

**Neo-authoritarianism & Political Legitimacy:**

**China's Struggle With Economic Reforms**

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## Table of Contents

1.	INTRODUCTION	p.1
2.	THEORETICAL FRAMEWORK	p.9
	A. Authoritarianism and Neo-authoritarianism: The Underlying Differences	p.9
	B. Antecedent Cases: Neo-authoritarianism in South Korea, Taiwan and Singapore	p.10
3.	LITERATURE REVIEW	p.16
	A. Neo-authoritarianism in China?	p.16
	B. The Struggle between Ideology and Economic Reform	p.20
	C. Decentralization: Its Impact on Central-Local Relationships	p.23
4.	DATA & ANALYSIS	p.30
	A. Waves of Political Reform	p.30
	B. Playing to the Provinces	p.36
	C. Origins of the Debate on Profit Contracting and Tax-for-Profit	p.41
	D. Resistance	p.50
	E. Revival of Profit Contracting	p.53
5.	CONCLUSION	p.56
6.	BIBLIOGRAPHY	p.64

## INTRODUCTION

The relationship between the type of political system and the success of economic reform and development has become a controversial issue amongst analysts of many countries. In recent years, there has been an increasing number of studies and debates on whether such a relationship exists between regime type, economic reform, and "successful" development strategies and if so, whether one particular form of political framework is more compatible to economic modernization than another. Do liberal-democratic political structures have greater capacities to implement economic reforms as indicated by advanced industrial economies in Western Europe and North America, or are forms of authoritarianism more appropriate for rapid economic growth as suggested by East Asian states like South Korea, Taiwan and Singapore?<sup>1</sup>

This discussion in turn leads us to the whole realm of political economy involving the mutual interaction and reciprocal relationship between politics and economics. On the one hand, the state and its associated political processes determine the production, direction and distribution of economic activities, while on the other hand, the effects of economic forces can in turn transform power relationships among groups or even threaten the core aspects of a political system.

First of all, what is meant by the terms "politics" and "economics"? According to Robert Gilpin, the interaction between politics and economics can be translated into that between power and wealth. In this study, politics will represent political power and stability while economics will be related to the creation of wealth and prosperity.<sup>2</sup>

The process of economic reforms in the People's Republic of China have introduced new challenges and tensions with the emergence of new forms of economic

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<sup>1</sup> Colin Mackerras, Pradeep Taneja, and Graham Young, China Since 1978: Reform, Modernisation and Socialism with Chinese Characteristics (New York: St. Martin's Press, 1994) 103.

<sup>2</sup> Robert J. Art and Robert Jervis, International Politics: Enduring Concepts and Contemporary Issues, 3rd ed. (New York: HarperCollins, 1992) 238.

activities and social structures. In this study, I will use political economy to refer to a number of questions generated by the interaction between economic and political activities, questions that are to be explored by a theoretical framework which I will turn to later.

As Mark P. Petracca and Mong Xiong put it, "In contemporary China, politics and economics are merged into one."<sup>3</sup> The Chinese reform process has been characterized by the constant dilemma of balancing contradictory goals of macrolevel stability and microlevel dynamism. While decentralization of authority over decision-making and fiscal issues has encouraged microlevel activity and stimulated people's initiatives to enliven the economy, it has also shifted power and resources away from the center to the periphery. As a result, economic and political imbalances occur which lead to recentralization to reimpose macrolevel control. Such is the case that a spiral effect takes place where upswings of decentralization and downswings of recentralization constitute a gradual yet ongoing process of development. Gradual in the sense that instead of implementing a comprehensive and radical change to the Chinese system that could threaten the interests of many, the reform process has involved loosening up a little, then tightening up and then loosening up a little more. Doing so, the period of transition is prolonged to allow time for readjustment and redistribution of various interests and relations. The ongoing aspect of the development process can be explained by the increasing demands of reform. Growing economic complexity has led to new socioeconomic interests such that local and enterprise units tend to enjoy more privileges and thus become more reluctant to yield to the center. As a consequence, efforts to recentralize have not been able to reverse the trend to where it all began.<sup>4</sup>

Moreover, it is often difficult to determine the relative forces of economic and political factors. The task of pinpointing a single cause for a policy reinforces the problem

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<sup>3</sup> Mark P. Petracca and Mong Xiong, "The Concept of Chinese Neo-authoritarianism: An Exploration and Democratic Critique," *Asian Survey* 30 (1990): 1115.

<sup>4</sup> Jude Howell, *China Opens Its Doors: The Politics of Economic Transition* (Great Britain: Harvester Wheatsheaf, 1993) 28.

of separating the realm of economics from that of politics such that the boundaries between the spirals of upswings and downswings are often difficult to discern. Although economics has become more in command, the initial spark of reform has originated from above.<sup>5</sup> Therefore, instead of providing a comparative study of development strategies in China and other countries, I have used South Korea, Taiwan and Singapore as a foil to find out first, the extent to which China's new economic reforms have been accommodated within China's political structures, and second, the effects of the new economic activities on the levels of autonomy, responsibility and control of the central government over the provincial and local governments. Is the central government able to maintain political control while implementing economic reform?

