From unorganized interests to democracy : problems of political transition in China

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Objekttyp: **Article**

Zeitschrift: **Asiatische Studien : Zeitschrift der Schweizerischen Asiengesellschaft = Études asiatiques : revue de la Société Suisse-Asie**

Band (Jahr): **49 (1995)**

Heft 1: **Chinese Societies at the Dawn of the Third Millenium**

PDF erstellt am: **20.04.2024**

Persistenter Link: https://doi.org/10.5169/seals-147174

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FROM UNORGANIZED INTERESTS TO DEMOCRACY: PROBLEMS OF POLITICAL TRANSITION IN CHINA

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Abstract

This paper will examine the role of unorganized interests in the political transition in the People's Republic of China. I will argue that, in the era of reform, the basis of organizing interests under state socialism, such as the state-society linkage and the boundaries of social groups and organizations, has undergone fundamental changes. As a result, the tendency towards unorganized interests has accelerated. Lacking both organizing capacity and symbolic capital, ordinary citizens cannot engage in strategic maneuvers with the state in pursuing political change. Rather, the emerging new social conflicts, in times of crisis, may generate new demands for a strong state rather than a democracy.

The Research Issues

15 years of economic reform have fundamentally changed the landscape of state socialist China. By the end of 1992, for instance, non-state-owned (collective and private) enterprises comprised about half of the total industrial output and the extent of privatization far exceeded the reported official statistics. The introduction of market mechanisms has led to the redistribution of power and resources, and the erosion of the state as the redistributive center. The state-society relationship has also undergone substantial changes in the post-Mao era (Nee 1989; Davis and Vogel 1990; Lieberthal and Lampton 1992).

An immediate question arises for political sociologists: What is the prospect of political transition to democracy, given such dramatic changes in the economic sphere? A broader question is related to the connection between economic change and political transitions. In this paper, I will address this issue by examining the emerging patterns of interest articulation in the era of reform. "Organized interests" here refer to those social groups that are capable of engaging in strategic maneuvering on a permanent organizational basis. Organized interests occupy a central position in both the transition to, and the practice of, democracy. By contrast, unorganized interests are characteristic of socialist societies. This paper examines the role of unorganized interests in this transition process

and what this implies for the prospects of democracy. In particular, I will argue that the unique paths of Chinese economic reform have accelerated unorganized interests and, at the same time, have generated new patterns of social conflicts that are likely to give rise to a strong state, rather than political democracy.

I will start my presentation by discussing the role of organized interests in political transition. Next, I will focus on the evolution of unorganized interests in China in the era of economic reform. Finally, I will explore the implications of unorganized interests for China's political transition. My presentation on the one hand relies heavily on social sciences literature for theoretical insights, and on the other is illustrated by some preliminary evidence based on my research in China during the summer of 1993.

Organizing Interests and Political Transition

In his masterful study of the historical transition from agrarian to modern industrial societies since the 18th century, Barrington Moore (1966) offered a compelling structural explanation of different paths of the great transformation, based on such macro-sociological variables as class relationships, societal cleavages, political realignment and interest articulation in response to the dislocation of social groups in an era of rapid social change. The clue to the destination of such a large-scale socio-political transformation, as Moore argued, lies in the structural conditions of social relationships, between the king, the upper-landed nobility, the emerging bourgeoisie class and the peasants.

Recent studies of the transitions from authoritarian rule in Latin America and Southern Europe since World War II signal a significant shift in approach. O'Donnell and Schmitter argued that the structural approach which relies on "relatively stable economic, social, cultural, and partisan categories to identify, analyze and evaluate the identities and strategies of those defending the status quo and those struggling to reform or transform it ... is inappropriate in rapidly changing situations, where those very parameters of political action are in flux" (O'Donnell and Schmitter 1986:4). As a result, the new emphasis is now on political crafting, strategic coalitions and competition among organized interests, such as elites, the military, labor unions and political parties (O'Donnell and Schmitter 1986; Linz 1978).

