

THE PARADOX OF COMMUNISTS  
EFFECTIVELY PROMOTING  
CAPITALISM:  
Post-Socialist Pathways in China and  
Eastern Europe

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# Navigating the Post-Socialist Transition

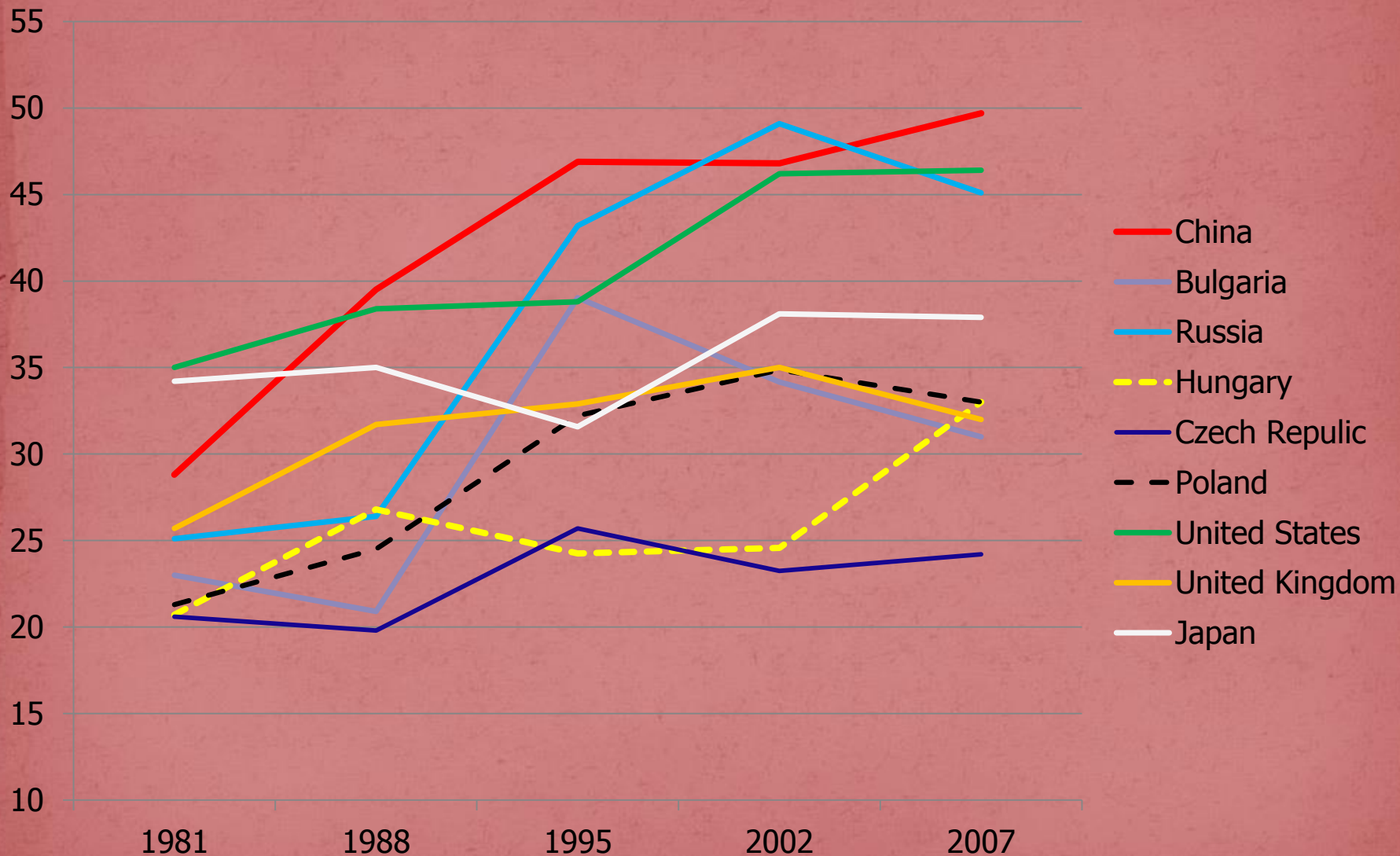
- In mid-20<sup>th</sup> century, ~1/3 of world population lived under socialism (centrally planned economies with no private ownership of the means of production)
- Now only ~35 million (North Korea and Cuba) still do
- Arguably the most important change in global political economy in recent decades
- But post-socialist transitions rocky, and contested
- Political stability and economic progress depend on success in convincing populations in each formerly socialist country that the post-socialist system is more fair than prior socialist system, combatting nostalgia for life under socialism

# Improbabilities of Chinese Success in Managing Public Opinion on Transition:

- 49 years ago, Mao launched the Cultural Revolution to ensure preservation of socialism and combat capitalist restoration tendencies
- Chinese seemed fervent believers at the time
- Much more cut off from Western capitalist culture and economies than Eastern Europe was, then or later
- Yet only 12 years later, China embarked on market transition
- Leaders of that transition not dissidents (Havel), or renegade former communists (Yeltsin), but loyal communists who had helped build socialism (Deng Xiaoping)
- Deng and successors, including Xi Jinping today, not able to openly espouse capitalism—have to claim China still socialist, despite abandonment of central planning, rising inequality, unemployment, foreign capitalists exploiting Chinese workers, millionaire and even billionaire business tycoons living in lavish and gated mansions, etc.
- Income gaps between rich and poor growing more rapidly than in other societies, including Eastern European post-socialist countries



# Figure 1: Gini Coefficient Trends







AP / Greg Baker





# Justifications of Rising Inequality:

- “Some people in rural areas and cities should be allowed to get rich before others.”—Deng Xiaoping
- Socialist institutions unfair and unproductive because everyone is “eating out of one big pot”
- State enterprises can only become more efficient by “smashing the iron rice bowl” of secure employment and wages, substituting competition and incentives
- In general, CCP propaganda after 1978 sounds very much like the “functionalist theory of stratification” in capitalist societies (Davis and Moore, *ASR*, 1945)
- But do Chinese citizens buy the new message?—lots of skeptics, and even many “social volcano” predictions

# Examples of Social Volcano Predictions:

- “Because many people believe that wealth flows from access to power more than it does from talent or risk-taking, the wealth gap has incited outrage and is viewed as at least partly responsible for tens of thousands of mass protests around the country in recent years.”
- Joseph Kahn, *New York Times*, “China Makes Commitment to Social Harmony,” October 12, 2006

# Many PRC Social Volcano Predictions

- “Writing in the *Chinese Economic Times* on Thursday, Professor Zhou [Tianyong, a researcher at the Central Party School] warned that the resulting strains between rich and poor could erupt into searing unrest that would test the ruling Communist Party’s grip.”
- Reuters, “Risk of Social Turmoil as Number of Jobless Grows, Researcher Warns,” Dec. 6, 2008.

# Still Many Social Volcano Predictions:

- “So the job of making China a fairer place will now fall to the Communist Party’s next generation of leaders, who will rule the country for the next 10 years. The fear is that China’s growing inequities could undermine the legitimacy of their one-party rule, and the more unequal China becomes, the more unstable it may be.”
  - “China’s ever-widening wealth gap.” Damian Grammaticas, BBC News, November 1, 2012

# Judging Chinese Success in Selling Capitalism

- Despite the improbabilities and complexities of the post-socialist transition in China, and frequent claims that China faces a rising tide of anger about the gaps between rich and poor, our survey work indicates Chinese citizens view current inequalities as relatively fair, and are more accepting of the status quo than the populations in other post-socialist societies
- Important caveat—our surveys are only about inequality and distributive justice issues, not abuses of power and procedural justice issues, so only part of what goes into forming public opinion about regime legitimacy
- First review comparative opinion survey evidence, and then speculate about sources of these more positive Chinese views

# China Inequality and Distributive Justice Project—3 Surveys

- National survey devoted to exploring inequality and distributive injustice attitudes, conducted in 2004 with Shen Mingming and RCCC using spatial probability sampling, N=3267 (basis for my book, *Myth of the Social Volcano*, Stanford, 2010)
- Five-year follow-up national survey conducted in 2009 using same sampling design and sample frame as 2004 survey, N=2967; again collaborating with RCCC
- Most recent, 5-year follow-up national survey in 2014, using same sampling plan but new national sample, PIs Kristin Dalen and Hedda Flatø of Fafo, N=2507, again with RCCC
- All China surveys replicated many questions used in International Social Justice Project (ISJP) Surveys in Eastern Europe plus Western Europe, US, and Japan

# Comparative Data—ISJP Surveys

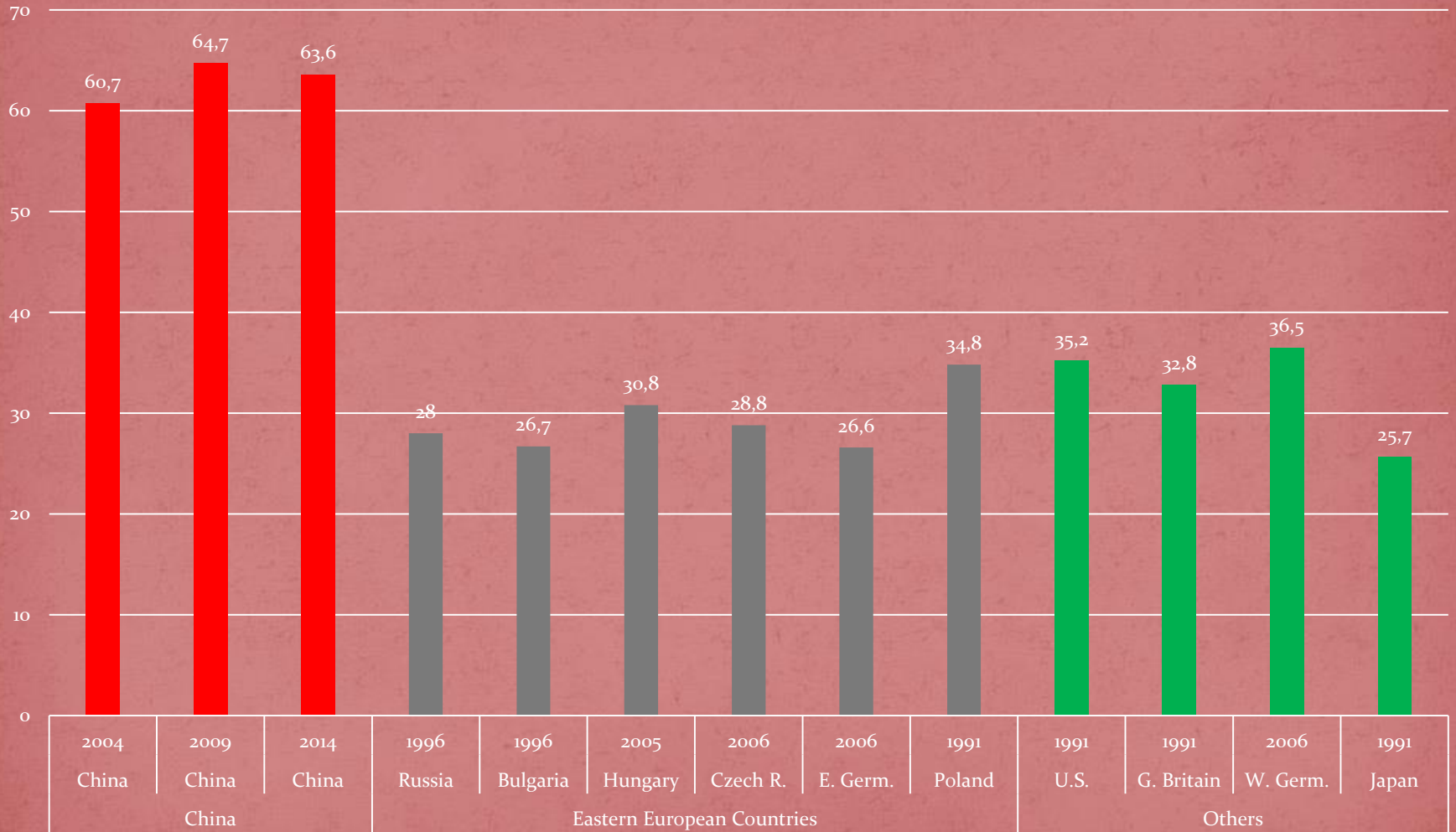
- Several rounds of International Social Justice Project surveys designed to study attitudes toward inequality and distributive justice issues in Eastern Europe:
- 1991 survey in many East European transitional societies plus US, UK, West Germany, and Japan (and more), with national samples in each
- 1996 survey in selected East European transitional societies
- Surveys in 2005 or 2006 in Hungary, Czech Republic, East and West Germany (continued separate surveys)
- For China show all surveys, for ISJP only most recent survey data available