In the heyday of the Western Powers, when Western parochialism, universalism and the concept of modernization were at work, Westerners believed in the "redemption and ultimate democratization of the heathens."<sup>6</sup> Authoritarianism in East Asia was considered an aberration destined to be replaced by liberalism or more precisely, by the "Western-derived liberal, free-market discourse."<sup>7</sup> Such Western assumptions and domination of East Asian politics in turn sparked the intense interest among scholars who have risen to defend the uniqueness of the East Asian political ethos. Amongst the scholars were Jung-en Woo and Francis Fukuyama who argued that Asians are capable of providing an alternative ideology in "a distinctive regional perspective."<sup>8</sup> They see the concept of neo-authoritarianism emerging as an integral part of economic development strategy in the newly industrializing economies of East Asia.

The authoritarian regimes that pursued economic principles and reforms such as price liberalization, export-orientation and fiscal conservatism in the 1980s were quite different from those of the 1960s and 1970s which emphasized import substitution, fiscal

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<sup>5</sup> Howell 34.

<sup>6</sup> Meredith Woo-Cumings, "The New Authoritarianism in East Asia," *Current History* 93 (1994) : 413-416.

<sup>7</sup> Denny Roy, "Singapore, China, and the Soft Authoritarian Challenge," *Asian Survey* 34 (1994) : 231-242.

<sup>8</sup> Roy 231.

expansionism and the development of state owned enterprises.<sup>9</sup> According to Michael Sahlin, distinctions between different types of authoritarian regimes can be drawn on the basis of their "age". "Old" authoritarian regimes tend to be protective, involving the military to protect the status quo from challenges from below. Since they are weak in terms of legitimacy, they have to be strong in their repressive capabilities. "New" authoritarian regimes on the other hand, tend to be promotional in the sense that instead of protecting a threatened dominant group, they promote change by replacing it with modern elites, more inclined towards modernization and economic development. They tend to enjoy high legitimacy while decreasing their dependence on repression to achieve authority in order to mobilize their people economically and de-mobilize them politically. Political stability through a strong, centralized, modernizing government, are thus the features of new, promotional authoritarianism.<sup>10</sup>

These neo-authoritarian regimes encouraging free-market economic policies may represent an alternative to Western liberalism. The fact that they have experienced rapid economic growth and successful market-oriented economic reform further poses a direct challenge or even a threat to the Western political ethos. This is because it suggests to those promoting both democracy and market economies that the latter can flourish without the former.<sup>11</sup> In the early stages of economic reform and development in East Asia, almost all the success stories occurred in states which were authoritarian in one form or another. Moreover, despite reforms, the state continued to play a strong role in managing the economy. It remained conservative and reluctant to change the political formula which had served it well in achieving the goals of stability and prosperity such as rapid economic growth rates, poverty reduction and the narrowing of the gap between the rich and the poor.<sup>12</sup>

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<sup>9</sup> Minxin Pei, "The Puzzle of East Asian Exceptionalism," *Journal of Democracy* 5 (1994) : 90-103.

<sup>10</sup> Michael Sahlin, *Neo-authoritarianism and the Problem of Legitimacy: A General Study and a Nigerian Example* (Stockholm: Rabén & Sjögren, 1977) 35-36.

<sup>11</sup> Pei 92.

<sup>12</sup> Woo-Cumings 413.

Hence, in my thesis, I will use the theory of neo-authoritarianism as a window through which we can watch the policymakers in Beijing grapple with the political challenge of economic reform. Since neo-authoritarianism, as defined here, involves the process of mobilizing the people economically while de-mobilizing them politically, or in other words, promoting economic reforms without political reforms, Deng Xiaoping's "theory" of promoting market-driven economic growth while retaining the political status quo (also known as the policy of "one center and two basic points"), can be considered neo-authoritarian in nature. This is because, such policy involves economic reform while adhering to the four cardinal principles of the Chinese Communist Party, to uphold communist party leadership, the people's democratic dictatorship, Marxism-Leninism-Mao Zedong Thought, and the socialist road. I will propose that neo-authoritarianism is perhaps a transitional stage through which China moves gradually from patriarchal rule under a highly centralized system to a more decentralized one that is more committed to change and development. From a neo-authoritarian perspective, such gradualistic approach allows China time to adjust appropriately to new demands, enhance human capabilities and construct institutions for the purpose of reform.