There is no doubt that, in the process of old regime breakdown, forms of interest articulation, societal cleavages and social power become crucial

parameters affecting the direction and dynamics of political transition. What is left unexplored in this literature, however, is the very issue of how interests are organized. Earlier work on participatory democracy "has at its foundation the assumption that the individual is the basic unit of analysis. The 'group' is conceptualized as a voluntary association of individuals who share a subjectively perceived common interest. On this assumption the competitive model of pressure groups politics is constructed to fit in with the theory of liberal democracy: groups help to make elected leaders more responsive to the demands of the electorate. It assumes an equilibrium, and a competitive marketplace" (Cawson 1983:180). In a liberal democratic tradition, organized interests were seen as a natural outcome of a market-like political process: "Events may easily produce an increased rate of interaction among the affected individuals to the point where formal organization or a significant interest group will emerge and greater influence will ensue" (Truman 1951:36). Empirically, studies of political transition have seldom explored the process of organizing among lower classes. For instance, Moore's focus on broad categories of class takes for granted a consistent translation between individual motives, class interests and collective action. The long tradition of organized labor in Latin America has also concealed the problem of organizing interests from scholarly inquiry in the literature of transition from authoritarian rules.

The earlier focus on electoral cleavages and pluralist models of interest articulation has been called into question. Schmitter (1981) argued that pluralist forms of interest articulation are volatile and marginal and often the sources of ungovernability in industrialized societies. Models of neo-corporatism point to trends in interest articulation based on permanent, formal and functionally-differentiated organizations often legitimized by state authority. The foundation of such a shift is related to the rise of the welfare state. Overload in political as well as economic spheres demands cooperation among newly emerged centers to ensure political stability. The presence of stable social groups or organizations becomes especially important in the transition process because much of the discussion on elites and political crafting in the recent literature of "transition from authoritarian rules" depends on the presumption of the existing organized interests that are capable of mobilization and engaging in strategic maneuver (O'Donnell and Schmitter 1986; Karl 1986; Di Palma 1990).

The issue of organizing interests becomes crucial in our understanding of political transition in China in particular and in other former state socialist polities in general, because of the absence of organized interests

under state socialism. Before I turn to the issues specific to state socialism, I will first develop some general arguments about "organizing interests."

A fundamental problem in this regard is related to "organizing capacity", which was first considered in Olson (1964). Olson argued that even the presence of a common interest among a latent group does not necessarily lead to collective action. In a rational choice framework, Olson argued that the nature of public goods and the problem of free-riding make collective action highly unlikely. The solution he proposes relies on some form of selective incentives and rule enforcement, which requires certain organizational form. Hechter (1987) further developed this line of argument with regard to group solidarity. Since the 1960s, theories of collective action, especially that of resource mobilization, have primarily addressed this issue by emphasizing leadership, organizational structure, and strategic choice.

The second obstacle in the formation of organized interests is how "interests" themselves are defined and constructed. "Interest", as Geertz (1973:203) put it, "is at one and the same time a psychological and sociological concept---referring both to a felt advantage of an individual or group of individuals and to the objective structure of opportunity within which an individual or group moves." As such, it is socially constructed and historically bound. At one level, interests are reflected in the common sense of everyday experience. But, "if common sense is as much an interpretation of the immediacies of experience, a glass on them, as are myth, painting, epistemology, or whatever, then it is, like them, historically constructed and, like them, subjected to historically defined standards of judgment. It can be questioned, disputed, affirmed, developed, formalized, contemplated, even taught, and it can vary dramatically from one people to the next" (Geertz, 1983:76). On a second level, interests can be seen as "theoretical paradigms": they are based on a set of taken-for-granted premises, and provide the logic of comparison and interpretation. "Theories" of interests, properly packed, can effectively transmit information among individuals in the group and generate interaction and mutual understanding. In brief, they provide the principle of organizing among individuals and social groups.

This emphasis on the fluidity of "interests" makes the linkage between socio-economic status and organizing capacity problematic, and it leads us to the role of what Pierre Bourdieu called symbolic capital. As Bourdieu (1985:202) put it:

> The capacity to make entities exist in the explicit state, to publish, make public (i.e. render objectified, visible, and even official) that which had not previously attained objective and collective existence and had therefore remained in the state of individual or serial existence — people's malaise, anxiety, disquiet, expectations — represents a formidable social power, the power to make groups by making the common sense, the explicit consensus, of the whole group.

