony is something that should be always cherished.” As the Confucian bureaucracy matured with the times, to build a harmonious society became the ultimate desire of Chinese traditional culture and political philosophy. During Mao Zedong’s era, Confucius’ thoughts were denounced by the Party. But the concern over “stability” has never been downplayed. In contrast, it has been assigned even more importance, although under the cover of orthodox Marxism and Leninism. The CCP not only recognizes stability as the top priority of the Party, but has developed a variety of policies and strategies to realize it.

Around the world, the CCP is not the only ruling authority that sticks by the principle that stability overrides everything. Russia and India – both giant neighbors of China – also believe in the stability principle. Similar to China, both endured different kinds of turmoil and chaos in recent history. However, in terms of handling crisis to preserve stability, Russia, India and China walked in three different ways. According to Albert Hirschman’s *Exit, Voice and Loyalty* (1970), there are usually two methods of confronting organizations to show one’s distaste: they can exit or they can voice. Citizens interact with nations in the same fashion. Ideally, citizens have the exit and voice options

to keep their nations in check. Free speech and the power of the press are media of voice. To leave or to discard citizenship is a method of exit. Taking up arms against the nation is the extreme action of “exit,” but this option gives citizens tremendous strength to keep states alert. This type of violent action is often taken by those who are not willing or able to leave the nation. Correspondingly, the nation also has two choices: accept or repress.

In order to maintain political and social stability, the Russian government usually chooses repression as its dominant means to deal with dissidents. Since the collapse of the former Soviet Union, the Russian Federation has been transformed into a country under a super-presidency. Shadowed by the omnipower of presidents, Russia does not enjoy genuine free speech or freedom of the press freedom. Since the voice option is not available in Russia, some people chose the alternative – to exit. For oligarchs like Boris Berezovsky and Vladimir Gusinsky, who had the money and means to exit the country, seeking political asylum from other countries is a common strategy to avoid persecution from the government. But for millions of people who live in the Caucasus and seek independence, leaving their homeland is not a choice. Thus threatened by the government but without any outlet, Caucasians had to take up arms to fight for their deprived voice. Confronting constant Chechen rebellions, what were the choices of the Russian government? Instead of seeking peaceful solutions, Russian leaders opted to repress the insurgency militarily, as evidenced in two Chechen wars in the 1990s. Even though the intention was to maintain sovereignty and thereby to ensure long-term stability, the entire country was dragged into political and economic turmoil.

India is another extreme case. In recent years, massive farmer suicides in India have received global attention. According to Raj Patel’s *Stuffed and Starved* (2006), over 17,500 farmers a year committed suicide between 2002 and 2006. Indian National Crime Record Bureau reports that only in 2009 more than 17,000 Indian farmers committed

suicide. As a newly emerging market, India is also experiencing an economic transition. During the transitional period, most Indian farmers face a variety of challenges raised by the rapidly changing economy. However, the Indian government seems to take a hands-off approach in taking care of pessimistic farmers. There is a great lack of responsible and effective policies from either central or local governments to help famers adapt to the new circumstance. Therefore, strongly influenced by Hindu-federalism and religion, suicide has become the all-in-all option for Indian farmers to permanently exit the country. Although the society is relatively stabilized without endless revolts that occurred in other countries, this pseudo stability comes at a tremendous cost of human lives.

In comparison with Russia and India, China walks in between, pursuing a mechanism with acceptance, mitigation, and repression bound together. The following section provides a detailed account of how “maintaining stability” has influenced the CCP’s ruling strategies and policymaking processes under different generations of leadership.

Mao Zedong’s era: a distorted era of pseudo stability

Mao Zedong is the most controversial leader in China’s history. China under his leadership was distorted in many ways. As the major founder of the CCP and communist China, Mao has been both loved and loathed. Although his portrait is still hung at the front gate of the Imperial City and his remains are still on display for public enshrining, criticisms over his faults and destructive impact are widely discussed in the country he built. Since his death and the fall of the Gang of Four, Mao Zedong has not been worshiped as God in China. His motives for initiating a series of mass campaigns are questioned and doubted. His radical policies in ruling this country are also revisited with skepticism.

Searching in CNKI, the largest database of China's up-to-date scholarship across the humanities and social sciences, we find that discussing Mao's wrongdoings is no longer a prohibited topic. There are 3,809 journal and newspaper articles published between 1977 and 2013 that attempt to unveil Mao's motives for supporting the Great Cultural Revolution. 1,234 journal and newspaper articles published between 1976 and 2013 discuss Mao's role in launching the Great Leap Forward Campaign. However, the discussions are not completely free of censorship. For instance, only a few journal articles summarize mistakes that Mao made at the Lushan Meeting in 1959 and his ill-advised decision to initiate the anti-rightest campaign afterwards (Liu, 1996; Wang, 1997; Yang 2002; Yu, 2004; Gao, 2012). Also, there are very few articles that fault Mao for the Great Famine (Jin, 1999; Wang, 2010; Xiao, 2011; Yan 2012). But it is still worth taking a closer look at these limited resources.

Reading between the lines, we find that Chinese scholars are walking a fine line between not-breaking the rules and expressing their thoughts truthfully. When covering controversial topics, Chinese scholars usually avoid making personal comments and arguments. Instead, they express their attitudes and thoughts by reviewing valuable historical documents, such as interviews, memoirs and dairies of the witnesses. For example, an article entitled "The Diaries of Food and Politics of Guizhou Province in 1959 and 1960" was published in the 8th issue of *Yanhuang Chunqiu (China through the Ages)* in 2010. The diary entries, dated from Jan. 1, 1959 to Dec. 31, 1960, are excerpted from the work diaries of Wang Sanmin, then head of Guizhou provincial Food Bureau. Wang's diaries not only record his extensive investigation of the food shortage in Guizhou province, but also unveil many details in the policymaking process, at both local and central levels, during the Great Famine. In his diary entry of April 3, 1959, Wang wrote,

“...The national conference of the heads of provincial food bureau is now in its third day. Complaints are everywhere. No matter that the purchase and sale of grain or its allocation and storage are on the verge of crisis, which has never occurred since 1949. The situation is unstable in the countryside of many provinces. The situation of some provinces is even worse than that of Guizhou. There are tens of thousands famine refugees running away from Hubei Province. The public canteens are unable to operate due to the food shortage and it is pretty common that the food supply has been contracted to households... When I suggested reducing the amount of grains used for grain-based liquor, Mr. Yu Jie, the head of Ministry of Food, interrupted me and commented that the amount of grain for producing *Maotai* can never be reduced.”³²

Wang stopped here and did not express any personal opinion on what he observed at the meeting. However, this short passage contains plenty of information about the famine at the time. In particular, it reflects the government’s attitude toward the food crisis in that the starving population might be less important than *Maotai*, the only designated alcoholic beverage used on official occasions in feasts with foreign leaders visiting China. Between 2007 and 2012, *Yanhuang Chunqiu*, China’s most outspoken political journal, published several similar articles on the Great Famine in order to restore the historical truth. Through the lens of these valuable historical documents, readers have the chance to learn more about this man-made catastrophe in China’s history.

There are some other bold journals and scholars broaching the topic of the Great Famine. Jin Hui published an article entitled “The Memorandum of the Three-Years of Natural Disaster” in the *Journal of Sociology* in 1993. He is the first Chinese scholar who argues that the three-year period of difficulties was actually not caused by natural disasters, but was a man-made human tragedy. By investigating China’s official statistics from the census taken in 1958 and 1964, Jin concludes that 40 million people died from the famine—double the official number of 20 million deaths announced by the government.

³² Translated by the author.

In comparison to the coverage on the Great Famine of 1959 to 1961, public discussion of the Great Cultural Revolution is less restrictive. And the arguments are more diversified. Li (1991) argues that Mao's motive in launching the Great Cultural Revolution was to prevent a Chinese drift to the west, a fear that obsessed Chinese leaders during the entire Mao era. Wei (2002) contends that Mao's support of the revolution reflects his understanding of socialism in the context of the Cold War. Yan (1998) also attributes this chaos to the Gang of Four and the decline of Mao's power in his late years. The Sino-Soviet split and its impact on triggering the Great Cultural Revolution are also widely discussed (Yu and Wang, 2002). There is also a well-accepted argument that the Great Cultural Revolution is mainly owed to Mao's personal cult and his arbitrary actions under the guise of collective leadership (Peng, 2001; Liu, 2002). Besides the public discussion of the achievements and faults of Mao Zedong, the CCP also realistically evaluates this controversial figure and his role in launching the Great Cultural Revolution. At the third Plenary Session of the 11th Central Committee of the CCP, the famous document entitled "*Resolution on Certain Questions in the History of Our Party since the Founding of the People's Republic of China*" was unanimously adopted. Although the document attributes the failures of mass campaigns since 1949 to wrongdoings in the Party's guiding ideology, the official repudiation of the Cultural Revolution largely downplays Mao's role.

What led Mao down such a destructive path for realizing his dream of communism? Much of the answers might lie in his "ruling under chaos" philosophy. This idea is clearly laid out in the letter he wrote to Jiang Qing, his wife on July 8, 1966:

"Chaos should come before peace and order. Chaos should be experienced every seven or eight years...The central task at the current stage is to defeat all monsters and demons within the Party and the country. After seven or eight years, there

will be another campaign for eradicating them...The Cultural Revolution is just a serious practice..."³³

This message clearly illustrates Mao's idea of achieving peace and stability through violent means. During the early years of Mao's reign, the newly-established communist regime had faced many threats both internally and externally. Confrontations with the West and the former Soviet Union, as well as worries of being overthrown by *Kuomintang*, tortured Mao Zedong. Thus, consolidating political stability was his primary concern. However, as a revolutionist who won the ruling authority through war, he was consumed with the idea that "Political power grows from the barrel of a gun." Even during peace, Mao Zedong continued to stick by the same governing philosophy he applied during wartime. As a result, class-struggle had become Mao's major means to realize stability. This, in fact, distorted his original eagerness for peace and stability, which ultimately evolved into a strong fear of political instability and an exaggerated self-defensiveness. Mao worried that his ruling authority would be replaced by a handful of high-ranking generals and senior communists like Peng Dehuai. Thus he started an anti-rightist movement in the mid-1950s to purge unwanted "rightists." Afraid that extreme poverty in the early years of the PRC would produce turmoil, he embarked upon the Great Leap Forward campaign in order to rapidly achieve economic prosperity. Mao was worried about the resurgence of capitalism and the liberal bourgeoisie to overturn his omnipotent authority, so he launched the Great Cultural Revolution. Unfortunately, until Mao died, the era of his imaginary peace, order and stability had not come about. In contrast, China teetered on the edge of collapse.

³³ This is the excerpt from Mao's letter to his wife, Jiang Qing on July 8, 1966, translated by the author. This letter was published by People's Daily, a newspaper run by the Central Committee of the CCP. For the full text of the letter in Chinese, please visit

<http://cpc.people.com.cn/GB/4162/64165/67447/67564/4570805.html>

Post-Mao's era: A relative stable era with unstable factors

PRC's history can be roughly divided into two phases: Mao's era and post-Mao. As presented in the previous section, China under Mao Zedong was marked by various, mass campaigns; its ruling authority rested in repression. After the ten-year chaos of the Great Cultural Revolution, the new Chinese leadership, with Deng Xiaoping at the helm, grew smarter realizing that the stability of the nation, and by implication the political viability of the ruler, are intricately bound up with the material prosperity of the population. Most importantly, this positive linkage would justify the regime legitimacy of the CCP which always regarded prosperity, peace and order as evidence of socialism's superiority over capitalism and as its ultimate goal. Thus, the government's working priority gradually shifted from class struggle to economic development. The implementation of market-oriented reform fueled not only China's meteoric growth, but also the greatest stability in its history. Promoting economic growth has become an effective measure to stave off the destabilizing factors in Chinese society (He, 2003).

Different from Mao's era, in which repression was a dominant ruling strategy, governance in the reform period was accomplished through a milder mechanism characterized by a combination of acceptance, mitigation and repression. The new governing mechanism also evolved in light of changes. At the early stage of reform, China was engulfed in a feverish pursuit of economic prosperity. Under such circumstances, rules and restrictions that hindered neo-liberal economic reform were loosened, changed or even abandoned. As a result, an ideological trend developed that favored liberalization, which Chinese leaders accepted. In particular, when Zhao Ziyang was picked by Deng Xiaoping as the designated heir to China's presidency, the political atmosphere had become extremely relaxed. Zhao Ziyang is a controversial political figure in PRC politics. Public discussion of Zhao in China is still prohibited. Zhao Ziyang rose

because of his contributions to economic reform, and he fell due to political struggles within the Party. Zhao strongly criticized Mao's policies for destroying the national economy, and was thus targeted in several assassination attempts during his term as then-head of Sichuan Province. But his success in advancing economic reform in rural areas of Sichuan earned Deng Xiaoping's appreciation and trust, and eventually bought him a ticket to the Politburo Standing Committee (PSC) of the CCP.