From the outset, "The heavy hand of the Chinese state, in imperial times as in the present day, has shown few signs of succumbing to the invisible hand of the market."<sup>13</sup> The strong commitment of the Chinese leadership to economic reform was further enhanced by Deng's visit to the special economic zone of Shenzhen. That trip provided Deng with an opportunity to confirm that the policies for rapid economic reform and growth remained top priorities of the Communist Party, and that anyone who opposed them would not be tolerated. Yet, significant as this party commitment was for market liberalization, there were no clear signs of a parallel commitment to political reform. Furthermore, at the Fourteenth Party Congress in October 1992, the central dilemma facing the Communist leaders was how to encourage dynamic economic growth without losing

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<sup>13</sup> Elizabeth J. Perry, "China in 1992: An Experiment in Neo-authoritarianism," *Asian Survey* 33 (1993) : 12-21.

the fundamental ideals of socialism.<sup>14</sup> The answer was given in the title of a congressional report, an address approved by Deng and delivered by his successor Jiang Zemin, "Accelerating the Reform, the Opening to the Outside World and the Drive for Modernization, so as to Achieve Greater Successes in Building Socialism with Chinese Characteristics."<sup>15</sup> Here, "socialism with Chinese characteristics" represents a hybrid system in which rapid economic growth occurs under Communist Party rule. The notion of neo-authoritarianism where a strong authoritarian government determines and manages the economy seems to be the doctrine of the day.

However, in this study, I will attempt to show that although the theory of neo-authoritarianism may apply to the early stages of economic development in the authoritarian regimes of South Korea, Taiwan, and Singapore, it does not seem to fit as well in the case of China. Authors like Colin Mackerras and William A. Joseph have suggested that as early as 1978, widespread popular dissatisfaction with the Chinese political system was beginning to emerge as a result of the political, economic and social instability caused by the Cultural Revolution. From 1966 to 1969, the country was plunged into a mass movement led by Mao Zedong in order to carry out a "crusade against revisionism." The economy was in shambles while the society was engulfed in a violent witch-hunt for class enemies. Many of the highest-ranking Communist Party members were purged or publicly humiliated, physically abused, and imprisoned along with numerous intellectuals.<sup>16</sup> Therefore, in order to regain political support, eliminate poverty and raise the standard of living of the people, Deng urged that China's priorities be shifted to policies and principles proceeding from reality,

Our first conclusion was that we had to go on building socialism, and that to do that we had to eliminate poverty and backwardness, [and] greatly

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<sup>14</sup> Govind Bhatta, *China's Four Modernisations* (Kathmandu: Center for Nepal & Asian Studies at Tribhuvan U, 1985) 7.

<sup>15</sup> Perry 13.

<sup>16</sup> Joel Krieger, ed., *The Oxford Companion To Politics* (New York: Oxford UP, 1993) 130.

develop the productive forces...To this end, we had to shift the focus of our work to the drive for modernization and make that our goal for the next few decades...Experience has taught us that we must no longer keep the country closed to the outside world and that we must bring the initiative of our people into full play. Hence our policies of opening up and reform.<sup>17</sup>

Instead of adhering to the ideas of continuous revolution and class struggle, Deng has turned to his policies of economic reforms which emphasized the importance of material incentives, science and technology, stability and modernization. Practice, not dogma became "the sole criterion of truth."<sup>18</sup> It has become clear that the legitimacy of the central apparatus in Beijing rests on its ability to deliver economic prosperity.

Under the reform program with decentralization of authority and opening up to the outside world, we see that the Chinese society was gradually growing out of its Leninist structure of party-state rule even though the basic political ideals remained intact. In an attempt to encourage economic development, the central government had decided to delegate power to local officials and producers, granting them more incentives in the form of fiscal decentralization and profit retention. Although this purposeful delegation of authority was aimed at restoring the nation's political and economic order and thus, regime legitimacy and efficiency, what emerged was a hybrid system in which the Leninist center while maintaining its policy-making authority, found itself in the midst of a growing network of powerful local units participating in policy implementation. At the top level of analysis, the party-state remained strong yet, at the lower-level, its authority seemed quite weak. Given the fact that such a system survived both the 1989 Tiananmen incident and

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<sup>17</sup> Deng Xiaoping, "We Must Continue to Build Socialism and Eliminate Poverty, April 26, 1987," Deng Xiaoping, *Fundamental Issues in Present-Day China* (Beijing: Foreign Languages Press, 1987) 176.

<sup>18</sup> Suzanne Ogden, *China's Unresolved Issues: Politics, Development, and Culture*, 2nd ed. (New Jersey: Prentice-Hall, 1992) 64.

periodic recentralization, I will try to reach a better understanding of the nature of this decentralized structure, which nevertheless is still under party-state rule.<sup>19</sup>

It is therefore, the fiscal decentralization to provincial governments, and the restructuring of state-owned enterprises under the profit retention system that I will focus my study on in order to show that, as economic reform progresses, local and industrial units have new vested interests in reform which lead them to push and pressure the center for further and faster reform.

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<sup>19</sup> Carol Lee Hamrin and Suisheng Zhao, eds., Decision-making in Deng's China: Perspectives From Insiders (New York: M.E.Sharpe, 1995) xxv.