The extent to which symbolic capital is centralized or monopolized is crucial in the formation of interest articulation. The more dispersed the symbolic capital, the higher the competition among groups. Conversely, if the symbolic capital is concentrated in the hands of a single group — say the state — it will eliminate the legitimate claims of other groups, forcing them to converge in the location where the symbolic capital is concentrated and legitimate claims can be made. In a traditional village, individual behavior is mostly constrained by reciprocity, largely because no claims can be made on any other basis, leading to the convergence in behavior. Also, the extent to which individuals can be mobilized into collective action depends on the generality of claims made. The more theorized the claim is — i.e., the closer it is to the natural order and intrinsic justice — the more likely it is that it can appeal to a broader spectrum of individuals, and the broader the basis of groups (Bendix 1964). In this light, interest articulation is a function of variations in organizing capacity and the distribution of symbolic capital.

		Symbolic Capital	
		dispersed	centralized
Organizing Capacity	high	pluralism (market)	corporatism (statist)
	low	local (traditional)	unorganized (socialist)

Figure 1. Group formation as a function of the distribution of symbolic capital and organizing capacity

Both the organizing capacity and the distribution of symbolic capital are structured by the institutional patterns of politics, especially the role of the modern state. In particular, organizing capacity is often exogenously imposed by the state authority. Recent studies show that, even in West European societies, interest articulation based on formal organizations (labor unions, professional associations) "were less manifestations of

liberalism than delegations of state authority" (Maier 1981:41). Variations along these two lines give rise to different patterns of political arrangements. In a comparative perspective, we can distinguish four types of interest articulation (see Figure 1).

First, when social groups are highly organized and can easily make claims due to the dispersion of symbolic capital, we encounter the familiar pluralist model of group politics. This corresponds to the classical liberal democracy in a market economy, where resources for mobilization are dispersed, and the freedom of association and expression are protected.

Second, when social groups are highly organized but the ground for legitimate claim is limited (due to state dominance), this tends to generate singular and formal organizations, authorized by the state. This characterizes the corporatist model of democracy, often based on a strong state. Patterns of interest articulation in Latin America and some Western European societies (Germany and France) fall into this category.

Third, when the organizing capacity is low, but symbolic capital is dispersed, this often entails localized resistance typical of the traditional society. James Scott's (1976) study of the patterns of resistance in "the moral economy" is such a case in point. The lack of political resources and survival pressures leave peasants with little capacity to organize for collective action. On the other hand, the wide availability of subsistence ethics as moral claims allows peasants to engage in scattered, informal and individual-based everyday resistance to injustice and exploitation.

Finally, when individuals experience difficulty in becoming organized and they are deprived of symbolic capital to make claims on either a group or an individual basis, their behavior tends to be unorganized. This is characteristic of the state socialist polity. "Unorganized interests" refer to those social groups that, lacking both organizing capacity and symbolic capital, are unable to engage in strategic actions on an identifiable group basis. The formation of unorganized interests is rooted in the institutional structure of state socialism. The state monopoly of public arena ensnared all citizens into its webs of organizations, produced the *dependency relationship* of citizens upon the state and limited the existence of autonomous interest groups (Walder 1986, 1992; Whyte and Parish 1984). The interests of various social groups are not articulated through autonomous formal organizations and must be expressed through the state bureaucracies they are affiliated with. As a result, the state socialist redistributive economy has generated social interests that are often fragmented and tied to state bureaucracies, and interest articulation often

takes the form of cliental relationships around the local bureaucracy (Walder 1987).

However, unorganized interests play a significant role in political dynamics under state socialism. Individuals, though not self-organized, are sensitive to state policy shifts and social mobilization due to their common linkage with the state. Such patterns of state-society relationship tend to cultivate similar claims and similar behavioral patterns among individuals across the boundaries of organizations, localities and social groups, leading to collective action challenging the state (Zhou 1993). Therefore, in order to understand political transitions in China, it is crucial to assess the role of unorganized interests in the era of economic reform.

Unorganized Interests in the Era of Economic Reform

In the traditional models of social stratification under state socialism, interests are clustered into a hierarchy of discrete groups: at one end, there is the strata of cadres (managers) belonging to the state apparatus, who enjoy special privileges and authority (Djilas 1966); at the other end, we can distinguish occupational groups such as intellectuals, workers and peasants. The socio-economic status of these groups depends on their location in the state redistribution system (Szelenyi 1978). One crucial criterion of social stratification among workers, peasants and intellectuals is the organizational hierarchy based on property rights (Walder 1992). Those affiliated to governmental agencies and the state sector, for instance, often enjoy special privileges such as welfare programs and better housing conditions.