The rise of Zhao Ziyang is not accidental, but a logical response to economic changes in the early stages of reform. As an active supporter of economic reform, Zhao advocated the privatization of state-owned enterprises; insisted on separating the Party and the State; and sought every effective measure to broaden reform. In comparison with his enthusiasm for economic affairs, Zhao did not care much about ideological matters, which, thereupon, catalyzed the resurgence of liberalism in the mid-1980s. In the meantime, inflation caused by the overheated economy stirred public discontent with reform. The student protests in 1989 were in fact triggered by such circumstances and soon grew into a nation-wide movement with wide support from urban citizens who had been fretting over inflation, rising unemployment and corruption. Student protestors from all over the country gathered in Tiananmen Square in April, 1989, demanding free speech, democracy, political reform, human rights, and an end to government corruption.

Facing the student hunger strike, Zhao expressed sympathy for student demonstrators and attempted to establish dialogues between them and the government. Zhao's conciliatory attitude toward students did not win him Party favor, but forced him into a political struggle with party conservatives who had long opposed economic liberalization. Most importantly, Zhao's sympathy for students cost him support from Deng Xiaoping, the real decision-maker behind the curtain. Although Deng was enshrined as the chief architect of Chinese economic reform, he was still influenced by

the political legacy of Mao and thought that the survival of the Party is paramount. In Deng's mind, nothing can be accomplished without good public order, political stability and unity (Deng, 1989).

On June 29th, 1987, during a meeting with then-President Jimmy Carter, Deng affirmed the importance of maintaining political stability and expressed his stance on whether China should promote western-style political reform. He said,

“The political reform should have two components: democracy and rule of law. In China, these two are related. People tend to associate democracy with the United States, assuming that the U.S. system is the ideal democratic system. We cannot copy your system. I believe you understand that. If China adopted your system and promoted multiparty elections and separation of the three powers, there would be chaos...Our main objective is to promote development, to get rid of backwardness, to strengthen the country and to enhance people's living condition. To achieve these goals, we must have a stable political environment. Without a stable political environment, nothing can be accomplished...”³⁴

On Feb. 26th, 1989, during a meeting with then-President George Bush, Sr., Deng reiterated that “stability is the overriding priority in China.” Therefore, when encountering student demonstrations which he thought could threaten the security of the CCP, Deng interrupted and suppressed liberalizing tendencies without hesitation. On May 17th, 1989, Deng proposed to institute Martial Law to end student hunger strikes on Tiananmen Square. As Deng is reported to have said, the declaration of Martial Law was aimed at suppressing the turmoil once and for all and to return things quickly to normal. It is evident that even though economic reform brought liberalizing tendencies to China, stability was central to the CCP. Thus, anything that could undermine stability should be leashed, even if it bolstered economic reform. Repression is still an indispensable part of

³⁴ This talk was collected in *Selected Works of Deng Xiaoping, Volume III*, entitled “Nothing can be accomplished without a stable political environment”. The English version of this talk is provided by The People’s Daily.

the CCP's ruling strategy, but it is implemented only under apparent threats to political stability.

After 1989, Chinese reform entered a three-year adjustment period. This brief period of silence offered Chinese leaders an opportunity to rethink their gains and losses in the early stage of reform. Following Deng Xiaoping, Jiang Zemin also centered his leadership on ensuring political stability (Pye, 2001). During his presidency, he reclaimed the importance of Marxism and Deng Xiaoping's theories in bolstering the CCP's legitimacy and thereby stabilized the society. He insisted to "pull up by the roots all factors with the potential to cause instability." His preoccupation with stability produced bold initiatives for preserving the Party's monopoly on power. In a report delivered on October 12, 1992, Jiang Zemin said:

"To adhere to the Party's basic line, we must consolidate and expand political unity and stability. Without political and social stability, any attempt to carry out reform and the open policy and to promote economic development would be out of the question. We must adhere to the Four Cardinal Principles and resolutely eliminate all factors that might lead to unrest or turmoil in China. Conversely, if we do not take economic development as our central task and carry out reform and the open policy, and if we therefore fail to achieve economic growth, any effort to consolidate unity and stability would be out of the question. Only so long as the basic line remains unchanged and there is social and political stability shall we be able to forge ahead steadily."³⁵

As he stressed, stability is the pre-condition of economic reform and economic development. At the same time, economic growth lays a solid foundation for strengthening stability. This complementary, mutually reinforcing relationship between reform, development and stability was proposed again by Jiang in the Fifth Plenum of the 14th the CCP Congress. In his well-known report on properly handling the twelve important relationships during the course of socialist modernization, Jiang emphasized:

³⁵ The English version of the full text of this report could be found at http://www.bjreview.com.cn/document/txt/2011-03/29/content_363504_2.htm

“Reform is the driving force behind development, and the only way to our modernization. Stability is the basic premise of reform and development; if there is no stability, nothing can be accomplished. Practice has proved that the basic principle set by our party of seizing opportunities, deepening reform, expanding opening up, promoting development and maintaining stability is entirely correct. We should always follow this principle.”³⁶

In order to realize political and social stability as well as economic reform, Jiang took a very different approach to economic and political reform. On the one hand, he continued pursuing radical measures to propel economic reform by enforcing large-scale privatization of SOEs, promoting foreign trade, joining the World Trade Organization (WTO), reforming the banking system, and dismantling the old social-welfare system. On the other hand, Jiang was very much conservative in his political reforms. His strict control over the public speech and media exacerbated tensions in the political atmosphere, but did not prevent the economy from growing. By writing his most important theory “The Three Represents” in China’s constitution, Jiang Zemin ultimately made a lasting mark on PRC politics before handing over the power to Hu Jintao. Under Jiang’s leadership, political stability has been generally maintained. Two public opinion surveys on government, conducted in Beijing in 1994 and in six cities in 1999, show that the majority of people do not want any change in the current communist-led, multi-party system.³⁷ A 2002 survey by Tianjian Shi also shows that there are a high percentage of respondents who trust and support the incumbent government (Nathan, 2003). However, some scholars, like Feng Chongyi, highly question about the reliability of such surveys

³⁶ The English version of the full text of this report could be found from http://www.china.org.cn/arts/2011-06/30/content_22890344_23.htm

³⁷ In December, 1995, Chen and his colleagues, cooperating with the Public Opinion Research Institute of the People’s University of China, conducted a public opinion survey in the Beijing Region. For more details about this survey, see Chen, Jie, Yang Zhong, and Jan William Hillard. 1997. “The Level and Sources of Popular Support for China’s Current Political Regime.” *Communist and Post-Communist Studies* 30, (1): 45-64. The 1999 survey on Chinese urban residents in six cities, Shanghai, Guangzhou, Wuhan, Chongqing, Xi’an and Shenyang, was conducted by Tang, in co-operation with Research Centre for Contemporary China at Peking University. For more details, see Tang, Wenfang. 2001. “Political and Social Trends in the Post-Deng Urban China: Crisis or Stability?” *The China Quarterly*, 168: 890-909.

by pointing out that respondents usually are not willing to reveal their discontent or dislike to the government due to the fear of being prosecuted (Feng, 2013).

At the core of the fourth generation of Chinese leadership, which was chosen directly by Deng Xiaoping, former President Hu Jintao also stood firmly behind the idea that stability surmounts all. In 2005, Hu proposed his famous catchphrase “scientific development,” and endorsed the creation of a harmonious society. Along with Jiang’s The Three Represents, this proposal still expresses the leadership’s affirmative attitude toward maintaining stability. However, compared to their predecessors, Hu Jintao and Wen Jiabao’s administration pursued relatively modest and practical measures to tackle thorny social problems, which brewed and accumulated as reform deepened. These problems, such as rising income inequality, environmental degradation, urban unemployment and rampant corruption, have become potential risks hiding behind economic prosperity and bubbling under the seemingly calm surface. Once the accumulation of these problems reached a certain limit, the outbreak of unexpected incidents like the 1989 protest was inevitable.

Therefore, learning from the past, particularly from the Tiananmen Square incident, the Hu Jintao and Wen Jiabao’s administration realized the importance of a balanced development and started to pay more attention to solving social problems that accompany economic growth. Most of the newly-implemented measures, namely promoting labor migration, reforming the *hukou* system, and improving the social welfare system—particularly for migrant workers—are the major embodiments and exemplifications of the CCP’s mitigation mechanism. These policies and measures help absorb and digest social costs engendered by economic boom, and, most importantly, they serve an essential role in providing stability for the country as a whole. In his speech at the 2008 meeting commemorating the 90th anniversary of the founding of the CCP, Hu

Jintao not only emphasized the relationships between reform, development and stability in contemporary China, but, for the first time, placed “stability preservation” at the same level as “development.” Hu said,

“...To correctly deal with the relationships between reform, development and stability and to achieve unity of the three is an important guideline for our socialist modernization. Promoting development is of overriding importance; preserving stability is an overriding task. Without stability, nothing could be done and even achievements already made could be lost. Not only should all party comrades keep this in mind, but we should ask all people to remember it well.”

His speech sent a clear message to the Party that maintaining stability is critical at the moment. Concern must be heightened within the Party. Therefore, it comes as no surprise that while pacifying the society with growing public resentments, the authority does not mind employing harsh approaches to handling any “severe” social unrest, with which associated events were thought to be acts of sabotage endangering state security. For instance, in regard to some recent mass society incidents, such as the “2008 Tibetan unrest,” the “Weng’an riot 2008,” the “Shishou incident 2009,” the “Xinjiang Urmuchi 7/5 riot” and the “Yihuang immolation incident 2011”, the government took radical approaches to repress various social actors, such as forcedly deporting and detaining protestors.

In a nutshell, in tandem with mitigation as a core strategy and repression as a complementary means, China, during Hu’s term, entered a new era in which economic growth was accompanied by contained instability. However, many Chinese scholars pointed out that the CCP’s means of maintaining stability actually generated the opposite. The government entered a vicious cycle of “stability preservation,” within which stability deteriorated due to the CCP’s harsh measures which intensified social tensions (Zhang, 2011; Zhang and Su, 2011; Sun, 2012; Yu, 2012; Feng, 2013; Zhao, 2013). Therefore, Feng (2013) argues that this stability preservation at any cost actually eroded the CCP’s

legitimacy. Does his argument reflect the reality of China at the time? What role does Hu's mitigation strategy play in responding to the unexpected effects of preserving stability? The following section focuses on Hu-Wen's mitigation strategy, its formation, development, the detailed policies guided by this strategy and its impacts on Chinese society and the CCP's legitimization process. Particularly, we will explore the changing role of the Chinese government during this process.

FROM GROWTH-BASED TO THE PEOPLE-CENTERED – THE CHANGING ROLE OF THE GOVERNMENT

Disharmony amid rapid growth

Today China faces a situation in which the economy continues growing at a tremendously rapid speed on the one hand and social unrest increases dramatically on the other hand. Although instability has been contained, it still has challenged the regime and delegitimized the CCP's ruling authority.

As discussed in previous chapter, in the 1990s China saw a sharp rise in wage inequality across the country, which undermined the “fairness” principle that the CCP had always advocated. Wage inequality began to rise in 1993 and peaked in 2004 – one year after Hu Jintao came into office. The World Bank's Country Director for China, David Dollar, told Radio Australia's Asia Pacific program on March 21, 2007 that the Chinese Government faces a tough battle to close the widening gap between rich and poor. In 2007, China Daily published a report of China's income disparity, showing that China's Gini coefficient, a standard measure of a country's overall income inequality, rose to 0.473 in 2004, thus crossing the international warning line of 0.4.³⁸ This rapid

³⁸ The data is excerpted from a report of Asia Development Bank (ADB) released on Aug. 8, 2007.

rise in inequality exacerbated the problems of poverty, social injustice and social instability, thus eroding the CCP's legitimacy.

