China’s Development and Model Thinking

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If one searches for entries which start with the word ‘model’ in indices of works on contemporary Chinese society, politics and history, one is likely either to look in vain or at best reap a meagre harvest. The index site is likely to be completely dominated by another entry, namely ‘modernisation’. This illustrates well that issues that have to do with modelling are not likely to be discussed in the context of modernisation and vice versa, except when the models in case are various schemes related to development studies. This article is concerned with models in a different sense. It explores how Chinese thinking itself to a great extent has been developed through the use of models and that this tradition has continued until the present day. The article first comments briefly upon the standard schemes of development models. It then outlines the basic constituents of traditional Chinese model thinking, and proceeds to discuss the relevance of this type of thinking for China’s modern development. The article concludes that model thinking is very much alive in China today, even if significant changes are taking place. Throughout the article, Chinese and Western modes of knowledge production are compared.

Models, Model and Models

When attempting to characterise China’s modern development, models have been applied in two different ways, namely as paradigmatic strategies of development and as ways of understanding socio-political phenomena of development. In the following, we will briefly review these two types of model perception, and will also offer some introductory remarks to a third way of understanding the concept of models, which will be the main topic of this article.

Throughout the twentieth century, several paradigmatic strategies have been attempted by Chinese political thinkers and politicians, like a corporative model before the revolution in 1949, and, later, the Soviet model, the Maoist model, the Dengist model, to mention the ma-
These models have to a lesser or larger extent been inspired by European currents of thought, be they Fascist-inspired, laissez-faire-inspired or Marxist-inspired. Furthermore, we have the so-called East Asian Model, which has had considerable influence in China during the reform period. This model stresses common developmental features of the so-called Four little tigers, namely South Korea, Taiwan, Hong Kong and Singapore. Within this group, Japan should also be counted, as the most mature version of this model, even if its economy by no means is small. Of course, these models are only shibboleths for processes that hardly may be said to have existed in pure form. They have been the subject of intense scrutiny, assessment and reassessment by armies of scholars, and need not occupy us further here, except for the one that addresses some of the issues in this article, namely the East Asian model of The Four tigers.

Peter Berger contends that if these countries can be seen as sufficiently distinct compared with the West, we may have a second case of capitalist modernity. Berger uses Taiwan to exemplify this model, and lists a number of salient features to underpin his thinking (Berger, 1988: 5–7). These may to a large extent be said to be culture specific, but only to a limited degree specifically Confucian. Berger is concerned with to what extent economic performance can be ascribed to cultural factors. He says that as a sociologist formed in the Weberian tradition, he leans towards culturalist explanations, but his moral and political prejudices draw him towards institutionalist explanations. After having pondered these questions for some years, he has decided that the answer must lie somewhere in the middle (ibid.: 10).

The question of a distinct East Asian model of capitalist development is highly interesting, not least in the light of the devastating crisis which erupted in 1997. It is also a useful reminder for the main thrust of this article, because cultural patterns or preferences are not only accepted, but by some even seen as crucial factors in explaining the model. It is a fact of considerable irony that whereas cultural factors are a central part of the inventory when attempting to explain the case of The four little tigers, such factors are highly contested in the case of China, which is the historical core region of the Confucian culture. The reason for this scepticism to allow for cultural explanations regarding the development in China is obvious: China is still largely judged in ideological terms, which directs most of the attention to issues of institutional patterns and changes. However, such a single-track approach will most likely in the long run turn out to be counter-productive, because it does not pay due attention to other significant changes that take place within the present political confines of today’s
China. Above all, such a focus on China’s development will make it more difficult to understand significant shifts which may come about in China in the future, either as conscious choices or by regional impact.

A second way of applying models on China’s development is to conceptualise in various ways the socio-political development of the People’s Republic. Over the years, several distinct schemes of understanding have been proposed. The most significant ones have been summarised by Christiansen and Rai (1996). For the purpose of reference, they may be listed as follows: totalitarianism; factionalism and elite conflict; clientelism; the class struggle approach; interest group model; the state/civil society dichotomy; political pluralism; complex bureaucracies model; the culturalist approach; and Confucianism and Chinese political culture (ibid., Ch. 1).

The authors stress that our attempts at understanding China are faced with a fundamental dilemma: the need to develop functional and understandable frames of reference without imposing our own cultural prejudices. They conclude that ‘The expectations and value patterns underlying most political science approaches may prove to be very limited when we attempt to understand countries like China, with which these expectations and values are not shared’ (ibid.: 2). At the same time, the authors express deep scepticism as regards a culturalist approach, which is seen as not very useful for understanding Chinese politics. Even less are they willing to acknowledge that Confucianism has a determining influence on contemporary Chinese politics, the argument being that similarities are either too superficial or too abstract (ibid.: 20–23).

I will certainly not vouch for a culturalist understanding of China in a historicist sense, that is, that the tracks of history will have a decisive influence on the future course of development and that the expressions of traditionalism in China today are only a replay of traditional views and values. However, the former optimistic view that Confucian influences in China and East Asia gradually dissipated upon the introduction of various modern modes of governance is becoming more and more untenable. I am not thinking of Confucianism as a system, but rather, in the words of Gilbert Rozman, as a ‘tradition that lingers in the attitudes and behaviour of people rather than as a label for an accepted system of beliefs’ (Rozman, 1991: 14).

There is, however, a third way of approaching the use of models on China’s development. It is not by characterising the course of development as such, but rather to look at the role the use of models has played in China’s own history and development. This is the Chinese
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preference for what we can call ‘model thinking’. One would perhaps think that such qualities would be very helpful for generating comprehensive models, but, in fact, the effect is mostly the opposite. The focus of this article will be to look at Chinese model thinking as a deep-seated tradition of reflecting over the whole range of human experience from the position of the individual to the wonders of the world. This is a way of reasoning that contrasts starkly with dominant modern Western modes of reasoning, and is therefore highly relevant for understanding how processes and changes take place in China today.

Because of the unique historical experience of the Chinese when it comes to cultural durability and continuity, this is an issue of considerable magnitude which poses great challenges to historians and social scientists. There is simply an enormous and diversified field that needs to be better understood, and it will take considerable intellectual courage, imagination and skills in order to try to make sense out of this peculiar social landscape. It may certainly be hazardous for a historian (like the present writer) to venture into fields like history of thought, but that is a challenge that can prove to be fruitful, granted that nonsensical excursions will be resolutely dealt with by the discipline specialists.

Model Thinking as Thinking Through Models

Model thinking runs deep in Chinese thought. The tradition of thinking through models is well documented in Chinese thought, but its origin is more difficult to trace. The French sinologist and philosopher François Jullien directs our attention to the fact that the Chinese, compared with many other cultures, have only been marginally preoccupied with myths, which have played an important etiological (causal) function in Western civilisation. Instead, the Chinese have been preoccupied with divination and its diagrammatic configurations, which, rather than seen as an event of cause and effect, is seen as expressing a particular kind of disposition which conveys relations of cosmic implications (Jullien, 1995: 220–21).

There are, however, a number of other and related features of cultural preferences that contribute to strengthen a tendency towards what we could call cosmic contextualisation. In the first place, there is an absence of an all-powerful deity whose power could be seen as an ultimate cause. The Chinese ‘Heaven’, or tian, may be understood in many different ways, but none of them similar to God in the Abrahamic religions. The Chinese have traditionally been rather indifferent to ideas about a transcendent creator and that the world should have
been created *ex nihilo* by an external act. Instead of a powerful myth of origin, the Chinese have cherished culture heroes, sages and model kings. Like it is expressed in poem no. 225 in the *Book of Songs*, or *Shi jing*, which is among the oldest transmitted Chinese texts: ‘Make King Wen your pattern and all the states will have confidence’ (Karlgren, 1950: 186).

From the earliest times, the Chinese practiced the custom of ancestor worship. Unlike post-Roman Western civilisation, the Chinese retained ancestor worship into their imperial era and developed it to an elaborate and sophisticated reason of state. The resultant cosmic make-up was a relational and unified notion of heaven, earth and man, thus not separating the ontological, the natural and the human in the manner that was done in the West. Furthermore, man was generally seen as being endowed with equal status from nature’s side which meant that every person had the potential of becoming a sage. This made social differentiation and disciplining through education very important for the social order. Social relations were first and foremost regulated through ritual practice, which was underscored by the persistence of ancestor worship.

Laws had a weaker status than ritual conventions, and that may be explained by the fact that a lack of transcendence ruled out the possibility of divine sanctions. The result was that ritually correct behaviour was thought to make people comply with the law. Most scholars would probably agree with James Watson when he says that: ‘... the construction of a unified culture in China depended primarily on nurturing and maintaining a system of shared rites; there was, by contrast, relatively less emphasis on common beliefs’ (Watson, 1993: 84). The result was that the Chinese have valued orthopraxy much more than orthodoxy, surprising as it may sound to some. Social disciplining through ritual and models resulted in focusing on correct practice and behaviour, which would engender correct ideas. This disciplinary function made the relation between thought and action a central concern in Confucian ideology.

Since orthopraxy held a privileged position in social disciplining, its upkeep became of central importance for the continuation of the traditional order. This was the price the Chinese paid to retain the possibility of becoming sages. Confucian views on education have centred around the concept of self-cultivation, whose aim was to promote certain norms which would facilitate the internalisation of social control. In this scheme of things, the implications of truth or falsity were not the focus of attention, but rather the behavioural implications of different attitudes. Learning consisted first and foremost of being
taught what kind of behaviour had what kind of social consequences, and for this purpose, the presentation of model men and model behaviour was of central importance, as were negative examples of wrong behaviour. In such stories, the historical figures themselves were not important, but rather the message that the story wanted to convey. Such stories have been characterised as ‘illustrative stories’ (Lau, 1979: 234). They appear in different versions in different historical sources, but their primary function is to convey a moral message which can have a modelling influence on the people. One such example is the transmogrifications of the persona of the renowned military strategist Sun Wu (Østergaard Pedersen, 1992).

Model thinking may therefore be restated as thinking through models. Such a tradition was hardly conducive to fostering critical thinking. At least three related fields of thought have reinforced the tradition of model thinking. This is the tradition of thinking by examples, thinking by analogy, and correlative thinking. These will be discussed in the following sections.

Exemplary Examples and Reasoning by Analogy
When setting up models, the Chinese were presenting examples which were supposed to carry so much validity that they became exemplary. In Western thought, we may also find that examples carry so much significance that they acquire the status of a model, but to a much lesser degree than in Chinese thought. On the other hand, one will probably find more multiple use of examples in Western thought than in Chinese.

There is a widespread notion in the West that the Chinese have from early on focused their attention to practical issues and taken less interest in theoretical issues. This propensity is explained by the dominant this-worldly orientation of the Chinese. But to reduce this propensity to practical approaches is an ethnocentric way of approaching the issue. It is precisely the this-worldly orientation that makes the examples so significant in the argumentation that they may be said to express theoretical constructs.

One may discern two major ways of applying examples in argumentation. Following Anne Cheng (Cheng, 1997), we may illustrate this with two examples used by the prominent Confucian philosopher Mengzi (fourth century BCE). The first type of argumentation by examples is by use of analogy, which does not take us very far. An illustrative example is the famous discussion between Mengzi and his interlocutor Gaozi about human nature. Both use the metaphor of lik-
ening human nature to flowing water, but in different ways. Whereas Gaozi maintains that human nature shows no preference for becoming good or bad just like water flows in different directions according to what outlets it is given, Mengzi responds that it may certainly be true that water shows no preference for flowing in a specific direction as such, but water has a basic immanent property of seeking lower ground, and human nature being good is just like this property, according to Mengzi (Mengzi VIA2; Lau, 1984: 223; see also Volkov, 1992: 19–21 and 38, n 16).

When discussing the second way of applying an example in argumentation, Cheng reminds us of the fact that the Chinese have all along been preoccupied with the relation between knowledge and action, and that knowledge is seen as being gained through action, or change. The use of examples should not be seen as illustrating the relation between the particular and the general, it may rather be said to be located in the transition between knowledge (discourse, argumentation) and action (process). In such cases, the role of the example is, according to Cheng, more to operationalise the relation between a phenomenon (ti in Chinese) and its function (or yong in Chinese) (Cheng, 1997: 74). Examples of this kind may also be found in the philosopher Mengzi, who in such cases is less preoccupied with winning an argument than applying examples to move the interlocuteur in the ‘right’ direction or stop him from going in the ‘wrong’ direction (Mengzi IIA,6; Lau, 1984: 67).

The use of examples has always been an important part of Chinese argumentative discourse. The function has mostly been to make use of examples to show the consequences of a position, a situation or an action. Examples have been met with counter-examples, just as argumentative moves have been met with counter-moves. Some classical works, notably the Zhanguo Ce, or Strategies of the States, abound in such arguments. But they have also been concerned with what was regarded as properly human, and have accordingly played the role of a moral ‘moving force’ which is much more than just an illustration to an issue or displaying a ‘practical’ bent.

However, the Chinese have not been very preoccupied by the formal validity of their examples. The first condition for formal validity in Aristotelian reasoning demands that the transference of a conclusion from one example to another is legitimate only if both are instances of the same general rule. Even less have the Chinese been preoccupied with the rest of the Aristotelian demands, namely that one should secure truth, certainty and incontrovertibility. Geoffrey Lloyd is of the opinion that these rigid demands were put forward by Plato
and Aristotle in order to establish the superiority of their philosophy over all the other thoughtpeddlers in Athens. They insisted on not settling for the merely persuasive, but demanded the strictly demonstrative. Lloyd raises the question whether the West has paid too high a price for these high demands. He asks if this has had a damaging influence or encouraged irrelevant intellectual formalism in the West or if it has been an essential element for the construction of Western philosophy and science. He gives no answer, but provides the following rhetorical comment: ‘If the former, should the Chinese be congratulated on avoiding, or being spared, such lamentable lapses? If the latter, should we commiserate with them for settling for styles of argument that lacked the necessary rigour?’ (Lloyd, 1997: 145).

As has already been indicated in the foregoing discussion, reasoning with the use of examples frequently takes the form of analogies in traditional Chinese thought. Cases which in some ways are perceived as similar are frequently brought into the argumentation over a specific issue. The examples may be hard-hitting, but not necessarily strictly logical. The tradition of explaining complex issues with the seemingly simplest analogy, or of opening up analogical fields with a striking example was esteemed very highly in traditional China. The philosopher Xunzi (third century BCE) comments upon this tradition when he says: ‘Where the model covers an affair, to use it as a basis for action, and where there is no provision in the model, to use analogical extension of the proper categories as a basis for proceeding – this is the ultimate standard in adjudicating the affairs of government’ (Xunzi 10; Knoblock, 1990: 96).

Reasoning through analogies is rather different from analytical thinking. Instead of analysis, we have the exemplary example of examples. Maspero explains this phenomenon in the following way:

‘...l’exemple est le plus souvent le centre de la discussion: on l’accepte ou on le refuse, mais c’est toujours lui qu’on discute et non directement la proposition affirmée [...] cet ensemble, affirmation et exemple, constitue une sorte de raisonnement rudimentaire qui proprement n’est ni inductif ni déductif, mais est analogique, toute sa force reposant dans le rapprochement des analogies entre la proposition affirmée et l’exemple (Maspero, 1928: 35–6).

Reasoning through analogies means, in other words, to ‘push’ an already known phenomenon or fact onto an unknown phenomenon or fact by choosing an example that is expected to illuminate the un-
known and establish a near identity. This, as Lloyd says, ‘makes the examples work harder. For it is not that their validity can be deduced from universal principles otherwise secured: but rather that they provide the wherewithal to apprehend the unifying principles’ (Lloyd, 1997: 149).

**Correlative Thinking and the Limits of Change**

In the centuries before our era, there developed in China a trend of thought which had older roots but which gradually developed into a comprehensive system of thought. This manner of thinking has in the West been called correlative thinking (also called co-ordinative or associative thinking). Its main concern was to correlate moral and physical categories into a cosmic order. The origin of this correlated universe is to be found in two traditions of thought.

The first one was the divinatory tradition centred around the *Book of Changes*, or *Yi jing* in Chinese. This work, which has no strictly philosophical connotations, consists of a set-up of sixty-four hexagrams and eight trigrams which are figures composed of six or three broken or unbroken lines according to a definite order. The origin of these hexagrams is clearly to be found in the divination during the earlier dynasties, Shang and Zhou, but the process from traditional ways of divination to a systematised and abstract system composed in a book is not clear. There is also a distinct difference between the early parts of the work and the so-called appendices to the work, which are of much later provenance and are usually dated to some time before or after 200 BCE. It is these appendices which relate the diagrams to cosmological schemes.

The second tradition was the dualistic thinking expressed in the tradition of *yin* and *yang*, which seems to have had two major constituent parts when it evolved into a coherent system of cosmology some time during the third century BCE. One was the scheme which sees both natural and human phenomena as dominated by either one of them and which interprets changes as shifts in the relative position of *yin* and *yang* within these phenomena. It is important to note that these contraries are not just in opposition to each other, but are also contained in each other and give rise to each other’s actualisation. The cause of movement and change is seen as immanent, and not dependent on an external agent. The second constituent part consisted of the so-called Five processes or *wu xing* (also referred to as the Five elements or Five agents and Five phases). These are wood, fire, soil, metal, water, which were seen as dominating each other in a regular
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cycle. When \textit{yin–yang} thinking was systematised and became popular in the third century BCE, supposedly through the work of the philosopher Zou Yan, it was concerned with the course of history and how the present and future state of affairs could be dealt with by studying the shifting cosmic influences of the five processes on the former dynastic epochs.

The earliest records of cosmological thinking are found in the \textit{Zuo zhuan} (China’s earliest narrative work of history, dating from the fourth century BCE), which associates it with specialists like diviners, music masters and physicians. However, from the Qin and Han dynasties on, it became a dominant trend of thought which integrated \textit{yin–yang} thinking with the cosmological use of the diagrams from the \textit{Book of Changes}. The result was large-scale constructs of correlative cosmos-building. Any phenomenon worth noting could be listed in a binary manner (man and woman, action and inaction, speech and silence, stretching and contracting, round and square, hot and cold, etc.) and correlated with \textit{yin} and \textit{yang}, and any significant phenomenon could be broken down in four’s or five’s and correlated with the Five processes or phases, like the four seasons, the five directions, the five colours, the five sounds, the five tastes, the five smells, the five creatures, etc. Any phenomenon may be assigned a certain place in the system of hexagrams and the symbols or images connected with their different parts.

Correlative thinking through binary opposites has exerted enormous influence on Chinese thought until our own days, even if its influence in philosophical circles has waxed and waned (Henderson, 1984). A.C. Graham sees the ascendance of cosmological thinking as an intellectual deterioration, but grants it the status of proto-science. Needham, on his side, goes further, and sees the development of cosmological speculations based on the \textit{Book of Changes} as pseudo-science, and characterises it as a ‘mischievous mishap’ for the development of scientific thought (Needham, 1956: 336).

Graham, however, directs our attention to an important feature of correlative thinking, namely that even if it will not stand up to the tests of modern science, it contrasts with religion by relating observable phenomena to each other rather than to transcendent beings, at least not to privileged deities. Says Graham:

China with its man-centred perspective preferred proto-science for the organising of its world-view, while the West made a delayed choice of religion and confined proto-science to the explanation of natural phenomena. The Chinese choice is of an
integrated solution of the problems both of placing oneself in the world and of manipulating it for one’s purposes; the Western reserves the former for religion and leaves room for the latter to be solved in its own way, an advantage perhaps for the ultimate emergence of modern science (Graham, 1989: 315).

Chinese correlative thinking was in no way static, and must be given a fair part of the credit for the great practical inventiveness in pre-modern China. Even as late as the time of the Chinese reformers in the second half of the last century, it was an inspiration for their arguments for institutional and political reforms. One much-quoted passage from the Book of Changes runs as follows: ‘When a series of changes has run all its course, another change ensues. When it obtains free course, it will continue long’ (Legge, 1960: 383). But this was all change taking place as alterations and transformations within the tradition. Traditional China never experienced a paradigmatic change like the breakthrough of scientific thought in the West from around 1600, which has been characterised as the discovery of how to discover, that is, explaining natural phenomena by natural laws which could be tested under controlled environments.

**Correlative Thinking vs. Analytic Thinking**

Just as our daily Western modes of life are straddled with situations which are tackled in a correlative manner, just as much has the Chinese bent for practical ingenuity stimulated casual thinking, especially in the fields of technology. However, as Graham reminds us, to think that this brought China nearer to modern sciences is based on the obsolete idea of science as a continuous progress in rationality (Graham, 1989: 317). However, such seemingly casual thinking was not done in a truly hypothetic-deductive manner. It was more a type of disputation where the words are chosen to serve the political argument and not to reach a logical conclusion. This tradition is already in place in the Confucian Analects, where Master Kong is supposed to have uttered:

> If names be not correct, language is not in accordance with the truth of things. If language be not in accordance with the truth of things, affairs cannot be carried on to success. When affairs cannot be carried on to success, proprieties and music will not flourish. When proprieties and music do not flourish, punishments will not be properly awarded. When punishments are not properly
awarded, the people do not know how to move hand and foot (LY xiii, 3; Legge, 1960: 263–4).

Proto-analytic thinking did appear as a trend of thought in ancient Chinese thinking, notably by the so-called Later Moists in the fourth and third century BCE. But even they, whose art of argumentation was the most sophisticated in the whole history of pre-modern China, did not develop their argumentation into strictly logical reasoning. They distinguished by making use of the potential of parallelism, but in no way approached the development of syllogistic demonstration.

This preference for models, examples, analogy and correlative thinking made that the Chinese developed little interest in casual explanation, except for in the practical experiences of everyday life. François Jullien has concerned himself with this issue, and concludes: ‘The fact that there is an overlapping of different domains in Chinese thought reveals a common model that runs through the entire culture, namely, of a configuration or disposition of things operating through opposition and correlation, and which constitutes a working system’ (Jullien, 1995: 17).

Such a model is a challenge to basic Western assumptions like the categories of cause and effect. According to Jullien, this makes it possible to become aware of a certain prejudice in Western thought. He concludes: ‘When compared with the elaboration of Western thought, the originality of the Chinese lies in their indifference to any notion of a telos, as final end of things, for they sought to interpret reality solely on the basis of itself, from the perspective of a single logic inherent in the actual processes of motion’ (ibid.). He invites us to realise that the Chinese mode of thought is quite coherent, even if it never paid attention to conceptual formalisation.

Model Thinking: ‘Knowing what’?

In modern Western thinking, the dominant form of epistemology is propositional knowledge (knowing that something is so), but we also have non-propositional knowledge (awareness or acquaintance of something), and knowledge of how to do something. Traditional Chinese thinking is said to have been dominated by a ‘know how’ type of epistemology, which supposedly never graduated into a ‘know that’ type. While it is true that Chinese thinking never took such a step, I think that such an understanding is both insufficient and partly misleading by the fact that it may reduce Chinese knowledge to practical preoccupations. I am not trying to refute the fact that the Chinese all
along have been preoccupied with the practical, but I think that it is important that we come to recognise this as a type of knowledge production. We are, however, faced with a tricky problem: Chinese model thinking does not really fit very well as an expression of knowing how. If that is the case, where did the Chinese skills in knowing how originate?

Jullien was quoted above as asserting that the Chinese have been indifferent to any notion of a telos, a final end of things. This is certainly true as far as the transcendent is concerned, and it directs our attention instead towards the Confucian focus on deontological (the study of duty) issues of moral obligations and correct actions. But the Chinese indifference to a telos is by no means absolute. As a matter of fact, there has all along been a strong undercurrent of utilitarian thinking in Chinese thought. It is not very well mapped and even less well understood, but has nevertheless been an important dimension of traditional Chinese thought. The existence of a utilitarian tradition can also help to explain the dramatic shift in contemporary China from deontological Maoism to rampant utilitarianism, which is such a big puzzle for most people in the West.

The problem with assessing utilitarianism in the Confucian tradition is that the clearest statements on utilitarianism in Chinese history were expressed by the philosopher Mozi and the school which is named after him, Moism (Mohism). This school was the main challenger to Early Confucianism, but quickly disappeared as a school of thought with the establishment of Confucianism as the imperial orthodoxy during the Han dynasty around the beginning of our era. It is, however, not difficult to identify utilitarian strains in Legalism, the autocratic statecraft philosophy which underpinned the establishment of the Empire in 221 BCE and which has remained a part of debates over Chinese political philosophy ever since. Even in the so-called ‘realistic’ current of Confucianism represented by Xunzi, we will find what David Nivison has called consequentialist (teleological) decisions to accept deontological points of view (Nivison, 1996: 274). Other roots of Chinese utilitarianism should probably be sought beyond the circles of official political philosophy. Perhaps the space accorded to development of utilitarian thinking can best be explained in the same manner as the development of ritual orthopraxy, namely by the lack of a transcendent ultimate cause.

The utilitarian voices in Confucianism have not had the same status as the deontological ones, but they deserve more attention than has been the case. These two currents of Confucianism have been characterised as ‘ethics of social orientations or [positive] end results’ and
‘ethics of absolute ends or personal virtue’ (Tillman, 1982: 1, referring also to Hao Chang). Knowing how may of course also be based on an ethics of absolute ends, but it may become truly dynamic if it is based on an ethics of end results. It is this last tradition which has given the Chinese a characteristic bent towards knowing how. The reason why it came back in force in twentieth century China may be explained by the downfall of deontological Confucianism towards the end of the Imperial era and the consequent search for viable ways of development.12

The fact that propositional knowledge has dominated Western thinking, not just in the natural sciences, but also more and more in the empirical sciences, has resulted in a dramatic loss of interest in examining other types of knowledge. This hardly leaves room for other types of knowledge that may exist beyond its attention. In traditional Chinese thought, we find, for example, a complex and sophisticated mode of reasoning which we may call strategic thinking.13 This is a type of practical intelligence which deals with more informal ways of behaving or moving successfully in social surroundings. A related type of reasoning is what Lisa Raphals calls metic intelligence (Raphals, 1992). There is no exact equivalent in English for this term, as metic knowledge encompasses both wisdom and cunning. The problem of how to assess such modes of reasoning becomes evident because of our Western conventions about the concept ‘cunning’, which gives negative connotations. In China, however, wisdom and cunning constitute a continuum. If we only look at conventional Chinese wisdoms, we will miss out a substantial part of Chinese ways of acquiring practical knowledge and wisdom. But this has another aspect as well, namely that ‘Metic intelligence is morally and ethically problematic because the abilities we recognise and approve as wisdom may be the same abilities we disparage as cunning and cleverness’ (Raphals, 1992: 3). The author stresses that accumulated metic intelligence is perceived as arational or amoral or even irrational and immoral. Herein lie precisely the roots of the Western contradictory perception of the Chinese as being imbued with wisdom in one moment but turning cruel and inhuman the next moment.

Perhaps Chinese model thinking can best be characterised by introducing another interrogative pronoun to the list of established modes of inquiry, namely ‘what’. Chinese model thinking could then be seen as generating a kind of knowledge which focuses on ‘knowing what’. This was precisely the goal of traditional orthopraxy and ritually conditioned behaviour, which stressed what was prescribed and what was proscribed, and it is my assertion that the development of China of
today is still very much coloured by this tradition; no longer in the form of a repressive system only, but also shaped by ‘the habits of the heart’. The do’s and don’t’s in contemporary China are just as much coloured by populist traditions as by political strictures. Chinese students are still dominated by a ‘Please, teacher, tell us what we should know’ syndrome. Model thinking does not require explanation.

Modern Model Thinking

From the end of the last century and until today, Chinese intellectuals have been fervently preoccupied with trying to find the right ways and means for China to become a modernised country. Within social thinking, two Western currents of thought made themselves strongly felt, namely social Darwinism and scientism. Scientistic thinking became a widely shared assumption for the way out towards modernisation, but traditional Chinese political thinking made its influence strongly felt in this field as well. Scientistic thought has likewise been a basic premise for the construction of socialism in China after 1949, even if it at times became the target of attack by Maoist currents of thought. It is still very much in force in today’s China, after twenty years of post-Mao changes. The Chinese communist leadership has never been as dominated by technocrats as it is today.