In the last 15 years of economic reform, the traditional pattern of social stratification in China has been fundamentally altered. First, the linkage between the state and society has undergone dramatic changes. The central government has withdrawn from major areas of redistribution. In rural China, the dismantling of the commune system has loosened the administrative linkage between the state and the peasants and altered the patterns of resource distribution (Nee 1989, 1991). In urban areas, workers' income is no longer controlled by the uniform wage system promulgated by the central government. A large proportion of production factors are now independent of the central planning system. These changes are partly the result of reform measures adopted by the government and partly due to the failure of the central government to exert its control. As a result, the locus of power is shifting from central government to local governments and especially to the heads of the workplace ("danwei").

Along with these changes, the sources of social conflicts have diversified from the center to local levels. During my interviews in 1993 with a wide spectrum of urban residents, including workers, private entrepreneurs, intellectuals and managers, I found that the major concerns and complaints of those interviewed are focussed not on the central government, but on the officials that immediately affect their everyday lives.[1] This is in sharp contrast with the high degree of political sensitivity that predominated in China in the Mao era and in the earlier stages of economic reform.

Secondly, the weakening of the central government's role as the source of redistributors has led to changes in the hierarchical order of the organizations and to differentiation of interests among social groups. State-owned enterprises, for instance, can no longer afford privileged job security and welfare. In terms of income (fixed income plus bonuses), those working in governmental agencies often cannot compete with workers in the industrial sector. Even within the same type of organizations or business sector, workers' income by and large depends on their workplace, or on the particular section within their workplace. The socio-economic status of the bureaucrats is now highly differentiated (Zhou 1992). Those cadres possessing "real power" in economic regulation and transaction are now much better-off than those who work in, say, political or propaganda agencies. The same is true in other types of organizations. In the same enterprise, certain types of workers can have income several times higher than others. Encouraged by state policies, many firms are diversifying across different industrial sectors and individuals are moonlighting across different types of organizations. For instance, the Sichuan Railroad Engine Company, a large state-owned enterprise of 15,000 employees, has subsidiary companies in several service sectors. Moreover, a large proportion of employees in all walks of life have second jobs, and the income of the second job often exceeds the fixed income based on their official job.

What links these profiteering organizations or individuals are the networks of clients and personal ties surrounding local bureaucracy (Walder 1987). Interest articulation based on non-economic social relationships is a response to uncertainties introduced by the coexistence of market and hierarchy. That market transaction has an element of uncertainty needs no elaboration. Even in the market economies of

1 The uncited instances in the text are based on my interviews in China in the summer of 1993.

industrialized societies, problems of "small numbers" and "opportunism" and the difficulty in drawing up enforceable and elaborate contracts in the market place entail high transaction costs, which give rise to varieties of formal organizations that can internalize these uncertainties (Williamson 1975). In the context of China, the traditional bureaucratic linkage has been partly replaced by social networks based on the combination of authority and capital. "This type of social exchange network can provide stable social linkages in the absence of legal protection; to overcome local and administrative barriers, it can use personal networks for the survival of enterprise and the expansion of new markets; and it can transmit information in a more efficient and reliable manner compared with other channels" (Zhou 1986:6). The very presence and efficiency of social relationships constrain market mechanisms (Granovetter 1985): i.e., the proliferation of social networks sets limits to the expansion of a market and legal-rational institutions based on the market.

What are the implications of the on-going changes for interest articulation? One important consequence is the shifting of organizational basis in the social stratification structure. Another consequence is the high differentiation of interests among previously homogeneous social groups. If the traditional state socialist institutions created collective behavior through strong linkages between the state and individuals of all walks of life, the diversity of interests at the level of the individual in the reform era has altered the traditional boundaries of social groups and patterns of interest articulation. No longer can we describe the socio-economic status of urban residents by dividing them up into such broad categories as workers, intellectuals or cadres. Nor can we estimate individuals' economic benefits by locating them within certain industries, sectors or even a particular workplace. In this sense, the traditional boundaries based on work organizations or occupations become blurred, and the organizing capacity based on such group boundaries has been eroded considerably.