The problem of overwhelming labor migration and the government's incapability in managing it has also led to delegitimizing the CCP. In China, labor migrant workers, *nong min gong* (known as “agricultural workers”), are a special group who have been overlooked and mistreated. They always face awkward situation – they are encouraged to move to cities for work, but their presence is apparently not welcomed by the destination regions, especially when their benefits conflict with the privileges of urban residents. For example, they compete with city residents for limited resources, like water, food, living spaces, educational opportunities, etc. As a result, struggling between their eagerness to be treated equally and the awkward reality, Chinese migrant workers have become one of the most vulnerable social groups with high potential for social instability. As more and more migrant workers pour into the eastern coastal areas, the receiving and managerial capacities of the destination provinces and municipalities have been taxed. Not only crime rates, but also rates of petition, massive incidents and social protests related to migrant workers grow rapidly in areas that receive migrant workers. As presented in Chapter 4, it is already observed that the five regions in China with the highest crime rate are all major receiving provinces and municipal cities of migrant workers. It is obviously not a coincidence.

Access to data on the criminality of migrant workers is highly restricted in China. However, based on the limited data, which are collected from Chinese newspapers and academic papers over the last two decades, the hypothesis has been demonstrated (Zhang, 1992; Huang, 1999; Xu, 2008; Shi and Wu, 2010, Wang, 2010). Take 1994 as an example. The rate of migrants' crime among the total crime rate of Shenzhen, Dongguan, Guangzhou, Shanghai, Hangzhou, Wenzhou, Nanjing, Beijing and Tianjin were 97%,

85.4%, 69.2%, 53.6%, 50%, 48.6%, 47%, 46.2% and 30% respectively (Huang, 1999). Take the city of Suzhou as an example. Suzhou is one of the largest cities in Jiangsu province, where the biggest industrial park is located. The ratios of migrant workers committing crimes relative to the total crime rate in the industrial park are 86%, 81% and 84% in 2007, 2008 and 2009 respectively (Wang, 2010). As the major component of urban poverty, Chinese migrant workers should receive careful consideration. It is not only because their existence creates huge downward pressures on social and political stability, but also because the issues of migrant workers casts doubt on the ruling party, which advocates that fairness and justice are fundamental to justify the CCP's legitimacy (Lu, 2008).

Besides inequality, corruption has contributed to the people's growing disillusionment with the CCP. From the 2006 social security fund scandal to the most recent decline of Bo Xilai, the CCP has faced heightened public resentments towards its ruling authority. Since the dismissal of Chen Liangyu, the former CCP's chief in Shanghai, the Party seemed to be very determined to revamp its corrupt image by launching a nationwide anti-corruption campaign. During this campaign, party officials at different administrative levels were removed from office and sent to prison. According to the recent report delivered by Cao Jianming, Procurator-general of the Supreme People's Procuratorate, since 2008 nearly 200,000 people have been investigated for corruption, and 6,694 have been apprehended, of whom 32 are high-ranking party officials. However, these are just overt corruption cases that could be tracked. There are still many grey zones where covert corruption is even more rampant.

In China, a privileged class has emerged, the majority of whom are party members and party-affiliated personnel. They usually take advantage of their positions and their monopoly on power to collect wealth during this transitional period. It is

reported that the privileged class in China now accounts for 0.4 per cent of the population, but owns nearly 70 per cent of the wealth. Gong Wen (2011), a scholar from Tsinghua University, recently pointed out the privileged class has eroded public confidence by exerting their influence on the policymaking process and on law enforcement, which could cause further social inequality and instability. Yao also (2002) argues that the privileged class in China has engendered widespread covert corruption, which could have far more adverse effects than overt corruption, because it engenders hopelessness among ordinary Chinese people.

The CCP's solutions

Facing with disharmony amid economic growth, the CCP has developed a two-pronged strategy in order to maintain a relatively stable society and to further sustain its ruling authority. In the short run, the CCP reserves all rights to employ radical measures to repress protests, demonstrations, or any type of social unrest that is thought to subvert its authority. However, in the long run, the heavy reliance on violent punishment to contain rising instability would be a dead end. More caution is in need for the CCP due to the sensitivity of these social problems. Thus, in order to prevent inequality from worsening, to secure the rights of vulnerable groups like migrant workers, and to maintain high-level popularity among the people, the Chinese government has come up with some moderate measures parallel with its repression strategy to handle “emergencies.” These mild measures could be summarized as a legitimization strategy – “the transformation of government functions (*zhenfu zhineng zhuanbian*).” After reviewing western scholarship on the question of the CCP’s legitimacy and its legitimization strategies, we unfortunately find that this strategy has been rarely discussed both by western and Chinese scholars, but in fact carried out by Chinese policymakers as

an effective means to enhance the Party's legitimacy. This strategy has marked a shift in government functions from growth-based to service-oriented as a response to rising problems, such as deepening income inequality, overwhelming labor migration, inadequate social services, deteriorating corruption, etc.

Under the guideline of transforming government functions from growth-based to service-oriented, a service-type of government is gradually established during Hu's term in office. A service-type government is a concept proposed by Chinese scholars in the early 21st century which soon aroused heated debate (He, 2004; Zhao and Duan, 2004; Zhao, 2007; Yuan, Yan and Liu, 2008; Tan, 2010). 4645 journal articles were published between 2001 and 2010 on the theme of building a service-type government.³⁹ Although until now there has been no consensus on the concept, some key characteristics have been identified. First, the nature of such type of government is citizen- and society-centered (Tan, 2010; Yuan, Yan and Liu, 2009; Shen, 2008). Second, the aim of constructing a service-type government is to realize the best interests of citizens and society (Yuan, Yan and Liu, 2009). Third, the guiding principle of such a government is to make sure the benefits of social progress are shared by all citizens in a fair manner (He, 2004; Liu & Duan, 2004, Liu, 2002).

The scholars' idea of enhancing the government's role in providing better public service was soon borrowed by Chinese policymakers. It was first raised in *Decision of the Central Committee of the Communist Party of China on Some Issues Concerning the Improvement of the Socialist Market Economy*, adopted at the Third Plenary Session of

³⁹ In order to provide a better comparison, we used the same collecting method that Gilley and Holbig applied in monitoring the debate on party legitimacy in China. The articles are collected from the China Academic Journals Database, which is operated by the China National Knowledge Infrastructure (CNKI) at Qinghua University, which is the largest full-text database available in the field of Chinese scholarship. The selection criterion is any article with the words "service-type government" in the title.

the 16th CPC Central Committee on Oct. 14th, 2003.⁴⁰ In February 2004, Premier Wen Jiabao officially proposed the concept of a “service-type government” for the first time when he made a speech at an advanced workshop of provincial and ministerial cadres on setting up and implementing the scientific concept of development. On March 5th, 2005 at the third session of the 10th National People’s Congress, Wen Jiabao reiterated the importance of a service-type government for China’s future and vowed to work hard to build such a government in his “*Report on the Work of Government 2005*.⁴¹ The construction of a service-oriented government reflects the core of Hu Jintao and Wen Jiabao’s governing philosophy, which is “governing for the people.” In his report delivered to the 17th National Congress of the CCP on Oct. 15, 2007, then President Hu pointed out the idea of “*min ben*,” which means to regard the people as the roots of the state.⁴² Since Hu Jintao and Wen Jiabao came to power in 2002, their administration has upheld the pro-people flag. Right after he assumed the top leadership position, Hu Jintao started to articulate his famous new “Three People’s Principles,” which is power to be

⁴⁰ This report for the first time emphasizes the importance of improving the service-function of government to improve socialist market economy. It reads that “... We should, in accordance with the requirements of coordinating the development of urban and rural areas, of different regions, of economic and social sectors and of man and nature, and of coordinating the national development and the opening-up to the outside world, ...improve the government functions of social administration and public services, and provide forceful institutional guarantee for the building of a well-off society in an all-round way. The main tasks are: ... to improve the macro-control, administration, and economic legal systems; to perfect the employment, income distribution and social security systems; and to build up a mechanism in promotion of sustainable economic and social development.” The English version of this report could be found at Law Info China at <http://www.lawinfochina.com/law/display.asp?ID=3240&DB=1&keyword=>

⁴¹ The English version of this report could be found at Chinese government official portal at http://www.gov.cn/english/official/2005-07/29/content_18351.htm

⁴² He says “we must always put people first. Serving the people wholeheartedly is the fundamental purpose of the Party, and its every endeavor is for the well-being of the people. We must always make sure that the aim and outcome of all the work of the Party and the state is to realize, safeguard and expand the fundamental interests of the overwhelming majority of the people. We must respect the principal position of the people in the country’s political life, give play to their creativity, protect their rights and interests, take the path of prosperity for all and promote their all-round development, to ensure that development is for the people, by the people and with the people sharing in its fruits.” – excerpted from Hu Jintao’s report to 17th National Congress of the CCP.

used by the people, concern to be showered on the people, and benefits to be enjoyed by the people. Later on he proposed the people-centered concept of “scientific development” at the third plenary session of the 16th Central Committee of the CCP. The main theme of this scientific outlook on development is to make economic and social development balanced and sustainable. During the 2005 National People’s Congress (NPC), Hu Jintao strengthened his people-oriented ideas by proposing further to create a “Harmonious Society”. This concept serves as the ultimate goal for the CCP under Hu Jintao’s leadership. It also marks a shift of the CCP’s focus from economic growth to overall societal balance and harmony. The commitment to constructing a service-type government concerned about vulnerable groups is just the manifestation of this concept of “Harmonious Society”. It has been formalized and embodied in the CCP’s affirmation to pursue a more balanced approach to economic development.

Scholars such as Gilley, Holbig (2010), Brady (2009), Herber and Schubter (2006) attribute Hu’s concepts of “Scientific Development” and “Harmonious Society” to a new type of ideology – another ideological rhetoric of the Party. However, they do not explore further the policy implications of such an ideology in terms of consolidating the CCP’s ruling legitimacy. Guo (2006) emphasizes that the idea “*min ben*,” which he calls “popular consent,” is well established in Hu-Wen’s governing philosophy and that it is the foundation of the CCP’s legitimacy. But Guo also does not provide concrete examples to illustrate how Hu Jintao reifies his philosophy of “governing for people” in the policymaking process. By contrast, Chinese scholars have their own perception of the CCP’s legitimacy. They also harbor a unique insight into a “service-oriented” government. Nevertheless, very few scholars recognize the significance of building such a type of government in preserving the CCP’s legitimacy. Therefore, the following

section attempts to elaborate on the concept of “service-oriented government by focusing on the reform of China’s social welfare system.

Social welfare reform – an example of transforming government’s function

The concept of “service-oriented government” is broad and it has a wide spectrum of policy implications, such as investing in basic social services and infrastructure, protecting the vulnerable, protecting the environment, enhancing the transparency of government, encouraging citizen participation, etc. However, it seems too ambitious an endeavor to analyze all policies formulated under the guideline of constructing a service-oriented government. Therefore, we only focus on one particular set of policies – the welfare policies effecting migrant workers.

As discussed in the previous section, the growing number of migrant workers emerged as a result of both economic and political factors. Since the early 1980s, when economic reform started to spur economic growth in China, many rural pioneer citizens, attracted by the lure of urban prosperity, chose to sacrifice their limited rights as rural residents in order to gain much more money by moving to cities. Meanwhile, many institutional barriers to migration were removed step by step, which led to the surge of rural-urban labor migration in the late1990s. The rise of migrant workers furthers China’s economic development, but it also challenges the existing social welfare system in urban areas. First, regardless of decreasing restrictions on migratory flows, the *hukou* system remains as China’s dominant household registration system. It controls migrant workers in many ways, such as restricting their access to urban health care, education, and other social services. Thus, the inherent conflict between a restrictive *hukou* system and self-motivated labor migration determines the ambiguous status of Chinese labor migrants (Roberts 1997). They are encouraged to move by demand-pull, supply push and networks

factors, but their presence is obviously not desired by the destination regions, especially when their benefits conflict with the privileges of urban residents. Furthermore, the longer that migrant workers have lived in cities, the more inclined they become to see themselves as urban citizens mentally.

Nevertheless, it is interesting to see that in spite of an influx of migrant workers to urban places, there have been no large-scale, national incidents like the Tiananmen protests as a result. Most social unrest among migrant workers in China has been sporadic and unlinked. Economic growth and rising social disturbances, which are originally contradictory elements, seem to coexist harmoniously in Chinese society. The relative silence of migrant workers is due largely to widespread social welfare system reforms, which the Chinese government has used effectively to cushion the impact of migrant workers' anger over unsatisfactory conditions as well as to ease the tension between migrant workers and urban citizens. In his report to leaders in the central government, Dejiang Zhang, then-Deputy Party Secretary of Guangdong Province is reported to have said,

“There are many problems occurring among rural labor migrants in Guangdong, but they are all internal conflicts among people...what they require are economic rights, not the power.”