On this background, we may propose the following observation, namely that the relation between scientific thinking and theories of social and political development has developed differently in China than in the West. Whereas scientific thinking for a long time has dominated the empirical sciences in the West, such a spillover has only to a very limited degree taken place in China in the twentieth century. In theory, it has been integrated through Marxism, but a quick look at China’s history during the last fifty years will make it clear that political expediency has to a large extent restricted theories of knowledge production. The inherent limitations of such ideological strictures have had the unintentional effect of prolonging more traditional ways of thought as a way of ‘working’ the official system. Also, whereas scientism was seen as the way out for China’s predicament in the first part of this century, it has become a forceful tool for continued political dominance by the Communist Party in a time when their traditional ideological basis has withered away, mostly as a result of their own deliberate actions.

Students of Chinese politics will be aware of the fact that the Chinese communists to a great extent have made use of models or ‘typical examples’ as devices for promoting their policies. These models may
be persons, the most celebrated of whom is the man-for-all-seasons Lei Feng, or institutions, the most celebrated of which were the Daanzhai village for agriculture and the Daqing oilfield for industry. The high tide of model promotion may be said to be the so-called ‘Model Beijing operas and ballets’ during the Cultural Revolution. The use of models was to a certain extent learnt from the Soviet traditions, but the Chinese communists have greatly outdone their former Soviet comrades in this respect.

The selection and popularisation of models have been closely connected with ideological or political drives, and the model images go through a complex process of preparation and evaluation before they are launched. Frequently, one may pick local models and promote them on a national scale, if they are found suitable for the purpose. I noted in the introductory comments that the Chinese preference for the use of models has, strangely enough, received scant attention from students of modern Chinese politics and society. The notable exceptions are Munro (1977) and Bakken (forthc.), whose views form the basis for the following section.

When characterising contemporary China (at least until the mid-1970s), Munro states that ‘Models are a teaching device that runs like a thread through education inside and outside the schoolhouse in every occupation’ (Munro, 1977: 135). Munro stresses that the Chinese are by no means the only ones making use of models, but that they are special or even unique in the way they think that anybody, irrespective of age, can learn by imitation; also in the way models are imbued with functions, status and seriousness.

As Munro notes, both the Confucian and Chinese Marxist traditions stress the importance of self-evaluation vis-à-vis a model. This is done through comparison, but comparison here is more of an analogical type than an analytical type, because the aim is to measure one’s achievements and shortcomings vis-à-vis the model. Mao may sound more like a traditional yin–yang master than a dialectician when he states that ‘The method to be used is comparison. Compare the advanced with the backward under identical conditions and encourage the backward to catch up with the advanced. They are the two extremes of a contradiction and comparison is the unification of them’. But he makes a decisive – and ‘un-Chinese’ – break with tradition when he continues: ‘Disequilibria exist between enterprises, machines shops, teams and individuals ... Disequilibrium is normal and absolute, while equilibrium is temporary and relative’ (Jerome Chen, 1970: 65–6). In spite of his assumed dialectic approach, Mao still rests very
much within the tradition of using models for emulation. It permeates his writings.  

In his 1969 study, Munro distinguishes between functionally diffuse and functionally explicit models in modern China (Munro, 1969: 168ff). In his 1977 study, he refines this distinction by listing five functions for such model building during the Mao period of the People’s Republic (1949–76). The first function is to be politically virtuous persons, where Mao himself may be seen as the ultimate model.  
The second encompasses people who display technical skills and innovative abilities, and they also form the basis for the third type of model building, namely people who integrate their skills with certain political values, the so-called ‘red and expert’ types. A fourth function is to be a channel between the masses and the leadership, and a final function is to be an incentive to spur the masses to greater effort (Munro, 1977: 140ff).

This last issue was at times seen as problematic during the Mao era, as incentives could frequently take the form of material reward. Material rewards and preferential treatment would also be implicit in the status as a model, because much political prestige hinged upon the success of the model. For example, a model village would most likely be the first one to get electricity and to get means to establish a high school. Such preferential treatment could create lots of envy and animosity from those neighbouring communities which were not given similar advantageous treatment (cf. Friedman et al., 1991).

The use of models in the People’s Republic became quickly, in typical Chinese fashion, systematised into hierarchies. Munro lists the various types of model individuals in three main groups, namely production models, cultural models and general models; these groups comprise labour and cultural heroes, various types of model workers and model educators, and pacesetters and ‘typical’ models (Munro, 1977: 146). He maintains that the most distinctively Chinese feature of model utilisation is found in the concept of man in Chinese Marxism. The principle is the same that one finds in the school system, namely that education and morality are fused. The mixing of facts and values opens for motivation through social and political recognition, which to a large extent is model-dependent.  

Børge Bakken (forthc.) presents us with the most sophisticated available study of contemporary model thinking and practice. Bakken endorses Munro’s observation in his first study from the 1960s, namely that social control theory has been dominated by assumptions about model emulation, and says that it is true also for the 1990s. However, significant changes are in the process of taking place. The
‘classical’ model images of Chinese communism have survived until today, but have faced serious problems. One obvious reason is that they have all emanated from above, from the propaganda apparatus of the Party. Models have been too predictable, and voices have been raised that they should become less robot-like and more modern and ‘colourful’. Therefore, models should be selected from real environments instead of being established as perfect ideals. New or modified models have had to be devised, like stratum-specific, time-specific and age-specific models.

An even more serious issue was that the model figures themselves were frequently encountering problems. In the first place, there was a dramatic decline in the social status of the models. Bakken refers a survey from the late eighties among 600 young people in Tianjin. As many as 91 per cent of them were not interested in becoming model workers, even if 63 per cent of them were workers themselves. Just as badly fared one of the official models of the new era in the 1980s, Zhang Haidi, a semi-paralysed girl who was supposed to represent reform age virtues like individuality, knowledge and social responsibility. Bakken quotes the following assessment: ‘First we would admire her, then we became more and more fed up, and in the end we were annoyed by and disgusted by her.’ A survey in the early eighties among 108 so-called advanced workers from all over China revealed that 73 of them had been ridiculed or attacked because of their model status. A letter from the official trade union published in People’s Daily in 1988 stated that 21 model workers had been admitted to a sanatorium because of various disorders caused by overwork. The other side of the coin is an increasing instrumentalisation of good deeds, what Bakken calls ‘the price tag of the exemplary society’. An article in Liaowang (Outlook), a Party periodical, stated in 1993 that the title of ‘model worker’ could now be purchased. The honour of becoming a city-level model worker would cost a donation of 30,000 yuan, while the honour of becoming a province-level model worker would cost a donation of 50,000 yuan.

Models who were meant to symbolise the new times were used extensively in the first years of the reform movement (late seventies–early eighties). This practice was especially focused around the structural changes in the political economy. The new entrepreneurs were hailed and widely publicised, either as ‘model’ individual entrepreneurs in the urban areas or as so-called ‘10,000 yuan households’, which meant an innovative peasant household which had an annual income of 10,000 yuan or more. Later studies showed that there was considerable village backing for bringing forth households of this
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type, because it would also bring fringe benefits to the village as a whole. The last attempt at nationwide political model promotion was the village of Daqiuzahtng, which was promoted in the late 1980s. This North China village was supposed to be a model for Dengist reforms. Unfortunately, it did not fare so well. The village leader was arrested in 1993 for ‘harbouring criminals’. His relatively light sentence was said to be due to his close connection with Deng himself (Lam, 1995: 46, 270). This sad ending doesn’t make the village less ‘typical’ as a model, but certainly not in the way its mentors had foreseen.

Furthermore, as Bakken notes, so-called ‘first models’ like parents and teachers were seen by many to be more effective than the old revolutionary models. Models are generally thought to have strongest impact in traditional community-related surroundings, but in the pre-modern Chinese society, one finds a plethora of model images from the local deified personalities to the imperial icons. Therefore, China’s rapid modernisation did not automatically mean the doom of models as nationwide value-icons. Rather, Bakken sees two tendencies in this respect. In the first place, the reintroduction of family and teacher authority after the Cultural Revolution has prepared the ground for reintroducing familistic and ‘feudal’ authority figures, which he sees as attempts to redesign the former community support for modelling processes. In the second place, one sees the return of pure mythological figures like the legendary Yellow Emperor and the equally legendary sage kings Yao and Shun, as symbols of the national spirit of China.

As a multidimensional figure between populism and officialdom, we have the image of Mao himself, who returned in full force during the early nineties in various figures like a traditional sage king, a patriot martial hero, and a geospiritual entity embodying the nation (Barmé, 1996a), but who has also been used actively by the official propaganda apparatus in a selective manner which suits the ideological trends of the time. However, Mao is not the only figure who has returned in idolised form. Many of the former moral heroes from the fifties and sixties have also returned in some force, because the social spirit of the fifties and even the sixties is perceived as reflecting an organic, orderly and united community which has been broken up during the course of the reform period.

One example of that is the indirect return of the perennial model Lei Feng. In 1997, a film entitled Days Without Lei Feng was released in China. More than just a moving story, the film became a major cultural event that stirred feelings among the Chinese towards the
ills of the reform processes. The film related the true story of Qiao Anshan, who back in 1963 indirectly caused the death of Lei Feng when manoeuvring a truck. Qiao had since then tried to live up to the ideal which his former friend and colleague was associated with, as a way of ‘paying back’ for an incident for which he felt responsible. After he retired from the army, Qiao continued to work as a chauffeur, and became framed and dragged to court for a fatal traffic accident for which he had no responsibility. The story is exemplary, in the sense that it contrasts the old impeccable veteran with the rampant greed among the Chinese today. The strong public sentiments in connection with the film seem to strike right at the heart of the conflict of values between morality and money (Chen, 1997).

The fact that the traditional exemplary models have limited impact in today’s China does not mean that model thinking has disappeared, only that it has changed. What is highly significant is that the younger generation more and more is selecting its own models from the fascinations of the modern world independently of what the regime wants to promote. This means more loss of control, which is the situation most to be feared, as seen from the point of view of the regime. But even in such cases, the configuration of the modern models is ambiguous, and only rarely poses direct challenges to the regime. There seems to be an inbuilt ‘propensity’ in the process of transition from being a foreign phenomenon to becoming a Chinese phenomenon. This is what has been called ‘institutionalisation’, or zhiduhua in Chinese, namely that phenomena tend to become absorbed into extant Chinese conceptions, classifications or arrangements.  

To give just three examples, all from the pop industry:

Karaoke-singing, with its associations to modern entertainment, may at the outset be seen as something decadent and dangerous. Its instant success in China the last ten years is due to two factors, namely model thinking and institutionalisation. It is inherently suitable for being adapted to Chinese surroundings, because the medium itself is a model, it is a ready-made dream factory where even the words are provided, and the element of personal touch may only be expressed by the feeling the performer puts into it. Because of this make-up, karaoke performances are achievable for anybody, and have penetrated into the most diversified circles, from gay clubs to the People’s Liberation Army.

A related and somewhat earlier phenomenon is disco music. This is potentially more dangerous, as it involves strange bodily movements, which are very outlandish to the Chinese because of their lack of folk dance traditions. However, this was quickly absorbed and became in-
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institutionalised and thereby made less dangerous. Soon it had become something that ‘everybody’ wanted to do. I witnessed some years back a disco performance in a nursery school in Beijing, where the only one who was savouring the disco was the female teacher, who performed the dance in front of a completely bewildered group of toddlers.

Finally, we have pop music itself, which also displays ambiguities. In one way, it is a product of the decadent modern world of entertainment, but what is interesting is the way music production and starlet performances take place. Chinese pop stars tend to build careers by ‘singing like X’, that is, to emulate the style of some famous artist. The creative element lies in the way singer X is imitated. This idea comes very close to the tradition of not questioning the classics, but rather to show involvement and creativity by producing elegant commentaries to it. The most fancy form of pop music production is to emulate foreign pop melodies by performing them in English.

Thus, one may say that model production still takes place, even if the conditions may be new and unfamiliar. Establishing new models is an efficient way of adopting and controlling the unfamiliar. Frequently, however, model adoption may be based on outright misunderstandings. One case in point is what the Chinese call ‘travel shoes’ or **lüyou xie**. These are actually jogging shoes which we mostly associate with sports and leisure, but also with youth cultures. Somehow, the idea that such shoes were primarily made for travel purposes spread in China, perhaps because so many foreign tourists used them. Thus, a new model was established. I have experienced Chinese professors giving guest lectures abroad in dark suit and shiny new white Nikes. What the Chinese call ‘critical adoption’ of things Western may actually be based on outright misunderstandings. Perception by analogy may result in wonderful misunderstandings. What seems to take place is that one part is mistaken for the whole. Analogy is used as a kind of deductive device, and the results may be highly original. One tends to associate what is new or unknown with what is already known. This is especially acute in connection with classifying things foreign, like names, terms, viewpoints, arrangements, institutions, etc.

The reform era has, however, also produced new model figures who function, if not as antiheroes, at least as true-to-life negative models, and they have gained great popularity. Especially prominent are the new type of entrepreneurs who indulge in conspicuous spending and decadent life-styles in the grey zone on both sides of legality. Nobody has depicted these new types of ruffians and ‘smart alecs’ better than the writer Wang Shuo, who himself is a good example of such ram-
pant utilitarianism. This type of model is regarded as quite dangerous for the regime, because its proponents are almost totally outside the control of officialdom; strong reactions have come not just from the regime itself, but also from the growing number of national-conservative cultural critics among intellectuals. Here is the assessment of He Xin, a reformist turned conservative, of the deplorable state of affairs in China towards the end of the eighties:

The religion of the Chinese of today is cheating, deceit, blackmail and theft, eating, drinking, whoring, gambling and smoking…We think any honest, humble gentleman a fool and regard any good person who works hard and demands little in return as an idiot. Crooks are our sages; thieves and swindlers our supermen…there are no greater cynics than the Chinese people (quoted in Barmé, 1996b: 193).

This state of affairs has been countered by the regime by trying to give a new twist to the old and worn model heroes from the pioneer days. As we noted earlier, this move has had a certain success due to popular nostalgia. The effect of such models is, however, insufficient, and the regime has therefore, as Bakken also noticed, restored mythical culture heroes to the pantheon of models. This is part of what the present writer considers to be a fundamental change in the ideological orientation of the Chinese communists into a more openly nationalistic ideology, which has gained ground since the late eighties. The old socialist heroes are yielding ground to the renascent national heroes. Mao himself in his new model role is presented as a national hero and not as a socialist hero. A good example of national models for the nineties is Zeng Guofan. Zeng was one of the major political figures in the second part of nineteenth century Chinese politics. He was a prominent official who led the subjugation of the Taipings, the last major peasant uprising in the 1850s, and thus restored the unity of the nation, and the one who engineered a successful conservative restorationist policy for the imperial order in the 1860s. Zeng was no doubt a very useful model for the restorationist political climate in China in the beginning of the 1990s, but those who were behind the decision to promote him were perhaps not aware of the fact that the same Zeng was also a major model figure for the Chinese Nationalists, or Guomindang, in the 1930s, in their campaigns against the communist base areas.

When it comes to model figures in today’s China, it is my assessment that the traditional moral models have become less dominant,
and that the national scene is dominated by what we could call metic models, that is, persons who display great capacity for being ‘wise and cunning’. This is not just an expression of more imaginative entrepreneurship, it is also an expression of everyday popular resistance to the ruling order. The Chinese are rediscovering that they have a rich tradition in this respect, and it has become one of the new boom areas in the publishing industry. One good example is the Classic of Contrariness, or Fan jing, by one Zhao Rui in the eighth century, which has been published in several editions recently. According to the blurb of one edition, it is ‘A strange work which rulers down through history kept secret about and used but not talked about’ (Zhao, 1997). If it is true that metic models have become more prominent, it implies that strategic thinking has become more prominent at the expense of moral model thinking.

Model Thinking: Muddled Thinking or Modern Thinking?

The primary role of model examples in Chinese thinking was neither to facilitate a move from the particular to the universal nor vice versa. The illustrative or imitative function of the model is rather, as Anne Cheng has pointed out, to facilitate or activate the relation between knowledge and action. Cheng proposes that the role of the model may be seen as negotiating between the ‘constitutive’ aspect of the issue in question, or ti in Chinese, and the ‘applicative’ aspect of an issue, or yong in Chinese (Cheng, 1997: 74). This dichotomy, besides pointing out what I believe is a typical mode of linking knowledge and action in traditional Chinese thinking, is also justly famous among students of modern Chinese history because of the fact that it was formulated around the turn of the last century by the conservative reformer Zhang Zhidong as the correct way of modernising the country: ‘Take Chinese learning as essence, and Western learning for application’ (Zhong xue wei ti, xi xue wei yong).

The reform process of the Deng era may in many ways be seen as a continuation of this policy of the conservative reformers around the turn of last century. The Dengist slogan of ‘Socialism with Chinese characteristics’ is an apt illustration. The problem with such modes of knowledge acquisition is that the constitutive and applicative aspects are seen as entities which are limited to having only one single quality. For example, saying that Western knowledge in the form of technology has only applicative aspects implies that one disregards the social, economic and political environment that has produced such
technology and that one tends to ignore the corresponding impact of such technological changes in China.

The issue of what constitutes the *ti* and what constitutes the *yong* has been hotly debated among Chinese ever since the slogan was launched. It has also – as the slogan about socialism and Chinese characteristics illustrates – been applied by the present authorities in China as a gradualist and controllable way of introducing Western technology. Contemporary Chinese political and cultural critics have pointed out the inherent problems with this way of acquiring knowledge. Instead of ‘true’ knowledge one gets manipulated and partial knowledge, because unrestrained knowledge is dangerous for the established order.

The aim of this article has been to point to a pervasive tradition in Chinese thinking which is not easily understood or appreciated in Western perceptions of China. What remains then, is the most hazardous task, namely to try to characterise Chinese model thinking in terms of Western concepts of thought. I have already proposed that traditional model thinking may be seen as a ‘knowing what’ type of knowledge acquisition. Perhaps contemporary Chinese model thinking could be regarded as a *type of empiricism which at times may degenerate into reductionism*, reduced so by the exemplary weight of examples.

Such thinking may not be characterised as positivistic, because it does not live up to the positivist demand that all contingent assertions about the world must be verifiable through experience and observation. It is rather *characterised by a selective propagation of observation and experience in order to establish what one wants to present as contingent truths (= synthetic and *a posteriori* knowledge). This is nowhere expressed clearer than in one of the main slogans from the ideological struggle led by Deng and his followers in the early post-Mao years. This slogan was ‘Practice is the sole criterion for testing truth’ (*Shijian shi jianying zhenli de weiyige biaozhun*). It may sound as mainstream positivism, but it must be understood in the context of the days. When the slogan was launched in 1978, it was intended to help tear down the ideological hegemony of later years’ Maoist thought, which was the only patrimony of Deng’s opponents. However, the slogan soon started to be taken literally by critics of the regime, and it quickly became a two-edged sword for the party hegemony. *

Model thinking is today associated with communist modes of thinking, but this article has shown that such thinking runs deep in traditional Chinese thought. Model thinking is likely to prevail in China in
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the future. It is therefore in place to take a brief look at the potential for such thinking in course of China’s future development. If model thinking may be characterised as empiricism, it means that it gives primacy to experience, and this is exactly what the reform era of China has been characterised by. Ideological changes notwithstanding, the gradual and controlled ways of testing out and implementing changes are very much in line with the traditional way of linking constitutive and applicative aspects of an issue, that is, to connect knowledge and action. It may be true that the Deng era has been lacking in clearly formulated strategies, but this doesn’t mean that China has just been muddling along.

The nearest Deng himself came to formulating the way ahead was by the traditional adage ‘Crossing the river by feeling one’s way to the (submerged) stones’ (Mozhe shitou guo he). This is a clear admission that the road ahead is not clearly charted, but, on the other hand, it does not imply that development takes place blindly. It is rather a stepwise accumulation of experience, some of which may acquire model status, which is then popularised and tested, before preparations for the next step. Such procedures may seem slow and bureaucratic by many Western standards, but it may turn out to be a sensible way of initiating change. It may leave room for pauses and discussions. Even the models may be argued about in today’s China. What one could hope for is that the Chinese will gradually become less reductionist and more positivist. This would at least make communication between themselves and the world around them based on more real understanding. But there is an even more urgent need for change of thinking in China today, namely to develop critical thinking. This is not just because the power hegemony of the Communist Party has stifled such thinking. Down through the ages of Imperial Confucianism, there has hardly been room for critical thought.

There can be no doubt that traditional Chinese model thinking to a large degree has conditioned the modern Chinese course of development. This would imply that the Chinese experience is less applicable as a model for others than one perhaps would think, even if this hardly makes it less interesting for comparative purposes. Today, the Chinese seem to be more preoccupied with making things work at home than inviting others to emulate their experience. Perhaps the most obvious relevance to others is their stepwise and controlled procedural approach to change. They take time – and too much so, according to impatient foreign businessmen and World Bank/IMF strategists – to deliberate what they themselves consider useful or harmful. The unanswered question is, however, if such an approach to change will only
be possible under an authoritarian regime like the Chinese, or if it will be possible under a more democratic regime as well.

However, reasoning through models may not be as outmoded and muddled as it may initially seem from a modern Western vantage point. On the contrary, model thinking has been given new actuality, not because of its development in China, but, strangely enough, by developments in modern Western forms of knowledge production. The argument is simply that the Western project of almost total reliance on propositional knowledge has met with serious problems. Attempts at resolving these problems have resulted in approaches which show more similarity with traditional Chinese Moist ways of reasoning. Graham goes so far as saying that this two thousand year old tradition has a ‘curiously Wittgensteinian look’ (Graham, 1989: 155). Also Needham sees Moist arguments about ‘model thinking’ as having strong resemblances to contemporary discussions on the logic of scientific ‘models’ (Needham, 1956: 184).²⁴

Modern Western thinkers like Wittgenstein and Kuhn have discovered that it is possible to refute or subvert a proposition by uncovering the paradigms and distinctions on which it rests, which means that one opens up for exploring whether certain processes of thought may best be carried out with the help of models. This means that one accepts contextualised propositions as evidential support for other propositions without necessarily demanding further analysis of the evidential support. (A problem for such a position is, however, that contextualised propositions need more precise explanation.) From another angle, as Raphael notes (1992: 2, n 3), Collingwood has questioned whether mathematics furnishes a valid model for philosophical reflection, and argues that its logically derived universals do not apply to sciences like history and philosophy, which are constituted differently. The main problem in contemporary Western epistemology seems to be that the two dominant modes of acquiring knowledge, that and how, presuppose each other (The Cambridge Dictionary of Philosophy, 1995: 238). Perhaps ‘knowing what’ in the form of modified model thinking could help to break that circle, but that would presuppose a major shift in predominant Western ontology from cogito, ergo sum to also include sum, ergo cogito. Whereas the classical Cartesian paradigm may have imbued Western modes of thought with a creative restlessness, a combination with a Cartesian paradigm in reverse, which lies much closer to the basics of traditional Chinese thought, might result in a more reassured creativeness. At any rate, we would probably do best in being rather cautious about seeing the wholesale adoption of West-
ern forms of knowledge production as a necessary remedy for solving the problems of modernisation in China.

Notes
1. This article is based on a lecture presented at a conference organised by the Norwegian Research Council programme on State, Society and Development in the Third World in November 1995. It has been heavily reworked, but owes its origin to that event.
2. This has been adopted by some of the political leaders in the region, notably Lee Kuan Yew in Singapore and Mahathir Mohamad in Malaysia in their attempt to establish a distinct set of ‘Asian values’ as an ideology which could legitimate this model of development. A useful introduction and overview to the question of an Asian model and Asian values is given in a special issue of The Pacific Review (1996).
3. The Little tigers are also called Little dragons. Perhaps those who have preference for the dragon metaphor like to stress the common Confucian heritage, while those who keep to the tiger metaphor give more attention to their performance in the international market? The fact that China is the old core region of Confucianism doesn’t necessarily mean that China of today is more Confucian than the other dragons. Depending on how one chooses to characterise Confucianism, one can easily maintain that South Korea of today is more Confucian than China. See Rozman (ed., 1991).
4. Different terms are used in classical Chinese texts for the terms which in this article are translated as ‘model’, ‘example’ and ‘pattern’. Further analysis of these Chinese terms would certainly provide us with more finely sifted concepts, but for the purpose of this article, it suffices to ensure that they are functionally equivalent.
5. That is, natural equality in a descriptive sense, and not evaluative.
6. The structure of the classical Chinese language and the literature which grew out of it have certainly also contributed to the prevalence of patterning and parallelisms. In subtle ways, this has influenced Chinese modes of thought, but that theme will have to be put on hold because of limitations of space. As an appetizer, we can provide the following quote from two prominent Western experts on Chinese literature: ‘One is almost led to wonder whether the immense and perennial popularity of parallelism was a result of the philosophy of the Central Tradition, which encouraged the recognition of a Pattern far more than the search for a Cause’ (Idema and Haft, 1997: 108).
7. Munro comments upon this phenomenon in the following way: ‘Models manifest the link between knowledge of principles and action in accordance with them and help to make this link habitual to the learner. They stand for principle in action. They promote the clustering of proper promptings to act with knowledge and the transition of the covert beginnings of action into actual social conduct’ (Munro, 1977: 138).
8. But Needham is of the opinion that the traditions of yin–yang and Five processes have played a more favourable role for the development of Chinese proto-science (cf. Needham, 1956: 232ff).
9. The conditions for change are qualified in the passage immediately following the one just quoted: ‘Hence it was that “these (sovereigns) were helped by Heaven; they had good fortune, and their every movement was advantageous”. Hwang Ti [Huang Di], Yao and Shun (simply) wore their upper and lower garments (as patterns to the people), and good order was secured all under heaven. The idea of all this was taken, probably, from Khien [Qian] and Khwan [Kun]’ (Legge, 1963: 383–4). In other words, change was induced by Heaven, and made sense to the
extent that it could explain how the model culture heroes of high antiquity were able to carry out their exemplary activities. This way of perceiving changes was thought to originate from indications in the first and second hexagrams Qian and Kun, which had a prominent status in the Book of Changes, and which were said to symbolise Heaven, yang, the male, etc., and Earth, yin, the female, etc., respectively.

10. The breakthrough of modern scientific thought in the West has made us rather blind to our own pre-modern past. Medieval European thought was also dominated by correlative thinking, and continued to exert its influence long after the breakthrough of modern scientific thought. Graham reminds us that even the first modern laws of nature, namely Kepler’s three planetary laws, were coloured by correlative thinking by making the sun, stars and the planets correlate with the persons of the Trinity (Graham, 1989: 318).


12. This may also open up for solving the problem of Weber’s irreconcilability of Confucianism and capitalism. If the process of modernisation means going from a substantive (value-oriented) rationality to a more purposive rationality, then the Chinese utilitarian tradition was there to be activated once the orthodox ‘moral economy’ disintegrated in the second part of last century.


14. Exceptions would be science-related fields like eugenics.

15. That this is not just a Communist invention, but is permeating the common Confucian-based education systems among Chinese under a different socio-political environments, is illustrated well in a recent dr. philos. thesis at the University of Oslo (see Glad, 1998).

16. Here, we may just give one example from an informal forum during the Spring festival of 1964: ‘All Ministries should learn from the Liberation Army, set up a political department, and strengthen their political work. They must encourage achievement, set up model workers for emulation, praise them extensively, and at the same time criticise mistakes. Praise should be the main thing, and criticism should be supplementary. Among those working for our cause, there are many good people and good things, there are many good models which we must praise’ (Schram, 1974: 201).

