



**THE ATLANTIC COUNCIL**  
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ASIA PROGRAMS

# Hu Jintao's Outbox

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Conference Paper presented at the  
China and the World Economy Workshop  
December 2005

## About the Author

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## Hu Jintao's Outbox

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China has now sustained two and a half decades of high-speed growth. This growth has been even faster with regard to exports and China's role in international trade. Domestically, a capitalist tendency seems to be everywhere, while internationally the rise of China, whether peaceful or not, seems – at least to some – to threaten Western jobs, prosperity, and the international order. The focus of this paper, however, is not this question of whether or how China poses a threat to the West but rather an old (but new) question of how this “capitalist” conversion is compatible with the continued rule of a communist party. This is a question of considerable practical import, as people contemplate what the continued growth of the Chinese economy might mean for the political stability of that country, but it is also a question of considerable theoretical import: Leninist parties that sought to “include” external interests, it was argued, are on the way to collapse. It is only a matter of time. The time frame for China has lasted longer than theoreticians had supposed, though they might yet prove to be right – perhaps the Chinese Communist Party (CCP) has lasted longer than people imagined but it might still be on the road to collapse. This point of view would find supporters, both in the West *and* in China, but even if they prove right, it is important to inquire more deeply about what is going on in China, whether institutions are being created, and if so whether they might provide a foundation for a post-communist China or whether they suggest a more chaotic future.

Wags in China sometimes like to say “The Communist Party saved China, but capitalism saved the Communist Party!” This joke does contain a grain of truth, but it obscures a larger reality: the development of capitalism (or market forces) has threatened the role (and perhaps rule) of the CCP at every step of the way. Despite considerable adjustment, this remains true today. It does not mean that the CCP is on the brink of collapse. On the contrary, although it is plagued by numerous problems – including corruption, loss of faith, social disorder, and a world environment that is hardly conducive to communist rule – the CCP has managed not only to hang on, but to continue to adapt to social, economic, and international changes. Whether it can continue to do so, of course, remains an open question, but it is nevertheless worth asking how the CCP has been able to adapt and what specifically threatens it at present. These sorts of questions are precisely what fills Hu Jintao's “outbox” on a day-to-day basis.

Time and space do not permit a review of the past, but the recent commemoration of Hu Yaobang's 90<sup>th</sup> birthday reminds us of the struggles of the 1980s – and that the memories of those times remain an issue that the current leadership must contend with. Ghosts lurk.

The 1980s had their own dynamic. At the time, China was emerging from the Cultural Revolution. The two questions remained: how to deal with the Maoist heritage on one hand and how far to move away from that heritage in search of economic development on the other. There was widespread support in the late 1970s and early 1980s for moving away from

the Cultural Revolution's stress on class struggle and ideological purity to a new stress on economic development and "seeking truth from facts." But how far to move in this direction was contentious. How much of a role should the private economy be given? How many new ideas should be introduced from the West? Movement away from state-owned management, away from "self-determination" (*zili gengshen*), and traditional understandings of socialism threatened the party and perhaps more importantly certain people and interests within it. As time went on, these conflicts deepened. When they were joined at the end of the decade by public dissatisfaction, the result was the meltdown known as "Tiananmen."

At no time during the 1980s, however, did these tensions slow the rate of growth, though they arguably distorted it. The economy was more foreign-oriented, more state-dominated (including various forms of state contracting), and more coastal than it would have been had something closer to pure market forces prevailed.

It is important to think about why, at least in general, "economic" forces prevailed over political fears in this period. There are both practical and political reasons for this. On the one hand, China faced an enormous problem (then as it does now) of unemployment; job creation was critical. The number of youth "waiting for employment" in the early 1980s was staggering. This was a primary stimulus for the creation of free markets and the allowance of "individual entrepreneurs." Second, the break-up of communes freed a great deal of labor for employment in township and village enterprises. The decision, whether economically wise or not to allow people to work in industry but not leave the countryside (*litu bulixiang*) had the advantage of stimulating rural (or east coast rural) economies without threatening cities (right away) with a large influx of migrants. Third, China's peculiar political economy, which combined a considerable degree of economic decentralization with political centralization (particularly as exemplified by the financial contract responsibility system), meant that local economic interests were able to play a large role in shaping the course of economic development. Guangdong had a large interest in attracting capital from overseas, particularly Hong Kong, while other coastal areas similarly had an interest in expanding their potential for export-oriented growth – all of which challenged the monopoly of the state plan.