This statement implies that the issues of migrant workers are predominantly economic. Therefore, to entitle migrant workers with economic rights will be more than enough to comfort them. The social welfare system has become the CCP's first choice for placating migrant workers in a long run.

Most cities embarked on new social programs focusing on migrant workers in the late 1990s and early 21st century as the social problems related to labor migrants have become increasingly pressing and urgent. Many city governments have gradually

included migrant workers in their urban social welfare systems. In 2003, the State Council of the central government issued “*The Opinion on stepping up the management and services for the floating population*,” which signaled the beginning of a series of measures to improve the rights of rural labor migrants. In 2006, another document, “*Some opinions on resolving the problems faced by migrant workers*,” was promulgated by the Central government. These Opinions prescribed the guidelines, principles and policy actions for improving migrant worker status; they played an important role in diminishing discrimination and protecting migrant workers’ rights and interests. Based on the articles in these Opinions, the working status of rural labor migrants should be recognized in their *hukou* books. Employers are also required to sign labor contracts with migrant workers and provide health and welfare coverage.

At the same time, a number of other efforts have been made by different levels of governments. For instance, in 2001, the State Council ordered local governments to take responsibility for providing public schooling for the children of migrant workers. In 2006, Henan province initiated a scheme, covering 92 per cent of the province, which allowed migrant workers to get medical reimbursement in their host cities. This measure, to a large extent, prohibited health providers from discriminating against migrant workers through high fees. In the same year, Shanghai entitled children of migrant workers to the same free vaccinations as urban kids. In 2007, children of migrant workers in Shaanxi started to be covered by urban medical insurance. In 2008, Beijing municipal government initiated a policy that enabled two million migrant workers from Sichuan to receive reimbursement for medical expenses. Until 2010, in Beijing there were around 300 private schools for migrant workers’ children. In July 2008, the State Council issued a new directive on the education of migrant workers’ children. According to the directive, since the fall of 2008, all fees of migrant workers’ children during urban compulsory

education have been exempted. Shanghai municipal government has also made great effort in ensuring the compulsory education of migrant workers' children. In 2010, Shanghai has become the first Chinese city to provide free education to all school-age children of migrant workers. At present, among 400,000 children of migrant workers in Shanghai, 97.3% have enrolled in elementary and middle schools.

The two models of China's newly reformed social welfare system deserve a closer look. The two models are Zhengjiang Model and Shanghai Model, both of which have been developed to improve the social welfare of migrant workers. The Zhejiang Model is known as the “double low” social insurance system for migrant workers. The double-low means “low payment” and “low benefits.” The biggest issue that usually prevents migrant workers from participating in local social welfare systems is the high premium payment. Since 2003, the Zhejiang provincial government has issued a series of documents aimed at incorporating migrant workers. For instance, in 2003, “*The Opinions on improving the “Low entry and Low benefits” pension system for workers*” was issued, which reduced premium payments for migrant worker pension programs from 22 to 12 percent for the enterprise and from 8 to 4 percent for the individual worker. The Zhejiang provincial government also required all enterprises that sign labor contracts with migrant workers to participate in occupational injury insurance programs. By the end of 2008, all migrant workers in mining and construction sectors were covered by occupational injury insurance. From 2006 to 2008, the number of people with unemployment insurance doubled, reaching a total of 12.15 million. Due to the implementation of new social welfare and insurance programs, labor relationships between workers and employers have gradually improved. According to the latest statistics, the rate of migrant workers

who are involved in social welfare related labor disputes has dropped by almost half—from 33 per 10,000 persons in 2004 to 17 per 10,000 persons in 2009.⁴³

The Shanghai Model refers to a comprehensive insurance scheme established for migrant workers, which is separate from Shanghai's main social welfare systems. The Shanghai Model was based on the No. 23 decree, "*Tentative measures of Shanghai Municipality on comprehensive insurance for non-local employees*," promulgated on July 22, 2002 by the Shanghai Municipal People's Government. This new insurance program includes three insurances, covering occupational injuries, medical and pension. The target populations are personnel from other provinces and autonomous regions who are not permanent residents of Shanghai but who do physical labor or commercial business in Shanghai. Under the comprehensive insurance, an employer pays a monthly premium of about 158 yuan (US\$19) per migrant worker. 60 per cent of the premium goes toward medical insurance, while the remainder accumulates in a retirement fund, to be paid in a lump sum when the migrant returns to his officially registered residence (Chen, 2004). For every 12 months of enrollment within a three year period, employees receive a pension card which they can redeem at retirement. By the end of 2010, 4.06 million migrant workers in Shanghai were covered under this insurance scheme, a 6.38 percent increase over 2009 (Labor Statistical Yearbook, 2010). This number accounted for 88 per cent of total migrant workers in Shanghai.

From an economic perspective, improving social safety networks meets the economic goals of increasing economic efficiency and competitiveness by providing cheaper social services. From a political perspective, it also attains the goal of the government to manage social unrest by offering more secure living conditions to the

⁴³ Data source: various issues of China Labor Statistical Yearbook from 2007-2010.

population with a high potential for instability. From an academic perspective, it provides a good laboratory for studying Hu Jintao's governing philosophy, the idea of constructing a service-oriented government in order to enhance and consolidate the CCP's legitimacy.

The Legitimation strategies under the new Leadership – What will change and what will remain?

Hu Jintao and Wen Jiabao's administration came to power in 2002 and stepped down in 2013. During its tenure, the government gradually transformed from pragmatic growth-oriented to people-centered, focused on livelihood and quality of life. The changing role of government functions reflects China's robust capacity for institutional transformation, which most developing countries lack. This capacity for change is essential because it lays the foundation for China's resiliency, sustainability, and continued development. By the end of 2012, power was handed over to the fifth generation of the CCP leadership with Xi Jinping and six other PSC members at the helm. The rise of Xi Jinping has aroused speculation about the new leadership's attitude toward economic and political reform, and domestic and foreign affairs. However, it seems too early to discuss where Xi and his colleagues will lead China during his term and whether this leadership will open a promising chapter for China's economy and politics. Will there be any dramatic policy change under Xi? What will change and what will remain? Although the policy preferences of the new leadership are still unclear, we might find some clues from Xi's several speeches after he assumed office as the Vice President of China.

On Feb. 14th, 2012, Xi Jinping, as then-vice-President of China, visited the United States and made his debut as a world leader. At the lunch reception hosted by Vice President Joe Biden and Secretary of State Hillary Clinton, Xi mentioned the issues of

human rights and corruption, both of which have been irritating headaches for the Chinese authority. He said,

“Of course, there is always room for improvement when it comes to human rights. Given China’s huge population, considerable regional diversity, uneven development, we still face many challenges in improving human livelihoods and advancing human rights. The Chinese government will always put people’s interests first, and take seriously peoples’ aspirations and demands. We will, in the light of China’s national conditions, continue to take concrete and effective policies and measures to promote social fairness, justice, and harmony and push forward China’s course of human rights...”

In the new situation, our party faces many severe challenges, and there are many pressing problems within the party that need to be resolved, especially problems such as corruption and bribe-taking by some party members and cadres, being out of touch with people, placing undue emphasis on formality and bureaucracy must be addressed with great effort.”⁴⁴

From his speech, it may be inferred that Xi would continue to carry out Hu’s “*minben*” (people-centered) concept in future policymaking. It should also be noted that combating corruption is another priority on his working agenda. This is the first time that the Chinese leader publicly talked about the Party’s corruption in a foreign visit.

In front of the press, after the first Plenum meeting of the 18th Central Committee of the CCP, the newly-elected Chairman Xi reiterated the responsibilities of the Party and the government to take care of its people, provide them more stable and better living conditions, and to tackle problems, particularly, corruption. His remarks were made clearly, concisely, and free of party rhetoric, making him more accessible to ordinary Chinese people:

“Our people love life and yearn for better education, more stable jobs, more income, greater social security, better medical and healthcare, improved housing conditions, and a better environment. We want our children to grow up well and have better jobs and more fulfilling lives. The people’s desire for a better life is

⁴⁴ The full transcripts of his speech could be found at “China confirms leadership change”, BBC on Feb. 15th 2012. Retrieved on Feb. 15, 2012 from <http://www.bbc.co.uk/news/world-asia-china-20338586>

what we shall fight for...Under the new conditions, our party faces many severe challenges, and there are also many pressing problems within the Party that need to be resolved, particularly corruption, being divorced from the people, going through formalities and bureaucratism caused by some party officials.”⁴⁵

Although Xi did not provide any concrete measures to improve people’s livelihoods or to combat corruption, the general direction of policy might be drawn. At least in a short time the government will continue delivering services in order to fulfill the people’s yearnings for a better life. And corruption will be “a defining feature of his tenure” (The Economist, 2012).

At a regular CCP disciplinary watchdog meeting held on Jan. 21, 2012, Xi Jinping vowed to combat corruption and to keep power reined within the cage of regulations. Using a vivid animal metaphor, he vowed to remove corrupt “tigers” and “flies,” at the same time implying an anti-corruption sweep from top to bottom. Until September 2013, only nine months after Xi’s coronation, nine high-ranking officials had been arrested on charges of abuse of power and accepting bribes. On July 8, 2013, Liu Zhijun, former railways minister, was convicted with a suspended death penalty for bribery and power abuse. Only five days later, Li Daqiu, former vice chairman of the Guangxi Committee of the Chinese People’s Political Consultative Conference (vice-ministerial-level official), was removed from office and placed under investigation. On Aug. 19, 2013, Liu Tienan, ex-deputy chairman of the National Development and Reform Commission, was suspected of grave violations of discipline and taking bribes and put under judicial investigation. In September 2013, five senior oil executives, including Jiang Jiemin, were expelled from the Party over graft. Ironically, Jiang Jiemin was just appointed director of the State-owned Assets Supervision and Administration Commission in March 2013. He

⁴⁵ The full transcripts of the speech, translated into English, is published by Xinhua News Agency and could found at the official website of Xinhua News Agency at http://news.xinhuanet.com/english/special/18cpnc/2012-11/15/c_131976383.htm

is also the first member of the Central Committee of the CCP to face corruption charges. During this anti-graft campaign, the Bo Xilai scandal is the most sensational incident stirring the CCP from within. Bo Xilai was a former CCP chief in Chongqing, who was known for his heavy-handed populism. His “iron-fist” attitudes towards organized crimes in Chongqing and his marked leftist wings made him a rock star in the Chinese political arena. As one of the Chinese princelings, Bo was also viewed as the most powerful competitor of Xi for the fifth generation of leadership. Therefore, various rumors arose about the demise of Bo Xilai. Many western media reported this earthquake within the CCP and questioned Xi Jinping’s motive to investigate Bo under the guise of anti-corruption. On April 29th, 2012, Xinhua News Agency, the mouthpiece of the CCP, published an in-depth report entitled “China Voice: Why do rumors repeatedly arise in Bo Xilai incident?” This report counter-attacked the western media’s sympathy for Bo Xilai. It said,

“...The case should not be interpreted as a political struggle. The incidents are being handled under law and Party discipline. With no proper sources and a lack of knowledge regarding China’s actual conditions, some foreign media bodies have failed to respect the facts and ignored their social responsibility by making groundless comments and misleading the public...Their opinion of the current situation remains tied to Cold War-era beliefs, with preoccupations, biases and hostility toward China. Therefore, they have interpreted China’s decision on Bo Xilai incident as a political struggle, when in fact, the country has made the decision in line with the rule of law and Party discipline...”⁴⁶

However, in spite of numerous rumors about the fall of Bo Xilai, Xi’s drastic measures to reshuffle the CCP and his sweeping campaign to combat corruption within the party have triggered wild speculations about the new leader and the direction he is taking the country.

⁴⁶ This is an excerpt from the in-depth report entitled “China Voice: Why do rumors repeatedly arise in Bo Xilai incident?”, published by Xinhua News Agency, on April 29th, 2012. Retrieved on April 29, 2012 from http://news.xinhuanet.com/english/indepth/2012-04/29/c_131560026.htm

Is Xi a Maoist or a reformer?