**Figure 2: Opinion on national income gaps  
(Too large + somewhat large (%))**

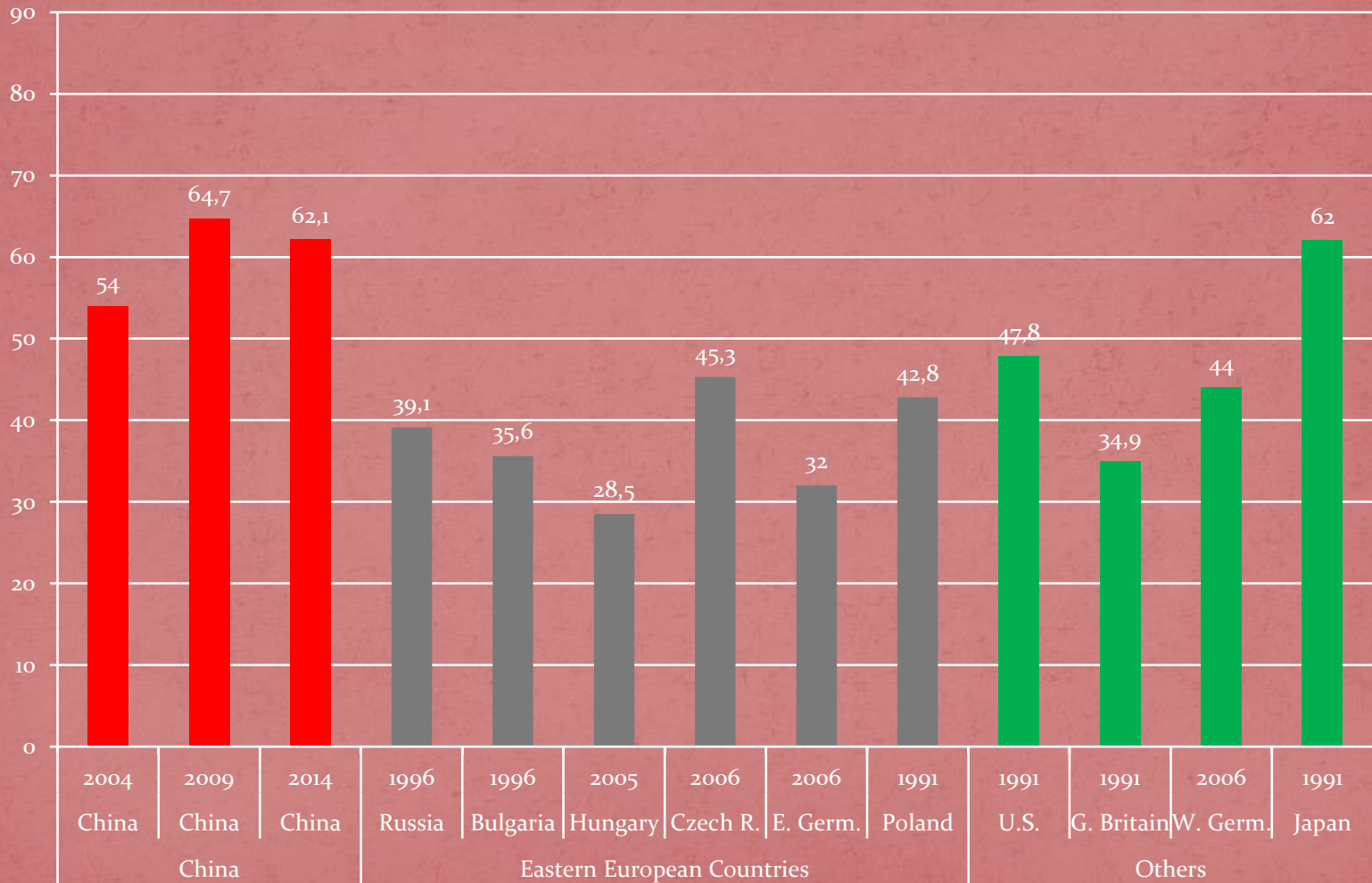




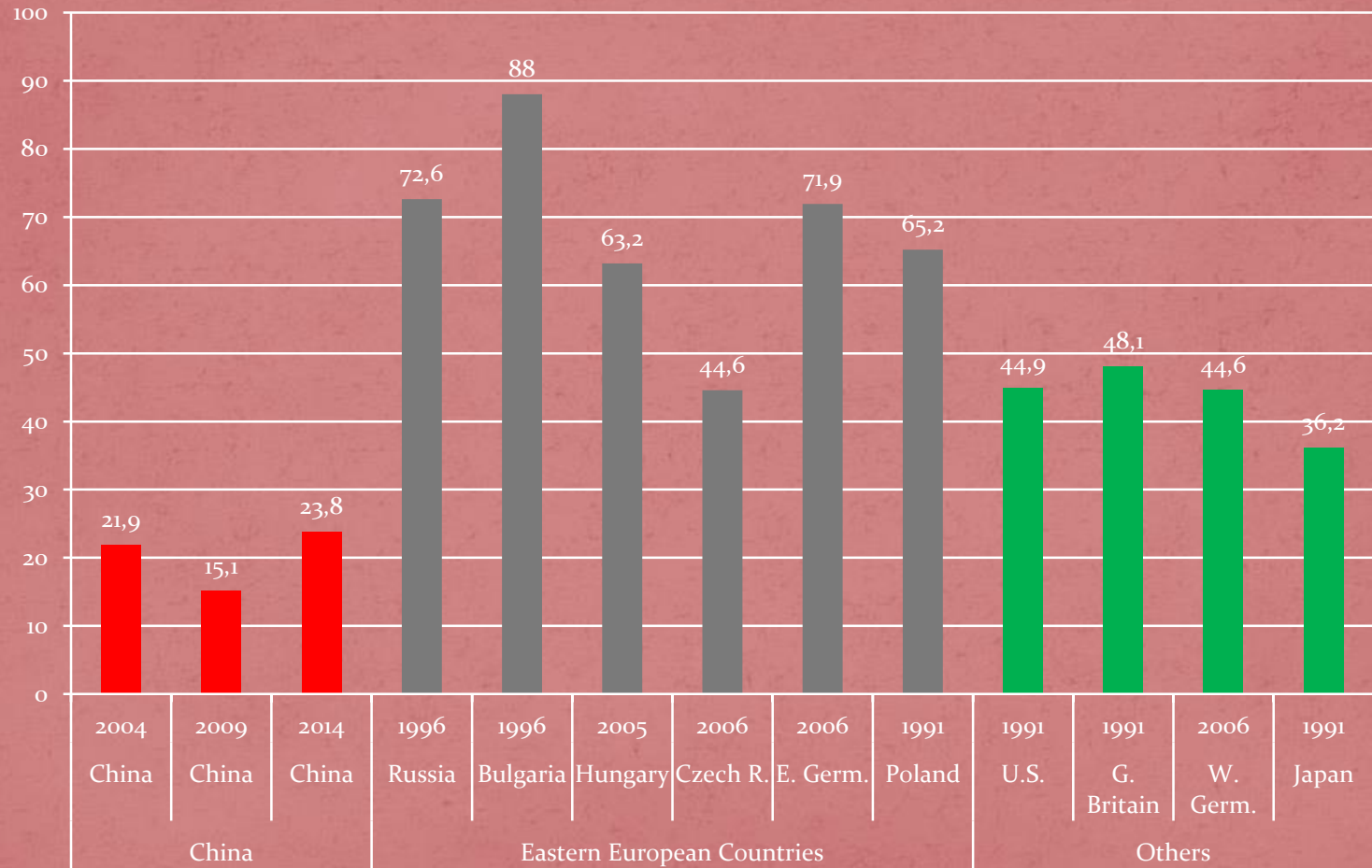
**Figure 3: Poverty-lack of ability  
(very large influence+large (%))**