17. Of course, members of the Communist Party are also – in theory – exemplary models par excellence. This is stated explicitly in the Party members’ handbook. One of the many duties of the Party member is to ‘Have an advanced model function in production, work, studies and social life’ (Dangyuan shouce, 1990: 40b), with the possibilities, under a section which characterises how a communist is expected to be, of ‘Becoming an outstanding or even model Party member’ (ibid.: 400). The evening news on the main Chinese national television channel even today features a model communist as part of the daily media message.

18. Bakken touches upon this phenomenon throughout his study, but Chapter 5 in his study is specially devoted to this phenomenon under the title ‘On models, modelling and the exemplary’, and is the basis for the discussion here. (No pagination available at the time of writing.)

19. Lei Feng was a People’s Liberation soldier who died in 1963 in a car accident. He was a loyal do-gooder who embodied the spirit of ‘serving the people’ like a rustless screw for the sake of communism. He has all along been object of ridicule and caustic remarks, but he has proved to be a man of all seasons through changing the emphasis of his doings in order to fit him to the changing needs of the Party (Geist, 1990).

20. When the Japanese in the second part of last century needed to coin a new word for the Western concept of ‘science’, they made use of an originally Chinese
word, *ke*, whose basic meaning is ‘class, order, series’. This term was then borrowed back by the Chinese. Thus, the term *kexue* gives more associations with processes of classification than with analysis.

21. Meaning that one category may be reduced to another.

22. Another term which has been applied frequently in the ideological debates in the last twenty years did also surface at the time of the launching of the ‘criterion for truth’ debate. This is the expression ‘Seek evidence from real affairs’, or *Shi shi qiu shi* (normally translated as ‘Seek truth from facts’, which is a rather forced rendering). It is more correct to say that the expression resurfaced, because it is a truly classical term which appeared for the first time around the beginning of our era, and which has been applied repeatedly by Chinese political thinkers down through Chinese history, lastly by Mao himself. When the term resurfaced in the ‘criterion for truth’ debate, the aim was to weaken the Maoist successors ideologically. Deng demonstrated then his unequalled utilitarian attitude by saying that seeking evidence from real affairs was ‘Comrade Mao’s fundamental Marxist viewpoint and method’ (Deng, 1984: 128).

23. One may with a certain justification say that China has had only two iconoclastic philosophers during the last two thousand years, namely Wang Chong (22–99?) and Li Zhi (1527–1602). The last one died in prison and is hardly mentioned in the history of Chinese philosophy. On the contemporary scene, perhaps the only person who may be taken as a sometime iconoclast is Liu Xiaobo, who led the final negotiations with the military forces on Tiananmen square during the night of 4 June 1989, which had as a result that the remaining students were allowed to evacuate the square peacefully.

24. Needham himself is probably the Western scholar who goes the farthest in finding a prominent element of pre-modern Chinese thought in modern Western scientific thought. He discusses the natural sciences, but it clearly also has implications for the social sciences: ‘All that our conclusion need be is that Chinese bureaucratism and the organicism which sprang from it may turn out to have been as necessary an element in the formation of the perfected world-view of natural science as Greek mercantilism and the atomism to which it gave birth’ (Needham, 1956: 339). For a critique of Needham’s views, see Qian (1985).

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Summary


In development studies, different models may be applied in order to gain better understanding of the processes involved, especially for comparative purposes. In traditional Chinese thinking, we find a rather unique phenomenon which may be called ‘model thinking’. This is a different way of conceptualising models, namely by judging a phenomenon according to traditional indigenous moral socio-political models. This article shows how this mode of thinking applies examples, analogies and correlations in assessing new phenomena. It is asserted that this way of thinking is still very much alive in China, and that it constitutes an important part of how Chinese think about modern development and change. The article also discusses the difference between Western propositional thinking and Chinese model thinking, and attempts to characterise this mode of thinking in terms of Western epistemology.
Chinese Rural Policy Between Social Change and State Planning

Flemming Christiansen

The momentous social and economic changes in rural China that took place after 1978 raise the question how the Chinese authorities initiated and co-ordinated changes in rural policy. How did they reorganise rural decision making to fit the changing reality? Which fora did the Chinese political leaders choose for making rural policy decisions? What are the rules and procedures around which the main policy players build their mutual consensus?

The Paradigms

This article discusses how the Chinese authorities initiated policy. The focus is on two different modes of, or paradigms for, policy making that were prominent between the late 1970s and the late 1990s. The analysis here is not an exhaustive examination of policy making; it does not examine all the paradigms for rural policy making that can be identified, and the analysis is largely based on an exploration of some examples of how the paradigms work. Figure 1 provides an overview of four important paradigms for policy making, of which only the two first are examined here.2

In the following sections, the social transformation paradigm will be examined as the main mode that guided the introduction of the reforms between 1978 and 1983. The planning and programming paradigm will be examined in relation to new approaches to regional planning and the implementation of large-scale investment programmes in agriculture. In a final section, the paradigms are discussed in the wider setting of China’s development.

The social transformation paradigm aimed at achieving social change through indirect intervention and political guidance largely
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outside the scope of the state structures. Central and local organs of the Chinese Communist Party facilitated change, but the greatest impact arose from spurring on local dynamics. The role of the state organs in this change was to monitor development, introduce and enforce overall regulation, and to set up administrative bodies as required by changing social realities. The social transformation paradigm has been the most spectacular and momentous, giving rise to the household responsibility system, rural industrialisation and small town development. It also unleashed large-scale rural-urban migration. Its main concern was that inadequate social organisation impedes social and economic development, an issue that reflects the Chinese Communist Party’s political-economic ideology.3

The planning and programming paradigm aimed at achieving plan targets through administrative intervention. The organs of the state rather than the party were in charge of this policy mode. It was a continuation of the planned economy paradigm prevalent between the 1950s and the end of the 1970s, but it operated in the context of increasing devolution of political power and the gradual emergence of a market economy. As a consequence, detailed mandatory planning gave way to indicative planning and global plan targets, and new social welfare-related targets gained importance alongside production output targets. The plan paradigm formalised procedures for coordinated state intervention, for building a more comprehensive knowledge base on the agricultural production potential, and for actively defining policy concerns. Devolution of decision making power refined procedures for centre-local interaction. It is guided by the concern that lack of co-ordination impedes rational use of resources and causes investment funds not to be used in the optimal way.

Social Transformation: From the Dazhai Model to Rural Reform

The agricultural policy of the 1960s and 1970s originated in the political compromise of 1962 which settled inner-party disagreements over rural development in the famous ‘sixty points’ of the people’s commune.4 The collective structures for agricultural production served to ensure long-term (a) state procurement of agricultural products; (b) financial transfers from agriculture to the state sector through low prices on agricultural products and high prices on goods needed in agriculture – this is called the ‘price scissors’ (Christiansen, 1993); (c) improvement of agricultural production through economies of scale and the use of the collective for dissemination of technological
knowledge and new species; and (d) investment in agriculture through collective accumulation funds and the mobilisation of peasants for collective irrigation, road building, and terracing projects (Aubert, 1991). The relative improvement of agriculture throughout the period was considerable, but the system was undermined by three factors:

- Collective farming was, in the words of the Potters, \textit{pro-native}, it encouraged the peasants to bear as many children as possible because a large family could get a larger slice of the collective distribution of earnings (Potter and Potter, 1990); the growth in agricultural output barely matched the rapid growth of the population.

- Urban reliance on the price scissors increasingly depressed agricultural production and caused agriculture to become under-financed (Christiansen, 1993).

- Political disagreements, called ‘policy winds’, created instability in the countryside during the 1970s. The radical faction criticised the farmers’ use of private plots and the limited scale of collective management. Radical policies attacked small-scale private production for the market as it was thought not only to detract from the collective contribution of each peasant, but also to undermine collective farming in the long term. Even peasants growing vegetables for their own consumption were stamped as ‘capitalists’ (Zweig, 1989).

David Zweig (1989) suggests that the reform policy of the late 1970s followed on from the opposition to the radical policies. The radicals used the production brigade Dazhai as a model for Chinese agriculture to follow, and the radicals mobilised Dazhai’s head Chen Yonggui to campaign for abolishing ownership and accounting at the team level. The peasants were encouraged to pool their collective resources in brigades comprising many hundred, even up to a thousand households. The radicals thought that this would enable a more powerful and efficient use of resources and enable larger scale of investment and operation (like the ambitious terracing of Dazhai’s steep and barren loess gullies). To most peasants, such policies seemed mere exhortations to further sacrifices which did not bear in them the hope of improving living standards.

The reform policies emerged from opposition to the radical rural policies, in defence of the private plots and the ability of peasants to earn additional incomes from fringe activities and small-scale market sales. Some leaders of the CCP who had risen to national power with Deng Xiaoping in 1977, most importantly Zhao Ziyang (who came
from a leading post in Sichuan) and Wan Li (who had been a leader of Anhui), strongly favoured peasant initiative and the incentives of the market as means to increase agricultural production and improve the rural economy. They were initially unsuccessful in promoting this policy, but their ideas resonated with the thinking underlying the reforms. Economic thinking under Deng Xiaoping’s leadership held that economic activities should be guided by market-like exchange rather than allocation according to quotas; resources could only be rationally distributed if their value reflected their scarcity. Growth could not be achieved through political or moral exhortations, but only through economic incentives (Hu Qiaomu, 1978).

A party-wide campaign staged by the reformers in autumn 1978 documented cases of extreme poverty and widespread deterioration of agricultural production. In December 1978 a veritable army of peasants entered Beijing to lodge complaints against corrupt and abusive cadres. This coincided with the plenary session of the Central Committee which decided on the reform policies. Although the thousands of peasants clad in rags and sleeping in the wintry streets of Beijing must have evoked strong and awkward feelings among the delegates, the majority view prevailed that the rural collectives must be maintained and strengthened. However, this event sowed the seed of unease and doubt within the wider leadership, and gave credence to the claim that past policies must be abandoned.

Within four years, the reformers in the party gained the upper hand. In early 1983, the household responsibility system became the dominant form of organisation in agricultural production. The land was divided among households, and each household had a quota of grain and/or cotton to sell to the state. Above-quota products could either be sold at higher prices or used for other purposes. Land not used for quota crops could be used to produce other crops for the market, like vegetables, tea, or tobacco. This went much further than the original opposition to radical policies in the 1970s; it constituted a totally new policy, based on new assumptions.

**Factors of Change**

Some observers attribute this sudden and fundamental shift to the ‘power’ of the farmers, that is, to massive civil disobedience challenging the authorities (Zhou, 1996; Kelliher, 1992). David Zweig (1997: 43–85, 1989: 169–201) points to the fact that the rural reforms involved a high degree of interaction between cadres and peasants, and he describes in detail the reformers’ determination to achieve change.
Jonathan Unger (1985) describes how local communities resisted change in rural organisation, and how they were ultimately overruled by cadres. Katherine Hartford (1985) analyses the huge local variation in policy that emerged in 1977–1983 in response to local conditions and preferences, and how they ultimately became relatively uniform in the consensus model in 1983. Kojima (1988) assumes that the rural reforms were induced from the centre. The origin and process of this immense policy change will probably never be fully understood. It may, however, be worthwhile considering a small number of conditions that facilitated rural policy change:

– The change in the exchange relationship between the rural and urban economy which was introduced in 1979, involving a 20 per cent rise in the prices paid by the state for agricultural products and a 20 per cent drop in the prices charged for goods to agriculture, gave immediate incentives to the peasants to produce more grain and other core products (or rather, make them available to the state procurement authorities). Any changes introduced under such circumstances would appear successful, and so the experimentation with agricultural production structures that began as early as 1977 and 1978 could more easily be presented in a positive light to the sceptics in the party.

– The sustained agricultural investment in irrigation, terracing and infrastructure, as well as the green revolution that introduced new high-yielding species in the 1960s and 1970s, began yielding results at the end of the 1970s. The accomplishments of the past policy regime thus contributed to the triumph of its successor; rapid increases in growth rates that could impossibly be attributed to change in organisation alone helped convince the Chinese leadership that devolving production responsibility to households was effective.

– The 1982 Constitution had an essential impact on the structures for agricultural production. The household responsibility system cannot be seen in isolation from the formulations of the Constitution. The Constitution was formulated at the same time as the rural reforms were unfolding with great speed, and for those who participated in the enormous task of framing it, the rural reforms were minor, and the debates on other, more contentious issues predominated. As a result, the Constitution refrained from regulating rural China in detail. Four points, however, were crucial: (a) according to Article 8, the household responsibility system, the use of private plots,7 and the farm and non-farm activities called ‘side-line production’ were all guaranteed by the state as
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‘socialist economic activities’; (b) by the implication of Article 6, the peasants were collective owners of their assets, and according to Article 10, rural land was collectively owned; (c) according to Article 11, the hiring of labourers on a small scale, within the so-called ‘individual households’, was permitted (later amended to also include large-scale hiring of workers in private enterprises); and (d) according to Article 95, the township must establish a people’s government and a people’s congress, so becoming the lowest tier of state authority. The Constitution aimed to divide public administration and economic management so that the management of publicly owned assets would not be politicised. At the same time, party and state administration must be separated.

The provisions in the Constitution about rural organisation were minimal, not specifying the organisation beyond the basic provisions on collective ownership, the township as a state organ, and the acknowledgement of small-scale private enterprise. What had until then been the revolutionary committees of the people’s communes were universally to become township governments within the state structure; they could not any more be the managers of collective assets, and they could not any more double up as party branches; collective (and the new private) economy were, as a consequence, formally separated from political administration. The new Constitution was accompanied by a campaign to ‘separate the collective from politics’ (zheng-she fenkai).

The social transformation policies profited from these factors. The improved terms of trade allowed agriculture to develop rapidly because the technological basis was good and stable. The change of rural political and administrative structures became imperative due to the Constitution which was being drafted at the same time as the reforms unfolded, yet the new Constitution did not seriously restrict the social transformation policy.

Crafting Social Transformation

The process by which the social transition policy was carried out fell into two phases. In the first phase (1978–1982), a handful of leaders in the party who were initially unable to achieve consensus about the main thrust of the rural reforms among the members of the Central Committee, gradually wrested concessions out of the sceptics. This they did by convening meetings of the first party secretaries in the provinces to discuss rural reform measures. This approach had several
advantages. The party secretaries attending such business-like *ad hoc* meetings were not so hamstrung by ideological principles as they would have been in Central Committee meetings. By obtaining piecemeal consensus about experiments, moderate alterations to current practice, and changes restricted to poor areas, and by publicising this consensus in Central Committee documents, the reformers were able to allay any scepticism in provincial and county leaderships. Subordinate cadres felt free to carry the implementation of experiments as far as allowed in the documents (or even further). Provincial decision making on rural issues was vested in the rural work offices of the party branches. Using the party structures in this way, the reformers were assured that experimentation and new initiatives were not hindered by red tape. The issues involved have been described by, among others, Zweig (1989, 1997) and Zhou (1996).

The decisions in the Third Plenary Session of the Eleventh Central Committee in December 1978 effected the establishment in February 1979 of the State Agriculture Commission as a ministerial-level authority subordinate to the State Council under the leadership of first Wang Renzhong (February 1979–August 1980), and later Wan Li (August 1980–May 1982), with the former second party secretary of Hunan Province, Zhang Pinghua, as first deputy head. Among the other deputy heads of the commission were Du Runsheng, and He Kang. This commission was obviously aimed at establishing an authority that could carry out the new rural policy. However, unlike the existing powerful state commissions (the State Planning Commission and the State Economic Commission), the State Agriculture Commission lacked political weight, had no established constituency in the state and party apparatuses, and only directed a frail administration with no *esprit de corps* and few resources. It did not incorporate any of the agriculture-related ministries. To the contrary, at the same time as it was set up, the Ministry of Agriculture and Forestry was split into three ministries, of Agriculture, of Forestry, and of Agricultural Machinery. The Ministry of State Farms and Land Reclamation was at the same time established as a separate authority. The State Agriculture Commission was a weak and inept policy co-ordinating body. Yet it gained three of the major architects of the rural reforms a formal foothold in the state structure: Wan Li, Du Runsheng, and He Kang. The State Agriculture Commission never played a role, and the main policy battles were fought within the Chinese Communist Party. The commission did, however, help organise some fact-finding missions to rural areas and convene conferences relating to policy (Zweig, 1997: 65 and 69).
A broad consensus on the direction of development began to emerge after the second conference of first party secretaries from all provinces which convened in September 1980. When a central consensus had been reached after the National Party Congress in 1982, it was presented at a large meeting convened on behalf of the General Secretariat of the Central Committee by the Propaganda Department of the Central Committee and the Rural Research Department of the General Secretariat of the Central Committee. The title ‘National Meeting on Rural Ideological and Political Work’ conveyed the intention to transmit the central consensus to the relevant local party and state organs. Accordingly, it was attended by provincial-level party secretaries and deputy secretaries as well as vice-governors in charge of rural work, other provincial cadres in charge of rural work and propaganda, some leaders from party branches in prefectures and counties, as well as representatives from the organisation department of the central committee, from the Ministry of Agriculture, Animal Husbandry and Fisheries, the All-China Women’s Federation and from the Central Committee of the Communist Youth League. Speeches by Wan Li and Deng Liqun confirmed the consensus on the rural reform policy (ZNN, 1984: 314).

In January 1983, Document 1 was issued jointly by the Central Committee and the State Council, outlining the rural policy (ZNN, 1983: 1–5). The political compromise within the party went so far as to include larger-scale private enterprises, but as this was not in keeping with the formulation in the 1982 Constitution, the document stated cautiously that large-scale enterprises were not to be promoted, but neither were they to be interdicted or restricted. The relevant clauses to this end were published internally and omitted in the general publication of the document. At the same time, guidelines from the Propaganda Department forbade public discussions of private ownership. However, the policy was widely known and encouraged the rapid increase in large private enterprises in rural areas. It was not until the 1988 amendment of the Constitution that this aspect of the policy was made public (Christiansen, 1989).

Between December 1978 and October 1982, the reformers constructed a political consensus on rural policy based on experimentation carried out on a large scale at grass-roots levels. They lifted pressures on local cadres and sought to unleash local initiatives, which they eventually harnessed in a centrally formulated policy that set out common frameworks for the organisation of rural production. This balance was formulated in the proceedings from the meeting of party first secretaries in September 1980:
Each local authority must gradually, based on the free will of the masses, under due guidance, and in accordance with the local conditions, promote the aforementioned forms [of organisation]. At the same time, they must help perfect each system and solve problems that may emerge during the development (ZNN, 1981: 411).

**Rural Policy Making and the CCP after 1982**

The Chinese Communist Party continued to take the lead in rural reforms after 1982. The overall policy making on social transition was a matter of overall guidelines, of encouraging popular action and local initiative. It aimed at removing irrational constraints, at the same time as it strove to provide models of good practice, and regulative frameworks that could give structure to the new forms. Rural policy, therefore, not only unleashed grass-roots initiative, but also initiated the formulations of laws and the establishment of new authorities to deal with specific aspects of development. For example, the increasing use of farmland for non-agricultural purposes, especially housing, emerged as a problem in the early 1980s, and by 1986 rigorous laws and regulations, the Land Occupation Tax, and the State Land Administration Bureau had been introduced to deal with these issues.

The Central Committee convened a National Rural Work Meeting in 1983 and 1984. At the meeting in 1983, party leaders in the provinces in charge of rural work participated, and at the meeting in 1984, the governors and vice-governors of provinces were also present. The new policies were presented in the ‘Document 1’ of 1983 and 1984 issued by the Central Committee of the party.

This reflects the role of the Political Bureau of the party as the leading policy co-ordinating body, assisted by the Central Committee’s General Secretariat, its Policy Research Institute and its Propaganda Department; the party hierarchy, represented by the first party secretaries of the provinces and the deputy secretaries in charge of agriculture, were the sounding board for the new policies, in charge of directing the work of the state organs in their jurisdictions. This function was achieved through the *de facto* partial meshing of party and state authority under the 1978 Constitution. Central-local policy coordination was also organised through the relevant ministries, so that the Ministry of Agriculture convened ‘Agricultural Work Meetings’ with the leaders of provincial agricultural bureaux, normally consecutive to the party’s ‘Rural Work Meetings’.
The nature of policy change also dictated the core role of the party. Only the party had the ability to initiate change, only the party was able to break old practices and do away with red tape. Social transformation could only be achieved through freeing up local initiative, breaking down the bastions of Maoist ideology, cutting back the vested interests among party and state cadres, and allowing initiatives which violated principles and laws that were still formally in force. There is no doubt that local disobedience and manifestations of ‘peasant power’ (to use Kelliher’s (1992) formulation) did play a role. Without the political intervention from the party, however, local initiatives could not have achieved more than spurious effects.

Party and State: Division of Labour?

After 1982, the political system gradually changed. Deng Xiaoping’s political reform aimed at making a clear distinction between the party and the state. At the central levels, this meant that the State Council emerged as a strong locus for political deliberation in its own right. The premier, the vice-premiers and state councillors formed a range of committees and working groups on a regular or ad hoc basis, co-opting relevant ministers, deputy ministers and bureau heads as needed. Although these deliberative committees did not have a statutory government authority (zhengfu zhineng), their members were individually and collectively accountable to the National People’s Congress. After 1982, policy co-ordinating bodies without government authority placed above the ministries therefore began to constitute a new tier that enabled the State Council to deliberate on policy in a new format. The evolution in the mid-1980s of this structure meant that the State Council came to be regarded as a policy co-initiator, ranking side by side with the Central Committee, for example as the co-convenor of the Central Rural Work Meetings in 1985 and 1986, and the National Rural Work Meeting in 1988, and as the co-issuing body for major rural policy documents in 1985, 1986, and 1991. Although leaders in the State Council in most cases also had relevant posts in the party structure, there was not necessarily a total overlap. Joining the two bodies in overall policy making gave equal status to all those who were charged with rural policy issues, irrespective whether their function was in the party or the government. Including the State Council furthermore signalled to the lower ranks of state authority that the policy decisions were officially imposed on them (rather than indirectly through the party).
**Provincial-level Policy Making**

Provincial authority after 1982 was also divided, albeit not as elaborately as at the central level. The provincial party branch and the provincial government were increasingly obliged to prevent one person from gaining excessive power. The head of the provincial government, the governor, was therefore normally not at the same time secretary of the provincial party branch. Instead there was a pattern of cross-posting, so that the provincial governor was one of the deputy party secretaries, and the party secretary one of the deputy governors. Deputy secretaries and deputy governors were in charge of specific policy areas. Constellations of leaders in various provinces meant that the deputy secretary in charge of rural work could be different from the vice-governor in charge of rural policy. At the level of provinces, policy co-ordination in rural and agricultural affairs was organised slightly differently from province to province (partly depending on the weight of rural issues in any one province); in most provinces an agricultural committee (sheng nongwei) or similar body was in charge of broad issues relating to agriculture and rural issues. Having no statutory authority, it normally embraced deputy party secretaries and deputy governors charged with rural policy, as well as heads and deputy heads of relevant provincial bureaux and offices, and it was in most cases headed by the party secretary or the governor.

This system of provincial government, with its two tiers (policy co-ordination and functional departments) and the division of powers between the party and the state organs, were an additional reason for the Central Committee and State Council to join together at the formal level in convening national meetings and issuing documents. This made it possible to include in the national meetings the growing number of provincial government cadres with an important task in rural policy, whose party portfolio did not include rural affairs.

**Institutional Change: The State Council**

The administration of the top-level policy making within the state sector required a certain division of labour. In the State Council, the vice-premiers and state councillors divided the task of overseeing policy areas among themselves. The ranks of vice-premier and state councillor are higher than the ranks of minister. While a vice-premier or a state councillor concurrently may have a portfolio as a minister, the main function of vice-premiers and state councillors is to supervise policy areas that transcend ministerial borders. It is their task to preside over ad hoc committees and state council committees, to mediate
in inter-departmental disagreements, and to co-ordinate large policy undertakings. The division of labour between the vice-premiers and state councillors is never formally announced, but can be gleaned from their activities. It is, therefore, possible to say that agriculture and rural development in long periods were taken care of by Song Ping and Chen Junsheng, that Li Peng in long periods was responsible for environment, that Tian Jiyun and Zhu Rongji were charged with finances, and so on. Policy fields may overlap, and specific tasks are, at the State Council level, shared flexibly in response to the specific needs. The emergence in 1982 or 1983 of this system of policy co-ordination made it more relevant to draw the State Council into the formal announcement of policy. However, the political status of the State Council made it an awkward locus for the open-ended policy direction promoting grass-roots initiative and re-organisation. Its role lay in introducing regulations and laws that could harness local innovations within formal systems, as well as deciding on budgets and plans.

The abolition in 1982 of the State Agriculture Commission reflected this change. An additional super-ministry of agriculture was irrelevant. What was needed was the co-ordination of rural policy within the State Council by state councillors, and an integration of cross-departmental tasks in various committees, co-opting members from each relevant ministry. In order to supply rural policy initiatives, the State Council set up the National Centre for Rural Development Research under Du Runsheng’s leadership in spring 1982. The centre was not a statutory authority of the State Council, but a unit established directly under the State Council. It was governed by a committee of 24 leaders drawn ex officio from the relevant ministries and commissions. Its day-to-day leadership consisted of people who had seats in various committees and councils. The centre staff was small. The centre carried out incisive examination of new development trends, and commissioned large-scale research projects from other authorities.

The centre aimed to provide guidance and co-ordination within the State Council. It was closely associated with Zhao Ziyang’s incumbency as prime minister and part of the staff was transferred with him to the General Secretariat of the Central Committee when he became party general secretary and Li Peng took over the role of prime minister in 1987.

Social transition as a policy paradigm is, as the word indicates, of passing importance. It represents the uprooting of many intertwined social and economic institutions in a short span of time and their reor-
dering in new patterns. It involves not just ideological reorientation among the leaders, but also a change in the life rhythms and expectations of the peasants. Once new social and economic patterns have stabilised, the need for central political guidance changes. Departments of the state begin to institute new administrative routines that reflect the new practices and deal with the conflicts and issues that arise in the new environment. The new dynamics set off between 1979 and 1982 had stabilised by the end of the 1980s, so the state’s concern shifted from exploration and experimentation to consolidation and regulation.

Social Transition: Outcomes

The change in economic and administrative structures under the guidance of the CCP has been staggering. Apart from spectacular growth in the volume and variety of agricultural products, a rapid increase in rural incomes and dramatic improvements in living standards in the largest parts of the Chinese countryside occurred. Perhaps the most important aspect of the new social order in the countryside is the emergence of a large rural enterprise sector outside agriculture that provides employment and incomes to the peasantry. By 1994, this sector employed more than 120 million workers, thus matching the urban state-owned enterprises. Between 70 and 120 million peasants have longer- or shorter-term employment outside their home area, the majority in the informal urban labour markets. Remittances from migrant labourers now account for a vital proportion of a peasant family’s income.

This social transformation has been achieved because it was initiated as an open-ended policy rather than rigid rules. Experimentation, openness and a measure of amorphousness characterised the whole process, and still do so. But the state has, where possible, legislated on discrete issues that arose during the transformation. Laws on land use, agricultural production, forestry, rural enterprises, and measures related to migration have emerged. Legislating, however, has proven difficult. The bill on villagers’ committees, for example, went through almost a decade of turbulent debates before a compromise could be reached that reflected both the demands for constitutional and legal consistency and for relevance to the rural situation. The gradual formalising and regularising of the new reality is only part of a larger development process.