It should be noted that one important trend that reinforced these directions was corruption. Local elites initially found marketization threatening – until they realized that they were very well situated to take advantage of it. Indeed, this incorporation of the elite, both local and national, in economic interests no doubt shaped China's willingness to pursue marketization even as it promoted corruption and (starting in the mid-1980s) greater economic inequality. Nevertheless, the bottom line was that Beijing found, not easily and not without stops and starts, that it could increasingly accommodate the emergence of diverse economic interests, which indisputably contributed to the growth of various regions, even if the political threats were real. The political system's reactions against these perceived political threats can be seen with movements against liberalization in 1979, 1981, 1983, 1985, 1987, and most notably 1989.

The 1990s have been dominated by a different political dynamic. First and foremost, the bogey man in the closet has not been the Cultural Revolution (though that has continued to lurk to some extent) but Tiananmen. Tiananmen came close enough to overthrowing the

system that there was at least an implicit understanding that maintaining a degree of elite consensus was essential to maintaining the system itself. This understanding was enhanced by the passing of the old guard, as Chen Yun, Deng Xiaoping and others disappeared one by one from the scene. A younger political elite, not bolstered by revolutionary legitimacy, was more firmly embedded in performance legitimacy than even the Dengist leadership. The new, younger leadership had less legitimacy on an individual basis to challenge the prevailing consensus. And with the departure of the older leadership and the looming shadow of Tiananmen, the new leadership, which had gone up the ladder step by step and had technocratic backgrounds, was much less interested in ideology and had much less wherewithal to pursue individual agendas, whether ideological or political. The differences among elite leaders nevertheless shrank compared to those of the 1980s (which is not to say that such differences could not return).

With regard to political reform, Tiananmen took certain issues *off* the table. In the 1980s, particularly the late 1980s, the main direction of political reform had been to separate party and government. This approach had the virtue, at least potentially, of allowing for the creation of a professional civil service and for reducing party involvement in the day-to-day lives of citizens. But, at least under the conditions of the time, it created divergent centers of power, as heads of state organs tried to assert themselves more vigorously against party groups (which were in the process of being removed). This was one of the tensions that led to Tiananmen, and the post-Tiananmen administrations have not chosen to revisit this issue (although it has never been ruled out as a possibility); indeed, there has been a strong tendency for party and state to overlap ever more (e.g., about two thirds of provincial party secretaries now concurrently head the people's congresses in their provinces).

The rejection of the separation of party and state has meant that any political reform that has occurred in China over the past decade has followed the approaches of separating government from enterprise, changing government functions, downsizing the government (*jigou gaige*), allowing a certain number of NGOs to emerge, and undertaking a certain amount of inner-party reform to better standardize procedures within the party and to attempt to reinvigorate the party to include more of its members in its activities. This approach has been accompanied by appeals to "rule the country through law" and a slew of regulations intended to regularize life within the party.

It should be noted that this effort to institutionalize (or re-institutionalize along more Weberian<sup>1</sup> lines) has been accompanied by efforts from the top to demand greater accountability. These efforts do not follow the track of institutionalization but, on the contrary, are exercises in the use of arbitrary (in the sense of following no set procedures) power to assert the center's power over recalcitrant bureaucracies, whether at the center or in the localities. The classic instance of this exercise of power was the removal of Zhang Wenkang, the minister of health, and Meng Xuenong, the mayor of Beijing, during the SARS crisis. This action was followed by the removal of scores of lower level officials for dereliction of duty. There has also been an effort to remove local-levels of the Discipline Inspection Commission from horizontal control and place them more firmly under the center; this was accompanied by the establishment of inspection groups that would be sent out from the center to investigate possible malfeasance at the local level. There are two