More importantly, the production and distribution of symbolic capital for organizing interests have been seriously undermined. The construction of the boundaries and identities of social groups requires "spokesmen" and symbolic capital. To be sure, the production and distribution of symbolic capital in China have never been favorable to social mobilization independent of the state. Symbolic production (education, mass media and communication) has been within the realm of state monopoly. Even in the recent accelerated wave of reform, the state still keeps a firm hand on the news media. The Communist ideology of "classes", such as workers, peasants, and intellectuals, is so broad that it is ill-fitted to provide

sufficient boundaries among social groups for effective self-organization. Moreover, unlike the dissident groups in Eastern Europe who became independent of the communist states despite severe repression, Chinese intellectuals never closely identified themselves with a particular social group. Social elites tended to address the state, rather than specific social groups (Ding, forthcoming). Consequently, their endeavors can hardly provide a social basis for group formation and mobilization. Often, as seen in the instances of student protest in the 1980s, student protesters tried to prevent the participation of other social groups, at least in the initial stages (Wasserstrom 1991).

In recent years, the differentiation of interests among intellectuals has been as high as those in other walks of life. Since 1989, the government has adopted policies to encourage educational institutions to engage in profit-making business to gain extra revenue. Organized around different "danwei", intellectuals pursue individual interests in economic arenas rather than engage in symbolic production in the public sphere. In higher educational institutions, it is quite common to find that the income for faculty members in some departments is about ten times as high as those in other departments within the same institution. Serious scholarly research becomes unpopular because it cannot deliver immediate economic returns. As one scholar I interviewed lamented, cultural production is on the brink of collapse in China today.

An important consequence of depolitization on campuses and among intellectuals is the decline of symbolic capital for those who need it most. Unlike in a liberal polity, where autonomous organization and free expression are legitimate, social groups in China are deprived of both. In the Chinese tradition, intelligentsia often served as the "spokesmen" of the underprivileged, as is demonstrated by the fact that most of the social protests in China were initiated by students and intellectuals. Before the 1989 Tiananmen crackdown, students and intellectuals were often the center of social mobilization. Their unique position at the institutional center and their idealistic appeals and solidarity often provided an effective means of generating collective action. However, the recent diversification among students and intellectuals has seriously undermined their capacity both to provide symbolic capital for and to engage in collective action in the near future.

To sum up, shifting group boundaries, particularistic interest articulation and the poverty of cultural capital mean that the characteristic of unorganized interests has become exacerbated in the era of economic reform. In the first place, personal networks with local bureaucracies are

based on *particularistic* ties and privileged access. Therefore, they continue to generate fragmented interests and differential benefits for individuals, cutting across the boundaries of social groups, organizations and localities. Secondly, it is difficult to make legitimate and open claims on particularism, which inevitably narrows the symbolic basis for social mobilization. In this context, individuals and social groups cannot effectively mobilize among themselves and protect their own interests. Wide-spread disillusion and political apathy have led to a withdrawal from the political processes rather than opposition to authority.

Crisis, State Building and Political Transition

What is the prospect for democracy in China's political transition? One scenario is that the emergence of private entrepreneurs and the middle class will demand rationalization of economic activities and legal protection against the state. Thus, the rise of the new middle classes will generate the demands and prepare the class basis for democratic political institutions (Glassman 1991). This approach sees a logical connection between economic status, grass-roots political demands and the resulting political institutions. Whyte (1992) emphasized the role of historical contingency and expressed guarded optimism for a more democratic order, given potential opportunities of social uprisings like the 1989 pro-democracy movement.

An alternative approach adopted here is to see political transitions from state socialism as a process of state-building, whose outcome depends on a series of organizational responses to crises. Charles Tilly (1964) argued that the rise of the state is related to the way in which traditional society breaks down. In a study of the transition to capitalism in France, Tilly found salient regional variations in the transformation of the traditional communal structure, which led to distinctive types of state system. In a comparative study of the evolution of the modern states in Western Europe, Badie and Birnbaum (1983) traced their distinctive features as the results of different historical events. As they put it: "states were most likely to develop in societies that encountered difficulties in moving from the old to the new division of labor, whether because of social opposition to change or because of problems of a technological or political order" (1983:73). Intensive social conflicts tend to strengthen the state, as in the case of the French state. On the other hand, a relatively smooth transition, as in the case of Britain, puts less demands on the state to intervene in resolving social conflicts. This theme has been supported in

comparative studies. O'Donnell (1973) also found that the response to crisis contributed to the rise of strong authoritarian regimes in Latin America.

If crisis and social conflicts play a critical role in the transition process, we need to examine the forms of interest articulation among various social groups, and the ways these interests are expressed. This approach can shed light on the path of political transition in China.