Although Xi on many occasions emphasized his pro-people governing strategies and his strong resolution to continuously propel economic reform, Xi's recent moves frustrated many China observers. Just a few months later after his southern tour, Xi began to promote a nationwide ideological campaign reemphasizing the significance of Maoism to the foundation of the CCP. He also called for Maoist indoctrination of Chinese youth and urged China to maintain its old communist tradition. According to Xinhua News Agency, during his visit to Xibaipo, where the CCP's leadership was based before 1949, Xi emphasized that studying and recalling China's revolutionary history would encourage party members and consolidate the Party. At the national conference on publicity and ideology in August 2013, Xi reiterated that ideological work is extremely crucial for the Party and urged all party members to uphold the political stance and to safeguard the authority of the CCP.⁴⁷

Mr. Xi's return to Maoism and Marxism has triggered widespread worries among western China watchers, who had expected a new era of democratized China under the new leadership. But it will be argued, Xi's current ideological campaign will not necessarily lead to a return to the old days under Mao's leadership, and it will not hamper economic reform. Instead, Mr. Xi's increasingly tight grip over the country is actually a necessary move for the sake of the party's survival. It is a vital legitimization strategy to preserve the CCP's ruling authority. As discussed in Chapter 3, the CCP has been faced with a rapid decline of its communist ideology and an increasing distrust among its citizens mainly due to worsening corruption. Thereupon, the CCP is in great need of some "positive energy" (quotation from Xi) to revitalize the Party and to reunite the

⁴⁷ The full report on Xi's speech at this conference could be found at People's Daily. Retrieved on Aug. 20, 2013 from <http://english.people.com.cn/90785/8371505.html>

population. Otherwise, the Party would inevitably encounter another legitimacy crisis or even face demise. As Xi stressed in a speech delivered two weeks prior to the 92nd anniversary of the founding of the CCP, “Winning or losing public support is an issue that concerns the CCP’s survival or extinction.”⁴⁸ In this sense, the intentions of Xi for launching such a pro-Mao ideological movement, the Mass line campaign and the war on graft seem to be reasonable.

Then comes the question: is Xi a Maoist or a reformer? It should be noted that Xi’s resolution in continuing economic reform is not eclipsed by his image as a staunch communist. Although there hasn’t been a grand plan for the future reform of the country, we might delineate Xi’s attitude toward reform from what he has done so far. Since he became the party-chief last November, Xi Jinping has made nine inspection tours in eight provinces. They include rich provinces like Guangdong, Hainan and Tianjin; underdeveloped western and central provinces like Gansu, Hubei and Hunan; traditional heavy industrial province like Liaoning; and the revolutionary base like Hebei Province, where Xi was provincial official during the 1980s. The aim of these trips is to learn from reality and then to deepen reform all-around. Table 5-1 displays Xi’s nine inspection tours from December 2012 to November 2013, which may reflect some of his ideas on the future of reform. As presented in Table 5-1, in addition to propelling reforms in developed provinces, Mr. Xi also cares about fostering development of the less-developed central and western regions and traditional industrial bases. During these tours, the most frequently mentioned topics are poverty-alleviation and improving the well-being of vulnerable groups (like migrant workers, the rural poor, laid-off workers and

⁴⁸ This is quoted in a commentary, entitled “‘Mass line’ campaign key to consolidate CCP’s ruling status,” published by Xinhua News Agency on June 18, 2013. Retrieved on June 18, 2013 from http://news.xinhuanet.com/english/indepth/2013-06/18/c_132465651.htm

retirees). During his visit in Guangdong, Xi used a metaphor to describe the current stage of China's reform. He said, "China has entered a deep-water zone, within which issues are more difficult to tackle...However, to pause or to reverse the reform and opening up will lead to a dead end."⁴⁹ From his words and what he has done since he assumed office, it seems that Xi Jinping will not change the direction of current economic reform. He will, to a large extent, continue to propel economic reform in order to fulfill the people's desire for a better life, as he promised. However, does it imply that Xi will carry on Hu's legacy in directing the future reform? The picture isn't very clear yet.

⁴⁹ The full report on Xi's speech during his visit to Guangdong Province could be found at Xinhua News Agency. Retrieved on Dec. 11, 2012 from http://news.xinhuanet.com/english/china/2012-12/11/c_132034269.htm

Table 5-1: Xi's nine inspection tours from Dec. 2012 to Nov. 2013

Date	Provinces	Remarks and key words in Xi's speeches
Dec. 7-11, 2012	<u>Guangdong</u> : Shenzhen, Zhuhai, Shunde, Guangzhou, Huizhou and Guangzhou	“Reform and opening up are the source of vitality and a magic tool for the Party.”
Dec. 29-30, 2012	<u>Hebei</u> : Two impoverished villages in Fuping County	Xi urged greater poverty-alleviation efforts.
Feb. 3-5, 2013	<u>Gansu</u> : Dingxi City	Xi called for more care for migrant workers and further efforts to guard their legitimate rights and interests.
Apr. 8-10, 2013	<u>Hainan</u> : Sanya, Qionghai (port)	“Accelerating the development of Hainan as an international tourism island is a key decision made by the central government.”
May 14-15, 2013	<u>Tianjin</u>	Xi called for more efforts to continue improving people's lives, particularly to assist college graduates in job hunting.
July 11-12, 2013	<u>Hebei</u> : Xibaipo, a revolutionary base of the CCP from May 1948 to early 1949	Xi emphasized to improve Party-people relations and asked to launch a “Mass Line” campaign.
July 11-12, 2013	<u>Hubei</u> : Wuhan, Dongshan Village of Changgang Township in E'Zhou County	Xi vowed to promote urban-rural integration, improve the living conditions of rural residents and asked for a land reform in rural areas.
Aug. 28-31, 2013	<u>Liaoning</u>	Xi stressed the role innovation-driven development in revitalizing old industrial bases in northeast China like Liaoning. Xi called for more care to laid-off workers and retired workers in Liaoning.
Nov. 3-5, 2013	<u>Hunan</u> : villages in Tujia-Miao Autonomous Prefecture of Xiangxi	Xi requested local authorities to make more efforts to improve wellbeing of minorities.

Source: various news reports from Xinhua News Agency.

Li Keqiang, the number two figure next to Xi Jinping in the PSC, is thought to be a disciple of Hu Jintao. As he reiterated on many occasions, “Reform is the biggest bonus for China; the fundamental aim is to benefit the majority of the people.” Therefore, he might continue Hu Jintao’s policy direction in favoring balanced development and a harmonious society. Under Li’s guidelines, the government might keep up its service-oriented function, focusing on social policies, such as improving the social-welfare system, narrowing the gap between rich and poor, enhancing medical care, increasing educational opportunities, improving the livelihood of rural citizens and preventing environmental degradation. Unlike his technocratic predecessor Wen Jiabao, Mr. Li holds a doctorate in Economics. He is known for his great efforts in promoting economic reform and development. Western China observers applaud the CCP’s installation of Li Keqiang and hope that he will instill new reform ideas into China’s new leadership. According to a recent in-depth report by People’s Daily, we could predict that Li Keqiang will mostly likely focus on five areas related to human well-being during his term in office.⁵⁰ They are employment, income distribution, social security, public health and social management. Besides Li Keqiang, among the seven PSC members, Wang Qishan, Zhang Gaoli and Yu Zhengsheng are also known for their reform ideas and their rich experience in economic affairs. In particular, Wang Qishan has been widely recognized as the most able economic reformer due to his decades of experience in charge of economic, energy and financial affairs both in Zhou Rongji’s term and Hu-Wen’s administration. He favors foreign trade and investment, as well as liberalization of the financial system. Therefore, it could at least be implied that economic reform under Xi

⁵⁰ The full report entitled “Xi and Li’s views on reform” was published on People’s Daily, Nov. 3, 2013.

Jinping will not stagnate or be reversed with these heavyweight reformers in the new leadership.

In terms of political reform, Xi's recent move towards Maoism and Marxism blurred the picture further. Undoubtedly, Xi Jinping, as the core of the rising group of Princelings, is tough on corruption within the Party. But, in order to root out corruption, Xi Jinping has to face mounting pressure for fundamental political reform even though he may try to avoid it in some sense. Corruption is as old as the Party. Without a proper checks and balances system, an ethic of self-discipline among party-members, as well as supervision from within, the CCP can never eradicate corruption. However, given the nature of the single-party state, the Party will resist implementing any political reform that contradicts its nature.

Viewed from the CCP's perspective, the western-style political reform for a single-party state seems to mean certain death. Therefore, no previous Chinese leader would like to become China's Gorbachev by risking reform. Neither does Xi Jinping. Compared to his predecessors, Xi appears to be more assertive about what he wants to do, what he dares to do, and what he is capable to do. His family background indicates that he will follow the heritage of his father's generation, who upheld the flags of Marxism and Leninism and even Maoism. His rich empirical experience in regional governments determines his pragmatic working style and his loathsome attitude toward bureaucracy. Furthermore, his personal experience as a "sent-down" youth for ten years made him bear the stamps of the chaotic era: tough, fearless and down-to-earth. On a visit to Mexico in 2009, Xi expressed his concern about China's rise as well as his dislike of foreign countries that interfere in China's internal affairs. As he said,

"Some foreigners with full bellies and nothing better to do engage in finger-pointing at us... First, China does not export revolution; second, it does not export

famine and poverty; and third, it does not mess around with you. So what else is there to say?”⁵¹

Another important characteristic of China’s Princelings is that they are influenced by the notion of heredity. Considered from their perspectives, the New China was founded by their fathers, and thus the country represents family which they must defend. Any risk to undermine their fathers’ contributions to the regime should be eradicated, and any inheritance from their fathers’ generation should be cherished. Thus, Xi is *de facto* a continuation of “red crown” politics. Therefore, it is not surprising that Xi chose the city of Shenzhen, the place of origin of China’s open-door reforms, as his first public tour to pay homage to Deng Xiaoping. It is not surprising that Xi reiterated the crucial role of Marxism, Leninism and Maoism as the guiding light of the CCP. It is not surprising that Xi worries that corruption will spell the end of the CCP and of the State. It is not surprising to observe that the whole nation honored the 100th anniversary of the birth of Xi Zhongxun, father of Xi Jinping, for his contribution to the founding of New China.

It should also be noted that not every member in the PSC is from the Crown Prince Party. Even though five of the top seven were identified as members of the elitist coalition and protégés of former President Jiang Zemin, Li Keqiang and Liu Yunshan belong to a populist coalition and “*Tuanpai*,” Youth League Faction. Li (2012) argues that at present the Party will maintain its structure of “one Party, two coalitions.” Different from the princelings in terms of political initiatives and priorities, the populist coalition may largely balance Xi and other elitists’ power within the PSC. But it is still questionable who will persuade whom and whether they will reach a consensus in terms of promoting limited political reform. Nowadays the widespread rampant corruption at every level of the CCP has already raised a red flag – a thorough political reform is in

⁵¹ The video of this speech could be found at <http://www.youtube.com/watch?v=rtw32rdaik0>

urgent need. However, the resistance from political conservatives to implement such a political reform within the Party presents the new leaders with a dilemma: to reform or not, or to be delegitimized or even destroyed. If Xi Jinping cannot find a fine line in response, he might take radical measures once the survival of the CCP and the state appear to be at stake.

In short, the new leadership will inherit the governing strategies that join acceptance, mitigation and repression. Minor changes might be applied, but the general direction of policy will not shift. Constructing a service-oriented government will continue serving as a main legitimization strategy in consolidating the CCP's ruling authority. Besides, characterized as a political conservative as is Jiang Zemin, Xi Jinping will be more than likely to rely on ideology to legitimate his governance. Therefore, under the current circumstances in which the belief in Communism is fast declining due to deteriorating social problems, we think that the new leadership will juxtapose economic development and hardline tactics. Will Xi pursue similar strategies as we predict? The question will be answered at the upcoming of the Third Plenum of the CCP's 18th Central Committee, where Xi Jinping is expected to present his grand plan about future reform and his interpretation of the "Chinese dream."

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Chapter 6: Conclusions

By applying both quantitative and qualitative methods, this dissertation unveils the secret of China's success during the reform era. In particular, this dissertation provides a new perspective on how Chinese leaders utilize legitimization strategies to modify the governing mechanisms to a) unify the population, b) consolidate their ruling authority and c) maintain political and social stability of the entire country. In the following sections, the major findings of the dissertation are summarized by chapter, which are followed by a presentation of the limitations of this study. Finally, the scope of the dissertation is expanded to provide some thoughts on how China is growing into a predator state and how this has influenced strategy-making processes of the CCP. These observations constitute the future research agenda.