**Figure 4: Poverty-low effort  
(very large influence+large (%))**



**Figure 5: Poverty-econ.structure  
(very large influence+large (%))**



**Figure 6: Wealth--ability  
(very large influence+large (%))**

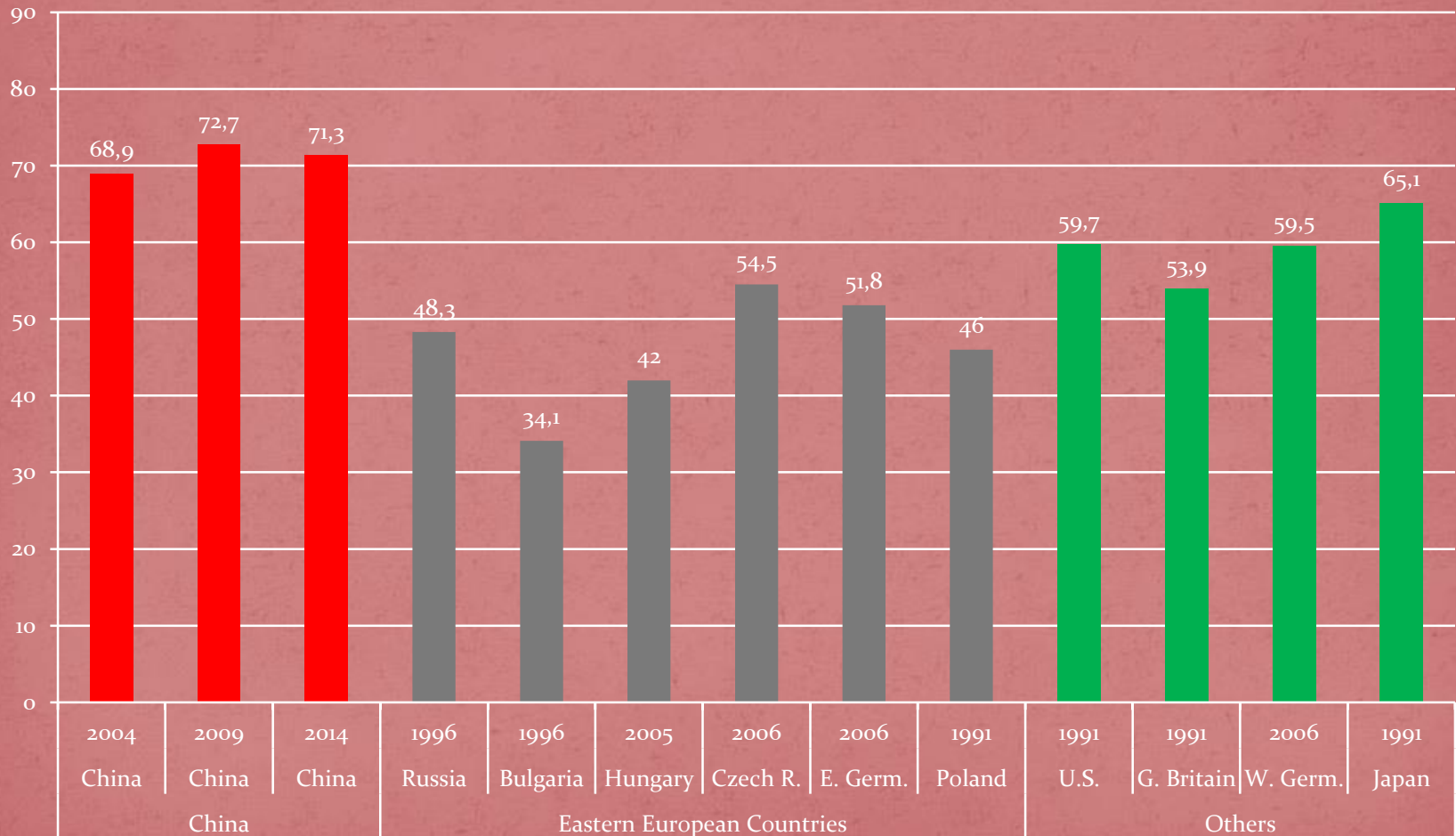
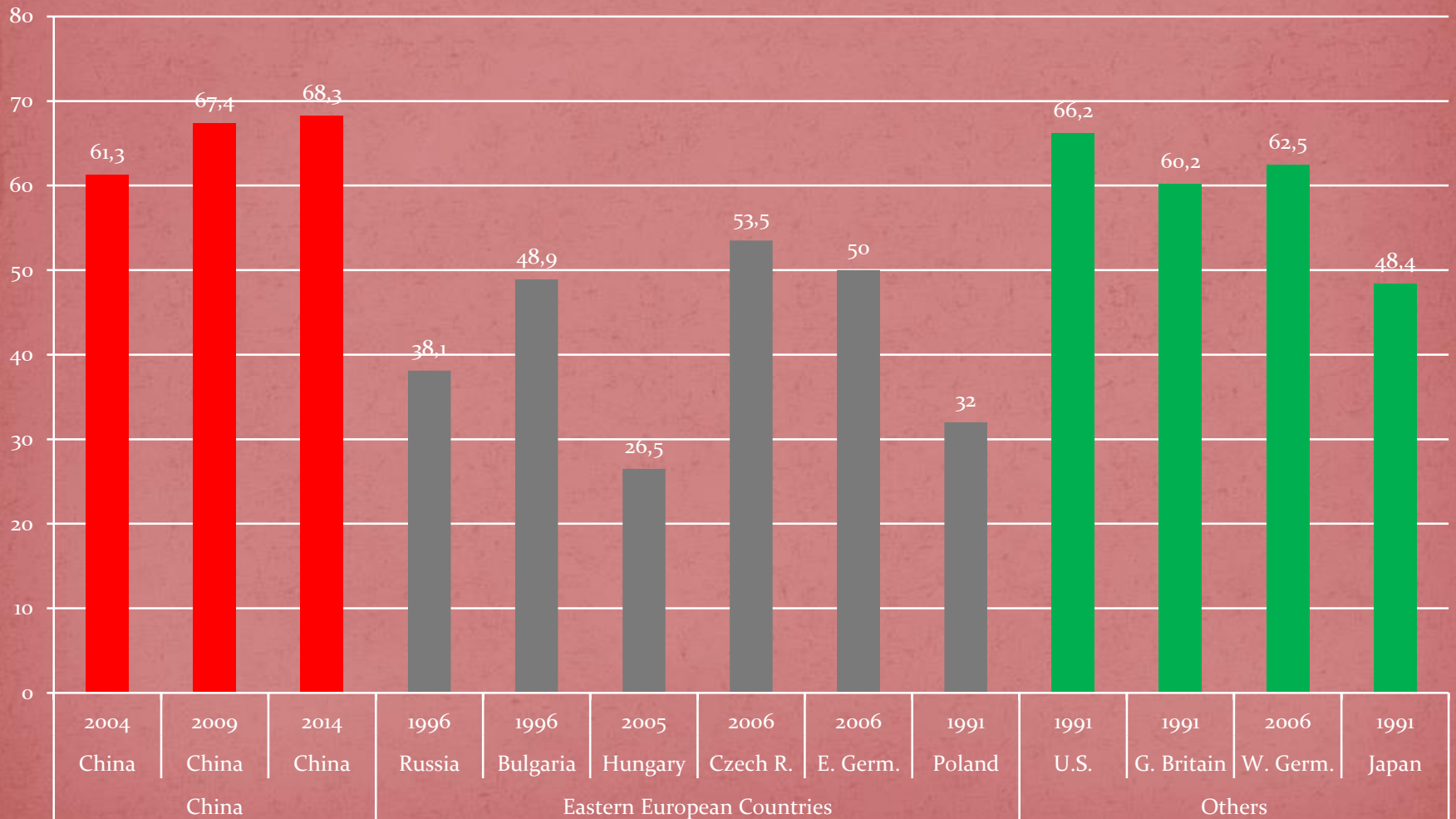
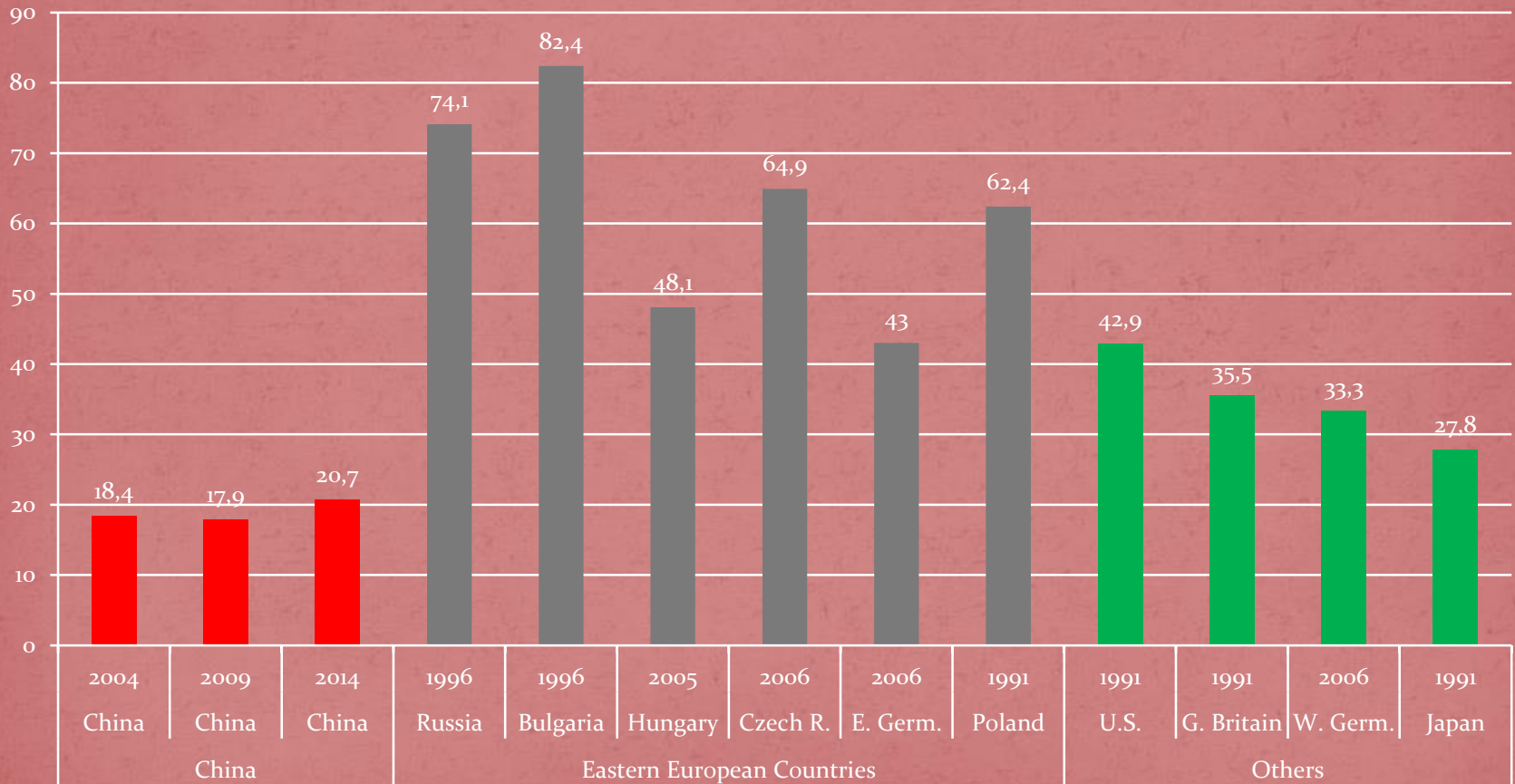


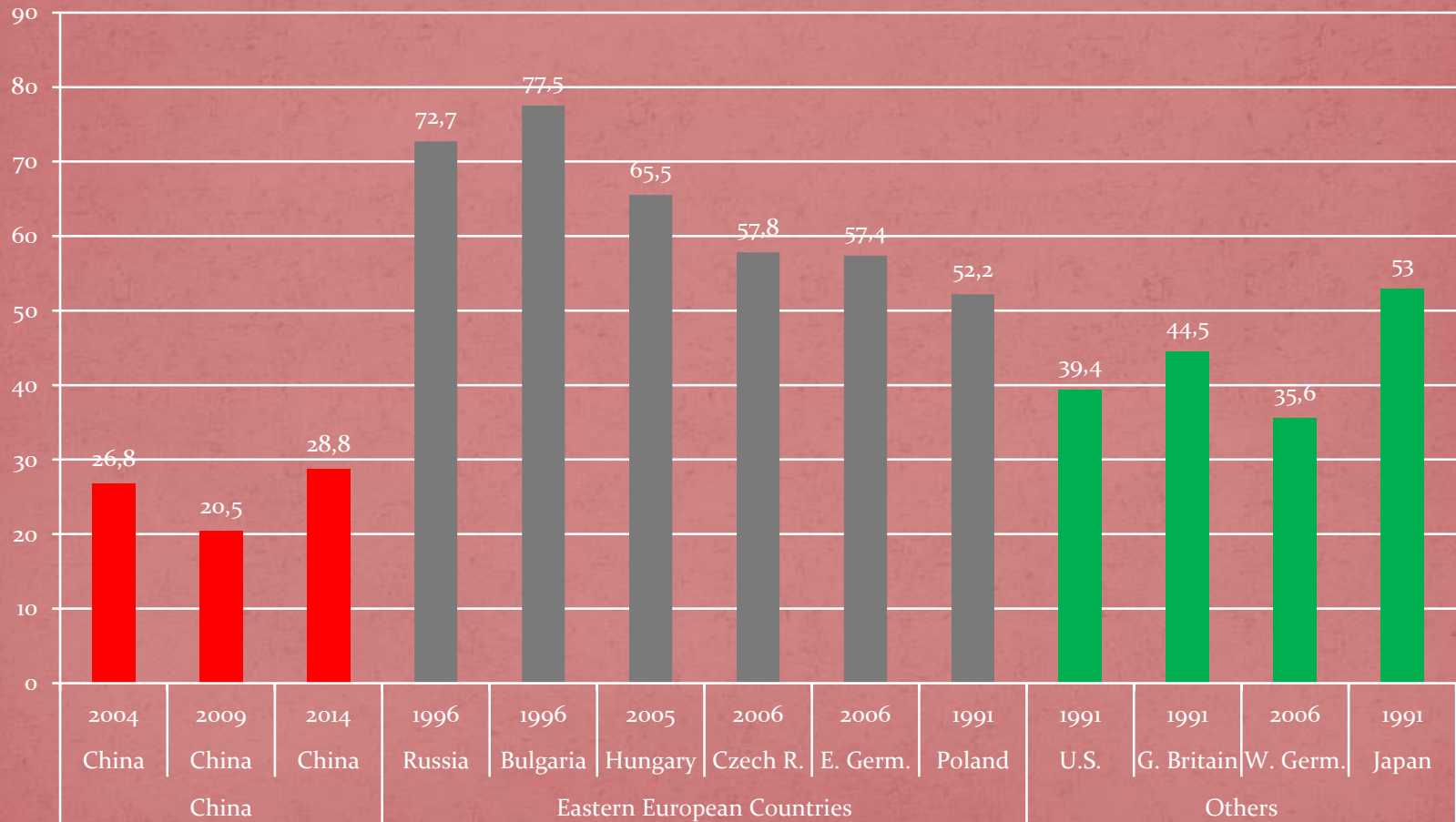
Figure 7: Wealth-hard work  
(very large influence+large (%))