It is illuminating to contrast the unique path of transition from state socialism with the experiences of Western Europe and those of Latin America. The rise of the nation-state in Western Europe has been characterized by a process of "incorporation." The transition from agrarian societies to market economies has been characterized by "the extension of citizenship to the lower classes" (Bendix 1964:3). The process of state-building transcended the boundaries of social groups and localities and forged the direct linkage between citizens and the state. Furthermore, the rise of the welfare state has greatly expanded the role of the state in national life and individuals' social and economic activities. The expansion of the state, at least in the short run, has lessened the direct tensions among social groups. In Latin America, the authoritarian states have never assumed the responsibility of social and economic welfare for individuals and social groups to the extent that socialist states have done. Instead, to a large extent the private economic sector operates autonomously alongside the state apparatus. The government often incorporates organized labor in the policy-making process (Collier and Collier 1991).

In contrast, the breakdown of the socialist state in China has embarked on a reverse course: it is based on the principle of exclusion, i.e., excluding various social groups from the state socialist welfare system. First of all, there is the exclusion based on localities. The economic reform of the 1980s was marked by uneven regional developments. The state promotion of special economic zones, labor market practice and trade provided privileged policies toward coastal areas and generated spectacular economic growth in Southern China. By contrast, the economic backwardness of the inner areas has been prolonged due to unequal exchange. Regional inequality is becoming a growing political issue that cannot be adequately dealt with without the active role of central government.

Secondly, there is exclusion based on social groups. The state socialist institutions are characteristic of double-functions: they are simultaneously the instruments of political control and the redistributors of economic welfare. In the Mao era, social stratification did demonstrate features of an

egalitarian system (Parish 1984). However, the weakening of the state redistributive system leads to systematic exclusion of the *economic welfare* of certain social groups. For instance, the retired people and those working in the public sectors have experienced significant relative decline in their living standards. Moreover, the coexistence of market and planning also introduces differential opportunities for different age groups, economic sectors and locations. It is important to notice that the reform process tends to exclude those very disadvantaged groups — women, children and the elderly — that the Western European states first incorporated into their welfare system (Heidenheimer, Heclo and Adams 1990).

Thirdly, there is exclusion based on local bureaucracy. The networks around local bureaucracy produces fragmented interests and they may to some extent lessen the political pressures of the unorganized interests. However, interest articulation based on local bureaucracy produces systematic exclusion of those disadvantaged social groups. Rampant cliental networks based on local bureaucracy polarize the social inequality between those with privileged access and those without ties.

Moreover, it would be premature to see the weakening of the redistributive power of central government as the advancement of a market economy. Between the alternatives of hierarchy and market (Williamson 1975), a new pattern of political economy is emerging — the combination of political power and market transactions, i.e., economic activities that are transacted in the marketplace, but are governed by political power rather than by market mechanisms. I call this new type of political economy *power economy*. The decentralization of power grants more authority to local governments. Consequently, the role of local bureaucracy becomes more significant in policy implementation and market regulations. Bureaucrats directly participate in economic transactions and use inside information, economic regulation and authority to provide privileged access to certain groups, in exchange for personal resources and wealth. This type of economic activity is organized around governmental agencies and their associated companies.[2] For instance, the Sichuan Archive Bureau

2 A historical note: In the early-1980s, upon the advocacy of "adjusting the economic function of the governmental agencies" by the central government, governmental agencies developed their own profit-making companies. The government also advocated non-profit danwei to *chuangshou* — to develop extra sources of income to supplement a shrinking governmental budget. Soon, the consequences were obvious: political power and economic transactions were closely linked out of self-interest. In recent years, the central government has

requires all its subordinate units to purchase materials from its own company — gaining monopoly profits. Even in Guangdong Province, where the private market is more developed, the foreign trade agency authorized its own subsidiary company to process all imported cars — not for the purpose of regulation, but for the purpose of imposing additional fees and extracting its own benefits. In rural areas, government-controlled companies force peasants to buy their low-quality "services" or products at higher prices (*Diaoyan shijie*, no. 2, 1993).