MAJOR FINDINGS

Chapter 2 offers a detailed review of existing thought on the CCP's legitimacy from the western perspective. By drawing a philosophical map from early Enlightenment thinkers to contemporary political philosophers, Chapter 2 uncovers a heated debate about the political legitimacy of communist regimes.

The conventional wisdom conveyed by most western political philosophers is biased against the ruling authorities of communist states. The commonly held view is that communist regimes would eventually collapse due to either their illegitimate nature or legitimacy crises. The illegitimate nature refers to the absence of democratic factors either in the formation of political organizations or decision-making processes. However, some thinkers, such as Huntington (1991) and D'Aspremont (2006), object to this view by stating that democracy is not the only necessary element to establish or sustain political legitimacy. They argue that authoritarian regimes are more dependent on

performance-based legitimacy than are democratic regimes. Recent legitimacy studies have been gradually moving from normative explanations of legitimacy—i.e., what legitimacy ought to be and on what grounds governments can require obedience from their citizens—to empirical studies of various types of governments. The discussion on the legitimacy of communist regimes has also gradually shifted from the question of whether-or-not these regimes are legitimate to the question of how legitimacy has been developed and maintained within these regimes. These discussions focus primarily on the origins of legitimacy crises and the impacts of such crises on communist political systems. The major strand of thought is that the inability to sustain their achievements, as evidenced in poor economic performance or military failure, might undermine the legitimacy of communist regimes and thereby result in legitimacy crises. China, as one of the few existing Communist regimes that has undergone several legitimacy crises, provides a good laboratory for contemporary thinkers to study legitimacy.

Besides the view of performance-based legitimacy, some scholars hold the view that the CCP's legitimacy is built on the popular support and popular consent of the Chinese people. The main argument is that popular legitimacy has been achieved through changing legitimization strategies. China's legitimization process has undergone tremendous changes as the relative importance of sources of legitimacy has shifted over time. From a western perspective, the major legitimization strategies of the CCP during Hu's presidency can be summarized as follows: (1) reclaim ideology; (2) institutionalize the regime (e.g., building inner party democracy, enhancing bureaucratic efficiency, incorporating new social groups, promoting consultative and electoral democracy, etc.); (3) reconstruct Chinese cultural values; (4) cultivate traditional moral and utilitarian support; and (4) continuously promote economic growth and nationalism.

Although many in-depth investigations of the CCP's legitimate ruling status have been conducted by western scholars, most analyses are still focused on the western interpretation of this issue without considering what Chinese scholars have to say. How do Chinese scholars and policymakers view their own ruling party? Can they provide an objective evaluation of their government's performance? Studying China without the Chinese perspective may lead to a lopsided discussion or even misunderstanding. Therefore, Chapter 3 fills the gap in western literature by introducing China's perspective on the issue of legitimacy.

In Chapter 3, qualitative and quantitative methodologies are employed in order to illustrate the thinking of Chinese political thinkers, for whom the legitimacy debate began in the mid-1980s. Both government officials and intellectuals have long maintained a conservative attitude toward this topic. However, in the last decade, Chinese intellectuals have enjoyed more freedom to debate legitimacy. Although the debate is still confined within certain bounds, scholars and researchers have been tacitly permitted to lash out at government over issues such as corruption, declining governing capacity, state failure, wealth polarization, legitimacy crisis, etc. From the government's perspective, the issue of legitimacy is fundamental to the ruling authority of the CCP. Seeking effective legitimization strategies is always in the CCP's interest. Thus, as an avid consumer of the scholarly literature on legitimacy, the CCP plays an important role in encouraging the legitimacy debate in Chinese intellectual circles.

Compared to western scholars, Chinese scholars hold a different view on the question of what legitimization sources serve as the basis for CCP's ruling authority. Some western scholars contend that CCP's legitimacy remains ideologically-based and that ideology continues to play a dominant role in the ruling authority of Hu Jintao and Wen Jiabao's administration. By contrast, Chinese scholars and policymakers think that the

sources of legitimacy to bolster the CCP's ruling legitimacy are widely diversified, ranging from ideology, culture, social justice, and institutions to performance. Different generations of leadership place different emphases on the selection of these sources. Nonetheless, are there any relations among these various sources? Do any distinctive patterns exist? To answer these two questions, Chapter 3 employs a statistical analysis (homogeneity analysis and principal component analysis) in order to sort out the inherent relationships among the large variety of sources of legitimacy. By running a comparative statistical analysis, the dissertation finds that sources of legitimacy utilized by the CCP are much diversified. No single source could solely sustain the CCP's legitimacy at any moment. The overreliance on one or two sources would eventually lead to legitimacy crisis. Thus, as discussed in Chapter 3, the CCP constantly adjusts its legitimization strategies as the social and political context change. In particular, with economic development reaching to a new level, new difficulties and new challenges confront Chinese policymakers in developing and employing their legitimization strategies. What are these new difficulties and how do they influence the CCP's legitimization strategies? Chapter 4 serves to answer these questions with a special emphasis on China's wage inequality.

Chapter 4 begins with a general review of the social and political problems generated during China's reform period. The analysis is presented based on three stages of economic reforms: market awakening (1978-1992), market prosperity (1993-2002) and market adjustment (2003-present). This analysis seeks to identify the main threats to the CCP's ruling legitimacy at different stages of reform. During the transitional period, many social and political problems arose as the byproducts of economic reform, including skyrocketing wage inequality, massive unemployment, nationwide environmental degradation, rising crime rates, rampant corruption—all of which have

influenced the direction of China's economic development and challenged the ruling legitimacy of the CCP. Chapter 4 focuses on analyzing the evolution of wage inequality in China, which has been recognized as one of the most severe problems shaking the foundation of the CCP's ruling authority. By presenting original estimates of wage inequality from 1987 to 2012, based upon between-group and within-group components of Theils' T statistics, and using aggregate data organized by economic sectors and geographic regions, Chapter 4 measures the impacts of the widening wage gap and discusses the government's responses to this issue. By investigating the government's strategies in handling wage inequality, the dissertation finds that Chinese policymakers are pursuing a unique governing mechanism, which is presented and analyzed in Chapter 5 in detail.

Chapter 5 first presents the CCP's ruling mechanism under different generations of leadership with a special look at governing strategies of the Hu Jintao and Wen Jiabao administration. By exploring the CCP's legitimization strategies in different historical periods and its endurance and resilience facing difficulties, this chapter finds that transformation is the nature of the CCP's governing mechanism and the key to China's success. Without constantly transforming the function of government, the CCP wouldn't sustain its ruling legitimacy; the CCP wouldn't survive. However, transformation is not radical. Any change associated with transformation is directed by the principle of "maintaining stability." Through an in-depth analysis of the transformation of government functions under Hu Jintao and Wen Jiabao's administration, Chapter 5 finds that transforming government functions in the light of changing circumstances has helped the CCP to mitigate the economic, social and political problems of the reform period. Since Hu Jintao and Wen Jiabao assumed office, they gradually changed government functions from economic-oriented to service-oriented, and they used this new function as

an important legitimization strategy to stabilize the CCP's ruling authority. Two models on reforming the current social welfare system are studied to exemplify Hu Jintao and Wen Jiabao's people-centered governing philosophy and the rationale for constructing a service type of government.

The stance that the new leadership will take on future reform is unclear. But a sense of the general policy direction and hint of primary governing strategies can be outlined in broad terms based upon the activities in which Xi Jinping and his colleagues have engaged since they assumed office. Given their early activities in office, they would more than likely continue pursuing balanced development in the economic arena, but tighten their grip on political matters. Admittedly, Chinese society has become more complex after more than three decades of reform which makes it difficult to project the policy direction or governing strategies of any administration. Equally, it is not unexpected that the new administration appears to send mixed messages that economic reform will be deepened with caution and so will ideological control. But it is hoped and expected that the new leadership will continue to advance economic reform and maintain general stability of the Chinese society.

FURTHER THOUGHTS ON “STABILITY”

Governance is a matter of strategy. Good governance is a strategy to figure out what matters and who matters in different contexts. Chinese policymakers seem to know this secret. Hence, their governing style is not to stick by one specific type, but to change as social and political environments change. As observed, the government's priority changed from class struggle before 1978 to economic development after. It shifted again from promoting economic growth to maintaining balanced development in 2005 when President Hu Jintao proposed a new goal of creating a “Harmonious Society.” This

transforming nature of governance is the key to China's success. Regardless of how strategies are modified and adjusted, one thing remains unchanged—stability is what matters most in Chinese policymakers' minds. The idea of "maintaining stability" serves as an omnipotent invisible hand in guiding all policymaking processes of the Chinese government and in helping Chinese policymakers formalize the current governing mechanism with mitigation as the core strategy and repression as the complementary strategy.

Although the government plays a dominant role in maintaining stability, it is worth noting that the Chinese people indirectly cooperate with the government and the stability of the ruling authority from below. First, the Chinese people have a relatively high tolerance for social problems, as exemplified in their attitude to rising inequality. Even though nowadays rising inequality stir rising public resentments, income inequality has been taken as a socially acceptable phenomenon for a long time for most Chinese. China, like many other Eastern European societies which transformed from socialist to market-oriented economies, shows increasing normative support for income inequality (Kelly and Zagorski, 2005). When then-leader Deng Xiaoping famously stated, "Some get rich first, then the rest will follow," ordinary Chinese saw it as the best opportunity to graduate from decades of everyone being equally poor. Thus, greatly influenced by the government-promulgated principle "more pay for more work," the Chinese people came to believe that income distribution legitimately reflects the individual's education, occupational achievements and job performance (Kelly and Evans, 2009). In particular, the majority of Chinese people, especially the poor, regard education as the most

effective tool to better their economic situation and to move into a higher social class.⁵²

A well-accepted social perception is that rising wage inequality is largely due to differences in education, rather than to social injustice or market distortions.

The significant improvement in the economic situation of most ordinary Chinese people also partly alleviates public resentment towards the government. Pragmatism, an important component of Chinese personality traits, has been triggered by rapid economic growth, which in turn eclipses the misdoings of the government during the pursuit of material prosperity. Therefore, the Chinese people usually surrender to the “Carrot and Stick” governing mechanism. Last but not least, deeply influenced by Confucianism, which emphasizes social tolerance and obedience and advocates social harmony, the Chinese people are prone to accept reality rather than attempt to change it. As long as there is a possibility of upward mobility, the Chinese lower classes will remain tolerant. This unique national characteristic makes the Chinese people inclined to cooperate with the government rather than to resist in many cases. However, does it mean that the CCP could feast upon people’s high endurance and enjoy the stability forever? No! It should be noted that since the current stability of China is due to the joint efforts of the government and the Chinese people, any small change in either side may undo the status quo and cause an unstable situation. The Party has to be very cautious that China at present is no longer the country as it was three decades ago and people are not as tolerant as they used to be given China’s current circumstances.

⁵² According to the Chinese Academy of Social Sciences Yearbook (aka. Blue Book of China’s Society) published in 2007, China’s poor believe that the affluence of rich people results from their high level of education.

Is China growing into a predator state?

As discussed in previous chapters, China is now faced with enormous social and economic problems which seem to be brought about by widespread market liberalization and increasing capitalist elements that have been gradually woven into the fabric of Chinese socialism. The existence of these problems (i.e., enlarging wealth gap, increasingly vulnerable populations, emergent privileged class, cadres' corruption) not only have challenged the principle of fairness and justice that the CCP always advocates, but have profoundly eroded the interests of the majority in Chinese society. In particular, with the Princelings approaching the apex of power, there is a growing fear that public interests will be eventually be dominated by a small group of privileged people.

As Galbraith (2008: 146) describes, a predator state is “a system where entire sectors have been built up to feast upon public systems built originally for public purposes.” To date, China hasn’t had entire sectors developed at the expense of public interests, but there is a clear tendency that China is growing into such a state within which ordinary people are becoming prey and privileged groups are becoming predators. According to *The World’s Billionaires Report* published by Forbes in 2012, China has 122 billionaires, among whom 83 are the delegates to the National People’s Congress (NPC) in 2013, and 52 are the delegates to the 2013 Chinese People’s Political Consultative Conference. Ironically, do these people really represent the Chinese ordinary population, whose annual average pay is only around \$7,630 in 2012? These billionaires, in fact, control more than 70 percent of the total wealth of China, which accounted for 6.2 percent of China’s total GDP in 2012.⁵³ With the income gap between rich and poor enlarging dramatically, reform has been derailed from the original

⁵³ This is based upon the author’s own calculation using the statistics from *The World’s billionaires* published by Forbes in Mar. 2013

expectations of its designer. Deng Xiaoping's most famous slogan that "let some of the people get rich first" has indeed been realized – a handful of people and their families have become rich first. Unfortunately, the rest are not following. Reform has begun to turn into wealth predation by the privileged, and China is becoming a paradise of speculators.