The Planning and Programming Paradigm
The planning and programming paradigm is rooted in the assumption that the main constraint on development is the inadequate utilisation of resources. It is ultimately based on state planning principles from the 1950s. Rural development planning, however, underwent great changes in the 1980s. The predominance of detailed production output targets and the emphasis on planned allocation of goods and services were undermined by Deng Xiaoping’s reform effort. Detailed targets were replaced by global targets, and most commodities were taken off the plan altogether. Market forces and not government allocation were to be responsible for the allocation of goods and services. The dismissal of the mandatory plan system and the greater importance attached to indicative planning confronted China’s politicians with the realisation that they had no reliable data on the country’s resources. The fragmentation of the economy into work units (gongzuodanwei) and departmental systems (xitong) had, furthermore, nurtured self-sufficient power-centres in the economy, little inclined to cooperate, and more disposed for mutual conflict. The inadequacies and unreliable nature of the planned economy forced enterprises to develop extensive ancillary services and to hoard resources to the extent that they became small societies in their own right, jealously manipulating plan allocations. Their parent departments were likewise preoccupied with expanding their authority and self-sufficiency.

The planning and programming paradigm aimed at overcoming the perceived irrational use of resources; its major tasks were to identify and map out these resources, and to force the self-contained authorities into constructive co-operation to achieve a more rational use of resources for the good of society at large. Huge political and administrative resources were devoted to these aims from the 1980s. Data on farmland, population, agricultural output, and other important aspects of rural production were inadequate at the start of the reforms. Bottlenecks and inefficiency caused huge economic losses, but the full extent of the problem could not be gauged. The new leadership under Deng Xiaoping set in motion efforts to gain an overview of the situation. In the late 1970s and early 1980s several large surveys were planned and carried out, including the agricultural zoning programme.

**Agricultural Zoning**

At the National Science Conference in 1978, agricultural zoning was declared a priority programme under the 1978–1985 National Plan for the Development of Science and Technology (Deng Jingzhong, 1982).
The first overall co-ordinating conference, the National Meeting on the Survey of Agricultural Resources and Agricultural Zoning, was held in April 1979 (Li Debin, 1989: 463−4), and the second meeting in July 1980 (ZNN: 1981: 179−80).

The detailed, cross-departmental nature of the programme meant that the work must include contributions from many authorities, and also that extensive local participation was necessary. The aim was not simply to provide the central government with a scientific tool for long-term plans for development of the agricultural economy, it was more importantly to create the conditions by which local governments possessed such a tool. Much of the effort was initially concentrated on collating data scattered over many departments, as well as historical information, applying to it a rigorous, unified analysis.

The structure chosen in 1979 was first to establish an office, the State Agricultural Zoning Office, under the co-ordination of the State Agriculture Committee.16 The Agricultural Zoning Committee was established in September 1983 under the chairmanship of Wan Li. The committee consisted of leaders and deputy heads of relevant authorities under the State Council. The State Agricultural Zoning Office, which was its subordinated administration, preparing the agenda and carrying out links with local governments, and convening meetings and conferences, became an office under the State Planning Commission in 1983; in 1986 it was transferred to the Ministry of Agriculture.

A research institute and a documentation centre were established under the State Agricultural Zoning Office. The Academy of Agricultural Sciences, an institution under the Ministry of Agriculture, hosted the research institute, whose staff came from the Institute of Agricultural Economics of the Academy of Agricultural Sciences. The advantage of this arrangement was that the research institute was seen not to belong to one ministry, but to the State Council, while it could draw on the Ministry of Agriculture in practical day-to-day administration. It therefore had a better capacity to gain access to information and carry out surveys.17 Its funds and the research materials delivered to it did not come under the exclusive ‘ownership’ of the Academy of Agricultural Sciences or the Ministry of Agriculture, although the research institute was housed in the buildings of the Academy, and its staff were on its payroll (but paid for through earmarked budget allocations).

In provinces and counties, similar semi-permanent committees of leaders from relevant departments oversaw the work of research teams. The survey effort was co-ordinated through national and re-
gional meetings and unified procedures and criteria. The data included meteorological, geophysical, soil science, and biological information as well as figures on demography, farmland area, farming structure, infrastructure and crop yields. The great achievement of this exercise was that it brought the data together to become one body of strategic knowledge. Sharing this knowledge across departmental borders, it was thought, enabled the leadership to achieve rational use of resources. The large corpus of agricultural zoning data thus produced by local governments between 1979 and 1985 consisted of several large volumes for each county as well as large series of comprehensive studies for each province. They are held in the documentation centre within the Academy of Agricultural Sciences, together with other survey materials.

The plan for the period 1979–89 was to carry out a detailed survey of all natural resources relevant to agriculture. The baseline survey was completed in 1985, but selected areas continued to submit data on an annual basis to map out changes. Between 1980 and 1983, core variables were entered in a computerised database, and between 1984 and 1991, remote sensing was introduced to analyse the data further. By the mid-1990s, the institute was equipped with state-of-the-art equipment to handle large data-sets and to receive remote sensing images direct. The institute was also involved with the Second National Soil Survey, carried out jointly with the Soil Fertility Station and the Land Administration Bureau under the Ministry of Agriculture between 1980 and 1990. In 1990, the institute was asked to supervise the ‘General Plan for the Regional Development of Agriculture’ to be carried out by all levels of authority.

Many specialised and general studies emerged under the auspices of the research institute. In the late 1980s, its function as a narrowly plan-driven organisation was undermined by the general trend to limit core allocations of funds to research institutions and bringing more policy research projects up for tender. To survive, the research institute under the Agricultural Zoning Office was forced to bid for projects outside the core plan. Many narrowly defined commissioned research projects were essential for transforming the huge body of data held by the institute into practical knowledge that could guide policy and present options.
Agricultural Zoning and Its Policy Relevance

What is agricultural zoning? Based on a vast number of physical and production variables, the zoning exercise aimed at dividing the territory up into regions with different biological and agricultural characteristics. These regions were, at each level of authority, refined to include ever greater numbers of variables. The regions were not to follow large administrative borders. At the national level, the ten macro-zones cut through provincial and prefectural district borders, allocating whole counties to one or another region as appropriate. (The macro-zones are: North East, Inner Mongolia and Great Wall, Huang, Huai and Hai Rivers, Loess Plateau, Middle and Lower Yangtze, South West, South China, Gansu-Xinjiang, Qinghai-Tibet, and Ocean Marine Production Regions.) The importance of this for policy making was great; the new knowledge wrenched the planning policy practice out of the dumb framework of jurisdictions and ensured that biology, physical geography, climatology and viable production structures were the fundament of rural policy decisions.

The policy orientation of the zoning process changed with the greater knowledge base and the new tasks. The ‘General Plan for the Regional Development of Agriculture’, which the Secretariat of the State Council set in motion in 1990, called for a detailed examination of the agricultural development potential until 2000, based on a large number of variables reflecting the real situation in each agricultural region and subregion. The research was carried out by provincial, prefectural and county institutions. It included a calculation of the investment needed to improve agricultural production, divided by project and purpose, by state financing and local funding, and the results to be achieved. The prognostication of growth potential was based on standard calculations, matched with specific conditions. The most ingenious tool was perhaps the division of land into high, medium and low yielding, based on local averages of the per unit yield per harvest. The assumption was that investment in technical improvement of land (mainly through irrigation and drainage) or change of cropping patterns could dramatically improve the output from low- and medium-yield fields. The mixture of standard calculations and reference to actual conditions provided material from which local authorities could bid for central funds.

Comprehensive Agricultural Development

The Comprehensive Agricultural Development programme was estab-
lished gradually between 1987 and 1989. The idea behind this programme was to use the proceeds from the Farmland Occupation Tax to finance the improvement or reclamation of land; in other words, the use of farmland for non-agricultural purposes was taxed through a one-off levy, and the proceeds were earmarked for developing new farmland.

Although the Chinese leadership had established a new Land Administration Bureau in 1986 (Zhongguo Tudi Guanliju, 1992), the bureau was only in charge of monitoring and administering rural and urban land resources, setting up land registries, formulating administrative regulations on land use, land valuation and so on. The practical measures to protect, improve and expand farmland became a concern for a wider range of authorities under the co-ordination of the State Council.

The State council established the ‘Administrative Committee of the State Land Development and Construction Fund’. The task of this State Council committee was to distribute the proceeds from the new Farmland Occupation Tax to local authorities to invest in land development. The State Council committee was to allocate 50 per cent of the means of the fund, while the other 50 per cent were allocated by local administrations.

The Sanjiang Plain in the North East and the Huang-Huai-Hai Area were the first regions to receive funds for farmland improvement. The formulation of the task was open-ended, giving the committee the flexibility needed to approve projects from areas with different types of problems: ‘overall development of agriculture, forestry, animal husbandry and fishery, and comprehensive regulation of soil, water, fields, forests and roads’ (State Council, 1988). This formulation gave the name to the policy: ‘comprehensive agricultural development’. One of the specific goals was to increase grain, cotton, oil, sugar and meat production by ameliorating the quality of low- and medium-yield land’ (State Council, 1989: 503). The ‘General Plan for the Regional Development of Agriculture’, which the State Council required all counties, prefectures and provinces to draft, aimed at providing a background material for evaluating individual project description under the Comprehensive Agricultural Development scheme and other investment programmes. Especially the calculation of low-, medium- and high-yield fields based on local averages was seen as a strong tool for identifying large, contingent areas requiring investment in agricultural infrastructure.

Tian Jiyun, who was one of the core architects of the new policy, explained these goals as follows:
Comprehensive Agricultural Development emphasises both deep and wide advances, holding on to the aim of increasing the volume of agricultural products in demand. In the depth, we must improve medium- and low-yield fields, increase the productivity of the land, and free up the growth potential of the agricultural resources; in this way we may achieve quick results and great efficiency with small investments. In the width, we must develop new agricultural resources in a planned and focused way. The investments should be concentrated, and deployed gradually, achieving success before moving on (Tian Jiyun, 1991: 324).

Initiating the Policy: Who Took Part?
The decision to establish the fund, as well as how to use it, was taken by a group of top leaders at a meeting on 4 January 1988. Apart from Tian Jiyun, the group was in reality an extended ad hoc meeting of the Secretariat-General of the State Council, to which various authorities sent representatives. The most notable participants were Du Runsheng and Liu Zhongyi. Du Runsheng represented a Central Committee subcommittee on financial and economic policy, of which Tian Jiyun was a leader, and Du Runsheng a core member. Liu Zhongyi had, from 1983, been vice-chairman of the Agricultural Zoning Committee under the State Council and a deputy minister of the State Planning Commission, where he was specially charged with the planning of projects in Agriculture, Forestry and Water Conservancy. He served as a minister of agriculture between 1990 and 1993. The other people present at the meeting were ministers or deputy ministers of Finance, Agriculture, Forestry, as well as two representatives of the Ministry of Water Conservancy.

At the meeting it was decided to establish a State Land Development and Construction Fund and an Administrative Committee for this fund. The Committee was charged with the responsibility for formulating the policy for the national agricultural development and construction, to assess the development and construction plans from all regions, and to administrate and make overall arrangements for the utilisation of the Land Development and Construction Fund. The income for the fund included the proportion of the Land Occupation Tax received by the central government, as well as foreign development loans.

The new committee was headed by Chen Junsheng, with He Kang and Liu Zhongyi as deputies. The members represented the Ministry
of Water Conservancy, the Ministry of Forestry, the State Council Office, the Ministry of Finance, the State Land Administration Office, the Agricultural Bank of China, the Chinese Academy of Sciences and the Academy of Agricultural Sciences. Du Runsheng became a consultant to the committee. It was decided to establish an administrative office under the committee, headed by Liu Zhongyi with Deputy Minister of Finance Xiang Huaicheng\textsuperscript{2}\textsuperscript{2} as deputy. The office was located under the Ministry of Finance, and the personnel mainly came from the Rural Finance Section under the Ministry of Finance (State Council 1988, 122–3).

This process indicates how control over policy making was divided among different players. The structure achieved several aims. The most prominent one was to achieve separate budgetary control with development funds. Direct financial allocations to ministries or local governments for specific development purposes were ruled out because the centre had no means to control their actual use. The development projects, of course, were also cross-departmental, and needed expertise and co-operation from the various ministries.

**Devolved Management in the Provinces and Counties**

The structures for devolved administration were very elaborate. The centrally formulated rules did not dictate a specific local organisational framework for dealing with the projects under the programme. For the Comprehensive Agricultural Development Office, the local counterparts were the finance bureaux of the provincial-level administrations, with the requirement that all plans and decisions had to be countersigned by the provincial governor. In reality, most provinces established small committees, similar to the structures at national level; the same was the case at prefectural and county levels.

Devolution of the administration was based on matching funding from various levels. One-third of the funds were allocated as grants from the centre, one-third as grants from the provinces and prefectures, and one-third as ‘policy loans’ from the Agricultural Bank of China. It was required that peasant households gaining an advantage from the programmes must raise funds (often in the form of labour). The practical administration of the programme was based on the bundling of projects. It was thought that in order for a project to be effective, it should represent a development need of a region and should have clear development objectives. Typical examples could be draining areas that easily get waterlogged, or improving irrigation systems by deepening wells and fitting them with pumps. Such projects
needed regional co-ordination and capital investment to be effective. Within a county, the planners would identify a cluster of townships to define a division project, based on the priorities of its ‘general plan for regional agricultural development’. At the level of the province such county plans were brought together into a branch project. One branch project normally related to one agricultural region, and if a province had several agricultural regions, it defined a branch project for each of them. At the national level, the provincial projects were amalgamated into large main projects comprising agricultural macro-regions. This means that the authorities at each level were asked to co-ordinate the funding requirements and prepare regional coherence of the projects based on actual need.

Funding was linked to administrative contracts between the State Council and provincial-level governments, provincial-level governments and prefectures and/or counties. Each contract outlined the obligations of the two sides, that is, how much funding was to be provided by the higher level, how much by the lower level, the overall objectives of the project and the targets for increased productions to be achieved. Large-scale projects were co-ordinated in their execution, but most were divided into specific tasks to be carried out by various parts of the local governments. Where appropriate, contracts were drawn up with peasant households. Much matching financing by villages and townships was raised through contribution of labour.

The process involved was elaborate and aimed at creating a game-based negotiation structure. Lower levels had to guess about the priorities at higher levels when they put forward proposals, and they were forced to provide documentation of the need for each project. Once an administrative contract had been signed, the local authorities were bound by the conditions.

Planning, Programming and State Policy Co-ordination

The planning and programming paradigm, as exemplified by agricultural zoning and by comprehensive agricultural development, indicates how the State Council in the 1980s introduced a level of policy co-ordination above the ministries and commissions. It created procedures aimed at limiting the power of the ministries, and at forcing them into co-operation. The system was flexible and aimed at including specialist knowledge and vested interests. Vice-premiers and state councillors functioned as policy co-ordinators and as catalysts for decision making. The work of the vice-premiers and state councillors
was co-ordinated by the secretariat of the State Council, whose chairman, therefore, gained a crucial position. At the level of vice-premiers, state councillors and a number of people holding a variety of *ad hoc* political posts in the State Council (like, for a period in the 1980s, Du Runsheng), a majority of politicians are also members of the Political Bureau of the CCP. This allows flexible co-ordination among the two bodies; however, looking at the behaviour of Chinese politicians no single person is allowed to gain a hegemonic position in any single policy field, and the division of labour within the party and the state does not overlap. Most top-level politicians are nonetheless associated with a small number of areas of specialist knowledge.

The functional departments under the State Council are only given a slight share in the policy making process. The commissions, ministries and bureaux are represented in State Council committees where issues relevant to them are debated. They are given the task of hosting administrative offices set up under the auspices of the State Council committees. They also execute tasks decided upon in State Council committees, and receive special funds to do so.

In the 1980s and the early 1990s, there was a trend towards establishing independent administrations by moving existing bureaux away from their parent ministries and establishing them as ‘bureaux at the level of deputy minister’. The National Environmental Protection Agency was moved away from the Ministry of Urban and Rural Construction in 1986 and made an independent bureau. Also in 1986, the State Land Administration Bureau was made independent from the Ministry of Agriculture. This reflected the need for a new type of functional department, representing newly emerged policy concerns. They were slimmer than the established ministries, and besides their core funding, much of their function was aimed at participating in large programmes.

The large re-organisation of China’s government structures in 1998 has changed many functions of the various ministries, commissions and bureaux and has upset the balance between them. It is still too early to understand the full nature of these changes. In particular, it is difficult to predict how they will affect the evolution of rural policy making.

**Perspectives**

Chinese rural development has been characterised by two important trends. The attempts by China’s leadership at transforming the social order in the rural areas were largely led by the party, with the occa-
Flemming Christiansen

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cated average living standard indicators to be achieved in each juris-
diction. Composite measures of incomes, income distribution, nutrition, supply of public services and so on were used to rate how well any region was doing. It set two targets, one was the baseline (tuopin), below which people lived in poverty, and the other the small welfare line (xiaokang), above which people had a moderately comfortable and secure life. Local governments were asked to develop strategies for achieving ‘small welfare’ by 2000. Planning, from being a tool to distribute development funds, became a measure for overall policy achievement.

Making specific requirements for plan fulfilment can have an adverse effect. Local governments that fail to achieve small welfare are likely to protect themselves by doctoring the figures. The Chinese government’s claim that it will basically have solved poverty by 2000 is in itself a huge problem: If, having made such a claim, the Chinese government changes the poverty criteria or manipulates the figures to hide the fact that it failed to meet its target, poverty may appear to have disappeared, when it has not. The new planning and programming practice which devolves real decisions to local governments may prove a forceful weapon to achieve change; but it could be a two-edged sword.

Such a sombre view of planning is, however, unhelpful. It is not the targets in themselves, or the seemingly rational structure as seen from above that is important in future development. The devolution, the structures encouraging cross-departmental cooperation and the establishment of a discourse for rational use of resources at all levels of government, are all important. The ability of local governments to make tough decisions on the use of resources, considering a multitude of often incommensurable data, is more important than plan fulfilment. The devolution of agricultural development and the role of central government as a facilitator and co-ordinator of local initiatives give Chinese development some resilience.

The social transformation policy of the late 1970s and the 1980s bears some resemblance to political campaigns of the past. Yet it differed crucially. Rather than imposing uniformity and dogma, it aimed to destabilise local practices that were considered irrational and harmful to development, and at the same time to harness local initiative, gradually guiding the villages towards new patterns of social organisation. The core role of the CCP in this process, its open-endedness and the greater diversity in rural China are important aspects. The state has, simultaneously, increased its presence in rural areas, represented by the township governments, and branch offices of a plethora
of state authorities ranging from the grain procurement station, the tax office and the police station to the office for trade and industry and bank branches. They do not embody a uniform policy, but show the state’s different faces in the countryside. Economic interests, political power and competition for social status among China’s rural residents create an interplay of countervailing forces that is hard for the state to control (Christiansen and Zhang, 1998; Oi, 1992 and 1995).

The two main rural policy paradigms from the end of the 1970s to the end of the 1990s complement each other. It is in their nature that it is impossible to establish clear and simple measures for their relative success.

**Notes**

1. By paradigm is meant a set of assumptions and procedures that give shape to decision making in an area of policy. The idea is that those who partake in decision making agree on the ‘rules’ and ‘perceptions’ that guide decisions; a paradigm is therefore pliable and changes under the influence of major players and the evolution of the issues that policy making deals with.

2. The two other paradigms are the technical and economic development paradigm, which aims at improving the technological and economic efficiency of the individual farm, and the state procurement paradigm, which seeks to control agricultural output through price intervention and incentives. The dissemination of agricultural technology reflected the concern that the limiting factor for development was the lack of skills among peasants; an opinion that rapidly gained credence as collective farming was privatised in the early 1980s and alternative earning opportunities drew the most skilled part of the rural workforce into other activities. The state procurement of grain and cotton reflected the concern that depressed agricultural production mainly stemmed from inadequate pricing and lack of incentives, and especially in the late 1980s, grain pricing and production incentives became a sore point in Chinese rural policy making.

3. Deng Xiaoping’s ‘economistic’ interpretation of marxism-leninism claims that the structures of the people’s commune were precocious when considered in the overall scheme of socialist development. Rather than promoting development, they stymied economic efficiency and so were retrograde.


5. Chen Yonggui (1914–86) was promoted to the Central Committee (1969–82) and the Political Bureau (1973–82). Between 1975 and 1980, he also served as a vice-premier of the State Council, charged with rural policy. He has been hailed as the first ‘practising’ peasant to reach a top post in China. His political promotion reflected the radicals’ populist intentions; after their demise in 1976 he became closely associated with Hua Guoteng, and lost his political posts together with him.

6. An agricultural production team was the lowest level of formal organisation under the people’s commune. It normally consisted of between one and three dozen families. Collective ownership and accounting implied that equitable division of incomes and distribution of food grain were carried out among the members of each team.

7. The term private plot (ziliudi) refers to collectively owned land made available for the exclusive use of a household to produce agricultural crops outside quotas.
and exempt from tax, in principle for the household’s own consumption.
8. Such documents only needed the endorsement of the Political Bureau or its Standing Committee where the majority were in favour of the reforms.
9. Wang Renzhong (1917–92) was a newly appointed vice-premier, whose later career brought him into a high post in the Propaganda Department of the Central Committee of the CCP.
10. Zhang Pinghua’s (b.1908) political fortunes had followed Hua Guofeng’s ascendency to power, and he was gently side-tracked together with Hua, losing his Central Committee membership in 1982, and only serving in minor posts throughout the 1980s until retirement.
11. Du Runsheng (b. 1913) came to this post from more than two decades as party secretary-general of the Chinese Academy of Sciences. His rural credentials lay in his core role in policy making during the co-operativisation movement in 1953–56 and his resistance to the rapid development of people’s communes. His influence on the rural reforms as a political co-ordinator and advisor was great, but he was ineligible for formal government posts after 1982 due to his age. Originally Deng Xiaoping’s protégé, he soon became closely associated with Zhao Ziyang and faded with Zhao’s demotion in 1989.
12. He Kang (b. 1923), an agronomist, came to this post from two decades as deputy chief of Guangdong Provincial Bureau of State Farms and Land Reclamation, and one year as vice-minister of Agriculture and Forestry. He became vice-minister of Agriculture, Animal Husbandry and Fisheries 1982–83, and served as minister of agriculture between 1983 and 1990. After retirement he has continued to play a prominent part in agricultural affairs.
13. This role allotted to the State Council was formal, and did not reflect the fact that the CCP organisation was dominant in deciding on rural policy.
15. Lieberthal and Oksenberg (1988) describe the inter-departmental bargaining and power equilibrating processes inherent in the Chinese political system.
16. Nominally, the Agricultural Zoning Committee under the State Council was established in April 1979 as a separate committee with its separate business, but in reality its members overlapped with those of the State Agriculture Committee. When the State Agriculture Committee was wound up in May 1982, the policy co-ordination work lapsed to the State Economic Committee, until the Agricultural Zoning Committee was established in September 1983.
17. This arrangement has not fully solved the problem of inter-departmental frictions. In practical, day-to-day relations, the institute is drawn into disagreements between ministries. However, its line of command provides it with a forum for solving disagreements between the involved parties; this has been crucial for its operation, for securing funds, and for claiming access to research materials.
19. For a detailed description see Christiansen and Zhang (1993).
20. This bureau ranked one step below an ordinary ministry of the State Council, and it had government authority. It was thus similar in status to the National Environmental Protection Agency (also a bureau).
21. Tian Jyun (b. 1929) was (between 1983 and 1992) vice-premier, secretary-general of the State Council (i.e., charged with the internal co-ordination of the administrative business of the State Council), and in charge of overseeing financial and economic policy. He became vice-chairman of the Standing Committee of the National People’s Congress in 1993.
22. Xiang Huaicheng (b. 1939), with a career within the Ministry of Finance, became deputy minister in 1986.
23. By this I mean posts for which no election or appointment procedure is defined in the Constitution, and which by their nature are unlikely to be regular posts in
the administrative system of the state.

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Summary
Chinese rural policy since 1978 has followed several different paradigms. Two of these are examined: the ‘social transformation’ and the ‘planning and programming’ paradigms. The former aimed to change irrational forms of social and economic organisation, while the latter sought to achieve more rational overall use of China’s agricultural resources. Their political and institutional settings differed greatly.
Why Do Chinese Local Cadres Promote Growth?  
Institutional Incentives and Constraints of Local Cadres

Maria Edin

1. Introduction

In the 1990s, the exceptional growth of township and village enterprises (TVEs) in China has caught the attention of policy-makers and scholars alike. When we speak of the success of the Chinese economy, it is mainly the TVE sector that is being referred to. The TVE sector accounted for 39 per cent of the total industrial output value in 1996, compared with 28 per cent for the state-owned sector and 15 per cent for the individually owned sector (Statistical Yearbook of China, 1997:415). It employed 135 million workers in 1996 (China’s Township Enterprises Yearbook, 1997:121), and accounted for around one third of national export in 1994 (Zhang, 1997:3). The growth rate is slowing down but is still impressive: 11.7 per cent in 1997, down from 17.7 per cent in 1996. The key role played by this sector for China’s economic development and continuous reform process has now been widely acknowledged. But how are township enterprises to be characterised and who has promoted their development? It can be shown that TVE development has to a large extent been local government led. The concept of local state corporatism has been coined to capture the entrepreneurial role of local government (Oi, 1992). Local governments are here viewed as business corporations with officials acting as the board of directors. In the forefront of economic development in China thus stands a local cadre co-ordinating the development of enterprises within his jurisdiction.

This article takes the entrepreneurial role of local government as its point of departure but wants to go beyond and ask: why do local cadres promote growth? If in China the main actor promoting economic growth has been local government, this picture stands in sharp con-
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In contrast with the situation in many other developing countries, where the state seems to be part of the problem of underdevelopment itself. Indeed, according to the dominant theories in the field, state-led development should be highly unlikely. When state officials are in charge of economy, these theories predict rent-seeking, high level of corruption or economic irrationality as the most likely outcomes (see, for example, Bhagwati, 1982). Negative experiences as well as negative views of the role of the state have influenced policy-making with the result that the state is being rolled back in many countries. At the same time, there is a growing perception that the state has a crucial role to play also in economic development (World Bank, 1997). That makes it all the more compelling to study successful cases where the state seems to have played a positive role. This study raises the question of why the close relationship between local governments and their enterprises has not to a larger extent led to the predatory state situation in China. What has made local cadres promote growth? The study sets out to examine the institutional features of entrepreneurial local government in China. The principal-agent theory will be applied to look into the incentives and constraints that local governments work under. Local governments are here seen as an agent of both higher levels of party-state administration and local community.

2. Local State Corporatism in China

Two opposite perspectives emerged in the debate of the late 1980s on how economic reforms would affect the power of local cadres. One view held that local cadres would lose influence as economic functions of government were reduced and enterprise ownership reform implemented (see, for example, Nee, 1989). Another view maintained that local cadres would be better placed to take advantage of new opportunities provided by reform and thereby would succeed in getting ahead (see, for example, Oi, 1986). It is the latter perspective that has proved more correct, at least in the transition phase which shows signs of being long-lasting. One study showed that former or current cadres made up a disproportionately big share of new entrepreneurs in the early phase of reform (Burns, 1985/86). Others focused on the institutional level and the entrepreneurial role of local governments. Jean Oi coined the concept of local state corporatism that has gained much influence. Local governments are compared to business corporations, with officials acting as board of directors co-ordinating development of their enterprises. As such, local officials in China are not only ad-
Why Do Chinese Local Cadres Promote Growth?

In Oi’s analysis, fiscal reforms provided incentives to local government to promote economic development. Since the beginning of reform in 1978, a number of fiscal reforms affecting relationships between central and local authorities have been introduced (see Olsenberg and Tong, 1991; Shirk, 1990; Wang, 1997). In brief, the most important result of fiscal reforms is that instead of submitting all profits to higher levels as in the past, lower levels are now allowed to retain part of the profits. But while retaining part of the profits, local governments have at the same time been made responsible for expenditure. Even though benefiting from fiscal decentralisation, local levels have also faced greatly expanded responsibilities; often they are short of funds even for basic administrative costs (Wong, 1991:693). Property rights over income were decentralised to local governments, and have been seen as an alternative to privatisation. Some have termed this development as privatisation within the state, since property rights are assigned to lower level government rather than individual managers (Kuo, 1994). Walder has shown that the best industrial performance is found where government ownership rights are clearest and most easily enforced. In addition to strong fiscal incentives, local governments also have a greater ability to monitor firms, which can explain the superior economic performance (1995:266). While we may be convinced that township governments have the ability to monitor their enterprises, it is not obvious why they would have the interest to do so. There have been reports about township governments colluding with their enterprises for mutual benefit such as tax evasion (Wong, Ma and Yang, 1995:49; Oi, 1992:114).