Even those transactions in the market place must realize their profits by interacting with the power economy. For instance, in one of my interviews a millionaire private entrepreneur disclosed that his profits are largely gained by corrupting the heads of other government-owned organizations, who use their authority to order the products in exchange for personal benefits. Even in the restaurant industry whose environment is closest to a competitive market, much of the profit relies on cultivating connections with state-owned enterprises or agencies to keep a stable flow of customers. In an estimate by the state statistics bureau in 1992, about 70% of the profits (80 billion Chinese yuan) gained by the hotel and restaurant industries were from payments by government-owned organizations (*Renmin Zhengxiebao*, May 22, 1993). In other words, without the fuel of the power economy, the private sector might never have achieved the extent of growth we are witnessing today.

What emerges from the above picture is a new stratification order, based on the realignment of interests. At the top of this structure are those bureaucrats associated with the power economy. At the other end are those who are being excluded from the power economy, such as workers, peasants and intellectuals, whose fates continue to be subject to the direction of state policies. In between are the successful private entrepreneurs and those working in profitable enterprises (joint ventures and foreign-owned companies). The tension between those benefitting from the power economy and the majority of workers and peasants who cannot control their own fates is becoming the potential source of social conflict. In other words, the major conflicts are still between the ordinary citizens on the one hand and the state and its local governments on the other.

repeatedly demanded that those subsidiary companies should become independent economic entities and that governmental bureaucrats should not have appointments in those companies. Despite the prohibition by the government, those "officially sponsored" companies still have close ties with their parent governmental agencies. Today, these companies have become a significant source of income for bureaucrats working in those agencies.

Recent economic prosperity has temporarily lessened the tensions and the potential conflicts. Here, Hirschman's (1970) discussion about the alternatives of "exit" and "voice" seems relevant. "Exit" refers to market-like solutions, based on individual choices to withdraw from cooperation, and on shifts across occupations and organizations. The presence of a market economy provides a wide range of choices in which to pursue individual interests. "Voice", on the other hand, refers to those political solutions that are typically based on organized interests and collective action. As Hirschman suggested, the high level of "exit" decreases the resort to "voice", since it provides the alternative channels to realize individuals' self-interests. In this light, the economic reform of the past 15 years has widened the "exit" option and lowered the probability for "voice".

In an authoritarian system, political stability can be achieved by the overall performance of the regime. In particular, the political efficacy of "the capacity of a regime to find solutions to the basic problems facing any political system (and those that become salient in any historical movement) that are perceived as more satisfactory than unsatisfactory by aware citizens" (Linz 1978:20-21) can diffuse political crisis and weaken the basis for the formation of organized interests. During a period of rapid economic growth, problems of exclusion may be partly relieved and partly concealed by the overall increase of the economic welfare of the majority of the population. The emergence of a private sector and the availability of personal ties lessen the dependency of individuals on the state redistributive system and provide alternative means of pursuing their self-interests. The increasing market opportunities and the proliferation of social networks also reinforce fragmented and particularistic interests around local bureaucracy. In brief, the increasing availability of "exit" has eroded the traditional boundaries of social groups and organizations, weakened the basis of organizing interests independent of the state, reduced the political pressures on the state and, at least temporarily, postponed the agenda of political democracy.

However, the sustenance of such economic prosperity is by no means guaranteed. The possibility of stagnation, growing population burdens, unemployment and fluctuations in world trade may make the problem of social inequality and the consequent social conflicts especially acute in times of crisis. In other words, the "exit" option is still limited and unstable. The increasing burdens on those whose living standards experience relative decline, such as peasants and certain segments of the labor force in recent years, have already triggered numerous local and

scattered protests. Instances of local protests or "riots" by urban residents and peasants have substantially increased in recent years. For instance, at the end of 1992, when the government increased the burden of taxation for road construction in Renshou County in Sichuan Province, over 100,000 peasants were mobilized by a single peasant in a short period of time. They refused to pay tax, destroyed the District Government, set governmental vehicles on fire and had open confrontation with the armed police force.

What is the role of unorganized interests in this picture? Democratic institutions often arise from compromise, negotiation and conflict resolution. In China, the unorganized interests of society lack the capacity to organize or the symbolic capital to mobilize, and they cannot effectively put pressures on the state. Nor can they engage in negotiations with the state in a strategic manner. The presence of unorganized interests in China precludes a stable political transition based on political pact negotiated at the top. Furthermore, it makes a negotiated order based on some formal organizations unlikely. In my view, no leadership involved in a pact negotiation has the organizational capacity to command these fragmented interests or to represent their interests. Once they are mobilized, however, the dynamics of unorganized interests can easily disrupt the fragile political coalitions among the elite, as the 1989 pro-democracy movement demonstrated.