In 2002, Sun Liping, a scholar from Tsinghua University, already pointed out that the majority of Chinese people in the 1990s actually could not benefit from rapid economic growth as they did at the early stages of economic reform. He observed that farmers, labor migrants, and laid-off urban workers have become major victims of reform and have suffered from diminishing economic returns and other problems engendered by imbalanced growth. The extremely unbalanced distribution system distanced the government from the masses. Thus, to reduce public resentments over wealth polarization, the authority attempted to fix the stability problem before society became too unstable to manage. Therefore, it is observed that since the early 2000s, the CCP improved the social welfare system in order to partly compensate the poor by entitling to them some of economic rights and benefits of which they were deprived during the reform period. Just as Sun (2002) argues, the metaphor of "baking a bigger cake"⁵⁴ in the 21st Century conveys a much different message from what it implied in eighties. Now baking a bigger cake is aimed at mitigating growing conflicts and eventually preserving stability.

"Stability preservation" has become one the most frequently-mentioned phases in China's political arena. The general importance of stability in the CCP's doctrine and its profound impacts on the policymaking process of the CCP are discussed in Chapter 5.

⁵⁴ "Baking a bigger cake" is a famous metaphor raised by Deng Xiaoping since the initiation of economic reform. It describes the relations between economic development and the redistribution of wealth in China.

Under China's new leaders who are portrayed as political conservatives, the guideline of preserving stability will continue to be shined; the objective of preserving stability will continue playing a tremendous role in formulating the CCP's governing mechanism. However, policy objectives directed toward stability preservation do not always produce the expected outcomes. Modern Chinese policymakers seem to face a "dilemma of stability preservation," as noted by many western and Chinese scholars (Zhang, 2011; Zhang and Su, 2011; Sun, 2012; Yu, 2012; Feng, 2013; Zhao, 2013). Stability is, in fact, deteriorating due to the fact that the authority's harsh measures to repress social protests, to dispatch dissidents, and to contain massive politically motivated incidents have intensified social tensions. Nowadays in China, society is greatly polarized and public rights have been incrementally encroached upon by the greedy privileged class. Given the current circumstance, stability could be even harder to maintain.

Stability preservation or rights preservation

Why has the CCP entered such a vicious cycle of stability preservation? The key to the question lies in the fundamental conflict of interests between the authority and the population. The CCP's fundamental interest is to ensure the longevity of its ruling authority. Stability from within is a necessary condition for any ruling authority to carry out its policies. The need for stability might be even more desperate for the ruling authority in a single-party state like the China, since according to past lessons, instability directly results in the demise of the ruling authority. Therefore, in the leaders' mind any threat to maintaining power must be suppressed. By contrast, the fundamental interests of individual Chinese are not in the maintenance of power by a small group but in extracting the rights of citizens in a functional modern society; which include the right to life, freedom of speech, freedom of movement, etc. If these rights are infringed upon, citizens

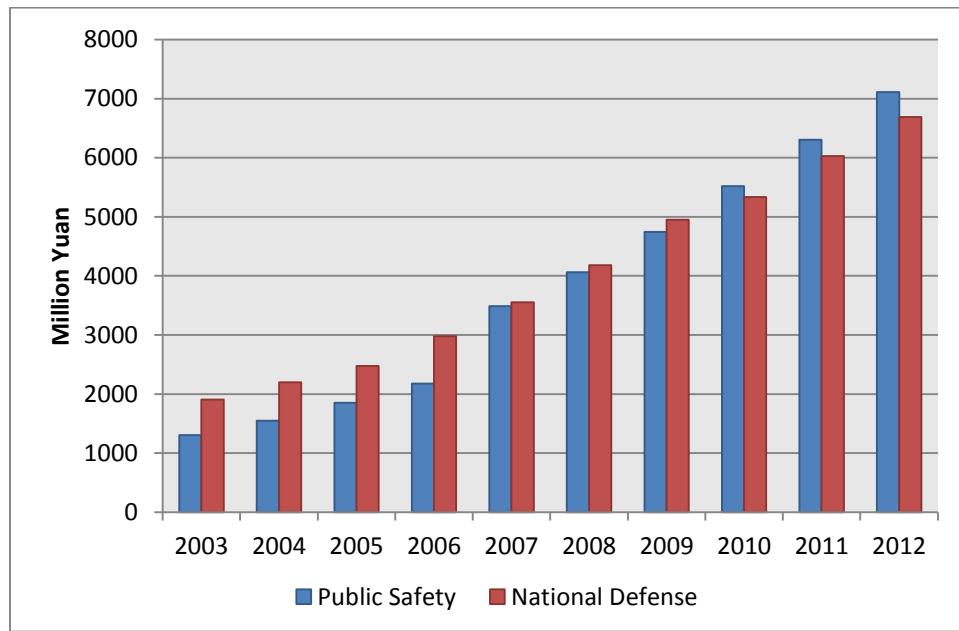
are entitled to defend themselves through law. They are also entitled by the National Constitution to express their thoughts, anxiety, discontent and resentments through protests, petitions and demonstrations. However, these citizen rights of the ordinary Chinese people seem to be too difficult to reconcile with the CCP, which wrongly takes all forms of protest as a threat to its ruling authority. Yu Jianrong (2012) argues that this conflict between the people and the authority is mainly due to the fact that the CCP sticks by an ideal of rigid stability, which “seeks absolute social tranquility as a goal of governance.”⁵⁵ This ideal of rigid stability is an old cliché that has possessed the CCP since Mao’s era and has ultimately evolved into a strong fear of disorder and chaos and an exaggerated self-defensiveness. Thus, it comes as no surprise that the authority always advocates that stability is an overriding priority and indoctrinates this idea not only into party members, but ordinary Chinese people. It is hoped that a consensus will be reached wherein stability is not an ideal serving the Party’s interests, but a more flexible but fundamental interest of every Chinese citizen.

Figure 6-1 displays government expenditures in public safety and national defense from 2003 to 2012. According to the editors’ explanatory notes (NBS, 2012), expenditures for public security refers to the spending of government money on maintaining social and public security, including the expense on armed police force, public security, state security, prosecution, courts, justice, prison, labour education and rehabilitation, protection of state secrecy, anti-smuggling police, etc. From Figure 6-1, it is evident that government expenditure in public safety has increased dramatically since 2003. It surmounted the expenditure on national defense in 2010 and continues rising

⁵⁵ Yu, Jianrong. 2012. “Dang qian weiwen de yali yu kunjing – zai lun zhongguo gangxing wending”[Stability preservation through pressure, its predicament and the way out –reassessing Chinese society’s ‘Rigid Stability’], *Tansuo yu zhengming [Exploration and Free Views]*, (9). This article is translated by Jason Todd from Australian Center on China in the World.

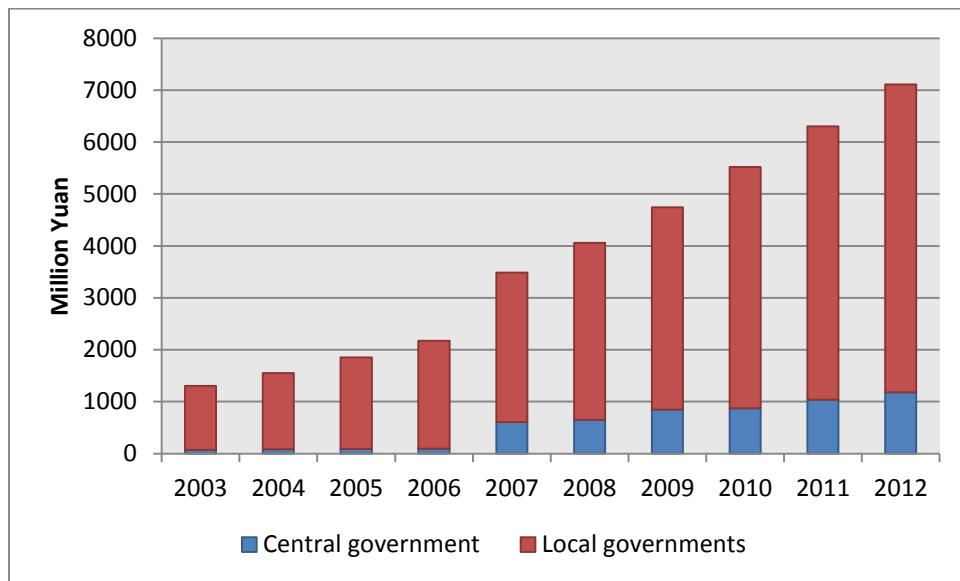
through the present. Figure 6-2 records both central and local government expenditures on public safety. It is observed the main contributors to the rising trend of public safety expenditures are local governments.

Figure 6-1: Government expenditure in public safety and national defense from 2003 to 2012



Source: Various issues of China Statistical Yearbooks.

Figure 6-2: Government expenditure in public safety (both local and government) from 2003 to 2012



Source: Various issues of China Statistical Yearbooks.

As Yu (2012) describes, in order to ensure stability, the central government has distributed responsibility level by level, which generated huge pressures on local governments. “Stability preservation” has even been set as the most important criterion of performance evaluation and cadre selection (Zhang and Liu, 2011). This heavy responsibility leaves local governments no choice but to fulfill the political task of “zero petitions” at any cost. As a consequence, any petition-type activity is defined as antagonistic and must be cracked down upon before it is heard by the central government. Some locales’ reckless behavior in repressing petitions escalates social conflicts and often triggers a subsequent round of protests or massive incidents. Therefore, the authority unwillingly finds itself trapped in a dilemma of preserving stability (Sun, 2012; Yu, 2012; Feng 2013).

However, it doesn’t mean that there is no way out of this dilemma. First and foremost, the CCP has to realize that most petitions, demonstrations and protests are

normal citizenry rights which are granted in the National Constitution and therefore should not be suppressed. The escalating social tensions during the stability preservation process are mainly caused by the widespread lack of effective legal channels to resolve issues at local levels. Therefore, protests and demonstrations have become the last resort of citizens to preserve their rights. Furthermore, as many Chinese scholars have already pointed out (Ling, 2011; Zhang, 2011; Zhang, L. 2011; Yu, 2012, Zhao, 2013), there should be no contradiction between rights preservation and stability preservation. Preserving citizens' rights in fact serves as the pre-condition of preserving stability. Without rights being properly preserved, stability is just a castle in the air. Thus, there is an urgent call for enhancing the current legal system and law enforcement. Fundamentally, there has to be a groundbreaking political reform.

As early as 1978, at the Third Plenary Session of the 11th CCP Committee, the then Chinese leaders reached an agreement that political reform ought to be promoted as a complementary part of economic reform, although political reform should never be complemented even though it plays the same important role as economic reform in stabilizing China. As a result, political reform in China has lagged far behind economic reform. However, the public political consciousness triggered by economic improvements has resulted in mounting calls for political rights and freedom, thus attenuating the Chinese people's tolerance for social and political injustice. Once this tolerance reaches a critical low point, Chinese leaders will face a much more severe legitimacy crisis than they have encountered before. The CCP has to realize that mitigation and repression are both temporary measures, neither of which could perpetuate the CCP forever; even though this mechanism has functioned well to extend the CCP's ruling authority at the current stage of reform. Mitigation as a strategy can only alleviate tensions in the short-term, but will not root out problems such as corruption and

inequality. The absence of appropriate political reform will not simply hinder economic development, but will result in the erosion of the CCP's ruling legitimacy. Given China's current circumstances, a proper political reform palatable to both the CCP and the people needs urgent attention. Where should Chinese policymakers start to reform their political system? It seems that President Xi Jinping sees combating corruption as the start of political reform as evidenced by his recent move to bolster his anti-corruption campaign. Although there is no clear sign that the new leaders will promote any political reform, some concrete policy recommendations may be made regarding the anti-corruption drive.

First, combat corruption with the joint force of the public and the party. Supervision should come from both sides. Since transparency is essential to eradicate corruption, publicizing officials' assets may be enforced. It might be tough to carry out, since there are many grey zones that are difficult to investigate. For instance, officials' assets gained from corruption and bribery are usually disguised by family assets under others' names or even transferred overseas. Therefore, to practice this policy, the government could start an assets declaration that is open to the inside only, and gradually upgrade to the level of declaring assets to public.