Having residual claimant rights over enterprise profits, local governments often extract profits from one enterprise to reinvest in another of their enterprises or to pay for administrative expenditure. These rights give local cadres many opportunities for rent-seeking behaviour. Extracting profits and levying fees higher than regulations allow are common rent-seeking activities. Oi makes the point that we have to look at how rents are being used, for unproductive or productive activities (1992:118). For the most part, in local corporatist areas rents are used for productive activities. So what prevents local cadres from resorting to rent-seeking behaviour? If they can monitor their enterprises effectively, we would like to know what their motivation is. Township-run and village-run enterprises are operated by local governments whose officials are taking part in every major business decision, ranging from appointing the manager to decisions about
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which new products to launch. Local bureaucrats steer market forces by administrative tools to accomplish growth. Instruments of control described by Oi are appointment of enterprise managers, allocation of scarce production input, provision of bureaucratic services, and control of investment and credit. These sources of control are seen as sources of rent-seeking opportunities and the main reason why some economic theorists want to deregulate the economy (Bhagwati, 1982; Bates, 1981). Interestingly, such forms of control are also considered to have promoted development in the East Asian developmental states, such as Japan, South Korea and Taiwan (Johnson, 1982; Wade, 1990; Evans, 1995). What are the incentives of local cadres to promote growth, apart from control of enterprise profit? After all, we want to know why local cadres use this profit for productive purposes. Huang argues that local cadres assist their enterprises for private gain (1990:450). If local cadres gain privately, what makes them also use enterprise profits for productive reinvestment and collective benefits?

Oi’s perspective of viewing local governments as business corporations takes us far. It is very important to highlight the entrepreneurial role of local governments and see them as economic actors. Others have made similar analyses. Huang (1996a) emphasises that local governments must be understood as economic entities, not just as a bureaucratic entity or agents of the centre. Che and Qian (1995) conceptualise township government together with all their enterprises as one single firm. However, viewing local governments merely as business corporations or firms is neglecting their political role – and thereby the dynamics of economic development. Huang (1996b) argues against the common belief that economic reform, especially fiscal reform, has considerably weakened the centre vis-à-vis local levels. This is a conclusion that can be drawn only if the political aspect is ignored. Just as the true impact of fiscal decentralisation must be understood in the context of the political system, so must the study of local economic development be informed by an analysis of the political and administrative context in which local cadres operate. Appointment and promotion procedures give incentives to local cadres, and monitoring and evaluating provide constraints to local cadres. Both incentives and constraints form the institutional context of entrepreneurial local government. It is the double function, economic as well as political, of local government that needs to be studied. First we will look at the economic role of local governments.
3. Local Governments as Economic Actors

3.1 Government and enterprises at township level

This study focuses on township government and their enterprises, the township and village enterprises. It is necessary to first clarify what is meant by the term township and village enterprises (xiangzhen qiye). The ownership structure of the TVE sector is complex; much of the debate has consequently focused on how this sector can perform so well without clearly defined property rights (Weitzman and Xu, 1994; Walder, 1993 and 1995; Pei, 1996; Chang and Wang, 1994). A TVE is formally a collectively owned enterprise located in a township or village of rural China. All residents in the township or village are thus the owners but residents are represented by their township government or village committee. Above, we learned that local governments have residual claimant rights over enterprise profits. In this way, local government is the de facto owner of TVE and the community residents its beneficiaries (Weitzman and Xu, 1994). But the term has come to serve as an umbrella name for different categories of enterprises in township and villages. The two main categories, township-run (zhengban) and village-run (cunban) enterprises, are those over which local government controls enterprise profits. Other categories, like household (lianhu), partnership (hehuo) and individual (geti or siying) enterprises, more resemble private enterprises (Lee, 1991:100). The historical origin of TVEs goes back to the enterprises set up to support agriculture and run by the commune and production brigade (shedui qiye) in the system prior to 1978.

The township government (xiang or zhen zhengfu) is the lowest level of government in the Chinese administrative system, below centre, province, municipality and county. It roughly corresponds to the people’s commune that changed its name after the reform. Under the township government there are a number of offices – such as finance office, tax office, office of industry and commerce, land management, education, health, culture and civil affairs offices – which are also under their own vertical line administration. Before reform, the people’s commune was in charge of both politics and economics and these were not separated. After reform was introduced in 1978, there have been continuous calls for separation between party and state, politics and economics, and government and enterprises in particular. When the former commune changed into the township government, an economic committee (jingji lianhe weiyuanhui) was established under the township government that was to be in charge of the economy as a whole (Yang, 1996:186). As reform has deepened, this economic
committee is also being reformed so its specific name and scope of function vary from area to area. In southern Jiangsu, where collective economy is strong, it is called agricultural, industrial and commercial general corporation (nonggongshang zonggongsi), hereafter called the township corporation. The general manager of the corporation is at the same time also vice party secretary and the third person in the township hierarchy. Its main function is to coordinate economic development and formulate development strategy.\textsuperscript{8}

The relationship between township government and its enterprises is regulated in a contract between the township-run enterprises and the township corporation. Control rights of township government are partly delegated through the management responsibility system to an appointed manager who takes care of the daily operation. Enterprises that have not yet undergone ownership reform are contracted out (céngbào) to the appointed manager, in this case targets (such as production output, growth rate, profit and fees submitted to the township) that the manager has to fulfil are specified in the contract.\textsuperscript{9} At the end of the year, the manager is evaluated on the basis of whether he has fulfilled these targets, and his bonus is paid in accordance with the contract. The township corporation can at any time change the enterprise manager if performance is not satisfactory. The township government, sometimes in consultation with the manager, takes all major decisions such as decisions to expand, change product line, build new factory buildings and so on. In all important senses, enterprises contracted out are directly run by the township corporation and, ultimately, the township head and the party secretary. Many enterprises today, however, are undergoing ownership reform, a process speeded up since the 15th party congress in 1997 where for the first time all forms of ownership were given the green light.\textsuperscript{10}

Ownership reform has sometimes meant selling to individuals but more often it is to be understood as distributing and selling shares to managers and workers of the enterprise. There is a clear trend: it is the small and/or loss-making enterprises which are sold to individuals and the large, key enterprises which are kept by local governments. Official policy is also to control the large (read profitable) and let go of the small enterprises (zhuada fangxiao). One form of ownership favoured by the 15th party congress is the shareholding co-operative system (gufen hezuozhi).\textsuperscript{11} Seemingly, only the township government together with manager and workers (and other parties if they had invested in the enterprise before reform) can hold shares. Shares in the shareholding co-operative enterprises can neither be issued or sold to outsiders, nor can they be transferred or inherited (Vermeer, 1995/96; Clegg,
The collective share was initially far above 50 per cent but has been decreasing over time with a proportionate increase in the individual shares of managers and workers. Under the shareholding cooperative system, no contract with targets that the manager has to fulfil is set up between enterprise and government. At the end of the year, the manager is not evaluated by government but by the board of directors that formally appoints him. In most cases, however, the enterprise manager is the same as before reform. On a formal level, the township government is just one among other shareholders. When the collective share is small, there appear to be changes; the largest shareholders take the major business decisions and the enterprise submits profits on the basis of collective shares rather than according to the needs of the township financial office. At the same time, there are indications that local cadres still take major decisions and ask for a larger part of the profits when township expenditure necessitates this.

Apart from making ownership clear, other objectives of ownership reform are to give incentives to managers and workers and, not least, to raise capital. The custom is often to make it compulsory for the staff in enterprises to buy shares, deducted automatically from their salary. The outcome of this process though, if not the main objective, is that individuals gain shares. Take the example of an enterprise group undergoing its third phase of reform. The chairman of the board of directors and the general manager of the group could buy a maximum of 1.2 million yuan of shares (on the formula buy one, get five for free), the ten factory heads could buy 0.6 million, vice factory heads 0.4 million, and ordinary workers a minimum of 1,000 yuan of shares (on the formula buy one, get three for free). This particular enterprise group was very profitable so workers and managers were willing to buy. Even though the proportion of shares sold and distributed was a small part of the larger amount still held by the collective, it may be seen as dividing collective property from the old era. Privatisation in China in this interpretation means not so much selling to willing buyers as giving everybody who contributed to the community in the past a share (although unequal) of the pie.

**3.2 Local government helps enterprises**

When Oi compares local government with a business corporation coordinating development, it is the township corporation that does the concrete job. Although the name, scope and functions of the reformed economic committee vary between areas in China, it should be emphasised that also in areas where the local state is believed to have
played a lesser role in development – such as Zhejiang – the township leaders co-ordinate development. Local cadres do act as board of directors in areas where the collective economy is dominating, as well as in areas where the private economy is stronger. Typically, a township corporation has around 7 to 10 township-run enterprises under its responsibility, of which 2 to 3 enterprises (gugan qiye) are especially important for the township coffers. In areas where collective enterprises dominate, these enterprises are almost always township-run enterprises, whereas in areas where private enterprises are strong, these enterprises are the largest tax contributors. The township corporation together with the township top-level leaders act as a bridge between their enterprises and higher level government bureaus as well as external organisations such as banks and research institutes.

When co-ordinating development, it is common that township governments choose to concentrate efforts and resources on their top enterprises that are given preferential treatment. These selected enterprises, sometimes called dragon head (longtou), will then become the engine of growth actively promoted by the leaders. Lists showing the top enterprises of the county that are to be given preferential treatment are spread to all relevant institutions in the county, including the banks, and have the status of government documents. In a Zhejiang county, listed enterprises were selected on the basis of their production output, profit and tax contribution. Top enterprises are named in the economic plan of a township in Shandong; this plan is distributed to all bureaus and financial institutions. One of the most important co-ordinating development functions of government is to help enterprises to find capital. In this perspective, the township government has many methods for assisting their enterprises. Local cadres can facilitate the process of getting bank loans, redistribute funds from one of their enterprise to another, allow enterprises to submit less profits to the township coffers or even pay less taxes, co-ordinate loans from financial office or other government bureaus, raise funds from society (jizi), and so on. Like a board of directors, they redistribute funds between their enterprises. Since the mid-1990s, township governments are no longer allowed to stand as guarantor for their enterprises when the latter apply for bank loans. Instead they ask one of their enterprises to stand as guarantor for another of their enterprises. Likewise, one enterprise can be asked to shoulder the debt of another enterprise if the latter cannot pay it back, usually in return for some kind of compensation such as tax reduction, allocation of new land, bank loans, etc.
There are numerous examples showing that local governments can influence the work of banks at local level. In one county in Shandong, the main leaders simply convened a meeting in which the important financial institutions (such as local branches of Bank of China, the Agricultural Bank, the Construction Bank, rural credit cooperative, etc.) all participated and ‘tasks were assigned to them’. A representative from a bank in the same county confirmed that he could not go against the wishes of the government leaders, ‘if the government force me I must comply’. Some authors maintain that banks are not under the control of local governments (Che and Qian, 1995:5). In a formal sense this is correct, but my field study material shows consistently that the township government through informal channels can exert influence on the banks. Banks seems often, if not always, to listen to township cadres. One township mayor helps us picture the process: he may, for example, during a dinner suggest to the bank manager that he should go and look at one of his enterprises to create his own impression. The mayor, however, emphasises that he will only make such a request on behalf of his key enterprises, i.e., those singled out in the economic plan. In general, according to the mayor, the bank manager will grant the recommended enterprise a bank loan. Apart from co-ordinating capital, township governments help their enterprises in many other ways. One illustrative example of government co-ordination is the case where township leaders found a joint venture partner for one of its enterprises through another, an electronics company, of its enterprises. The electronics company had been set up by the economic committee a few years earlier; the committee now wished to help the second enterprise both to form a joint venture and also upgrade its products. So the party secretary, the mayor and the director of the economic committee – but not the enterprise manager in question – went to Hong Kong to negotiate a deal. It is often assumed that government assistance is most needed when enterprises are set up and then will decrease over time. At the time of establishment, land and factory buildings have to be acquired, licenses issued, workers and technicians must be found, start-up capital invested, and so on. Even though government assistance is valuable at the time of establishment, it is just as important at the time of expanding the enterprise. At this stage of reform, one important function of township government is to enlarge the business scale by initiating mergers and forming enterprise groups. Local governments actively encourage their good enterprises to merge (jianbing) with a loss-making enterprise, usually offering some compensation. In one case, one of the star enterprises took over an enterprise that had basically already stopped production,
and in return received a 15 million yuan bank loan at a preferential interest rate, 200 square metres of land in a very good location and electric power for free. In order to concentrate capital and synchronise development efforts so as to become more competitive, local governments urge enterprises to form enterprise groups. Sometimes the enterprises handle the process themselves but often the initial contact is taken by the government, which holds relevant information about both parties and can be trusted by the enterprises involved.

3.3 Local government becomes an enterprise

When local governments co-ordinate the development of the enterprises under their responsibility, they can be seen as business corporations and thereby an enterprise. But local governments are also becoming enterprises in a more literal sense. One tendency in China today is what can be called privatisation of bureaucracy or commercialisation of government. In a number of provinces, the former economic committee has been reformed into a collective assets management corporation (jiti zichan jingying gongsi), hereafter called investment corporation. The Chinese term gongsi means company. Its main function is to increase the value of the collective assets. This type of corporation is set up when enterprises have been reformed into shareholding co-operative enterprises in order to look after the collective shares. Since the transformation into shareholding co-operatives has been faster in Shandong, the province has also been ahead in establishing investment corporations. In Jiangsu province, the township corporation has been reformed into a similar kind with the name assets management investment corporation (zichan jingying touzi gongsi). The major difference from before is that this new form of corporation is registered as an independent legal person (faren) and is thus in one sense a real company rather than only an administrative office. However, this trend is not immediately apparent to outsiders, as the corporation is at present both a company and an administrative office, in name as well as in functions.

To look into the new functions, we look at Shandong, which is ahead of other places. In one township, the cadres planned to increase the value of collective assets by the following methods: receiving dividends from collective shares in the enterprise, land-leasing fees paid by the enterprises, investing in new projects by buying shares and lending money to enterprises for interest. At a closer look, it turns out that a great part of the money lent to enterprises comprised the money which the very same enterprises had not yet paid when buying shares. But new loans were also granted to enter-
prises for interest, higher than the bank, although on a minor scale. In this respect, the investment corporation resembles a bank. In recent years, the corporation has invested in two new projects deemed particularly promising. Both projects were enterprises that the investment corporation set up with another party. In 1997, the profit made by the investment corporation was around 3 million yuan, of which 2 million was submitted to the township financial office and 1 million was kept by the corporation for further investment. The amount of money to be submitted to the financial office is decided from year to year, depending on the financial need of the township. In this respect, the corporation resembles an enterprise that submits part of its profit to the township government, all this while keeping the function of the economic committee, an administrative office.

It remains to be seen what form and direction the investment corporation will take in the future. The reform of the economic bureaucracy, or shall we say the privatisation of bureaucracy, is a very important measuring stick of local government power over enterprises and ultimately the role of the state in economic development. On the one hand, the reform can be interpreted as a separation between government and enterprises, and between politics and economics. The local government agency co-ordinating development is becoming an enterprise; the investment corporation resembles a large enterprise group with several enterprises under it. Here, the co-ordinating development function of the government is taken over by enterprises. Indeed, the purpose of economic reform was separation of government and enterprises and a move to de-commercialise the government. In this interpretation the power of local government would decrease as the scope of its functions is reduced. On the other hand, the reform can be interpreted as a merger between government and enterprises, and between politics and economics. The local government agency, even the whole township government, is in fact becoming an enterprise itself; the township government simply becomes the township Inc. Here, the party secretary is busy doing business and the political functions of government are those which are being reduced. Government and enterprise are inseparable from each other and continuous calls for separation between the two have failed. In the investment corporation above, the chairman of the board of directions is the township mayor. In this interpretation, the power of local government would increase as they hold all functions, and funds, in their hand.

There are some indications that the latter interpretation captures better the trend of development today. It is most visible in the enterprise groups (jituan) at the village level where the chairman of board
of directors is the party secretary, the general manager of the enterprise groups is the village head, and almost all managers of individual enterprises under the group – apart from holding a position in the group – are all members of either the party or village committee. The three organisations of enterprise group, party and village committee are entirely overlapping. Who takes care of the political functions, and what remains of the political functions, are unclear questions, but social welfare and village constructions are all paid out of funds from the enterprise group. At the township level, overlapping is not as complete as at the village level. But the work of many party secretaries and heads of local government is geared towards economic development.

4. Institutional Context of Entrepreneurial Local Government

Local cadres in China have here been portrayed as doing what some economic theories regard as highly unlikely: acting as entrepreneurial bureaucrats promoting growth. The theory of the rent-seeking or the predatory state cannot guide us in the case of local governments in China. What makes this theory predict so inaccurately in the Chinese case? The neo-classical economic theory neglects to consider whether institutions can shape the behaviour of state officials; officials may behave differently depending on how institutions are built (March and Olsen, 1989; Steinmo, Thelen and Longstreth, 1992).

It is first important to examine the incentives and constraints of local cadres that form the institutional context of entrepreneurial local government. For this, the principal-agent theory is a useful tool. This theory is a model where the principal has entered a contractual agreement with the agent in the expectation that the agent will work towards the goal of the principal. The problem arises when the agent can be supposed to look after his own interests rather than that of his principal, a situation which is difficult for the principal to discover given asymmetry of information (Kettl, 1993). One method to solve this problem is to design an effective incentive structure so that it will lie in the agent’s own interest to work towards the interest of the principal. Another method is to devise an effective monitoring system to detect instances where the agent’s action diverges from the goal of the principal (Moe, 1984). Applying this model, local cadres are seen as agents of higher level party and government organisation. The model will be used in its most general sense, as a tool to look at the incentive and monitoring structure created by higher levels of authority. At the
same time, local cadres can also be seen as agents of local community whose interests they are to represent vis-à-vis higher levels. Their role as middlemen between local community and higher level governments before and after reform has been highlighted (Oi, 1989; Shue, 1988). Lower levels, in the form of local community, cannot, like higher levels, impose their control on local cadres. However, the interests of local community have to a certain extent been included in the incentive and monitoring system devised by higher levels. That local cadres have one principal above them and another below makes the picture more complex, and at best adds incentives and constraints to the list.

Before we describe the incentive and monitoring system, we need to know the goal of the principal, i.e., work targets set by higher level authorities which township cadres have to fulfil. With regards to task and targets, the planning system is still exercised in China. As a result, targets are specified in the five-year and one-year plan filtered down level by level to the township cadres. It has been said that higher level authority controls agriculture tightly but that rural industry is not part of the planning system (Pei, 1998:119; Oi, 1998:96). While it is correct that higher levels are not concerned with such matters as which products to produce, output quota, etc., performance targets are given also for rural industry. Specific targets vary between townships and areas, depending on local conditions and last year’s performance, but the content of targets remains much the same. In one county plan, we can read that comprehensive targets given to township government included among others: grain output, level of per capita income, growth rate of industry, foreign exchange earnings, and level of foreign investment.38 In addition, different department lines such as the education bureau at county level give detailed targets to the education office at township level. Work targets specified in the yearly plan of the county are then written down in the individual book (gangwei zerenshu) of each top level township leader. These individual books can be regarded as performance contracts39 set up between the township cadre and county level, as part of the cadre management responsibility system.40 On the basis of these performance targets, the township cadre is evaluated by county level at the end of the year.

There is a link between promoting economic development and work targets set by higher levels. First, developing rural industry and promoting growth are work targets in themselves. Second, promoting economic development is necessary to fulfil other work targets such as providing welfare and so on. Whereas it is often noted that local governments promote their enterprises because they need the revenue, there is less documentation regarding what the revenue is needed for.
Township governments are responsible for keeping public security, implementing family planning, selling grain to the state, ensuring employment, providing education and health to their community members, raising living standards, building infrastructure, as well as delivering growth figures. Walder, among others, downplays the social welfare which local levels need to provide (1995:282–3). Fiscal decentralisation has led to, as we have seen, property rights over enterprise profits but also increased responsibility over expenditure. As a result, township governments often find themselves short of funds even for basic administrative expenditure. So in one sense it easy to say why local cadres have developed township enterprises: it is necessary to do their job.41 One commonly heard view was: 'township government depends on the development of township enterprises in order to provide social welfare, if there were no township enterprises there would be no welfare as the government does not have the money.'42 However, our primary interest is to find out why local cadres have not to a larger extent resorted to rent-seeking and at the same time actively promoted collective benefits for local community.

4.1 Incentives of local cadres

The two main incentives designed by higher levels are bonus and promotion prospects. At the end of the year, the top level township cadres will be evaluated on the basis of how well they have done their work. There are two kinds of evaluation: one called work evaluation (gongzuo kaohe) which is related to bonus, the other is mainly evaluating ability and attitude which are related to position. The two are separate evaluations but some parts are overlapping.43

The first kind of evaluation is carried out on a collective level and linked to the personal income of township cadres. It is the performance of the township as a whole that is evaluated and foremost whether the leaders in charge have fulfilled the work targets of the plan designated to their township. Different bureaus at the county level evaluate their subordinate offices at township level and the whole process is co-ordinated by a party organisation at the county level. In a county in southern Jiangsu, it was co-ordinated by the party bureau of rural affairs and bonus was calculated on the basis of a large number of targets. Among the most important targets were: GNP growth, amount of profits, salary and tax of the TVE sector, and foreign trade.44 In a county in Shandong, emphasis on which targets were important slightly differed and were: tax revenues, farmers’ average income, performance of township run enterprises and income from fixed assets.45 As we can see, bonus is clearly linked to economic per-
The linkage between performance and personal income has been noted in the literature for village cadres (Byrd and Lin, 1990: 372–5) and enterprise managers, but there have been fewer reports about bonus for township cadres that have fulfilled their work targets. Township cadres receive bonuses that stand up well in comparison with salary, even though the amount varies between areas. In the county in southern Jiangsu above, bonus for a cadre in an average successful township amounted to more than 4,000 yuan per year. The three top leaders (party secretary, township mayor and general manager of township corporation) receive 30 per cent more than that of the average cadre.46 The amount of bonus was lower in Shandong.47 The general trend seems to be that bonuses are higher in the south than in the north. Regardless of the amount of bonus, this yearly process of evaluation is no doubt very important in the minds of local cadres and their work is geared towards it.

The second kind of evaluation is related to appointment and promotion decisions, and therefore carried out on an individual level. Promotion is one important incentive for local cadres which is linked to economic performance but also to many other criteria. It is formally the party committees that exercise power of appointment decisions two levels down the administrative hierarchy through the nomenklatura list (Burns, 1987 and 1994).48 Principal control is vested in the organisation department (zuzhibu) of the party committee. Although the superior party committee has the final say in personnel decisions, the subordinate unit influences decision-making by providing the information upon which decisions are based. More specifically, it is the organisation department that submits information as it is in charge of the personnel dossier (dang'an) and the evaluation material on cadres. Cadre evaluation consists of four main parts: political background (shenchaha), assessment made by the cadre’s unit (jianding), screening which has to include the opinions of the masses (kaocha liaojie), and the evaluation of competence as part of the cadre management responsibility system (kaohe). The meaning of competence here is multifaceted: cadre’s virtue (de), ability (neng), attitude to work (qin) and achievements (ji) are all considered (Manion, 1985:226–9). From the description of the formal system we learn that competence and performance count a great deal, but political and personal criteria are also institutionalised in the formal process.

The evaluation process is thus very complex and we will look more closely into it, both the formal system and the actual implementation to the extent the empirical material allows us. Economic performance is generally considered to be of increasing importance when assessing
cadres and the basis for promotion. One reason why many have reached that conclusion may be that they have focused only on the first kind of evaluation related to bonus. Ho, for example, writes that rural cadres are judged primarily by their success in promoting economic development (1994:213). He finds that economic targets take precedence over non-economic targets; 70 per cent of composite work targets concern industrial performance. However, Ho is only looking at the evaluation related to bonus. To focus on the first kind is partly valid since the two kinds of evaluations are partly overlapping, but somewhat misleading since there are also other important criteria. In this section we will examine a variety of criteria which are all part of the evaluation process with an impact on promotion decisions. Some of them also pose constraints on the behaviour of local cadres and will be discussed in greater length in the next section.

Burns writes that personal criteria are institutionalised in the formal system, since it endorses personal recommendations; party leaders are supposed to nominate those they know personally for positions. As a result, cadres at all levels need to build personal relations networks (1994:472). The importance of having the right connections is often emphasised, even though it is of course difficult to estimate its exact weight. It has been said that if you want to be promoted you have to nurture good relations.49 Two of the formal criteria are assessment made by the cadre’s unit, and screening, where the only stipulation is that opinions of the masses (qunzhong) have to be taken into consideration. Who is being referred to is not apparent looking at the document text. The definition of cadre’s unit seems to be the colleagues and subordinates in the same work unit. From interviews it becomes clear that ‘the masses’ are considered to be one level down from the unit under evaluation; in the case of township cadres then opinions of the masses so become the opinions of township-run enterprise managers and the main village leaders.50 The input of lower levels will be discussed in more detail under constraints; for now it suffices to say that township cadres need to have good working relations with local entrepreneurs as well as lower level cadres. For the political criteria we can only speculate that this means to toe the party line, endorse the right policy and dutifully implement higher leaders’ instructions (tinghua). However, political acumen has also come to mean promoting economic development. As one party secretary expressed it, it is difficult to separate economic from political functions, because the most important political task is to develop the economy.51

The overlap between the two kinds of evaluation arises when evaluating work performance of the cadre. Some collective targets are
also made individual targets, written into what we have here termed the performance contract of each top level township leader. Two dilemmas are present: one is who shall be credited with the economic success, and the second is how shall economic success be measured. At the end of the year, when the responsible cadre will be evaluated as to whether work targets have been fulfilled, responsibilities may often overlap since targets are collective in nature. For some targets, such as party affairs work, responsibility is clear as it is the work done by the party secretary. And social undertakings (shehui shiye) definitely fall into the lap of the township mayor, possibly also the director of the bureau in charge under the township government. But for targets such as economic development, the two top leaders – the party secretary and the mayor – are both responsible. If a township does very well, it is unclear to the township leaders concerned if one of them, both of them or none of them may be promoted. It depends on the evaluation by the party of higher levels how this will be decided. Moreover, a comparison will be made between townships where the basic conditions of each township are taken into account. If for example township A has good basic conditions and its township leaders have increased growth by 20,000, whereas township B with poor conditions has leaders who have increased growth by 5,000 – it is for higher levels to determine who shall be seen as most successful and be promoted.

Measuring economic performance and who will be credited can in other words be an arbitrary process. After completing the process of evaluation, cadres judged to be excellent (youxiu) will be selected. Only a certain percentage can be deemed excellent; in one county it had to be below 30 per cent. Only this restricted number of cadres can get a pay raise and be among those with a chance to be promoted.

As we have seen, apart from economic performance there are also many other criteria. Without doubt political attitude and economic performance both matter. However, not only does the local cadre need to have the right political attitude and be successful in promoting economic development, the local cadre also needs to have good personal relations with higher levels and good working relations with colleagues, local entrepreneurs and lower level leaders. All these aspects are taken into consideration for promotion.

4.2 Constraints of local cadres

Higher levels have designed a monitoring system where also lower levels can impose some control although limited in extent. The main constraints from above are risk of demotion, auditing, and inspection;
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and the main constraints from below are lodging of complaints, threat of law suits, and lower levels pass judgement on township top leaders.