With the weakening of the vertical structure controlled by the state, unorganized interests become more volatile, forceful and unpredictable. These individuals are outside the interest articulation based on social networks, informal channels and local bureaucracies. For instance, the size of the unused rural labor force is increasing drastically. There are over twenty million rural laborers now rushing into large cities to search for jobs. Away from their own villages and counties, they flow across different urban areas without any administrative regulation. The situation is no better in the urban areas. Enterprises and governmental agencies are now sacking a large number of employees. The number of unemployed in urban areas has increased sharply since 1992. Unaffiliated to any danwei and unemployed, they have to find the means to survive in an already crowded labor market. During a period of economic growth, some of these laborers can be absorbed by temporary job opportunities, or they can rely on the income of their family members for survival. In times of economic crisis, however, their economic status may transform them into a force of violence and destruction. The sharp increase in crime rates and deteriorating safety conditions in urban areas are the manifestations of an emerging crisis.

But where will the force of unorganized interests be directed? In my view, without the construction of social groups and autonomous social space based on stable organizations, the emerging social conflicts and crisis may lead to the demand for a strong state, rather than a democracy. In an ideal situation, as was occasionally seen in some societies during the transition process, the disadvantaged can exert their demands through labor unions, negotiate with the government and force the latter to adopt welfare measures to alleviate the hardship on the affected groups. Such participation based on organized interests has led to the device of democratic institutions. However, without the infrastructure of autonomous interest groups, social demands based on unorganized interests are likely to express themselves in a more forceful and violent way regarding the state. Despite the erosion of state redistributive power, the central government is still at the center of the transition process. Exclusion based on state policies directs political pressures toward the state. Uneven regional developments and social inequality are not unique to China. What is unique, however, is the fact that the distribution of resources and opportunities is still affected by state policies, if not by its direct administrative apparatus. Furthermore, the infrastructure for conflict resolution at local level is still underdeveloped. Local initiatives, if they fail, must be corrected by central government. Social conflicts, even if they are not directly caused by central government, are still directed at the state for solutions. Consequently, the solution of local conflicts often involves strengthening the function of central government.

One possible outcome is a coalition between statist elites and the discontented masses. Uprising against injustice is guided by comparison frameworks and alternatives. Large-scale social mobilization must be based on symbols that transcend group boundaries. Without political competition in the form of alternative reform platforms, without organized interests to engage in strategic maneuvers, discontented masses are likely to embrace symbols of socialism such as egalitarian ideals to challenge injustice. In my view, what appeals to those disadvantaged individuals is not the alien symbols of democracy, but primitive justice and social order embedded in the familiar socialist slogans. This may provide a basis for a coalition between the strong leaders and the rank and file, and sustain a strong state in the long run. In a study of political attitudes based on a national sample of urban residents in 1988, Hou (1994) found evidence of political conservatism among blue-collar workers and private entrepreneurs, who were supportive of a stable political environment and a strong state (see also China Institute of Economic System Reform [1988]).

To qualify my argument, I think the timing of events will be most critical in the course of China's political transition. It will be dependent on the extent to which the government can diffuse the increasing tension caused by inequality, unemployment and the emerging social conflicts. If local conflicts can be diffused before they explode on a national scale, and unemployment can be absorbed by the development of new service sectors, the current trend of the weakening of the state will continue, and new social institutions may arise to replace the previous functions of the state. However, if social conflicts cannot be diffused, they are likely to be played out in a more violent and unmanageable fashion, which will in turn generate the demand for a strong state and strengthen the apparatus of the central government.

In the foreseeable future, it is likely that we will observe two distinct and interacting political cycles. The first one will be the shift between "exit" and "voice" among unorganized interests. When economic prosperity can provide opportunities and an increase in living standards for ordinary citizens, individuals will adopt market options to pursue self-interests. However, during times of crisis (economic, social and political), they will converge into the public sphere, and engage in some form of collective action, and put pressure on the state. Accordingly, we should also observe the second cycle — the shift in state policies from decentralization in the time of economic prosperity to re-centralization in times of crisis. Given that social groups are unorganized, it is unlikely that a negotiated political transition will take place, or if it occurs, that it will endure. Without organized interests, the combination of the state and capital is likely to take the path of "economic liberalism and political authoritarianism", rather than that of political democracy.[3]

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