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<sup>1</sup> Nationalism based on republicanism coupled with a strong belief in the benefits of capitalism

recent instances of this sort of central demand for accountability. First, the removal of the local party secretary and director of the mine in Qitaihe, Heilongjiang, that suffered an explosion and cost the lives of some 170 people. Second, the near simultaneous removal of Xie Zhenhua, head of SEPA, for his desultory response to the explosion of the chemical plant in Jilin that allowed the release of large quantities of benzene into the Songhua river. So, in broad terms, the center creates institutions that will regularize administrative and political life at the same time that the center continues to exert power in an arbitrary fashion in order to try to get the attention of responsible officials, whether at the center or local levels.

Even if the administrative reformers in Beijing had the best of intentions, the government faces an enormous challenge in the reformation of China. Local power is exercised largely through networks of people who are beholden to each other, who often have (or desire to have) an economic interest in the areas they govern, and those who use government funds to enrich themselves. These points have been vividly demonstrated recently first by a government order forbidding going abroad to gamble. Reportedly, this order resulted in the closing of numerous casinos in border areas in North Korea, Burma, Thailand and elsewhere, as business dried up. Even more recently, the government ordered officials to withdraw shares in mining enterprises (because the interests of officials wanting to make money from mining operations resulted in unsafe mines and hence the deaths of hundreds of workers). This order resulted in 473 million yuan being withdrawn, but one must wonder how many more millions are still invested.

The greatest source of conflict in China today is land. Local authorities seek to make money, either for government coffers or for themselves, by leasing land (use rights) to industries that want to be established, to expand, or to relocate. Re-allocation inevitably means requisitioning land from the peasants who are currently using it, and the peasants are rarely satisfied with the price they are offered. The horrific cases that we have seen lately in Shengyou and Taishi resulted from this type of conflict. Closely related to this sort of case are those caused by environmental pollution. Not infrequently local government officials will permit the operation of highly polluting industries because such industries provide significant sources of income for the local government. It is the local residents who suffer the consequences, which are sometimes considerable. Popular protest is one response to such cases.

Local government is difficult to reform, in part because officials below the department (*ting*) level are appointed by local officials. Although the party can and does promulgate regulations specifying promotion procedures in an attempt to break up local networks, such networks have an interest in subverting the regulations. For instance, one local official, convicted of selling offices, reported that he was able to comply outwardly with regulations by giving hints of the sort of people who should be promoted, which alerted his colleagues to the person the party secretary actually wanted promoted (and indeed who had paid for the promotion). Local officials carefully cultivate and nurture such networks by placing friends and relatives in important positions, making it difficult either for other local interests to oppose them or for central (or provincial) authority to break them up.

Virtually all regulations the party has promulgated in recent years are directed at breaking up such networks and curbing the power of the “number one official” (*yiba shou*) precisely because it is such networks that abuse power and cause peasants to take to the streets in

protest. Similarly, the implementation of elections at the village level and the expansion of the “public supervision” role of the press are directed at monitoring and controlling these local political machines.

Although the center has an interest in controlling such abuses of local power, it might be questioned exactly how strong that interest is. On one hand, reforms such as implementing elections at the township (or higher) level have been resisted for many years because of the party’s concern that such reforms would raise demands for yet greater reforms – and at higher levels. On the other hand, to the extent that local political networks are able to use their power to control local society (and not abuse their power to the point of provoking social protest), it might be argued that there is at least a large overlap of common interest – the center gets social stability and the local network retains local political and economic power.

These are real constraints on the ability of the party to reform – even if the need to reform is recognized. This structural obstacle to reform may yet provoke sufficient social protest to overwhelm the system, though this seems unlikely at this point.