Above we have discussed how local cadres may be rewarded when completing their work, but will there be any sanctions if work targets are not fulfilled? Cadres can blame poor performance on so-called ‘objective conditions’ which refer to conditions that are beyond the control of the cadre, like for example unfavourable market environment so growth targets cannot be achieved. It is obviously very difficult, next to impossible, to determine whether poor results are due to the larger environment or due to the misjudgement of the individual cadre (Huang, 1990:444–50). Like promotion decisions, decisions about demotion or transfer depend on the situation. In comparison, the room for interpretation by higher levels may be even larger in the latter case. However, there are so-called bottomlines (yipiao foujue) that local cadres cannot fail. If they do not fulfil these work targets they will very likely not be able to keep their position; it is certain at least that they cannot be promoted. Which targets are made the bottomlines could vary between areas but my interviews indicate that there are two responsibilities that get this status: implementing the one-child policy and keeping public order. Apparently, local cadres sign pledges to carry out these responsibilities, which have a different status from the other work tasks. These pledges have a more serious character than the performance contracts discussed above; for the former there will be repercussions if pledges are not fulfilled, whereas for the latter the local cadre cannot be rewarded. Targets for economic development do not carry the status of pledges that the local cadre must not fail in.

Another dilemma for higher levels is to know whether the reported figures are correct, and this is not a hypothetical dilemma given the immense problem of false reporting before the reform. An auditing administration (shenjushu) has been established to audit the economic affairs of government and enterprises. At the local level, local level bureaus audit the township government and the township enterprises. But already when looking at the formal system of auditing administration, a serious obstacle to effective auditing emerges. The auditors are auditing their leaders. Local auditing bureaus are namely subject to dual leadership: they are under the leadership of higher levels of auditing administration but also under the leadership of local governments at the same level. While the personnel from the township auditing office are supposed to audit the township government, they are at the same time on the township government payroll, and in some areas also appointed by the township government (Huang, 1995:837–8). Basically, township governments are self-auditing. The county level audit-
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The auditing bureau can send their people to inspect township cadres and enterprise managers when they feel it is necessary, i.e., when special situations arise. On these occasions, they check the account books, their consistency with receipts and the correspondence between receipts and physical objects. One township enterprise manager cum township vice party secretary said openly: ‘it is impossible for them to audit us.’

It is quite clear to all concerned that, on a general level, local auditing bureaus are not able to audit very effectively. In practice, it turns out that the auditing office at the township level sometimes is part of the financial office that it is supposed to audit. In one township, the auditing office — also after becoming an independent office — was mainly concerned with economic management of agriculture rather than the enterprises. In fact, it was the economic committee cum collective assets management corporation that audited the township-run enterprises, i.e., its own enterprises. It was the same corporation that, on behalf of the financial office, collected taxes from the township-run enterprises. So even though we agree with Walder that township governments have the ability to monitor their enterprises, we still question whether they have sufficient motivation to do so. The common practice for enterprises to keep two different account books, one for official use and one for themselves, has been noted (Wong, Ma and Yang, 1995:49). For the county level, it is difficult to check the practice of two account books at the enterprise level, often made in good understanding with the township government for the purpose of tax evasion (ibid.; Oi, 1992:114).

When there is suspicion that cadres have problems with their economic accounting, it will become a matter for the discipline inspection commission (jilu jiancha weiyuanhui). The discipline inspection commission is not only concerned with economic affairs but is the main organ to monitor party members from all perspectives. The commission was re-established after the chaos of the cultural revolution in the beginning of the reform period. From the outset, the inspection commission was supposed to promote the new economic and political reform policies; rebuild the party and rehabilitate victims of the cultural revolution; show commitment to the rule of law; as well as check corruption and bureaucratic abuses among its party members. The functions of the inspection commission are hence varied, and checking cadre malpractice is only one job. As a matter of fact, the commission has to a large extent been used to promote reform policies and work against those resisting reform, i.e., the commission backs the policies of the present leadership rather than merely seeing that party
officials follow rules (Sullivan, 1984; Young, 1984). Again, there is a serious obstacle to effective monitoring institutionalised in the formal system. Like the auditing administration, the discipline inspection administration is also subject to dual leadership of both higher level control organs and the party committee at the corresponding hierarchical level (Sullivan, 1984:611–12; Dickson, 1990:181). Monitors are in other words under the leadership they are supposed to monitor. This is not to say that the exercises of auditing bureaus and inspection commissions are meaningless; if set in motion their work is by no means trivial for local cadres. The problem is rather to foresee when these monitoring bodies are going to be set in force and for what purpose.

Discipline inspection commissions write reports every year describing their work achievements. A report from one county shows that the inspection commission had investigated 30 letters of complaint coming from below. As a result, four (unnamed) subordinate departments were punished and around 20,000 yuan recovered. In one township, the case of a village cadre which had embezzled public money but been discovered was taken as an illustration of the commission’s work achievements. Altogether 200,000 yuan had been returned to the township coffer as a result of its work. These reports tell us that inspection commissions are not dormant bodies but investigate and disclose corruption cases. At the same time, there are also indications that they are sometimes used as political tools and can be mobilised for various purposes. There is the case of a manager that at the time was the owner of the largest private enterprise in his township. Auditing personnel came to check account books and he was found guilty of tax evasion but he claimed to be innocent. The general opinion was that he had paid the same amount of tax as everybody else, which was substantiated by the fact that he was soon after asked to become the manager of a collective enterprise – merging with his private enterprise. His collective enterprise is today one of the leading enterprises in the township. This suggests, to be somewhat drastic, that if leaders want to discipline their subordinates for whatever reason, just send an auditing or inspection team. Another method of the inspection commission is to publicise individual cases as examples of wider problems in order to provide education by negative examples (Dickson, 1990:181). When times require that cases be publicised, and during the period of nationwide campaigns, there is obviously a larger risk to be found out as higher levels have to show results and fill the quotas of discovered cases.

Monitoring bodies represent higher levels, but these bodies can also investigate letters of complaint, which can act as constraints from be-
Community members can join together and lodge a collective complaint against their leaders to higher levels (shangfang gaozhuang). Local cadres who embezzle public funds and excessive fees imposed by cadres have become common sources of formal complaints by the local community. Complaints mostly target the top leaders and are launched by groups of on average 20 to 30 members. This practice appears to be increasing, although there is no national data on its frequency (O’Brien and Li, 1995:759–66). In some townships, special offices for receiving complaints have been set up. In 1997 there had been two letters of complaint (xinfang) in one township. After investigation, an accountant was discovered to have embezzled public funds (23,000 yuan). The case of the accountant was publicised in the township as a deterrent example, documents were issued down to village level and the accountant was criticised in the whole township. In the two reports mentioned above, there were however complaints that were found to be groundless. Lodging complaints cannot be used as a method to protest against sanctioned policies but is a tool that can be used against unauthorised local policies and against local leaders who violate state regulations and party policy. If township and county levels are not sympathetic, community members can appeal to higher levels and possibly get a positive hearing (O’Brien and Li, 1995:759–66). This increases the risk for township and county cadres getting a reprimand from higher levels. Most interestingly, the number of complaints and how they have been handled may be taken into account when assessing local cadres’ work performance.

Another alternative for wronged community members and enterprises is to turn to legal courts for remedy. An administrative litigation law was passed in 1989 which in theory gives citizens a legal instrument to utilise against the abuse of government agencies and officials. It has yet to become commonly used, but it provides a potential threat to local cadres (Pei, 1997). In one survey it was found that a disproportionately large number of law suits filed against government agencies and officials were later withdrawn by the plaintiffs. Of the suits withdrawn in 1995 in this study, 45 per cent were withdrawn after the government agencies had rectified the disputed actions. Seemingly, by just filing law suits, community members can put pressure on government agencies to change their actions even when not taking them to court (ibid.: 843). It is of course difficult to estimate the utility of filing law suits on such scattered evidence. Even if this exercise does not show strengthening in the rule of law, it probably constrains the behaviour of local cadres. A law suit leads to public scrutiny and in
itself blemishes the record of the responsible cadre, regardless of result. The importance of lodging complaints and filing law suits lies not so much in the outcome of the two processes, especially since the numbers of community members using these methods are low. Rather both become important because of their possible effect on work performance evaluation of local cadres. The risk that community members will lodge a complaint and appeal to high levels affecting evaluation may constrain cadre behaviour as such.

Elections of local cadres form an important means of constraint by the local community in other countries. What is the situation in China? In 1987 the Organic Law of Villagers Committees was passed, which stipulated that villagers could elect members of village committees, including the head of committee. By the end of 1990, most of China’s villages had introduced elections and many were on their third round of elections. But the quality of election procedures has been uneven and, in 1992, the majority of elections were still judged to be mediocrily managed (Bai, 1995:31). Even though contemplated, elections to government position have not yet extended upwards to the township level. There is thus no direct way for the villagers to elect their township leaders. But the village level plays an indirect role; the villagers’ opinions are asked at the time of evaluation and they can thereby influence personnel affairs. Above, we have seen that opinions of the ordinary people (qunzhong) are taken into account; when evaluating township cadres it is the level beneath, village leaders and township-run managers, who are the ordinary people. In a summing-up meeting at the end of the year (nianzhong zongjiehui), the main village cadres and managers gather and pass their judgement (gei dafenr), ranging from excellent to poor on township leaders. The exact procedure probably varies between areas. Units as a whole also give marks by filling in a form both for other units at the same level and for higher levels (xia ping shang). According to one village party secretary, the function of giving marks is not of great significance – it is the party organisation that ultimately decides. But if many people express strong criticism of a leader in the meeting, this leader might have a problem. In those instances, the party organisation will investigate although it will not necessarily take action.

5. Concluding Remarks
Why Do Chinese Local Cadres Promote Growth?

The yearly evaluation of work performance by higher levels is very important in the minds of local cadres. But while work targets that local cadres have to fulfil are clear, the basis for evaluation is not as clear. When examining the incentives and constraints that local cadres work under, we find that it is difficult for local cadres to predict the outcome for different behaviour. According to Huang, the high variability of promotional considerations makes it difficult for cadres to have a stable set of expectations regarding their performance (1996a:70). The criteria upon which local cadres are evaluated are many, ranging from promoting economic growth, holding the right political attitude, maintaining good relations with superiors and to having good working relations with colleagues, local entrepreneurs and lower level cadres. Where the emphasis lies in decisions relating to promotion varies from time to time and from case to case. Likewise, it is difficult to foresee the operation of auditing and discipline bodies as they can be mobilised for many purposes, political or otherwise. Interestingly, constraints from below seem in comparison to create more stable predictions of outcome. Lodging of complaints, filing of law suits, and passing judgements on township cadres have a direct effect on the evaluation on local cadres, as they may result in damaging the cadres’ records. Undoubtedly the local cadres are under strong pressure from both higher and lower levels, and this acts as a constraint on their behaviour. There are bottomlines in the system and many checks against cadre malpractice in the system. The evaluation process of work performance is the cog in the wheel. The incentive system alone cannot explain why local cadres have been so keen to promote growth, and the monitoring system itself does not prevent local cadres from rent-seeking, but a number of factors have to be seen in combination to understand local cadre behaviour.

The institutional context induces local cadres to work in one direction. Given the uncertainty built in the system, to promote economic growth is the dominant strategy for local cadres. Since this project is not yet completed, discussion at this stage must be tentative. The risk of being discovered and given a hard punishment, and that in an environment difficult to predict, generates good reasons for local cadres to keep on the safe side. If they resort to corruption, it is likely to be limited. At the same time, to promote economic development seems to be the best capital asset for a local cadre. To begin with, it is one of the important targets set by higher levels but, more importantly, it helps them to build up the other capital. Differently put, to successfully promote growth is to implement the correct party line, it facilitates the creation of good personal relations with superiors and helps
to maintain good working relations with local entrepreneurs and village leaders. In addition, to have been successful in promoting development can help local cadres to avoid getting into the focus of auditing and discipline bodies when they are mobilised. Economic growth might be traded for lenient treatment by the monitoring bodies. The possible mechanism explaining why local cadres have not to a larger extent resorted to rent-seeking and promoted growth might be, I argue, that developing the economy is the local cadres’ best capital asset to achieve other targets and avoid undesirable monitoring. The institutional context induces local cadres to work in one direction: promote economic growth.

Notes

1. This article is part of an ongoing dissertation project at Uppsala University funded by the Swedish International Development Agency (Sida). Most grateful thanks are extended to Wen Tiejun, Bai Gang, Sun Yu and Cai Fang for help in China. I would also like to thank Cai Fang, Axel Hadenius and two anonymous referees for their helpful comments on an earlier draft.

2. The figure 32.6 per cent share of national export is given for rural enterprises which may also include individual and private enterprises in rural areas, also the figure 135 million includes private enterprises in rural areas.


4. The study (not yet completed) is so far based on 6 months field study in the Chinese countryside for two periods in 1996/97 and 1997/98 – not including extensive lengths of stays in Beijing. In total, 124 interviews have been conducted with county and township level cadres and township enterprise managers. In addition, around 40 interviews have been carried out with Beijing-based officials and researchers. I have also had the rare opportunity to stay in the home of a township mayor for a couple of weeks, which provided invaluable insights. The 124 interviews in the field are divided as follows: 50 were conducted in Jiangsu province, 49 in Shandong, 7 in a county outside Beijing, and 18 in Zhejiang province; 32 were carried out at the county level, 84 at township, and 8 at village level; 37 local entrepreneurs have been interviewed and 87 local officials (including financial institutions). This study focuses on the economically successful areas in the eastern part of China and can thus not be generalised to the poorer areas in western and central China. Within the economically successful areas, there is a clear imbalance in number of interviews conducted between areas where the collective economy is strong (Jiangsu and Shandong) and areas where the private economy dominate (Zhejiang, in particular Wenzhou). With regard to the local state’s role in the economy, this study has found that there is no difference in character between these two but only a difference in degree. More interviews in areas where the private economy dominates are planned for 1998/99. But this study, with regard to the role of the local state in economy, claims to be representative for the economically successful areas, including areas like Wenzhou.
5. For the view that many private enterprises are falsely registered as collective enterprises, see Liu Y. (1992) and Parris (1993).

6. On the basis laid earlier, these enterprises have switched product lines and upgraded from agriculture to industry. See Finlay, Watson and Wu (1994:5–7); Wong, Ma and Yang (1995:21–5); and Putterman (1997: 1640–3) for background of the TVEs.

7. The village level under the township is not counted as part of the state administration. For a detailed account of the formal structure of China’s administrative system, see Lieberthal (1995).

8. Interview no.1105 with the general manager of the township corporation and also vice party secretary of a Jiangsu township. Even though the name would suggest a variety of functions, the corporation is only responsible for industrial development.

9. See contracts between township-run enterprises that are contracted out and the township corporation in a Jiangsu township.


11. Ibid.: 23.

12. In one of the Ministry of Agriculture’s experimental sites for enterprise reform, the collective share in each enterprise is 10 per cent, see interview no.1301 with the director of the reform commission in a Shandong county.

13. The biggest difference from before may be that not only can the manager receive a larger part of the profit, but he is also made responsible for the performance of the enterprise. If the enterprise is not doing well, he has to shoulder his share of the loss. In the first stage of reform when the enterprises were leased (zulin) to managers and workers, only the leasing fee may not be returned to them however large the losses. See contract between a township-run enterprise that was leased and the township corporation in a Jiangsu township.

14. Interview no.1203 with the vice-director of reform commission in a county outside Beijing municipality.

15. Interview no.2206 with the general manager of a township-run enterprise and likewise vice party secretary of a Shandong township.

16. Interview no.2212 with staff from the equity section of a village-run enterprise group in a Shandong village.

17. For literature on Zhejiang and in particular the Wenzhou model, see for example Parris (1993) and Liu A. (1992).

18. See the document ‘Guanyu gongbu 1998 niandu shi zhongdian gongye qiye de tongzhi’ (Circular publicly announcing 1998 key industrial enterprises of municipality). This particular enterprise list from a Zhejiang county has 36 enterprises.

19. Interview no.2306 with staff from the planning commission in a Zhejiang county.

20. See the document ‘Guanyu jiuwu qijian X zhen jingji he shehui fazhan de mubiao renwu, 1996-2000’ (On the targets and work regarding economic and social development during the period of the ninth five-year plan 1996–2000 of X township).

21. Interview no.1106 with the manager of the township corporation of a Jiangsu township and interview no.1109, 1113, 1122 and 1124 all with township-run managers in the same Jiangsu township that have stood as guarantor for other enterprises either initiated by the enterprises itself or, more often, requested by the government.

22. Interview no. 2111 with the manager of a township-run enterprise which shouldered the debt of another township-run enterprise that went bankrupt in a Jiangsu
towship. The manager and workers increased their proportion of shares in the
first enterprise in compensation.
23. Interview no.1310 with the vice-director of the planning commission in a Shandong county.
24. Interview no.1311 with a representative from the People’s Bank in a Shandong county.
25. Interview no.2209 with the mayor of a Shandong township.
26. Interview no.2214 with the vice manager of the township-run enterprise that was
going to form a joint venture and interview no.2215 with the manager of the
township-run electronics company, both in the same Shandong township.
27. Interview no. 2212 with staff from the equity section of an enterprise group in a
Shandong village. Even though local governments very actively encourage good
enterprises to take over loss-making ones, it seems as if it is possible to refuse.
This enterprise group had the year before declined to merge with an enterprise it
didn’t think suited them. By taking over the loss-making enterprise, the group
also took over its large debt, and the responsibility for its 700 workers of which
400 were retired.
28. Interview no.1317 with the manager of the industrial office and likewise vice
party secretary of a Shandong township, interview no.1325 with the head of gov-
ernment’s information office in a Zhejiang township, and interview no.1329 with
a general manager of an enterprise in a Zhejiang township. The general manager
planned to form an enterprise group the same year and it was the township gov-
ernment that had found the partners with whom to form the group.
29. In Shandong, the economic committee and the collective assets management
corporation are what the Chinese call ‘two signs, one office’ (liange paizi, yige
bangongshi) meaning that it is the same office but with two names. The manager
of the corporation is said to be elected by the board of directors but he is at the
same time also the director of the economic committee appointed by the town-
ship government. He is also the vice township head. In Jiangsu, the township
corporation has changed its name into economic development corporation (jingji
fazhan zonggongsi) which is also the same office as the assets management in-
vestment corporation. The manager of the development corporation is also the
manager of the investment corporation, and, as before, also the vice party secre-
tary.
30. In Jiangsu, for example, the functions were much the same as the investment
corporation was only set up in 1997; see interview no.2105 with the general
manager of township corporation cum investment corporation as well as vice
party secretary of a Jiangsu township; and interview no.2110 with the general
manager of the economic development corporation cum investment corporation as
well as vice party secretary of another Jiangsu township.
31. Interview no.1302 with the vice-director of the economic committee cum in-
vestment corporation. This person had the year after become the director of the
financial office of the township, showing the close relationship between these
two organisations. In other townships in the same county, the corporation was in
fact the same office as the financial office.
32. Interview no.2220 with the party secretary and the head of the financial depart-
ment of the economic committee cum investment corporation in a Shandong
township.
33. Ibid.
34. Interview no.2202 with the mayor of a Shandong township.
35. For a description of jituan, see Lin (1995).
36. Interview no.2212 with staff from an equity section of an enterprise group in a
Shandong village and interview. no.2402 with the office co-ordinator of an en-
terprise group, the party committee and village committee in a Shandong village.
Why Do Chinese Local Cadres Promote Growth?

37. Interview no.1317 with the manager of industrial office (gongye bangongshi) and likewise vice party secretary in a Shandong township; interview no.1318 with a secretary of a township-run enterprise group in the same Shandong township.

38. See the document ‘X county 1996 nian guomin jingji he shehui fazhan jihua’ (The 1996 plan for national economic and social development of county X).


40. For an account of the cadre management system, see Lam and Hon (1996).

41. Reduced budget money is the reality for many state bureaus and organisations, not only local governments. This has led many of them to set up their own enterprises, one striking example being the People’s Liberation Army (Bickford, 1994). Commercial activities do not necessarily become integrated with the regular operation but the risk seems to be that all one’s time is devoted to earn money so other responsibilities suffer. There have been many reports of corruption and lower morale.

42. Interview no. 1121 with a general manager of a township-run enterprise in a Jiangsu township (‘zhengfu kao xiangzhenqiye de fazhan, cai neng jianshe shehui fuli, ruguo xiangzhenqiye meiyou fazhan ji jiuyou banfa jianshe fuli, zhengfu ji jiuyou qian’).

43. Interview no. 2113 with the township mayor and likewise vice party secretary of a Jiangsu township.

44. Interview no. 1114 with the vice head of party bureau of rural affairs (nongcun gongzuobu) in a Jiangsu county. See also the document ‘Xiangzhen danwei jiguan ganbu kaohe yaoqiu’ (Criteria of evaluation of township office cadres).

45. Calculations are detailed: for example, if the amount of profit, salary and tax from the TVE sector increases with 20 per cent, the township will receive 5 marks; and if industrial output value was below 500 million the previous year and the output value increased with 30 per cent, it would receive 3 marks. One mark is worth 30 yuan.

46. Interview no.1106 with the general manager of township corporation of a Jiangsu township.

47. At least they were less open about it. Interview no. 1312 with two staff members from the personnel affairs bureau in a Shandong county and interview no.2218 with the former vice-director of party organisation department in a Shandong county. The evaluation was co-ordinated by the party organisation department.

48. In 1984 it was changed into one level down and in 1990 it was decentralised further down to prefecture level.

49. Interview no.2307 with staff and director of foreign affairs office, who had also worked in the party organisation department, in a Zhejiang county.

50. Interview no.2218 with the party secretary of a Shandong township and also former vice-director of the party organisation department at the county level; interview no.2224 with the township mayor of a Shandong township; interview no.2401 with the party secretary of a Shandong village.

51. Interview no.2401 with the party secretary of a Shandong village.

52. Interview no.2218 with the party secretary of a Shandong township and also former vice-director of the party organisation department at the county level.

53. Interview no.2218.

54. See the document ‘Guanyu quanqu dangzhengqun jiguan 1997 niandu, gongzuo kaohe de tongzhi’ (circular about work evaluation, 1997 district level party government and masses organisation) and the document ‘Xiangzhen dangzheng lingdao banzi he lingdao ganbu, 1997 niandu gongzou kaohe banfa’ (Method of 1997 work evaluation of township party government leading group and cadres).

55. Interview no.2218.

56. Interview no.1312 with staff from the personnel bureau in a Shandong county.
57. In a village in Shandong, the leading representative literally signed four pledges or contracts. These were contracts with regard to family planning, afforestation, fire prevention, and public security, see interview no.2404 with village head and likewise vice party secretary of the village. See also the documents '1998 niandu renkou mubiao zerenshu' (Responsibility book for population targets of 1998) and ‘1998 niandu shehui zhili zerenhua’ (Responsibility book for control of public order). Since I have not actually with my own eyes seen any such pledges or contracts that the township cadres sign with county level, I am not able to say whether township cadres sign the same pledges as the village level.

58. Interview no.1202 with staff members of the auditing bureau in a county under Beijing municipality.

59. (‘tamen shenjibuliao’) Interview no. 1304 with a township-run enterprise manager and likewise vice party secretary of a Shandong township.

60. Interview no.2204 with the vice-director of the financial office in a Shandong township.

61. See the document ‘Zhongyang X shi jijibing fahui jijian jiancha zhineng, youhua qiye fazhan huanjing’ (circular of discipline inspection commission: enhance inspection and discipline capacity, optimise the environment of enterprise development), p. 8.

62. See the document ‘Qianghua cunganbu jiandu guanli, cujin quanzhen gongzuo kaizhan’ (Strengthen the management of supervising village cadres, promote the work progress of the whole township), p. 4.

63. Interview no.2208 with the general manager and the vice-manager of a township-run enterprise in Shandong. This general manager was the former private entrepreneur accused of tax evasion. This happened in the late 1980s and may be less common a decade later.

64. Interview no.2217 with the vice-director of the auditing supervision bureau and one staff from discipline inspection commission in a Shandong township. In this township the head of the discipline inspection was also the head of the auditing bureau.

65. For background and problems of implementation, see Kelliher (1997) and O’Brien (1994).

66. Interview no.2401 with the party secretary and likewise chairman of the village enterprise group in a Shandong village.

67. This study will be completed in autumn 1999 and further field studies will be conducted.

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Summary


The article takes the entrepreneurial role of local governments as its point of departure and raises the question why the close relationship between local governments and enterprises has not to a larger extent led to the predatory state situation in China. Both the economic and political roles of local governments are discussed. Local cadres are seen as an agent of both higher levels of party-state administration and local community. The incentives (bonus and promotion) and the constraints (demotion, auditing, inspection, lodging of complaints, filing of law suits and lower level’s judgements) that local cadres work under are examined. The study finds that the institutional context makes promoting development the dominant strategy for local cadres.
Development Through Want of Security: The Case of Taiwan

Kristen Nordhaug

Introduction

Comparative studies on the role of the state in economic transformation in developing countries show that states differ in terms of their institutional capabilities and political will to promote economic transformation (Evans, 1995). States may also change in more or less developmental directions. The Republic of China on Taiwan (ROC) is an interesting case in this respect. In the past four decades Taiwan has combined one of the world’s fastest GNP growth rates with industrial structural transformation and equal distribution. Some of these achievements are indicated in the table below.

Taiwan’s strong economic performance has frequently been attributed to interventionist, but pro-capitalist economic policies. The success of these policies has in turn been explained as a result of state organisation and state–society relations (Amsden, 1985; Gold, 1986; Pang, 1992; Wade, 1990). Some authors draw on these state-centred accounts, but focus more strongly on the impact of security policies on major ‘developmental’ changes of policies, institutions and power relations in ROC (Lewis, 1993; Nordhaug, 1997). In this article I attempt to summarise these security-centred explanations of Taiwan’s postwar development within a theoretical framework, while I also discuss potential problems of applying this approach to Taiwan’s recent development in the 1980s and 1990s.

Note of acknowledgements. Research for this article has been financed by the Norwegian Research Council. A previous version appeared in Pacific Focus, Vol. XII, No. 1, 1997. I thank Harald Bøckman, Laurids Lauridsen, Linda Weiss and two anonymous referees for useful comments. The usual disclaimers apply.
Selected indices on Taiwan's economic transformation, 1952–94

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* 1953  ** 1961  *** 1995


Historical Perspectives on War, State-building and Economic Policy

The security-centred approach draws on ideas within historical sociology on the relationship between war, state-building and capitalist economic development. Historical sociologists have argued that state-building and government policies to promote economic development in early-modern Europe were closely related to military development. All over Europe tax collection was increased in order to finance the immediate costs of rising military expenditure, as well as the long-term costs of accumulated debt (Mann, 1986:453–4, 483–90; Tilly, 1992:81–3, 91–5).

Centralised territory states became the dominant form of political organisation due to their ability to mobilise population and fiscal resources for warfare. This process was based on a transition from indirect to direct rule where local intermediaries were replaced by government officials or integrated into the government organisation (Tilly, 1992:103 ff.).

Occasionally European states resorted to policies which increased their revenue base in addition to policies which increased the revenue’s share of available resources. Banking and defence-related manu-
facturing prospered. Domestic trade barriers were removed. Mercantilist policies protected ‘national’ production and trade from ‘external’ competitors, while external markets and production sites were expanded by military means and power politics, including colonisation (Weiss and Hobson, 1995:70–85).

The relationship between security and developmental policies was also seen in the 19th century. In the late 19th century late industrialising Imperial Germany and ‘late-late industrialising’ Tsarist Russia initiated state-interventionist industrialisation programmes within heavy industry, railway construction and shipbuilding which were oriented to defence priorities (Gerschenkron, 1962; Kurth, 1979; Weiss and Hobson, 1995: Ch. 4). In Japan the threat from Western imperialism induced a group of bureaucratic reformers to overturn the *Tokugawa Shogunate* in 1868 under the banner of the restoration of the *Meiji* emperor. The new rulers initiated a number of state centralising measures and an industrialisation programme under the popular axiom ‘rich country, strong army’ (Trimberger, 1978: ch. 2–4).