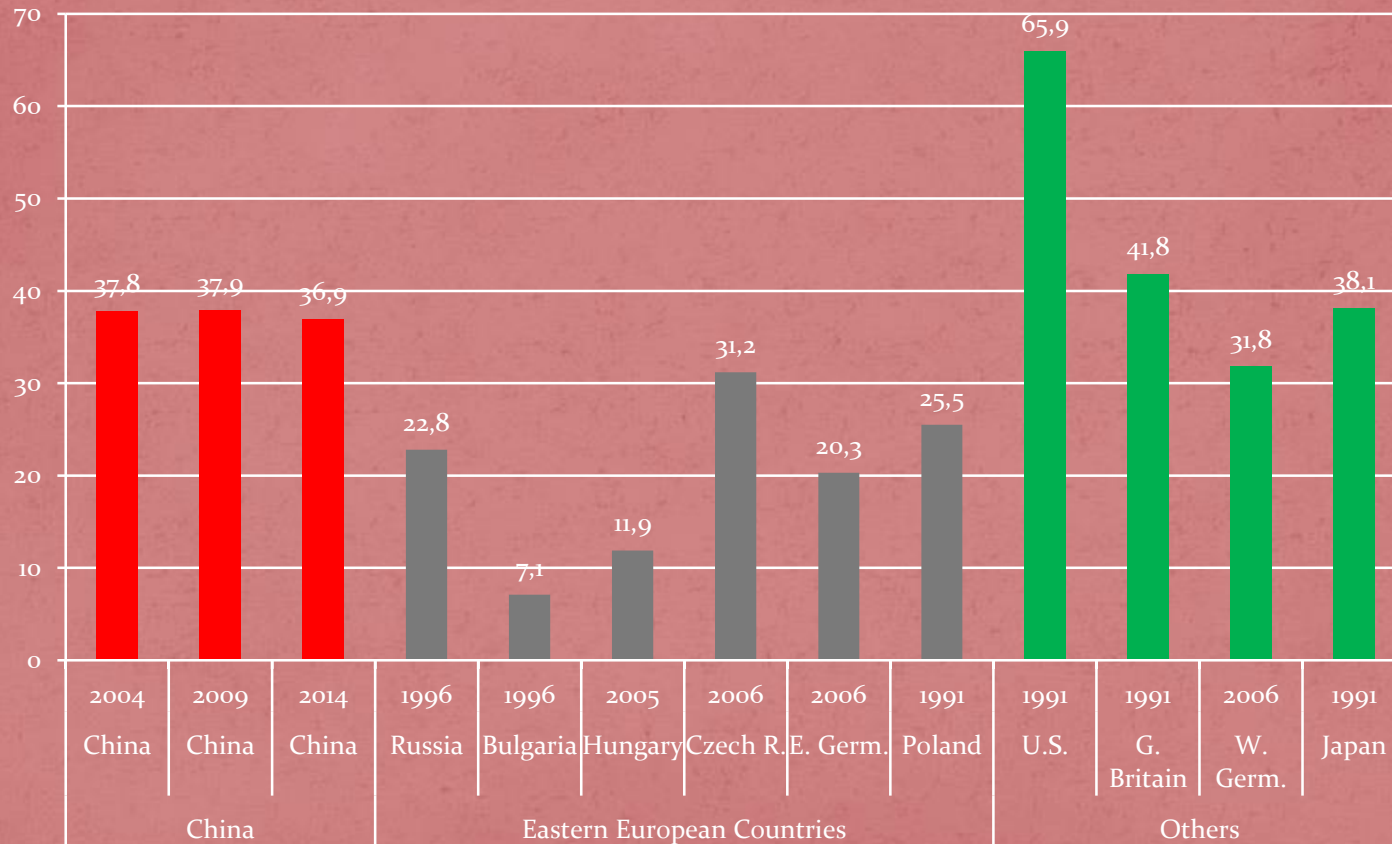
**Figure 8: Wealth--dishonesty  
(very large influence+large (%))**



**Fig. 9: Wealth due to Unfair Economic Structure  
(very large extent + large (%))**

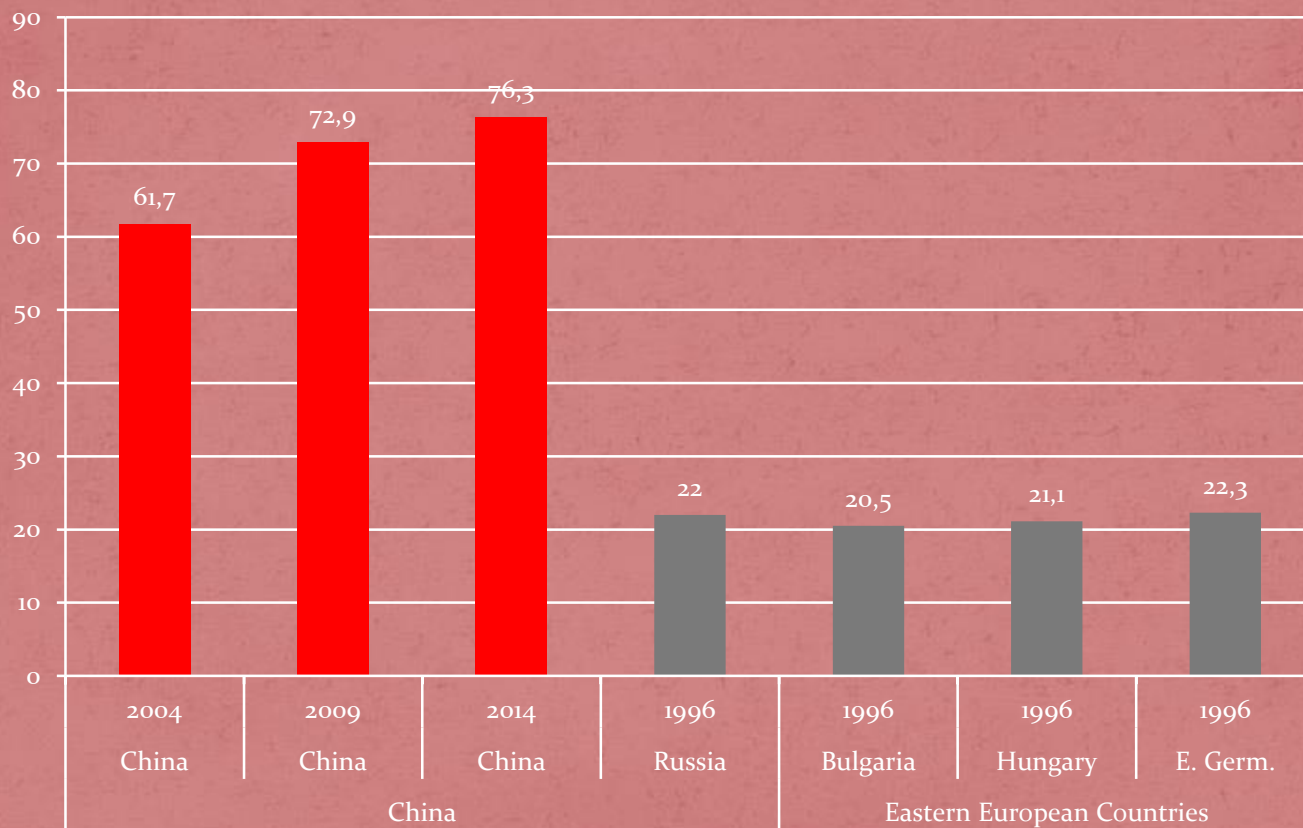


**Fig. 10: Equal opportunities exist  
(strongly agree+agree (%))**

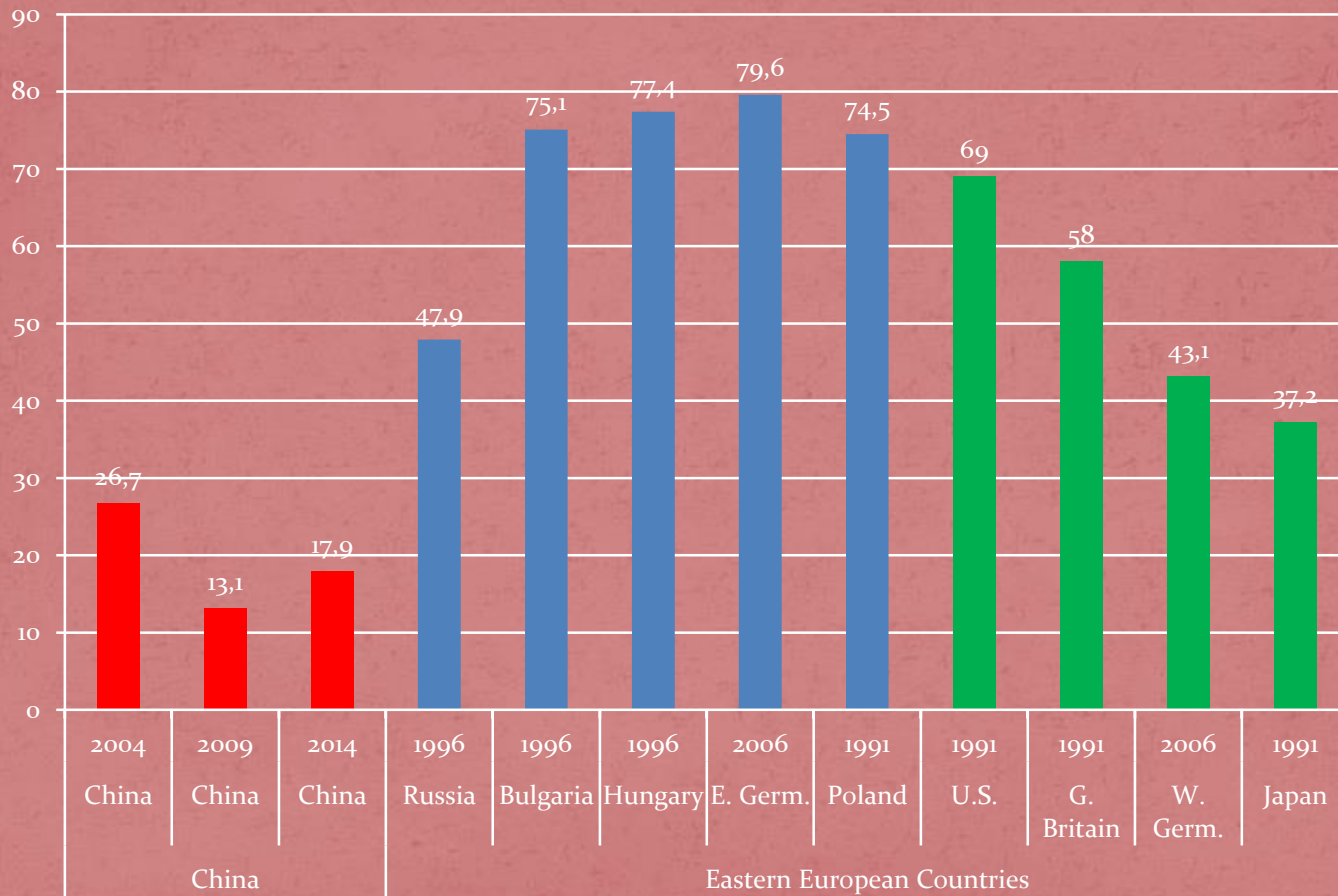




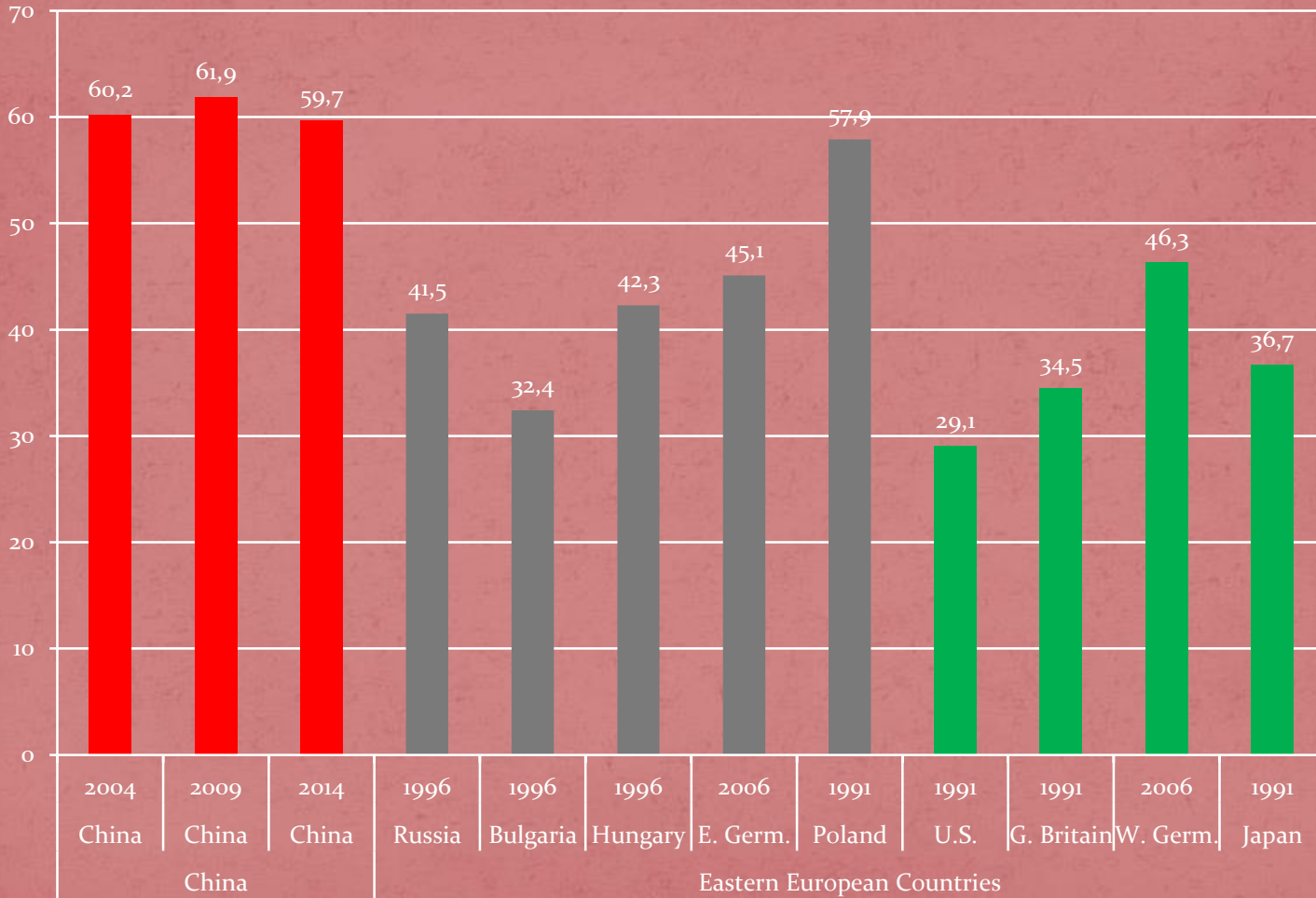
**Figure 11: Family income in 5 years  
(much better + somewhat better (%))**