Second, it is high time to intensify the role of the law in combatting corruption. China's current anti-corruption campaign is neither sustainable nor systematic. Often, investigations are sporadic and occur only in response to wide public attention or when corrupt officials are exposed by a victim, a mistress, or the media. Since Hu Jintao and Wen Jiabao's administration, there have been more than one hundred officials exposed by their mistresses who held solid evidence of the official's corruption. Mistresses are even "appreciated" as China's new corruption warriors. However, this style of anti-corruption is definitely not a long-term strategy. It occurred due to the large absence of effective supervision measures of China's legal system. Therefore, if Xi Jinping seriously

intends to fight corruption, he should intensify the rule of law with emphasis on legal supervision and judicial credibility.

Third, it is important to enhance the role of mass media in supervision. In China, the Internet has become the most effective tool of the public to expose corruption. Many famous corruption scandals originated from online fora and micro blogs. In September 2012, a picture of an official smiling on a catastrophic bus crash site was widely circulated on Sina Weibo, China's version of Twitter. To punish this cold-blooded official, thousands of Weibo users collaborated in a deep online investigation. This smiling official is Yang Dacai, then-chief of Shaanxi Provincial Administration of Work Safety. Just one day after the bus crash, several pictures of Yang wearing different luxury watches were posted on Sina Weibo. Netizens questioned how Yang could afford these luxurious accessories worth three or four times his annual income. Soon after the Shaanxi provincial government's investigation into his sources of income, Yang was dismissed from his position. This is only the most recent corruption scandal uncovered by Chinese netizens. The rise of Internet and its role as a means of free speech has played an increasingly crucial role in leveraging the government and influencing the decision-making process, although it is not completely free of censorship. It is also a new way to bridge the gap between the government and the public. Thus, the government should harness the power of the Internet for its anti-corruption campaign, and use it to check power abuses within the system. For ordinary Chinese people, the internet may also be a good channel to regain their relatively deprived voice.

In summary, to maintain the general stability and to consolidate the ruling authority of the CCP, Chinese policymakers have developed a variety of legitimization strategies as social and political environments have changed over time. During the reform era, there is a clear tendency that legitimization strategies have evolved from performance-

based to multi-faceted legitimating mechanisms with a transforming nature. From Deng Xiaoping to Hu Jintao, the key theme of the government's working agenda has changed from growth-based to people-centered. Guided by the “people-centered” ruling strategy, the idea of establishing service-oriented government has been gradually formulated. However, it has been greatly challenged by the current circumstances wherein society is becoming more polarized and stability preservation generates even more instability. The originally effective governing mechanism that combines acceptance, mitigation and repression is difficult to maintain. Therefore, there is an urgent need for the new leadership to develop some new legitimization strategies in order to survive an even harsher environment.

And, we are referred back to the legitimacy question – why do ruling authorities in communist regimes have to constantly reinvent legitimacy through various means? The answer lies in how communist regimes acquire power. For political authorities which gain power by violent revolution, and manipulation of elections, legitimacy cannot be endorsed from the acquisition of power, but usually is created or invented after the fact (Johnson, 2003). China is definitely a good case in point. Thanks to the constant modification of legitimization strategies in response to a rapidly changing society, the CCP has succeeded and endured so far. Can its success be endured for another six decades? Let's wait and see.

LIMITATIONS OF THIS STUDY AND TOPICS FOR FUTURE STUDY

There are several limits of this dissertation that deserve future research. The first limitation of this dissertation is a data constraint. Chapter 3 employs both qualitative and quantitative analyses on a select group of journal articles obtained from CNKI, but exclude relevant dissertations, master theses, and views from dissidents. In addition, the

selected articles are not free of censorship. Articles that could be published in China's mainstream journals are often strictly tailored and censored, which likely results in bias. Due to the sensitivity of the topic researched in this dissertation, we were given only restricted access to internal documents; this concern is difficult to overcome. However, in future research, more voices from dissenting scholars, particularly those who are living and publishing overseas, should be analyzed for comparison.

The wage inequality analysis also faces data constraints. The data that are used to calculate wage inequality do exclude the informal sectors. Inequality levels in the informal sector is likely similar to inequality in the formal sector. Furthermore, the calculation only concentrates on urban wage inequality and rural wage inequality is not estimated due to the lack of rural data. Therefore, incorporating the informal sector into future analysis as well as rural data using the Theil statistic would give a more accurate picture of China's wage inequality.

Second, the dissertation finds that China's wage inequality during the transition period, ending in 2005, was more geographic than structural. However, the study does not thoroughly investigate the provincial cases, but only presents analysis of geographical inequality based upon larger geographical units. In future research, it may be instructive to investigate each province of interest. This opportunity is particularly exciting as the provincial level of data is becoming much more easily accessible.

Third, more in-depth analyses of the relationship between inequality and social instability should be carried out in future studies. This dissertation focuses on analyses that regress inequality against different indicators of social instability at national levels controlled by geographic location, GDP, unemployment, urbanization, and education. But some underlying characteristics of the target population, such as gender, age, are left. Furthermore, only mixed effects regressions are conducted, which may not well capture

the relations between inequality and social instability. Therefore, future research should be refined by adding more control variables and carrying out more statistical practices for comparison, such as a Bayesian analysis.

Fourth, a statistical analysis of western scholarship on the legitimacy issue may be employed for comparison with Chapter 3, which relies heavily on statistical analyses to sort out the inherent relationships between different sources of legitimacy. Basically, Chapter 2 is an analytical study of the western scholarship on the legitimacy issues of Communist regimes. However, the analysis is carried out in a descriptive fashion. Therefore, it might be better to apply a similar statistical methodology to investigate a large variety of sources of legitimacy from the western perspective. In addition, statistical analysis is only one option. Considering methodology, content analysis should be another good method choice to carry out the analyses in both Chapters 2 and 3.

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Appendices

APPENDIX A.

Table A-1: The partial database of China's scholarship on the CCP's legitimacy

Author Names	Year Publication	Journal Type	Author: CPS	Revolution	Nationalism	Ideological Education
Huiqin Hou	2001	0	0	0	0	0
Shangli Lin	2001	0	0	0	0	0
Xiaoming	2001	0	0	1	0	0
Wenqin Wu	2001	0	0	0	1	0
Feng Yuan	2001	0	0	0	0	1
jinying Chen	2002	0	0	1	0	0
Guoxiang Guo	2002	0	0	1	0	0
Simei Gao	2002	0	0	1	0	1
Lin Li	2002	0	0	1	0	0
Shiyi Wang	2002	0	0	0	0	0
Chuhui Wu	2002	0	0	1	0	0
Heping Xiao	2002	0	0	0	0	0
Cunsheng Yan	2002	0	0	0	0	0
Deci Yin	2002	0	0	1	0	0
Weili Cheng	2003	0	0	0	0	0
Shuxia Deng	2003	1	0	0	0	0
Sui Deng	2003	1	0	0	0	0
Lianmei Du	2003	1	0	0	0	0
Hongsheng Guo	2003	1	1	0	0	0
Yuliang Guo	2003	1	0	1	0	0

Table A-2: The list of 32 variables in this study

	Variables	Explanation
V1	Revolution	Legitimacy is based upon revolution.
V2	Nationalism	Legitimacy is based upon the promotion of nationalism.
V3	Charisma	Legitimacy is based upon leaders' Charisma.
V4	Mass Support	Legitimacy is based upon the population support.
V5	Belief and Trust	Legitimacy is based upon populations' belief in the leadership of Chinese Communist Party.
V6	Ideological Education	Emphasis on the importance ideological education is better to bolster the CCP's legitimacy
V7	Marxism	Legitimacy is based upon insistence of Marxism.
V8	Maoism	Legitimacy is based upon insistence of the theories of Maoism.
V9	Dengism	Legitimacy is based upon insistence of the theories of Dengism
V10	The Three Represents	Legitimacy is based upon upholding the flag of "The Three Represents."
V11	Harmony Society	Legitimacy is based upon the theory of creating a harmonious society.
V12	Scientific Development	Legitimacy is based upon scientific development.
V13	Globalization	Legitimacy is based upon well responses to foreign attacks.
V14	Value Changing	Legitimacy is based upon well responses to value changing.
V15	New Class	Legitimacy is based upon well responses to the emergence of new social class.
V16	Economic Growth	Legitimacy is based upon economic growth.
V17	Welfare system	Legitimacy is based upon a better welfare system.
V18	Fairness	Legitimacy is based upon fairness (the narrowing gap of inequality).
V19	Jobs	Legitimacy is based upon creation of more jobs.
V20	Agriculture	Legitimacy is based upon well solving agricultural issues.
V21	Party Construction	Legitimacy is based upon self-construction of the Communist Party.
V22	Corruption	Legitimacy is based upon well solving corruption problems.
V23	Cooperation	Legitimacy is based upon the cooperation between the CCP and other democratic parties.

Table A-2 (continued): The list of 32 variables in this study

V24	Congress	Legitimacy is based upon the congress.
V25	Law	Legitimacy is based upon the rule of law.
V26	Government	Legitimacy is based upon the structure and function of the government.
V27	Separation	Legitimacy is based upon the separation of party from the government.
V28	Social Democracy	Legitimacy is based upon the promotion of social democracy.
V29	Inner-Party Democracy	Legitimacy is based upon the insistence of inner-party democracy.
V30	Rights	Legitimacy is based upon the protection of citizens' rights.
V31	Freedom	Legitimacy is based upon freedom
V32	Civil Society	Legitimacy is based upon establishing a civil society.

Table A-3: Eigenvalues of dimension 1 and dimension 2 and loadings of 32 sources of legitimacy

Eigenvalues:		
	D1	D2
	0.0014	0.0012
Variable Loadings:		
	D1	D2
V1	-0.059247318	-0.044351512
V2	-0.028738789	-0.016731313
V3	-0.048826912	-0.074772571
V4	-0.012214939	-0.060294
V5	-0.009118467	-0.004598371
V6	-0.02336845	-0.043107701
V7	-0.076937469	-0.09842094
V8	-0.07833939	-0.110322578
V9	-0.052729743	-0.074252027
V10	-0.055009646	-0.051730695
V11	0.051028764	-0.032089012
V12	0.037915946	-0.061696338
V13	-0.003366046	-0.036405457
V14	0.023244743	-0.008600605

V15	0.036794274	-0.052892296
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Table A-3 (continued): Eigenvalues of dimension 1 and dimension 2 and loadings of 32 sources of legitimacy

Variable loadings:		
	D1	D2
V16	0.004608948	-0.075005451
V17	0.054004579	-0.011572635
V18	0.069453666	-0.060071538
V19	0.035613384	-0.043552632
V20	0.039294126	-0.036218908
V21	-0.007609723	0.001736195
V22	0.039053047	-0.062885889
V23	0.034524368	-0.021258243
V24	0.002121856	-0.031809447
V25	0.053269764	-0.051683682
V26	0.065608801	-0.001071878
V27	0.016873169	-0.007591661
V28	0.092180791	-0.034312452
V29	0.031907497	0.017150424
V30	0.110604383	-0.032942789
V31	0.087793958	-0.025139751
V32	0.097049612	-0.02806278

APPENDIX B.

Table B-1. Comparison between GB/T4754-1994 and ISIC/Rev3

GB/T4754-1994	ISIC/Rev3
Section	Section
A. Agriculture, Forestry, Animal husbandry and fishing	A. Agriculture, hunting and forestry
B. Mining	B. Fishing
C. Manufacturing	C. Mining and quarrying
D. Production and distribution	D. Manufacturing
E. Construction	E. Electricity, gas and water supply
F. Geologic perambulation and Management of water conservancy	F. Construction
G. Traffic, transport, storage and post	G. Wholesale and retail trade, repair of motor-vehicles, motorcycles and personal and household goods
H. Wholesale and retail trade and catering services	H. Hotel and restaurants
I. Finance and insurance	I. Transport, storage and communications
J. Real estate	J. Financial intermediation
K. Social Services	K. Real estate, renting and business activities
L. Health care, sports and social welfare	L. Public administration and defense, compulsory social security
M. Education, culture and arts, radio, film and television	M. Education
N. Scientific research and polytechnic and social organizations	N. Health and social work
O. Government agencies, parties agencies and social organizations	O. Other community, social and personal service activities
P. Others	P. Private Households with employed persons
	Q. Extra-territorial organizations and bodies

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