Agrarian reforms with more or less favourable effects on capitalist development, such as the emancipation of serfs in Prussia and Russia, were also motivated by security concerns. In Prussia in 1806 these reforms were motivated by the need to raise a loyal conscript military force. In Russia in 1856 the Empire attempted to increase its fiscal resources by the emancipation of serfs (Weiss and Hobson, 1995: 76–9).

Thus, a number of policies which centralised the states’ control over the resources within their territory and promoted capitalist economic development were driven by security considerations. This logic has, however, not been that strong in the Third World, especially not among the former colonies which became independent after 1945. After World War II the principle of state sovereignty was universalised and a great number of non-European colonies became independent. The borders of these new states were guaranteed by balance of power among the two superpowers, but also by global or regional multilateral arrangements and international agencies such as the United Nations and the Organisation of African Unity. Superpowers and regional powers concentrated on boosting the position of their clients in the governments of these countries, rather than incorporating new territory into their own. Since their borders were internationally guaranteed, the rulers of the new states primarily used military power against enemies within their own territory. They did not have any strong inducement to undertake state-centralising reforms or development policies in order to improve external defence. Many new states, especially in sub-Saharan Africa, failed to comply with the standard functional definition of modern states: monopoly of force...
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and effective jurisdiction within the national territory. Yet their territorial sovereignty was guaranteed by the international system (Herbst, 1990; Jackson and Rosberg, 1982; Tilly, 1992: Ch. 7).

Effective strengthening of new states in postwar developing countries was seen most clearly when they were not fully protected by the international state system and were exposed to strong military threats, as in Cuba, Vietnam, Israel, the Koreas, China and Taiwan (Migdal, 1988: 273–4). We may also include the city states Singapore and (pre-1997) Hong Kong if we focus on an extended concept of security. The socialist states Cuba, North Korea, Vietnam and Maoist China were not able to convert their state-building achievements into enduring developmental performances after an initial ‘great spurt’. ‘Market socialist’ China after 1979 may be the exception that proves this rule.²

On the other hand the East Asian ‘four dragons’ (South Korea, Taiwan, Singapore and Hong Kong) managed to convert state strength into developmental policies, perhaps with some qualification for Hong Kong. Like Taiwan, the other three dragons are small countries in terms of area size, with a high population density and without significant natural resources. They rely heavily on the world market for necessary supplies, and their welfare and security depend on their ability to export sufficiently to pay for these imports. As a result, security and export performance have been closely linked. Singapore and Hong Kong did not have any sizeable agricultural sector, and agricultural exports in Taiwan and South Korea were restricted by domestic demand. Thus, there was a strong inducement to develop export industries. Export-promoting industrialisation strategies received strong support from the political leadership (Wade, 1990:341).

As for Taiwan, it came under pressure to expand its revenue base in order to improve national defence. As a result of this situation the government undertook policies of state centralisation, land reform, promotion of industrial export and military-related industrial deepening.³ Let us see how this relationship between security policy and developmental reforms can be conceptualised.

Theoretical Approaches to State Strength and Developmental Policies

Joel Migdal (1988) distinguishes between weak and strong states according to their capabilities to implement centrally conceived policies, to collect taxes and to spend government revenue in a planned way. In weak states the state organisation does not fully penetrate local communities and the state’s extraction of resources is restricted. Locally
the state is ‘captured’ by non-state elites in ways which restrict its power and control of resources. The local weaknesses of the state are reproduced centrally as its organisation is weak and non-coherent and allows for considerable self-enrichment by political elites.

Strong states are more able to expand their revenue and to restrict private self-enrichment by state elites. They have a well-developed bureaucratised organisation, and their ability to penetrate local communities is high. They are also capable of curtailing the power of non-state elites, or to co-operate with these elites without abandoning central control. Yet, strong states do not necessarily promote economic transformation. Strong, non-developmental states should be distinguished from strong developmental states.

There is a wide range of analyses and theories on the political-institutional preconditions necessary for developmental economic policy performances in East Asia. However, most of these accounts bypass the issue raised by Migdal regarding the state’s capability to extract fiscal resources. They also rarely address the question of the origins of ‘developmental’ institutions and policies. An unpublished work by Alice Amsden (1993) is an exception. Amsden develops a theory about the shifting role of the state in the economic development of South Korea and Taiwan. Fiscal resource extraction is a key issue, since policy shifts are related to government strategies of maximising revenue.

According to Amsden, states try to maximise their revenue. They choose unproductive rent-seeking or the strategy of increasing revenue by promoting capital accumulation depending on the likely success of these choices. In the 1950s the governments of South Korea and Taiwan pursued rent-seeking strategies. In the 1960s they changed to development-oriented strategies in response to a number of favourable conditions: the legacies of previous Japanese colonial rule, effective bureaucratisation, state autonomy based on government control of sources of subsidy and land reforms which led to equal income distribution.

I find it useful to examine in detail Amsden’s category of rent-seeking by distinguishing between bureaucratised rent-seeking by the state as an institution, and rent-seeking by its individual members. This distinction can be related to Migdal’s strong/weak state division. ‘Individual rent-seeking’ takes place when government officials or political factions use their political power to enrich themselves and their non-state partners in ways which restrict economic transformation and government institutions’ access to revenue. Individual rent-seeking prevails in weak states.
Bureaucratised rent-seeking increases the share of revenue from a more or less stagnant national economy by improving the central state’s organisation and capability to penetrate local communities. This is rent-seeking in so far as the government centralises economic resources into its own hands without providing much in return. Yet, the process of strengthening the state’s administrative capacities may establish political-institutional prerequisites for future developmental policy shifts.

A strategy of increasing revenue collection without expanding the economic base will have to face the problem of diminishing returns in the long run. The alternative is ‘development-oriented’ policies which promote capital accumulation in order to increase revenue. This will require political-institutional changes. The literature on developmental states in East Asia stresses that developmental policies require well-organised, competent and powerful economic bureaucracies. The ‘statist’ argument (Amsden, 1989; Wade, 1990) regards state capacity as an outcome of the government’s autonomy vis-à-vis business and other societal interest groups and its control over ‘policy instruments’, such as credit institutions. On the other hand, some recent ‘neo-statist’ contributions have related state capacity to institutionalised networks between government and business (Evans, 1995; Weiss, 1998). For the time being I will leave out the differences between these two approaches which will be discussed further in my presentation of developments in the 1980s.

According to Amsden, economic policies are changed in more developmental directions in response to favourable conditions that make government support of capital accumulation profitable. I find this explanation too simplistic. State leaders will also consider the political drawbacks associated with a developmental strategy and the political urgency of maximising revenue. Rulers frequently refrain from improving revenue collection or promoting capital accumulation as they fear the political repercussions. Major policy changes are not only difficult, but also dangerous, as they may antagonise political allies or destabilise social and political power relations. Policies and institution-building are directed by the political leaders’ concern about alliance formation and political stabilisation.

As a result, leaders of weak states will normally pursue strategies which impede bureaucratisation in the Weberian sense. Administrative positions are based on personal ties with political leaders; these positions are frequently rotated and there are sanctions against the development of strong intra-bureaucratic ties which may strengthen political rivals within the state. The imperatives of political survival
are at odds with the institutional strengthening of the state (Migdal, 1988:ch. 6–7).

A similar logic applies to impediments against the transition from strong states to developmental states. Political leaders use distributional economic policies in order to reward their political allies and punish their political opponents, even if these policies frequently restrain overall economic development. Strong bureaucratic vested interests go against ‘developmental’ reorganisations of the economic bureaucracy (Moon and Prasad, 1994). Thus, established power relations tend to check developmental policies and institution-building.

The imperatives of national security may, however, encourage state leaders to challenge these deadlocks. Political leaders may be willing to risk dangerous political-institutional reforms and policy shifts in order to mobilise resources and manpower needed for the defence (or expansion) of their territory (Migdal, 1988:273–4; Weiss and Hobson, 1995). In the next sections I argue that the political leadership in ROC undertook a number of institutional reforms and development-promoting policies in order to fulfil security objectives. During this process there were changes from predominantly individual rent-seeking to increasingly bureaucratised rent-seeking followed by rising development-orientation.

**Individual Rent-seeking in a Weak State and ‘Bureaucratic Pockets’**

Taiwan was transferred from Japan to the Republic of China in 1945 after World War II. According to Amsden, the new Nationalist administration in Taiwan simply resorted to plunder (Amsden, 1985: 100–01). This judgement is not far from the truth as regards the first Nationalist administration in Taiwan, the Chen Yi administration (1945–47), although it may be unfair to the ensuing Wei Tao-ming administration (1947–48). Government officials in the mainlander-dominated Chen Yi administration diverted large proportions of Taiwan’s economic surplus into their own pockets (Kerr, 1965). This kind of individual rent-seeking was widespread all over Republican China. The Chinese Republic was a weak state and the central government’s control over its provincial administrations was limited.

Yet there was one fairly well-functioning government agency in Taiwan, the National Resource Commission (NRC). This agency was established on the Chinese mainland in the early 1930s in response to the military threat from Japan. Its mission was to develop state-owned military industries along with extractive industries which should pay
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for the imports needed for the industrialisation. The NRC had a relatively effective bureaucratic organisation. In 1946 the central government forced the local administration in Taiwan to accept NRC control of a large share of Taiwan’s public enterprises (Kerr, 1965:136–40; Kirby, 1994:11–12). The NRC acted as a ‘pocket of bureaucratic efficiency’ which restricted the private rent-seeking by the administration in Taiwan in favour of bureaucratised rent-seeking by the central government in Nanking. Export proceeds from Taiwan’s public enterprises were used to finance the central government’s military expenses which escalated during the Chinese civil war.

Taiwan’s bureaucratic capacities were also enhanced by the legacy of Japanese colonial rule (1895–1945). Japanese colonialism was based on effective direct rule down to the village level and a well-developed system of taxation (Chen, 1970; Myers, 1973). The colonial administration promoted a highly productive export agriculture and developed a network of agrarian associations to implement its agrarian policies (Myers and Ching, 1964:562–5). After the Nationalist Chinese take-over of Taiwan in 1945, Japanese property was nationalised, including most modern industry, public utilities, service institutions and large tracts of land. This was the foundation of a large public enterprise sector in Taiwan.

Strengthening of the State and Bureaucratised Rent-seeking

After their defeat in the Chinese civil war in 1949, the remainders of the Chinese Nationalist government and army withdrew to Taiwan. A party reform increased the coherence and reach of the state and land reforms and a network of state-controlled agrarian associations allowed the government to extend its power further in rural communities.

The party reform of the Kuomintang (KMT) during 1950–52 came in response to problems which had become apparent during the civil war: treason and lack of discipline in the army and factionalism within the party. The political leadership now attempted to use the reformed party to control the army and other important institutions in state and society. A one-party state was established with extensive policing, cell organisation, cadre training, local community focus, ideological indoctrination and a system of political commissars in the army.7

Agrarian reforms during 1949–53 eliminated landlordism and established an egalitarian family freehold land-ownership pattern. Considerations about revenue and legitimacy may both have been
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important in these land reforms. After having lost the mainland in a peasant revolution, the Nationalists strongly felt the need to boost rural support in Taiwan (Chen, 1961:47–8; Hsiao, 1981:101–8). In addition, the system of taxation was now directed at users of land rather than landowners. The main government revenue from agriculture came through a government monopoly on sale of fertilisers. These fertilisers were bartered for rice produced by the farmers with terms of trade which favoured the government. This indirect rice-taxation system encouraged the government to undertake reforms which weakened the competition from the landlord class for Taiwan’s rice surplus (Shiau, 1984:97 ff.). The agrarian associations from the Japanese period were strengthened and subjected to strict control by the KMT (Nordhaug, 1997:150 ff.; Shiau, 1986). These associations performed various services on behalf of the government, including collection of rice taxes.

These reforms established a strong state with enhanced capacities of implementing decisions and extracting resources. The transition can be analysed in terms of Migdal’s theory of requirements for the establishment of strong states: Social dislocation through civil war or mass migration enfeebles local elites. A military threat motivates state elites to undertake policies of state centralisation. Dominant powers accept or even support the new state-centralising policies. There is a social group with the potential to become a state elite along with a skilful political leadership (Migdal, 1988:269 ff).

Japanese colonialism along with major social dislocation during the Nationalist take-over of Taiwan and the mass migration of mainlanders to Taiwan were all factors weakening local elites. The landlord class had already been enfeebled during the late period of Japanese colonial rule before the postwar land reforms dealt a final blow (Ka, 1995:172–7). The Taiwanese bourgeoisie was also weak, since most modern industry and foreign trade had been under Japanese control during the colonial period and was nationalised by the new Chinese Nationalist government. Finally, mainlanders who followed Chiang Kai-shek to Taiwan were deprived of their previous independent regional sources of power. There were no strong non-state elites in Taiwan and the new party-state filled this power vacuum.

The coherence of the state was also strengthened by self-selection and reduced factionalism since it was mainly Chiang’s remaining supporters within the army, party and administration who came to Taiwan. A new round of self-selection took place during KMT’s re-registration campaign in 1950 which preceded the party reform. Many
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former party members abstained from re-registration in order to avoid party examination of their previous doings.

Nationalist political elites from the mainland were strongly autonomous, distancing themselves from Taiwanese elites as a result of linguistic-cultural barriers and hostile relations between Taiwanese and mainlanders. Isolation from the Taiwanese society contributed to an *esprit de corps* based on a common mainlander identity which was reinforced by the goal to retake the mainland. The political leadership was motivated by a sense of national mission as it regarded itself as the legitimate government of all of China. This claim justified a martial law and political exclusion of the Taiwanese from central government positions.

The mainland Republic of China had continuously faced major military threats during the period 1931–49, first from Japan, then from the Chinese Communists, but the vast size of the territory along with reliance on U.S. support (after 1941) directed attention away from the need to reform. This situation changed after the defeat in the civil war in 1949. The Chinese Nationalists were now stranded on a densely populated, small island, they had been given up by their U.S. ally which had terminated its aid to them, and they faced a life-and-death military struggle with a consolidated Communist China. The Nationalists were forced to manage on their own and responded with reforms. The planning of the party reform as well as the first step of the land reform started in 1949.

The strengthening of the state was favoured by the beneficial ‘timing’ of the external threat and U.S. support. The implementation of the party reform started in August 1950 when the Nationalists’ alliance with the United States was about to be renewed. U.S. military protection and aid supplies provided a ‘breathing space’ for policies of long-term strengthening of state institutions (Nordhaug, 1997:134–9).

In her discussion of Taiwan in the 1950s, Amsden emphasises rent-seeking centred on profiteering from import control and U.S. aid supplies (Amsden, 1985:101, 1993:24). These were strategies of individual rent-seeking. But Amsden also hints at bureaucratised rent-seeking. She argues that the regime attempted to build a military force to invade the Chinese mainland at the expense of investment in economic development (Amsden, 1985:100). My claim is that this form of rent-seeking was dominant in Taiwan in the 1950s.

Economic policies in Taiwan in the 1950s were oriented to find ways to finance high military expenditure without destabilising the economy. Revenue collection which earlier had been in the hands of the provincial government was streamlined and firmly subjected to the
central government’s authority in 1953 (Nordhaug, 1997:132–4). Most of the government’s expenditure went on defence. Military build-up was subsidised by public enterprises, which in turn were favoured at the expense of the private sector with regard to aid allocation and cheap credits from the government-controlled banks. A heavy resource transfer from agriculture through fertiliser–rice exchange secured food supplies to government officials and the army. An import-control system addressed problems of trade balance which to a large extent were caused by military spending. Most of the U.S. aid to Taiwan was in the form of military aid, while a large part of its economic aid was used to cover government budget deficits caused by heavy defence spending (Lewis, 1993:162–74; Nordhaug, 1997:187–95).

The overall orientation of the state in Taiwan in the 1950s was non-developmental, but economic management was relatively good. The government had curtailed the previous practices of holding public office for private self-enrichment, although the import-control system was an important source for individual rent-seeking. The legacy of the National Resource Commission was strongly felt within the economic bureaucracy (Kirby, 1990:135–7), and the U.S. aid mission sponsored and assisted the improvement of bureaucratic capacities within economic planning, co-ordination of aid and agricultural policy-making (Nordhaug, 1997:195–201; Pang, 1992:49–53). A section of the economic bureaucracy also co-operated with the U.S. aid mission in promoting private import-substitution industrialisation (Gold, 1989; Hsu, 1987:159–69; Yin, 1954). Thus, Taiwan had good institutional conditions for a change to more ‘developmental’ policies. But this change was not an automatic response to favourable circumstances as implied by Amsden. It was triggered by the regime’s security-induced need to increase its revenue.

The Shift to Development-Orientation

Bureaucratised rent-seeking in Taiwan in the 1950s expanded the government’s revenue from an economic base which was maintained by U.S. aid. By contrast, ‘developmental’ policies expanded government revenue by increasing the domestic economic base. In the late 1950s and early 1960s economic policies became more developmental.

During 1958–60, devaluation and exchange rate unification restricted speculation based on privileged access to cheap, rationed imports. In 1960 this was followed by an ‘Accelerated Growth Program’
which included a number of measures to promote export, saving and investment, improve central banking and establish a stock exchange and a government-owned industrial bank. A ‘Statute for Encouragement of Investment’ provided tax advantages on a wide range of investments. There was still considerable protectionist import control, but the import-control system was tailored to reduce the damage done to export producers who needed cheap inputs (China Yearbook, 1960–61:161–3; Hsing, 1971:205–21; Lin, 1973:74–8, 85–93, 100–07).

The policy changes were followed by new forms of government–business co-operation. In the early 1960s industrial branch organisations established cartels with government support. These organisations were authorised to use sanctions to restrict the production by their members for the domestic market, while they encouraged export by the allocation of bonuses and fees according to export performance (Amsden, 1993:26–9; Kuo, 1995:99 ff.).

In 1965 Taiwan’s foreign investment regulations were revised to attract foreign investors. A number of industrial districts were established all over the island with access to transportation, communication and utilities, and a combined export free port and industrial park was established in Kaohsiung (Gold, 1981:158; Hsing, 1971:217, 221, 232–3).

A number of fortunate circumstances allowed for swift economic growth in the 1960s. The policy change was boosted by an ‘entrepreneurial society’. Small and medium-scale enterprises were of main importance in Taiwan’s industrial exports. These were family firms based on informal network relations and flexible subcontracting arrangements. They received little direct support from the government, but were able to take advantage of its improved economic management to move into light manufacturing export production (Hamilton, 1997; Lam and Clark, 1994).

Taiwan’s new ‘development-orientation’ was also blessed by favourable international conditions: growing export markets and foreign direct investment in new manufacturing activity. U.S. aid to Taiwan tapered off, but Taiwan was indirectly supported by the U.S. expenditure on the Vietnam War and aid to South Vietnam. A large share of South Vietnam’s import came from Taiwan. This export to South Vietnam was promoted by the good relations between Saigon and Taipei and financed by U.S. aid. Taiwan also benefited from U.S. procurement of goods and services for its war effort (FEER, 31 Oct., 1963; FEER, 20 Feb., 1964; FEER, 16 July, 1964; Naya, 1971).

Export markets in the United States grew at a rapid pace in the 1960s as U.S. deficit spending to fight the war and implement welfare
programmes generated increased imports from the rest of the world. Taiwan was advantaged by international tariff reductions and expanded its exports to the United States and other industrialised countries, while maintaining its protection policies. By the end of the 1960s the United States had become Taiwan’s major export market. In 1968 Taiwan achieved its first trade surplus with the United States which thereafter continued to grow.

Taiwan’s measures to attract foreign investments coincided with new strategies among U.S. and Japanese transnational companies which started to look for areas with low labour costs, mainly for the purpose of export production. Taiwan was an attractive investment site with its low wages, high productivity, political stability, services, investment incentives, geographical proximity to Japan and a local population which spoke Japanese well (Gold, 1981:178–82, 192–6, 198 ff.; Ozawa, 1979:35–9, 78–84).

The time was ripe for trying new policies in 1958. In the second half of the 1950s there was a crisis within Taiwan’s budget and foreign trade sector which was caused by U.S. aid cuts and the government’s growing defence expenditure. The government tried to solve its fiscal problems by increasing its revenue, but revenues continued to lag behind the growing budget. The crisis could have been solved by defence cuts which would have reduced government expenditure as well as imports, but the authorities would not consider this alternative at a time when hostilities with the PRC increased in the Taiwan Strait (Nordhaug, 1997:239–49). Instead a group of technocrats were authorised to implement economic reforms.

Before the policy change there had been power struggles within the economic bureaucracy between industry-oriented agencies and agencies of finance and import control. The victory of the industry-oriented group came as a result of rotations within the political leadership. The new Prime Minister Chen Cheng brought with him his clients from the industry-oriented agencies who established control over key positions. This group pursued the economic reforms through the extra-ministerial ‘Council for United States Aid’ (CUSA), and extended their control to the agencies of monetary and exchange control. This allowed for improved co-ordination of trade and finance policies with industrialisation policies (Lewis, 1993:211–18; NYT, 10 Jan., 1958; Nordhaug, 1997:249–63; Pang, 1992:169–75, 194–5; Wade, 1990:389–91). The policy changes were fortified as Taiwan’s economy began to grow fast enough to keep pace with the swiftly increasing military expenditure.
It is sometimes argued that the U.S. administration pressured the government of ROC to abandon its militaristic stance in favour of increased development orientation (Haggard and Pang, 1994:48–9, 71–2), and that the economic reforms were designed by the U.S. aid mission (Jacoby, 1966:134–5). These arguments underestimate the Nationalist government’s continued military orientation and growing defence spending after the reforms as well as its own plans for economic reforms.

In December 1959 the U.S. AID presented the government in Taiwan with suggestion for an ‘accelerated development programme’. A programme loan was offered as an inducement to reform. But the Taiwan side did not simply accept an American blueprint. It was already on its way to design export-promoting policies which went further than the U.S. ‘structural adjustment demands’. It responded with a ‘Nineteen-Point Program on Economic and Financial Reforms’, which included a number of reforms in addition to those proposed by the aid mission (Pang, 1992:184–5).

The leadership was also highly reluctant to implement a freeze on its military expenditure which it had committed itself to after U.S. pressure. During the economic breakthrough in the 1960s Taipei also fashioned numerous ‘counterattack’ plans against the Chinese mainland (Nordhaug, 1997:230–34). The most serious of these counterattack preparations occurred in 1961–62. The ROC government hoped to take advantage of the social unrest caused by the hunger crisis in China in the aftermath of the ‘great leap forward’ policies, and prepared for airdrops of guerrilla troops against the mainland. However, U.S. authorities refused to give the green light (FRUS, 1961–63, Microfiche: documents 12, 21, 38, 40). The Nationalist government had also increased its defence spending without informing the U.S. embassy and aid mission. The Americans responded with a reduction of a promised programme loan (FRUS, 1961–63:219–21, 223–5). There was a slight decrease in defence expenditure at constant prices from 1962 to 1963, but then it started to rise again. The U.S. side wanted to redirect ROC’s leadership from militarism to economic development. But to Nationalist authorities economic growth and exports were means to pursue the goal of continuous military build-up without destabilising the economy.

National Security and State-led Industrial Deepening
According to Amsden, development-oriented revenue maximising was consolidated in Taiwan in the late 1960s. The government then aban-
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doned its plans to retake the mainland and concentrated on economic development: ‘the population of Mainlanders as a social collectivity no longer needed to retake China in order to enrich itself’ (Amsden, 1985:100).

This argument is weakened by its utilitarian logic. It implies that modern wars are fought for plunder. This is by itself dubious. Furthermore, most mainlanders did not benefit much from the economic boom in the 1960s since they were working for the government, in the army or in public enterprises with low salaries. The main beneficiaries were Taiwanese who controlled most of the private sector (Lewis, 1993:50–52). This might have been explainable as long as the mainlanders ‘invested’ in a return to the Chinese mainland, but one would then have expected that they resorted to rent-seeking practices when they gave up retaking the mainland.

It is however correct that the government became more development-oriented and gave up retaking the mainland in the late 1960s. During spring 1967 President Chiang Kai-shek made a last unsuccessful attempt to enlist U.S. support for an attack against the mainland (Declas. Doc., 1997: no. 3558). Thereafter Chiang personally took a strong interest in ‘domestic modernisation’ and pushed for educational reform, scientific and technical upgrading, urban modernisation and government administrative reform. U.S. officials attributed Chiang’s newfound interest to the realisation that a return to the Chinese mainland was unrealistic given the lack of U.S. support (Declas. Doc., 1994: no. 294). Yet, Taiwan’s reinvigorated development-orientation was reinforced by security policy motives. The government had abandoned its offensive militarism, but economic policies were still embedded in security priorities.

In the 1970s the government undertook an economic policy of import substitution within strategic state-owned heavy industries, while it continued its export-promotion policies. Whereas Taiwan’s previous ‘economic take-off’ had been based on labour-intensive export production of consumer goods with few requirements in terms of know-how, the new strategy required greater technical competence and a better educated labour force. This policy change was preceded by other measures.

A greater share of the government’s revenue was invested for productive purposes in education, infrastructure, Research and Development (R&D) and state-owned industry. A costly reform of the educational system took place in 1969. Primary education was extended from six to nine years, and higher education was expanded, particularly within natural sciences and technical subjects. The best
students were sent to foreign universities. The government’s investment in research also increased. These expenses along with continuously high military expenditure were paid for by increased taxation. A tax reform increased the government’s revenue (Lewis, 1993:324–8).

Increased revenue and growing technical skills within the population allowed for major programmes of infrastructure expansion and import substitution within strategic heavy industries. A ten-year plan in 1971 earmarked plastics, machinery, shipbuilding, electrical equipment and steel as strategic industries. These were industrial branches with a decisive importance to defence industries. The new industrialisation programme was based on government enterprises which were favoured by cheap credits from the state-controlled banking system. These state-owned enterprises were producing for commercial markets as well as for the military.

The government cultivated forward linkages from the state-owned heavy industries to civilian production by means of import control so that public enterprises could benefit from economies of scale. A producer who wanted to import inputs under import control would have to demonstrate that locally produced goods were significantly more expensive than imported alternatives, or of inferior quality. These regulations on imports of inputs had already been in force for some time, but they became more important as Taiwan’s heavy industries expanded. Private business functioned as a ‘captive market’ which subsidised the build-up of military industries, while there were safety-valves which reduced the harm done to downstream producers (Lewis, 1993:305–9; Wade, 1990:129–32).

Industrial deepening was accompanied by stronger integration than before between the military and the economic bureaucracy. In 1967 a National Security Council was established. Leaders of the economic bureaucracy and the military co-ordinated economic-political and military guidelines for national policy-making within this extra-ministerial security agency. This method was used to bypass resistance from regular government agencies against policy change. The council established a number of ad hoc committees which should concretise and implement its broad policy outlines (Lewis, 1993:313–9).

Taiwan’s heavy-industry drive was related to a new and threatening international situation. Shortly after its inauguration in 1969 the Nixon administration set out to improve U.S. relations with the PRC. Accordingly the United States reduced its military protection of Taiwan. It also announced that free military aid to Taiwan would be ended. ROC would now have to purchase military equipment from the United States. Taipei’s international position also declined in the early 1970s.
It lost its seat in the United Nations in 1971. ROC was exposed to economic warfare from the PRC which threatened to boycott companies which traded with Taiwan and South Korea.

Substituting imports by production from local heavy industries was a way to improve Taiwan’s self-reliance in strategic goods, including arms supplies in a critical situation of international isolation and declining support from the United States. The authorities wished to reduce Taiwan’s dependence on imports of capital goods and military equipment and develop a technological lead over the PRC, while simultaneously strengthening Taiwan’s international competitiveness vis-à-vis industrialised countries.