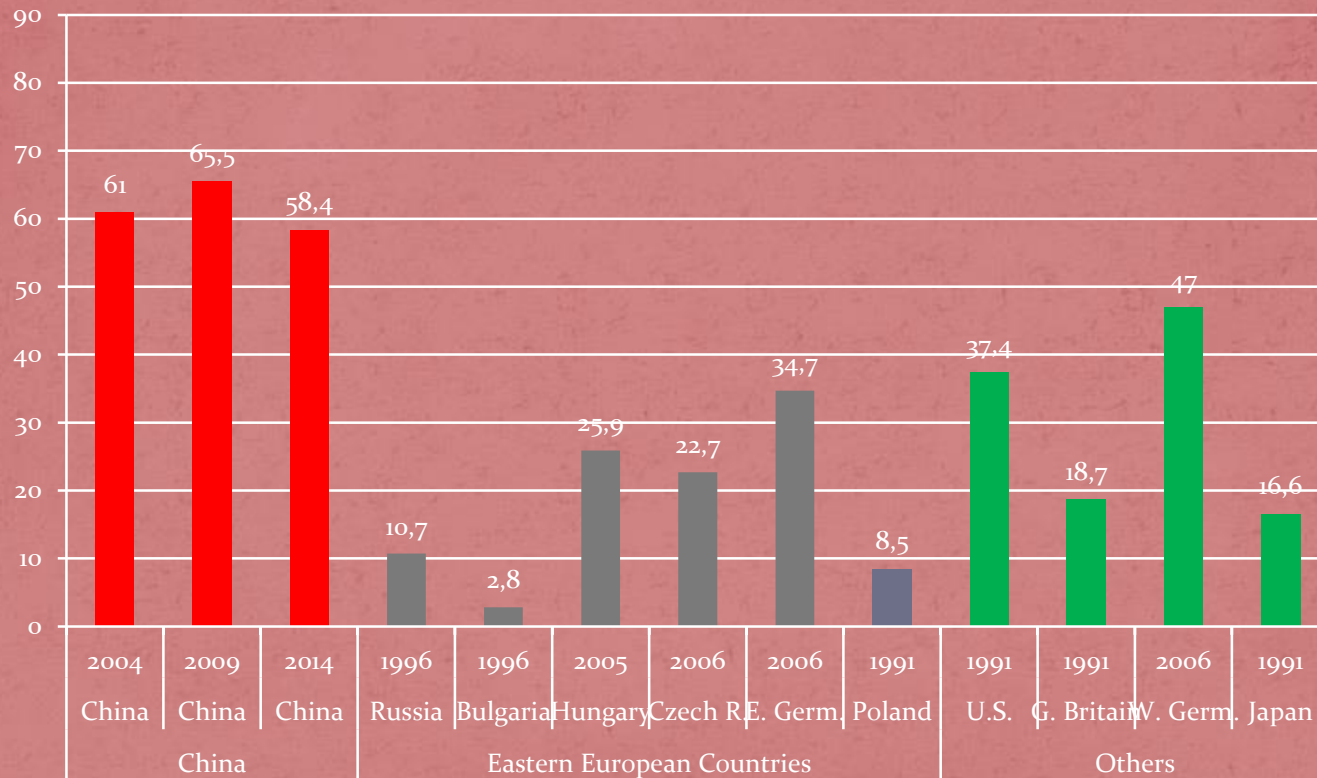
**Figure 12: Percentage poor trend in next 5 years  
(increase (%))**



**Figure 13: Percentage rich trend in next 5 years  
(increase (%))**



**Figure 14: Hard work always rewarded  
(strongly agree + agree (%))**



**Fig. 15: No sense talking of justice  
(strongly agree+agree (%))**

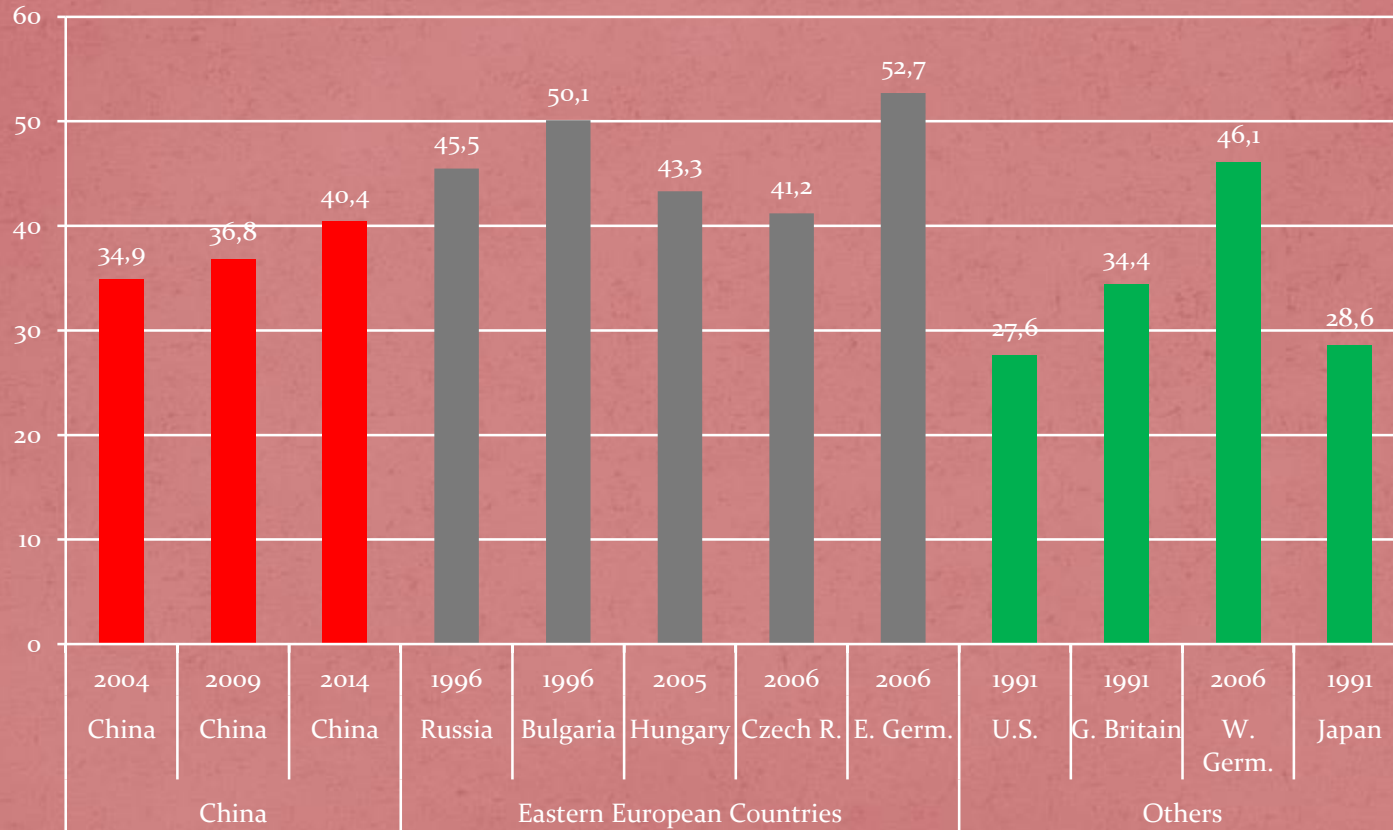
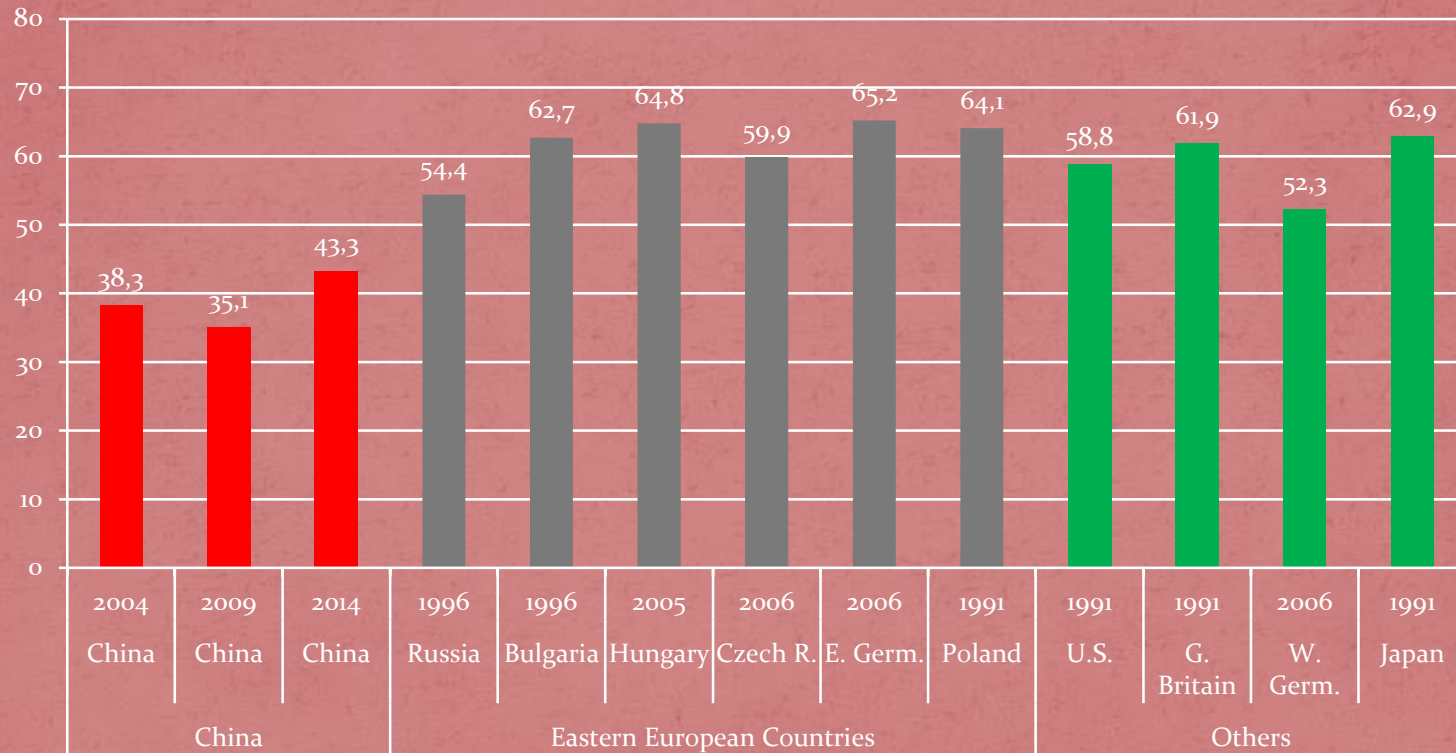
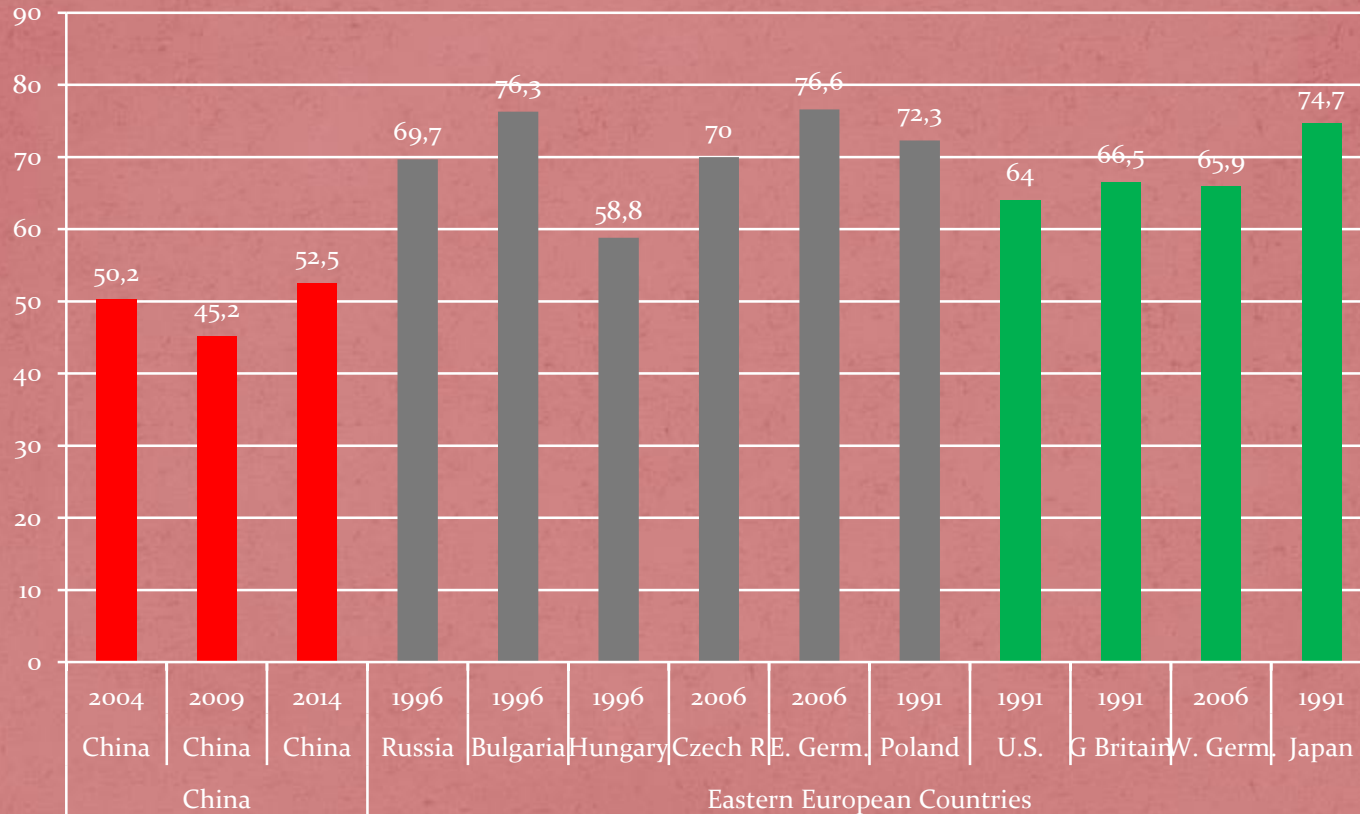