In fact, despite the many obstacles to effective political reform, the party appears to be doing at least the minimum necessary both to adapt to socio-economic change and to retain power. For a recent example, one can evaluate the political reform in Zhejiang province. Zhejiang is not typical of China (if any one place can be said to be typical). It is economically more developed and considerably more privatized than the average Chinese province, but it is precisely these characteristics which make it interesting. Although one could argue that in economic terms Zhejiang has the ability to sustain democratic transition, in fact Zhejiang is adopting a number of political reforms that arguably make the province better governed and more “institutionalized” politically but nevertheless sidestep anything that might be considered democratic.

In this area at least four types of interesting reforms are taking place. First, within the party, the Jiaojiang district of Taizhou city has pioneered a reform known as the permanent representative system. This system is one in which delegates to the local party congress, which has historically met every five years, retain their status between congresses and meet in plenary session annually. In past party practice, being a delegate to a party congress has been an honorific title. Delegates would be named for past contributions to the party (or current position – more on this below), be told the day before the meeting what issues would be discussed at the meeting and for whom the party wanted them to vote, and then immediately upon the close of the congress, the delegates would go home and have nothing more to do until the next congress five years later (assuming they were named again to be delegates). Under the permanent representative system, delegates would retain their status, meet annually, and maintain a liaison function between the broader “masses” of party members and the party leadership (*lingdao ganbu*).

The reason for adopting the permanent representative system was to constrain the party leadership (especially the *yibashou*) and to involve more party people in party affairs. It is quite apparent that the party is worried not only about being alienated from the larger population but from its own membership. The permanent representative system is one modest effort to address this issue.

Second, Wenling city, which is a part of Taizhou municipality, has implemented a system of “democratic consultations” (*minzhu kentanhui*) since 1996. Democratic consultations are essentially public hearings on capital construction projects. In Wenling, at the village but particularly at the township level (a level which has not adopted electoral procedures), officials are required to post notice about major issues, and anyone in the township is welcome to come. Such meetings are held about once per quarter. Officials sit on the dais, and citizens are free to raise questions about the proposed project (which might be closing or building a school, creating an industrial zone, paving a road, etc.). After discussion, the leadership breaks to discuss ideas presented, and then announces its decision at the meeting. It appears that these meetings do have some constraining effect on decision making, perhaps making the leadership more careful in formulating proposals, and the leadership does modify its proposals in the wake of public discussion. At a minimum, it appears that such public hearings reduce implementation costs because the interests affected by the project have been consulted.

Third, in Hangzhou, there is a “Satisfaction Bureau” (*Manyi bu*) in the municipal government that carries out annual surveys. These surveys are both targeted (collecting opinions from relevant government organs) and general (surveying the general population). At a minimum, the government is aware of public opinion, and it appears to respond to that opinion.

Fourth, in the southern Zhejiang city of Wenzhou, famous for its private businesses, chambers of commerce and trade associations have been allowed and even encouraged to develop. Unlike their more bureaucratic cousins in north China, Wenzhou chambers of commerce tend to be quite separate organizationally from the government. Most of them elect their own directors and board members. They raise their own funds, and they initiate programs, such as training, trips abroad, and collection of information, that they believe will be useful to their membership. But it would be misleading to think of these chambers of commerce in terms of “civil society.” Their very legitimacy, not to mention their effectiveness in enforcing standards throughout their industry, is derived from the government. What the government bestows it can take away.

## **Conclusion**

As China's economy grows and becomes more open to the world market, it is also emerging as a greater force in the world economy. Furthermore, the party/state has (so far) been remarkably effective in adapting both to the governmental challenges of providing more regularized and institutionalized procedures for managing its own affairs as well as to the challenges of a rapidly privatizing market economy.

The challenges facing the party/state – including corruption, social disorder, and dissent in various forms – may yet overwhelm the system, but it seems far more likely that for at least the foreseeable future that the government will continue a process of adaptation that will support China's continued progress towards globalization and a market economy. Nevertheless, the dominance of the party/state means that there will continue to be the “interstices” between market and power that can be exploited both for personal profit and to resist the sorts of reforms that drive through-going marketization and rule of law.