National Security and Private Hi-tech Development

Defence concerns strengthened state-led industrial expansion in the 1970s, but in the 1980s private hi-tech industries were main beneficiaries. In late 1978 Taiwan was exposed to a new shock as the Carter administration announced its forthcoming transferral of diplomatic recognition from ROC to PRC. Before this shock, the U.S. Congress and administration had imposed stricter restrictions on arms sales to Taiwan. The government in Taiwan now expanded its defence-related development efforts to promotion of hi-tech sectors such as advanced microelectronics, needed in the production of advanced weapons systems. There was closer government-business co-operation than before, as local private producers with more experience within electronics production than government enterprise managers were invited to participate (Lewis, 1993:367–9).

There were greater efforts than before to combine R&D for civilian and military use through new government agencies. A leading force was the Chungshan Institute of Science and Technology, a government-run research agency for defence technology. Already by the mid-1970s it employed nearly 2,000 professionals, some 50 per cent of whom came from universities and the private sector. This composition may have allowed for increased spin-offs from the defence sector to the private economy (Nolan, 1986:49). Admittedly, there is little documentation on the role of the defence industry in promoting Taiwan’s civilian hi-tech industry (Hou and Gee, 1993:406). Yet the growing role of private actors in the defence industry and the linkage between targeted industries such as microelectronics, aerospace and defence industry are presumptive evidence of a connection. Defence-related interests in hi-tech development would then have reinforced
concerns about maintaining economic competitiveness by industrial upgrading.

A pioneering organisation was the Industrial Technology Research Institute (ITRI). This national research laboratory was established in 1973. Its mission was to build technological capacities across targeted hi-tech sectors. Its focus has been more on technology transfer than on research. It has been organising or promoting the import of technology (e.g., under licence, or through joint development) and engaged Taiwanese firms in projects to utilise the technology. This has been followed up by measures to transfer the technology to private firms for commercial use across products, equipment and know-how. ITRI has actively worked to reduce the risks for enterprises involved in application of new technology and products. It set up enterprises which pioneered new industrial sectors, and then encouraged private actors to move into the field. For instance, in 1980 ITRI in co-operation with the government provided the technology and capital for United Microelectronics Corporation, Taiwan’s first commercial enterprise within semiconductors. It did the same again in 1986 for the highly successful Taiwan Semiconductor Manufacturing Corporations which was a joint enterprise with the Dutch multinational Philips (Mathews, 1997:31–2, 34–6).

In the late 1970s and early 1980s a network of public research laboratories, parastatal organisations, industry parks, state- and party-controlled finance institutions was established. These institutions were oriented to the promotion of technological upgrading, especially in Taiwan’s small and medium sized enterprises which dominate its exports, as these kind of enterprises are poorly equipped to perform this task on their own (Hou and Gee, 1993). They co-operated closely with Taiwan’s industry associations. Research activity was focused on areas targeted by the Strategic Industries Programme: microelectronics, telecommunications, biomedicine, special chemicals, material science, precision machinery, nuclear energy and aerospace. Private business was incorporated in the policy-making process through new forms of institutionalised channels of consultation in economic policy-making (Chu, 1994:123–5; Mathews, 1997:28–33).

Is the Security-driven Developmental State a Thing of the Past?

I have argued that the still unsettled Chinese civil war induced the government to undertake policies which improved Taiwan’s military capabilities and increased its revenue. The shocking experience of de-
feat in the civil war on the mainland and the need to improve Taiwan's defensive capabilities promoted a shift from practices of political self-enrichment in the late 1940s to bureaucratised resource extraction for military purposes in the 1950s. In the late 1950s a fiscal and foreign trade crisis was induced by heavy defence expenditure and declining U.S. aid. This led the government to promote private light manufacturing for exports. Concerns about national self-reliance led to a new shift of economic policy to state-led defence-related build-up of heavy industries in the 1970s. I have also suggested that the promotion of private hi-tech industry in the 1980s was stimulated by concerns about developing military technology. But what about the past decade? Does my argument about a developmental state promoted by security concerns still apply?

One common argument is that the institutional foundation of the developmental state has disappeared over the past decade as a result of economic globalisation and/or the social and political changes induced by the previous success of the developmental state. One may also argue that there is no longer a positive relationship between security and development in Taiwan. One main reason for that would be its relation with the PRC. Taiwan's economy has become increasingly integrated with the Chinese mainland, while the conflict between the two parties persists and restricts attempts to strengthen economic relations further. Finally, the current Asian financial crisis has weakened the credentials of the East Asian developmental state. Yet so far Taiwan seems to have escaped from most of these regional predicaments. How should that be accounted for by my approach? Let us investigate these issues one by one.

**Decline of the Developmental State?**

According to one commonly held view the institutions and state–society relations which accompanied state-directed high growth in South Korea and Taiwan have been overturned by some combination of internal and external pressure, comprising the mobilisation against government control by empowered capitalists and other classes, reduced state power caused by the globalisation of the economy and U.S. pressure for liberalisation of trade and foreign investment (Evans, 1995:Ch. 8; Gold, 1986:128–32; Moon, 1988; Pang, 1992:240–53; Woo, 1991:Ch. 7). Here I will discuss the impact of U.S. pressure on the developmental state in Taiwan.

Taiwan's growing economic reliance on export markets in the United States made it vulnerable to U.S. pressure. Taiwan authorities
were forced to choose between the traditional institutions and policies of the developmental state and access to export markets in the United States. Taiwan’s bilateral trade surplus with the United States had soared from the 1970s onwards, until it reached an all time high of US$ 16 billion in 1987. By then the United States suffered from growing trade deficits and had become unwilling to accept Taiwan’s protectionism. Taiwan faced threats of retaliatory protectionist actions unless it opened its markets to U.S. trade and foreign investments. Taiwan’s economic interests of keeping the U.S. markets open coincided with its security interest in maintaining U.S. support in general, and U.S. support for entry into GATT in particular. The authorities hoped that GATT membership would break ROC’s diplomatic isolation. This required compliance with U.S. demands (Chou, 1992:117–8).

From 1984 the Reagan administration intensified its pressure on ROC to abandon previous trade and investment practices of mandatory export shares for foreign investments, domestic content requirements and export subsidies. Later it pressured for a revaluation of the New Taiwan Dollar against the U.S. Dollar which took place between 1986 and 1988. ROC was also forced to abandon its foreign exchange control which had allowed the government to undervalue the New Taiwan Dollar (Chou, 1992: Chu, 1994:121–2). As a result of U.S. pressure, the old-style policy instruments of the ‘developmental state’, such as investment control, export requirements for producers, trade barriers and foreign exchange control were abolished or significantly enfeebled.

This may be seen as evidence of the end of the ‘statist’ developmental state based on state autonomy and government control over a number of policy instruments which are used to discipline business. However, these developments need not imply the end of a ‘neo-statist’ developmental state with co-operation between government and business. Thus, Linda Weiss contends that the East Asian developmental state has not necessarily been abandoned, but that it has changed in a neo-statist direction. Successful adjustment required the recasting of policy instruments and government–business relations and new forms of institutionalised government–business co-operation. The state has been stripped of many of its regulatory measures, but its co-operative capabilities have been enhanced (Weiss, 1998:69–71).

My discussion in the previous section supports this view. A new hi-tech variety of developmentalism emerged in the 1980s which was centred around co-operative R&D efforts between government and business, and mediated by new parastatal institutions. This would be
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an example of the ‘public–private innovation alliances’ described by Weiss, where government and business co-operate ‘for acquiring, developing upgrading and diffusing technologies’ (Weiss, 1998:78).

Yet, at the end of the 1980s, the new innovation alliances between government and business were overshadowed by other developments. Productive investment declined, and much of Taiwan’s savings went into unproductive speculation in stocks and real estate. This financial bubble bursted in the early 1990s (Bowring, 1998).

Furthermore, government–business relations have frequently degenerated into rent-seeking alliances over the past decade. After the democratisation of 1986/87, practices of vote-buying and other kinds of client politics became common in the election for national representative agencies, with business acting as main sponsor. Political positions were ‘captured’ by narrow business interests and used to obtain political favours, such as public contracts (Chu, 1994:128 ff.). Thus, an emerging new kind of development-orientation co-existed with rent-seeking practices.

In the past few years ROC authorities have attempted to strengthen the development orientation further. One strategy has been to develop Taiwan into a regional economic centre of transnational operations combined with the strengthening of Taiwan’s hi-tech capabilities. Transnational investments and technology co-operation may indeed be crucial to accelerate the transfer of new technology across borders and to enhance domestic R&D capabilities as Taiwan attempts to develop into leading sectors in the world economy and faces tougher enforcement of intellectual property rights than before (Chu, 1995:212–3). However, these efforts have been complicated by strained relations with the PRC.

A Divorce Between Development and Security?

In the 1980s the authorities of PRC attempted to attract investments from Taiwan, Hong Kong and Macao into China’s new export zones in the provinces Guangdong and Fujian. The political rationale was to use economic integration to prepare for the 1997 and 1999 take-overs of Hong Kong and Macao, and a possible future take-over of Taiwan. These ‘capitalist provinces’ would be granted domestic political autonomy over a 50-year period after take-over according to the formula ‘one country, two systems’. PRC lifted previous restrictions on trade with Taiwan in the early 1980s, while the government in Taiwan continued to ban direct trade and air and shipping links with the

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mainland. Nevertheless, triangular trade and investment expanded through Hong Kong.

After 1987 there was a permanent and strong growth of economic relations with the mainland. ROC’s authorities liberalised foreign exchange controls and allowed for travels to the mainland. A number of regulatory measures disadvantaged investments in the mainland, but these investments still grew at a fast pace. The cumulative investments in 1995 were about US$ 30 billion, or more than one-third of Taiwan’s gross capital outflow. This foreign investment outflow has sustained Taiwan’s export of capital equipment and raw materials to the overseas Taiwanese-owned subsidiaries. Hong Kong has become Taiwan’s third largest trading partner, next to the United States and Japan. More than 90 per cent of this trade with Hong Kong is triangular trade with the PRC. Since 1991, Taiwan’s trade surplus with Hong Kong has exceeded its surplus with the United States. Taiwan now relies on the PRC for the maintenance of its huge trade surplus.

The KMT leadership headed by President Lee Teng-hui regards this economic reliance on the PRC as a security threat. The government has been reluctant to relax restrictions on economic relations and communications with the mainland. Resistance to these mainland policies has increased as many of Taiwan’s major business groups have become involved in the mainland with long-term investments since 1992. These investments are oriented to the gradual opening of China’s huge domestic markets. Over the past years they have pressured the government to liberalise trans-shipping requirements and other restrictions on overseas investment which disadvantage them relatively to other foreign investors (Chu, 1997; Leng, 1995).

Officials within the economic planning agencies have also taken an interest in liberalising relations with the mainland. From early 1994 key economic officials promoted the ‘APROC plan’ to develop Taiwan into a regional base for a number of transnational corporation activities in the Asia-Pacific region. According to these plans Taiwan should become a centre for high-value-added manufacturing industries, sea and air transportation within ‘Greater China’, financial activities in the region, telecommunication and Chinese language media (CEPD, 1995a, b). The aim was to fit Taiwan’s economy into the top end of the regional division of labour within ‘Greater China’. This position along with increased efforts in promoting R&D would make Taiwan attractive to transnational companies, and allow for critical transfers of technology and know-how.

The APROC project required further economic deregulation, including liberalisation of direct foreign investment, of the financial sec-
tor and of cross-strait relations. This resulted in a growing rift between the economic planning agencies and the security-oriented Mainland Affairs Council (MAC). The conflict was settled in December 1994 when a planning technocrat became the new head of the MAC. The MAC has since then pushed for the loosening of restrictions on direct shipping links with the mainland through ‘overseas trans-shipping zones’ (OTZ). The first step in this direction came in May 1995.

These plans were disturbed by the soured relations with the PRC after President Lee Teng-hui’s informal visit to the United States in summer 1995. The PRC responded by terminating the ongoing cross-strait talks between the two parties and military battle-drumming which culminated in its missile tests close to Taiwan’s two major seaports during ROC’s presidential election in March 1996. Military tensions calmed down thereafter and there have been new initiatives to expand the initial OTZ into a free-trade zone. However, business, legislators and economic planning technocrats continue to haggle with the central leadership in the government over regulations of investment on the mainland (Chu, 1997; FEER, 6 April 1997:28; 78; FEER, 9 Oct. 1997:52–8, 6 Nov. 1997:22–6, 46). Security concerns have also delayed liberalisation of foreign portfolio investments, since there have been worries that mainland investment funds would control Taiwanese companies and destabilise the local currency (FEER, 21 Aug. 1997:77; Reuters, 26 Nov. 1997).

The outcome of these processes is still uncertain, but in the years to come Taiwan will probably face various dilemmas and trade-offs between security and measures needed to boost foreign investment. National security interests are not propelling Taiwan’s refashioned developmentalism, and conflicts between economic technocrats and security interests may divide the state apparatus and lead to incoherent policy making. Yet, so far the Taiwan development model seems to be doing well, even during the prevailing regional financial crisis.

Taiwan and the Asian Financial Crisis

The regional financial crisis in Pacific Asia began with Thailand’s financial crisis in June 1997 and then escalated throughout the region during summer and autumn 1997. This crisis has led to major economic setbacks in ‘Asian miracles’ such as South Korea, Thailand, Malaysia and Indonesia, while Taiwan so far only has caught a few sneezes from the ‘Asian flu’. Taiwan is certainly not immune, it may indeed be badly affected if the yen continues its fall, or if there should
be a major crisis in the Chinese mainland. Yet, Taiwan’s economic health appears to be among the best in the region.

The triggering cause in the Asian crisis was a ‘run’ of transnational financial actors away from regional assets and currencies as the investors ‘discovered’ large amounts of short-term foreign debt, and limited currency reserves all over the region. This led to vicious circles of devaluation, increasing foreign debt followed by a domestic debt crisis.

The investor panic reflected a highly volatile financial structure. In the early 1990s deregulation of financial capital flows across borders took place in many Pacific Asian countries. Thailand pioneered new methods of attracting foreign portfolio investments which soon were copied by the Philippines, Malaysia and Indonesia. They were based on liberalisation of the finance sector and financial transactions across borders, while domestic interest rates were kept above the international level to attract foreign capital. Currencies were fixed to the U.S. dollar to reduce the risks to foreign investors. By these means the countries managed to attract large amounts of foreign portfolio investments mediated through local financial institutions. Supervision of the operations of these financial institution was lax (Bello, 1997).

The policy of fixing regional currencies to the strong U.S. dollar weakened the countries’ balance of payments. Their exports were squeezed by devaluation in Japan as well as in China, while imports grew cheaper. In response to a situation of high domestic inflation and declining fortunes for exports, investors in Southeast Asia invested in real estate. Property speculation flourished, fuelled by foreign capital (Wade, 1998).

While most Southeast Asian countries were engaged in hectic property speculation and other build-up of assets at inflated values financed by borrowing abroad, Taiwan was in a recovery phase from the collapse of its own domestic asset bubble in stocks and real estate in 1990. It was therefore saved from the economic overheating seen elsewhere in the region. Taiwan has also benefited by its slow and incomplete financial liberalisation. As a result, the actual level of foreign holdings of local stocks, NT dollar deposits and bonds were limited when the crisis began (Bowring, 1998).

Taiwan was also protected from the regional crisis by its low level of foreign debt. It did not rely on a policy of fixing its currency to the U.S. dollar as the Southeast Asian countries did. With a low level of foreign debt, and a lack of dependence on foreign capital, Taiwan could afford a modest fall of the NT dollar when the pressure against it increased during autumn 1997, and thereby also improve the competitiveness of its exports. Devaluation was a much greater threat for
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countries in the region with huge foreign debts. They were under heavy pressure to defend their currencies to hold down the foreign debt, until the run against their currencies became so strong that they were forced to devalue (Bowring, 1998).

I have discussed the effects of financial speculation and deregulation of this activity across borders, but what about the real economy? Was there anything about the institutional set-up in Taiwan’s developmental state which made it resistant to the crisis? A comparison with South Korea may be useful to investigate this further. Unlike in Southeast Asia, most of South Korea’s foreign borrowing prior to its financial crisis was invested productively in manufacturing.

Taiwan’s enterprises are less indebted than the Korean. These differences are related to differences in enterprise structure between the two countries. Unlike Taiwan, South Korea’s economy has been dominated by huge private enterprise conglomerates (chaebol) over the past three decades. Relations between government and private business were tighter than in Taiwan. The chaebol were traditionally heavily indebted to the government-owned banks which supplied them with huge amounts of subsidised credits. The Korean government used its credit leverage to direct the investment of the chaebol into preferred areas. The links between the state-owned banks and private business were much weaker in Taiwan, where most of the credits for the export industry came from family, friends, or the informal ‘curb’ credit market (Hamilton, 1997:291).

By 1997 the chaebol were no longer relying on subsidised credits from the government, but their debt-to-equity ratio was nevertheless much higher than in Taiwan. They were engaged in intense rivalry to conquer market shares from one another with little concern about profitability and dangers of duplication. There was over-investment in sectors such as automobiles, semiconductors, petrochemicals and shipbuilding. In addition, much of these long-term investments were financed by short-term loans (Chang, 1998; Moon, 1998). The family-oriented small and medium-sized enterprises which dominated Taiwan’s export probably placed more emphasis on high rates of return than the Korean chaebol, which were strongly oriented to size and market share. These concerns about fast profitability may also have kept Taiwan’s corporate debt at a relatively lower level than in South Korea (Bowring, 1998). But why did the Korean chaebol engage in cut-throat competition and over-investment, and were there any other institutional safeguards than family ownership which protected against this kind of behaviour in Taiwan?
The high debt of the Korean chaebol became a ticking bomb as a result of economic deregulation. In the 1980s the Korean financial system had been redirected from borrowing abroad to the boosting of domestic household savings. There was some limited financial liberalisation, but financial institutions were still under strict government control. This system mobilised large amounts of household savings for productive investment. Corporate debt was high, but the chaebol operated under conditions of stability and expansion. Restrictions on cross-border capital movements protected the Korean high-debt system from the volatility of international financial markets, while the economic bureaucracy centred around the Economic Planning Board co-ordinated the allocation of these funds (Chang, 1998; Wade and Venoroso, 1998:6–9).

Financial liberalisation took place under the presidencies of Roh Tae Woo (1988–93) and, especially, Kim Yong Sam (1993–98). There was a phasing out of the use of policy loans. Restrictions on foreign borrowing were softened and the chaebol were allowed majority ownership of lesser regional banks (but not the great national banks). As a result the chaebol grew more independent from the state than before. Foreign borrowing by the chaebol through intermediary merchant banks was stimulated by cheap credit in the international market (Chang, 1998).

The government also abandoned its old style detail-oriented dirigiste industrial policy. In 1989 the government openly refused to coordinate investment in the petrochemicals industry which faced an over-investment crisis. The companies which were affected by the crisis were later bailed out (Chang, 1998). The combination of financial deregulation with borrowing abroad and the departure from industrial policy regulation of investments, which previously had been stronger in South Korea than in Taiwan, opened the gates for a ruthless struggle among the Korean chaebol for market shares.13

Previously, public–private co-operation had mainly been through the chaebol. As the government abandoned its previous top-down economic management it became difficult to establish a new kind of co-ordination based on the self-organisation of the chaebol. Taiwan has been more successful in using strong business organisations as vehicles for negotiations between the government and the export industries (Weiss, 1998:60–63).

As I have argued, Taiwan’s enterprise structure, self-organisation of the business sector and ensuing government–business relations may have acted as a buffer against the kind of industrial over-investment and indebtedness seen in the Korean crisis. In that respect Taiwan’s
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ability to adopt a ‘neo-statist’ development model may have been an asset during the crisis. In addition, Taiwan was blessed by sheer luck as a fortunate timing of its speculative booms gave protection against the kind of debacles seen in Southeast Asia. Finally, slow financial deregulation impeded the development of a volatile, transnationalised financial structure seen elsewhere in the region. In the previous section it was noted that financial liberalisation was delayed because the Taiwan authorities were reluctant to lift restrictions on ownership by Chinese-controlled companies. Was this a last service by security interests to the consolidation of Taiwan’s economic development in an era of globalisation?

Notes

1. England is often seen as an exception to the rule of war-driven bureaucratised state-building. It had no permanent standing army until the late 18th century, and local administration was run by unpaid elites. Yet, England’s fiscal revenue collection in the 18th century was more centralised than in any other European state in terms of central control over the revenue and the size of the tax-collecting bureaucracy. Fiscal revenue collection was driven by the requirements of continuous and costly naval warfare. See Weiss and Hobson (1995: 43–5, 123–6).

2. Socialist state-building has been based on strong anti-capitalist ideologies, government control of important sectors of production and restrictions on capitalist activity. The economic performances of many of the countries were good at an early stage, especially within state-directed military-related heavy industries. These states were, however, doing less well in manufacturing of consumer goods and other forms of user-oriented production. The emphasis on heavy industries tended to drain resources away from agriculture and consumption. In turn, this restricted the spin-offs from production of capital goods to light manufacturing and agriculture. These problems were aggravated by the regimes’ ideology and centralisation of power. The political leadership’s attempt to monopolise economic and political power tended to overstretch the state and to block channels of feed-back from affected groups. As a result these states became prone to commit grave economic policy errors as seen in the PRC’s Great Leap Forward policies. See Dieter Senghaas (1982). Socialist states also frequently faced problems of declining state strength. For instance, in Mao’s China local party cadres established partly independent power bases and tacitly resisted the central government. The Chinese policies of establishing self-contained local communes along with the Maoist downgrading of bureaucratic ‘experts’ and upgrading of ‘reds’ allowed local cadres to monopolise local government functions and escape central government supervision. The economic reforms since 1979 were oriented to these political-institutional problems as well as to promoting capitalist development. See Shue (1988: Ch. 4).

3. Among the four tigers, the most similar case to Taiwan would obviously be South Korea, where a military logic influenced state formation, export promotion and industrial deepening in more or less the same way as in Taiwan. Japanese colonialism had prepared the ground for effective state centralisation. After the start of the Korean War in 1950 South Korea and Taiwan became main allies of the United States and received large amounts of military and economic aid. Like Taiwan, the South Korean government undertook a land reform in the early 1950s. Both governments depended on U.S. aid for the stability of their fragile
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economies and U.S. aid allowed them to maintain over-sized military forces. Both countries experienced considerable aid cuts in the second half of the 1950s, but unlike Taiwan, South Korea got a breathing space during 1960–63 with increased aid supplies from the United States. In the early 1960s, amid strong political unrest and a military coup, reforms took place in the civil service and the economic bureaucracy which raised the institutional strength of the South Korean state, but the reforms were not matched by capitalist development promotion. Expansionist policies increased the budget deficit and led to inflation. Banking was nationalised and a number of large business leaders were arrested under the charge of illicit accumulation of wealth. From 1964 onwards the Korean government responded to a new round of U.S. aid cuts and withholding of aid with economic policy reforms which included devaluation, an economic stabilisation programme, improved tax collection and aggressive export promotion. Export promotion was based on targeting of export markets and products, subsidies to exporters in the form of cheap credits from the state-controlled banks and tight co-operation between the government and the large Korean business groups (chaebol). See Haggard, Kim and Moon (1991: 856–68) and Woo (1991: 75–84). In the 1970s both governments also promoted defence-related heavy industries in response to the declining U.S. commitment to their defence. In South Korea these events coincided with North Korean terrorist activity, and like Taiwan it was exposed to the threat of economic warfare from the PRC. In order to meet these challenges South Korea attempted to improve its economic self-reliance in capital goods, intermediates and defence equipment by heavy government support of these activities. See Nolan (1986: 28) and Woo (1991: 118–25).

4. In his 1988 book Migdal applied a zero-sum conception of state–society relations. State capacity was seen as an outcome of the state’s ability to overpower local elites. More recently Migdal (1994) has included the possibility of enhanced state capability through positive-sum co-operative relations between the state and local elites. As I will shortly discuss, there has been a corresponding trend within the developmental state framework with an emphasis on co-operation between government and business rather than state autonomy.

5. There is one important exception to this claim. A number of scholars have traced the origins of the Korean ‘developmental state’ to the Japanese colonial period. See Nolan (1986) for a summary of these arguments and Haggard, Kang and Moon (1997) for a critique. My own discussion concentrates on postwar developments, only briefly mentioning the important issue of the Japanese colonial period. It should be noted that the Japanese long-term impact on government–business relations and enterprise organisation probably was weaker in Taiwan than in South Korea, while the colonial legacy was strong within Taiwan’s agriculture, local administration and system of taxation.

6. There may be varieties of ‘developmentalism’ combined with individual rent-seeking. Government policies may allow for considerable corruption, while they also promote the productive reinvestment of this surplus. Yet, I will maintain that weak states are unable to support productive capital accumulation in this way.

7. This regime has been characterised as ‘quasi-Leninist’. It was Leninist in terms of party organisation, party–state relationships and the use of the party to control society. Its ideology was, however, strongly anti-communist. The KMT did not have a programme of socialisation of the means of production, and did not claim to be the representative of a proletarian dictatorship. It advocated a future transition to multi-party democracy and allowed for elections below the national level. See Cheng (1989: 477–8). The party reform drew on Leninist legacies from 1924 when the KMT had been reorganised by Soviet advisors, but it also copied from the Chinese Communist Party. The KMT’s party organisation was reoriented to workplaces and ‘natural villages’. The party leadership studied the CCP’s Yan’an rectification campaign as a lesson in creating a strong and unified party.
Even CCP’s political rhetoric was emulated. Party meetings were instructed to engage in ‘mutual criticism and self-criticism’. Social investigations should detect the ‘needs of the people’ in order to develop the ‘mass line’. See Dickson (1993: 63–4).

8. The 1967 ‘Kennedy Round’ of the GATT led to major international tariff reductions for industries such as machinery, transport equipment, metals, chemicals, wood products, pulp and paper. The industrialised countries’ non-reciprocity principle allowed developing countries which were not parties in the negotiations to receive the same benefits as the countries which had ratified the agreement. Developing countries with some industrialisation beforehand, such as Taiwan, South Korea and some Latin American countries were the main beneficiaries. They could benefit from international trade liberalisation without forsaking their own trade barriers. See Lewis (1993: 239–42).

9. The short-time results of these policies to promote studies abroad were dubious as there was a considerable ‘brain drain’, but the policies paid off in the long run from the 1980s when many well-educated Taiwanese returned home, attracted by high salaries for scientists and engineers and the opportunities of setting up their own business.

10. This person, Vincent Siew, became prime minister in September 1997.


12. Phillip Bowring refers to debt-to-equity ratios in the magnitude of 300 per cent in South Korea and 87 per cent in Taiwan. No dating or reference is given. See Bowring (1998).

13. In a personal communication to the author Linda Weiss suggested that this pattern might have been a relic of previous practices during the Park Chung-hee era (1961–79) when the government cultivated competition among the chaebol to get access to subsidies such as cheap credits.

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Kristen Nordhaug


Summary


The article investigates changes in economic policies and corresponding policy-making institutions in the postwar Republic of China on Taiwan (ROC). It is argued that successive changes took place from unproductive ‘rent-seeking’ to successful ‘development-oriented’ economic policies. These policy changes are related to ROC’s ongoing military rivalry with the People’s Republic of China (PRC). ROC’s authorities undertook policies which improved state organisation, expanded the nation’s taxable wealth and promoted defence-related industries in order to improve defence capabilities. Taiwan’s experience is related to a general pattern of developmental policy changes induced by security policy concerns. The favourable relationship between security and developmental policies in ROC has become less clear-cut in the 1990s, as security interests and development interests tend to diverge in ROC’s policies towards PRC. Yet, the strength of Taiwan’s development model has been demonstrated during the current Asian financial crisis.