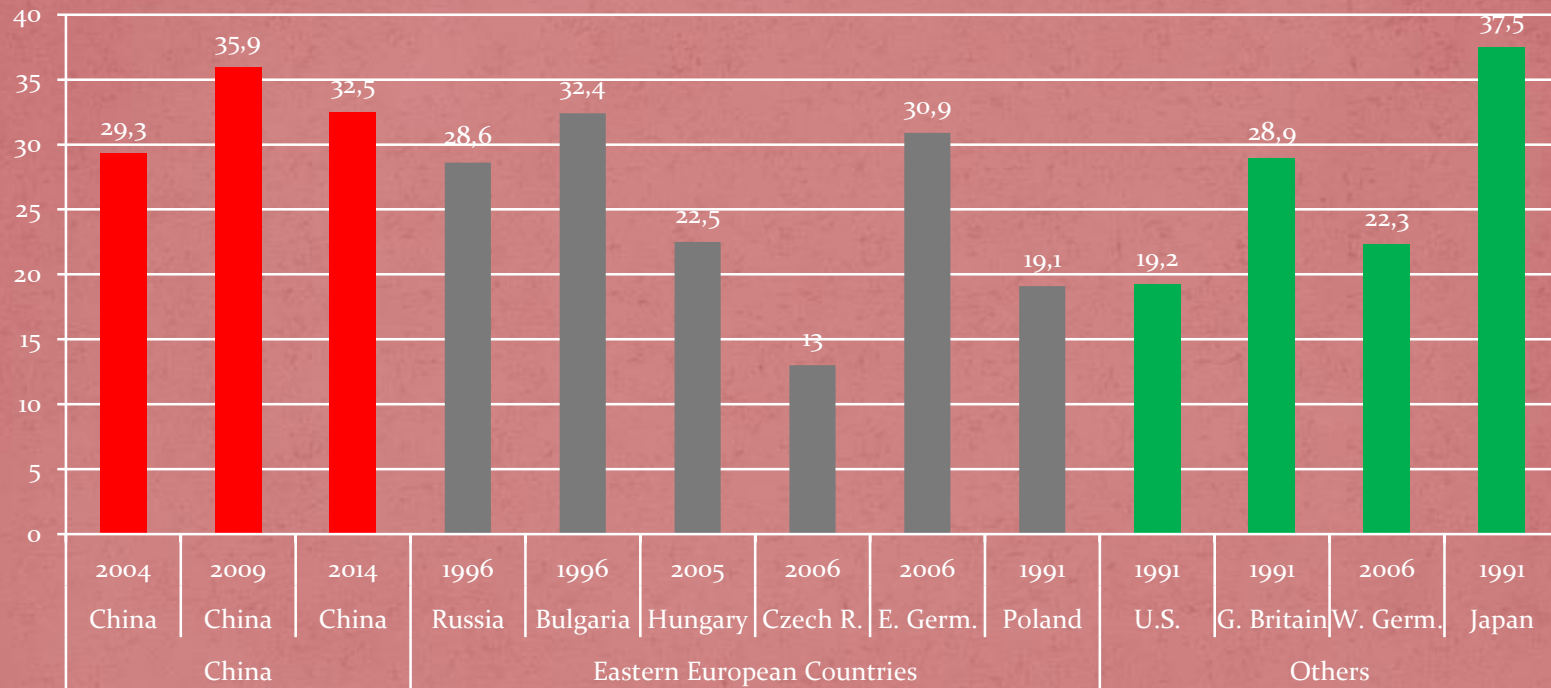
Figure 16: Can't tell what justice is  
(strongly agree + agree (%))



**Figure 17: Officials don't care  
(strongly agree + agree (%))**

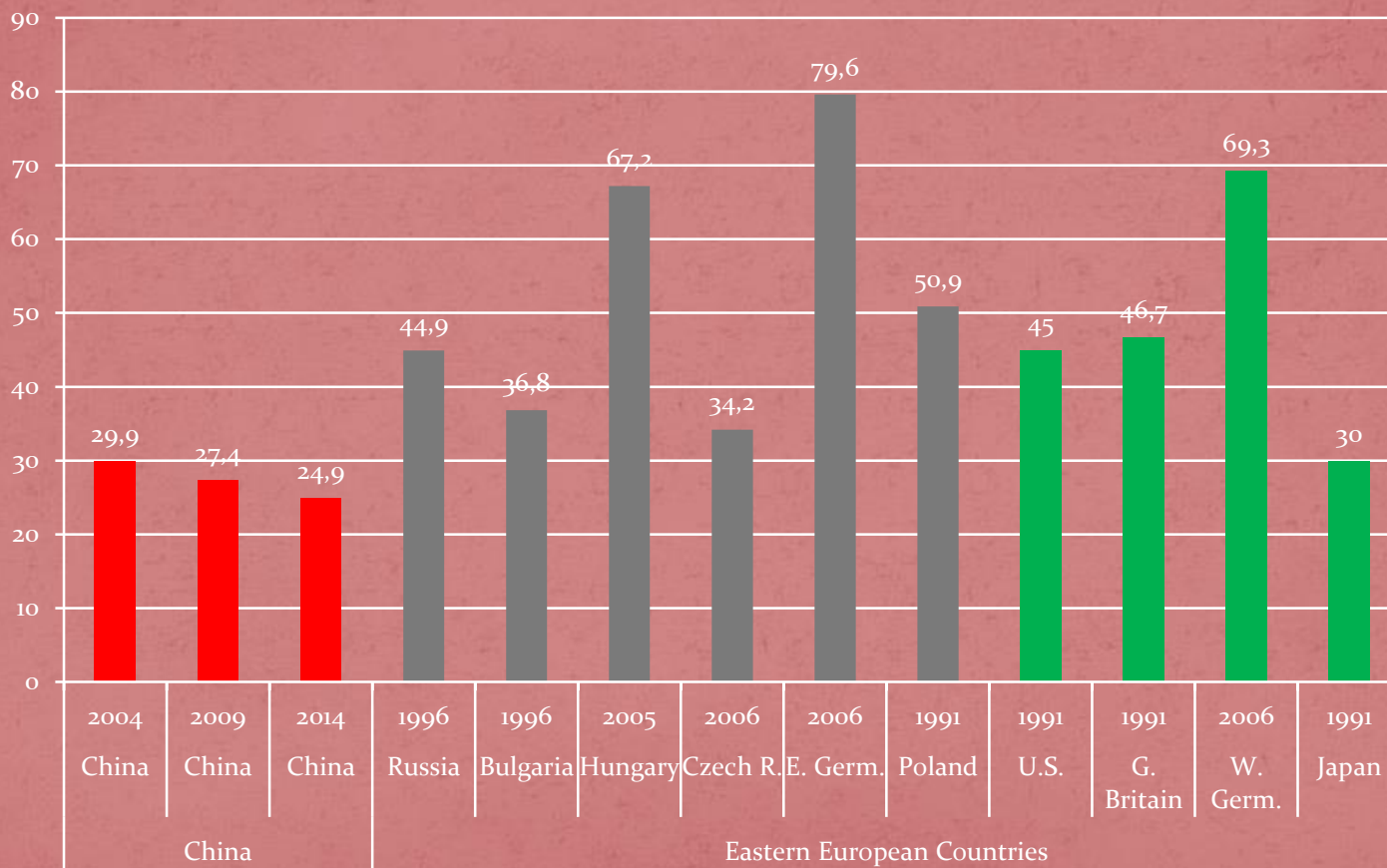


**Figure 18: Fairest-equal shares  
(strongly agree + agree (%))**

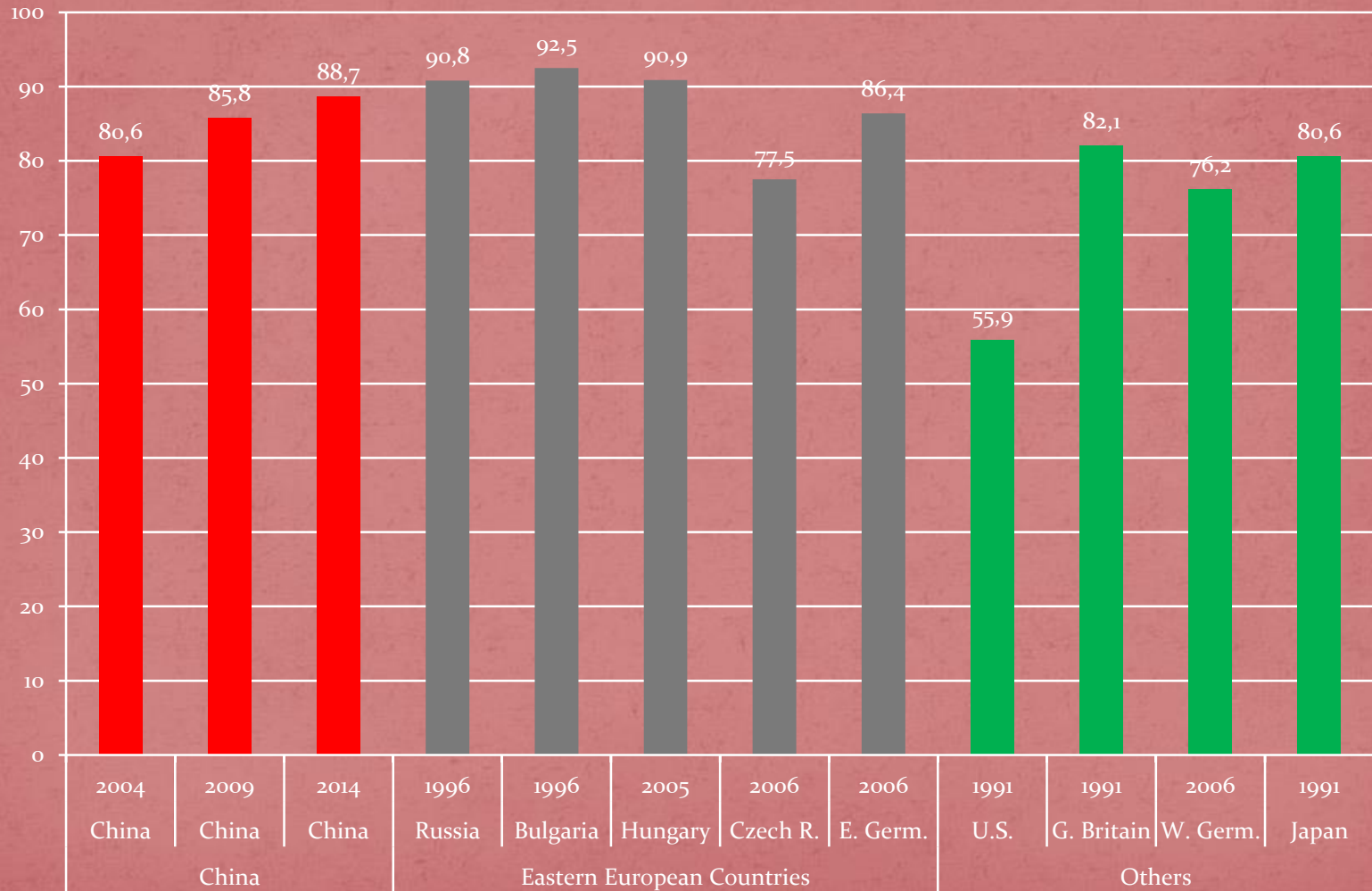




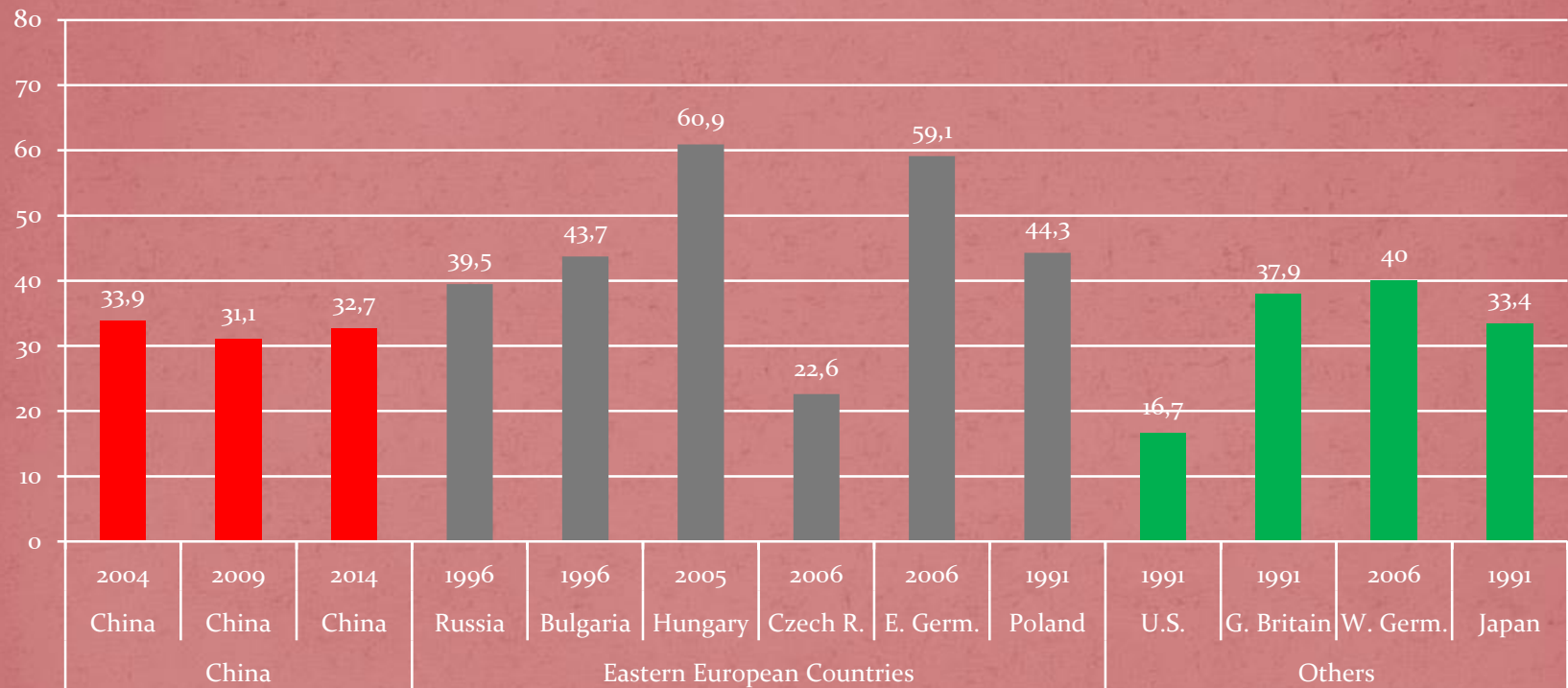
**Fig. 19: Fair--redist.to meet needs  
(strongly agree+agree (%))**



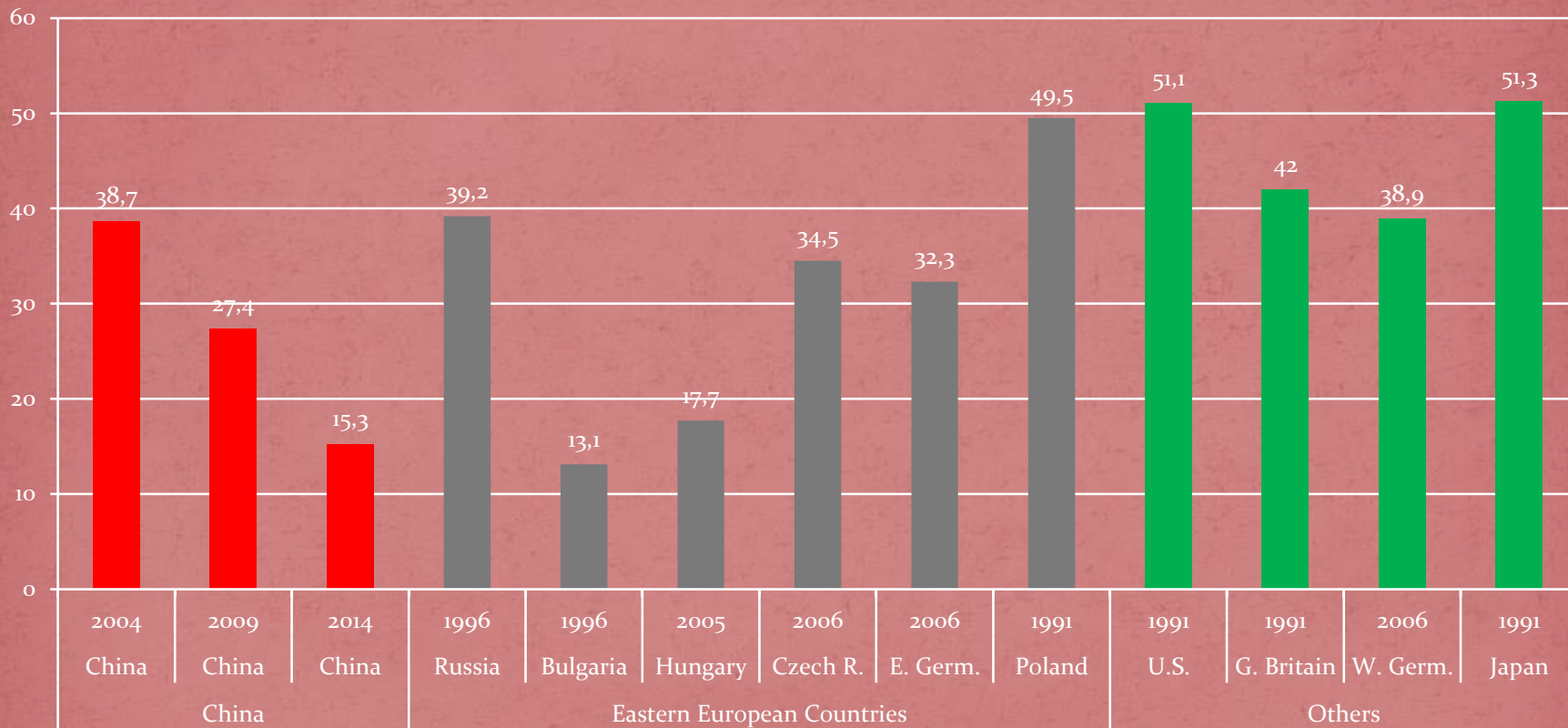
**Fig. 20: Gov't. guarantee min. income  
(strongly agree+agree (%))**



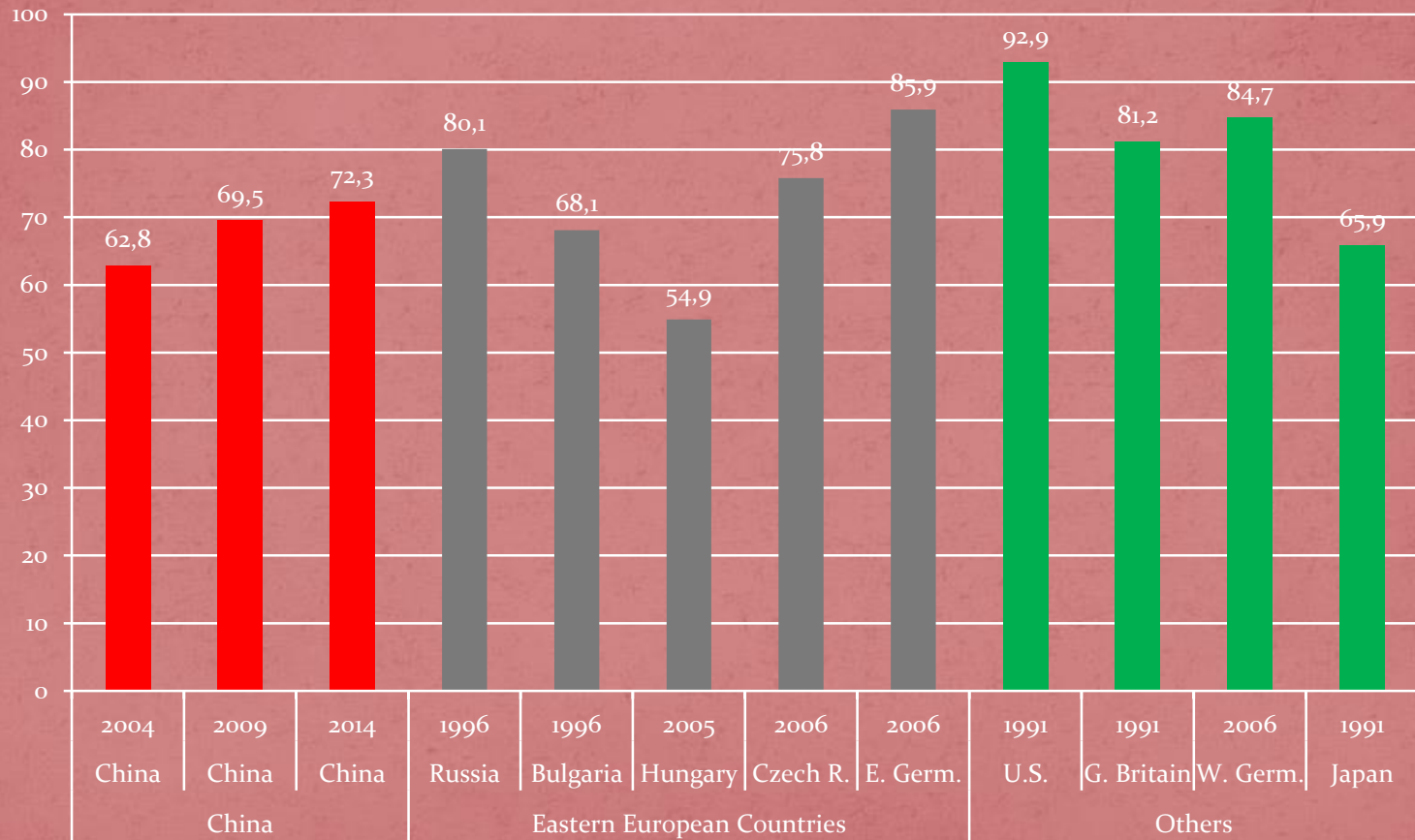
**Figure 21: Govt. should limit top income  
(strongly agree + agree (%))**



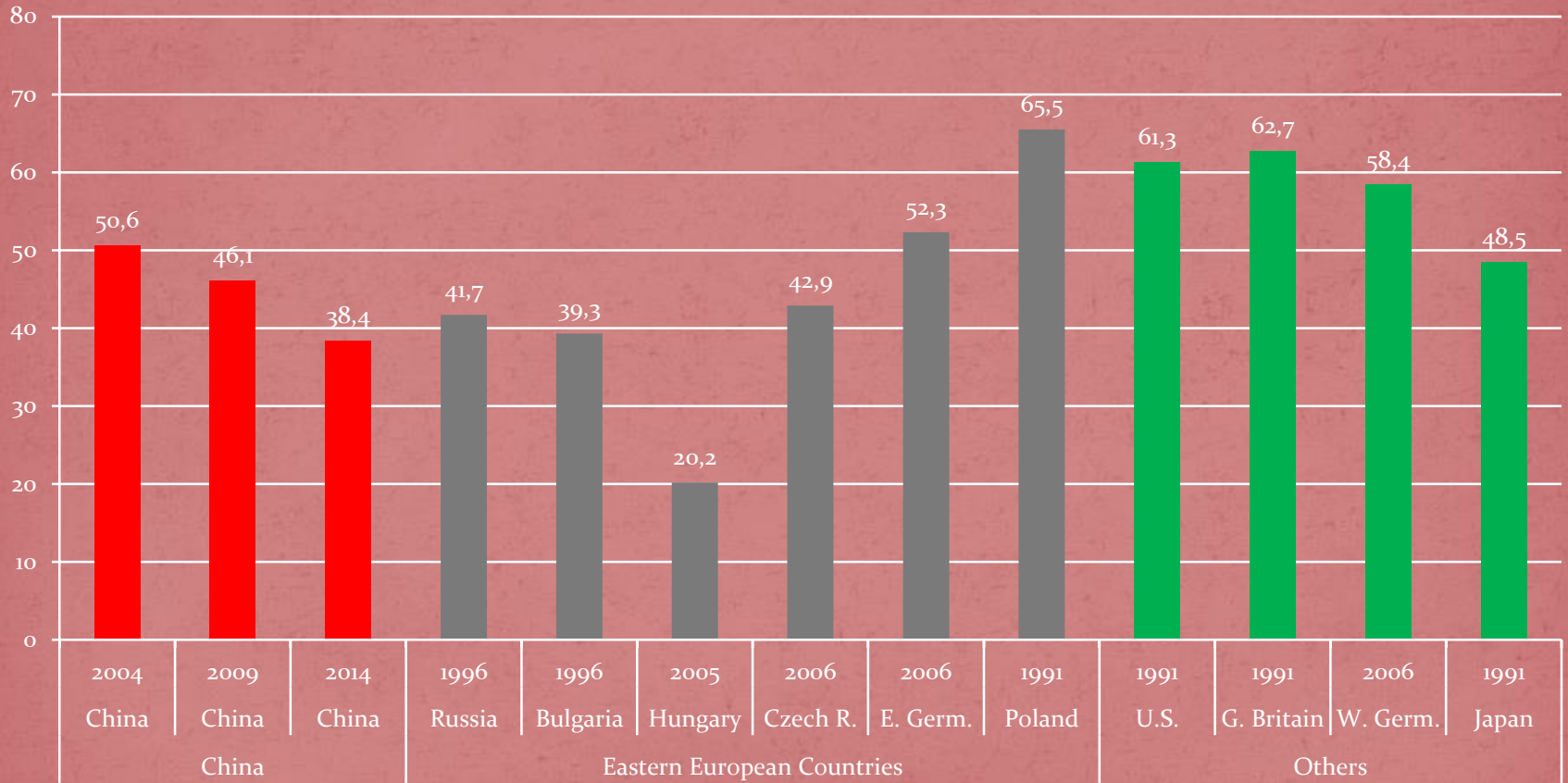
**Fig. 22: Business profits OK, everyone benefits  
(strongly agree + agree (%))**



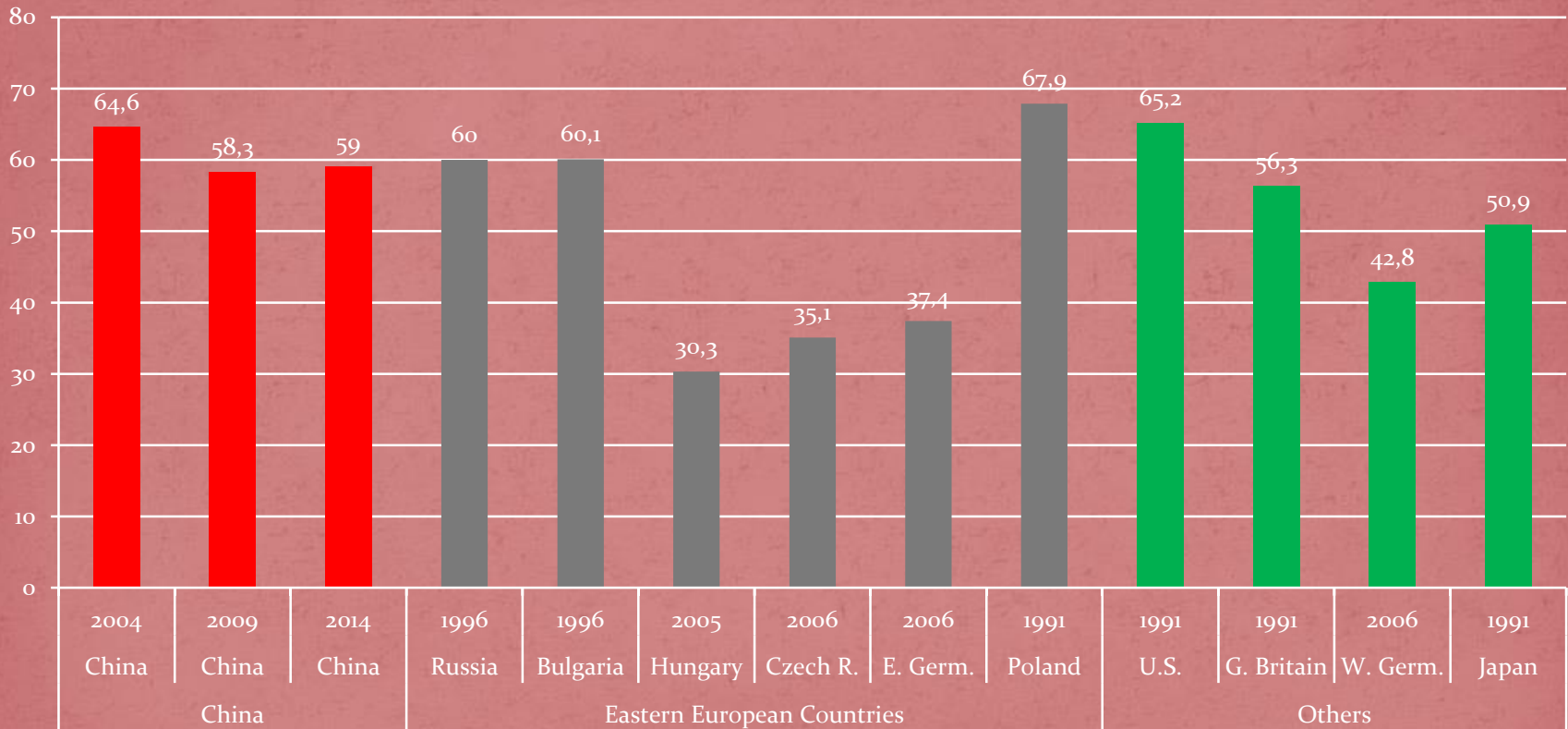
**Fig. 23: Fair to keep what you earn  
(strongly agree+agree (%))**



**Figure 24: Income gaps foster hard work  
(strongly agree + agree (%))**



**Figure 25: Fair-rich kids get better education  
(strongly agree + agree (%))**



# Summing Up these Comparisons

- In some opinion domains, Chinese views not that different than elsewhere (e.g., view on national income gaps, on desirability of incentives, on desirability of promoting equality); but on others somewhat or much more positive. **In no domain are Chinese views more critical of current inequalities.**
- Some attitudes in 2009 and 2014 more accepting than in 2004, some more critical. **But no systematic shift toward more critical views of current inequalities (more changes to less critical than to more critical attitudes from 2004 to 2014)**
- In regard to both explanations of why some people are rich while others are poor, and on optimism about getting ahead and obtaining distributive justice, Chinese survey respondents are “off the charts” in their more positive attitudes (even compared with advanced capitalist societies), and even more so in later survey rounds
- But why?—completely contrary to the conventional wisdom that widening income gaps are fueling rising popular anger in China—the social volcano scenario is a myth, or at least premature



# Possible Explanations of Chinese More Positive Views about Current Inequalities

- 1. respondent fear and survey response bias?
- 2. government control of information, ability to persuade (mislead?) citizens to see status quo as fair?
- 3. halo effects of rapid economic growth, rising incomes?
- 4. gratitude for liberation from inequities of Mao-era socialism?
- 5. cultural resonance of status quo with pre-1949 stratification patterns?
- 6. favorable views generated by “harmonious society” initiatives?
- Note: obviously not mutually exclusive explanations

# 1. Fear and Response Bias?

- We followed systematic and standard procedures to minimize these problems (see discussion in *Myth of the Social Volcano*)
- And in responding to other questions, lots of critical opinions expressed
- Example—views on fairness or unfairness of discrimination based upon *hukou* status:

## Attitudes toward urban bias (2009, row %)

	Strongly disagree	disagree	neutral	agree	Strongly agree
Fair, urban hh more opportunity	12.7	<b>42.0</b>	24.8	17.3	3.3
Fair, deny migrants urban hh	17.2	<b>45.3</b>	26.1	9.0	2.5
Fair, migrants no urban benefits	21.6	<b>45.1</b>	24.7	6.9	1.7
Urbanites contribute more devt.	7.1	<b>40.2</b>	30.3	19.1	3.4
*Fair, bar migrant kids schooling	<b>39.3</b>	<b>37.0</b>	16.2	5.5	2.0
*Fair, bar migrants some jobs	<b>34.8</b>	<b>35.4</b>	20.8	7.3	1.8
Equal job rights for rural/urban	0.5	3.9	14.3	<b>54.2</b>	27.2
Urbanites, too much benefit	2.5	15.9	27.4	<b>44.3</b>	9.9

\* 2004 data

## 2. CCP Propaganda and Controls on Information?

- Perhaps, but not uniformly successful in persuading Chinese of virtues of market-based incentives (Figures 10-13), and less successful in recent surveys
- Also, we constructed a scale of access to unofficial sources of information (Internet, foreign media and travel, etc.), and respondent scores were not correlated with more critical views on current inequalities, in 2004 at least

### 3. Halo Effect of Economic Growth?

- Most plausible, and perhaps the major source of these positive views
- Respondents who reported that their family incomes had improved compared to five years earlier (63% in 2004, 75.4% in 2009, 79.1% in 2014) were more likely to view current inequalities as fair, and to be optimistic about doing even better five years later
- Chinese still influenced by Hirschman's "tunnel effect"—in 2009 survey, 82.3% said that those living around them were doing better than five years earlier (and 85.1% in 2014)

## 4. Gratitude for Liberation from Socialist Inequities?

- Discussed at length in *Myth of the Social Volcano*
- Most Chinese stuck in late Mao era in very unequal status positions, not rewarded materially for talent and effort, and almost totally unable to migrate or change jobs to better their situation
- Peasants and urban migrants are more accepting of current inequalities than urban *hukou* holders, and more optimistic, even though they are still highly disadvantaged, since late-Mao era socialism kept them immobilized as “socialist serfs”

## 5. Cultural Resonance of Current Inequalities?

- Key features of current inequalities bear resemblance to Chinese stratification patterns before 1949
- Sharp inequalities, brutal competition, threat of impoverishment
- But no rigid status barriers to geographic and social mobility, and ample opportunities to change your fate and improve the lot of your family; main mobility routes education or business/commerce
- See the “Skinner onion” diagram:

# STRATIFICATION IN LATE TRADITIONAL CHINESE SOCIETY

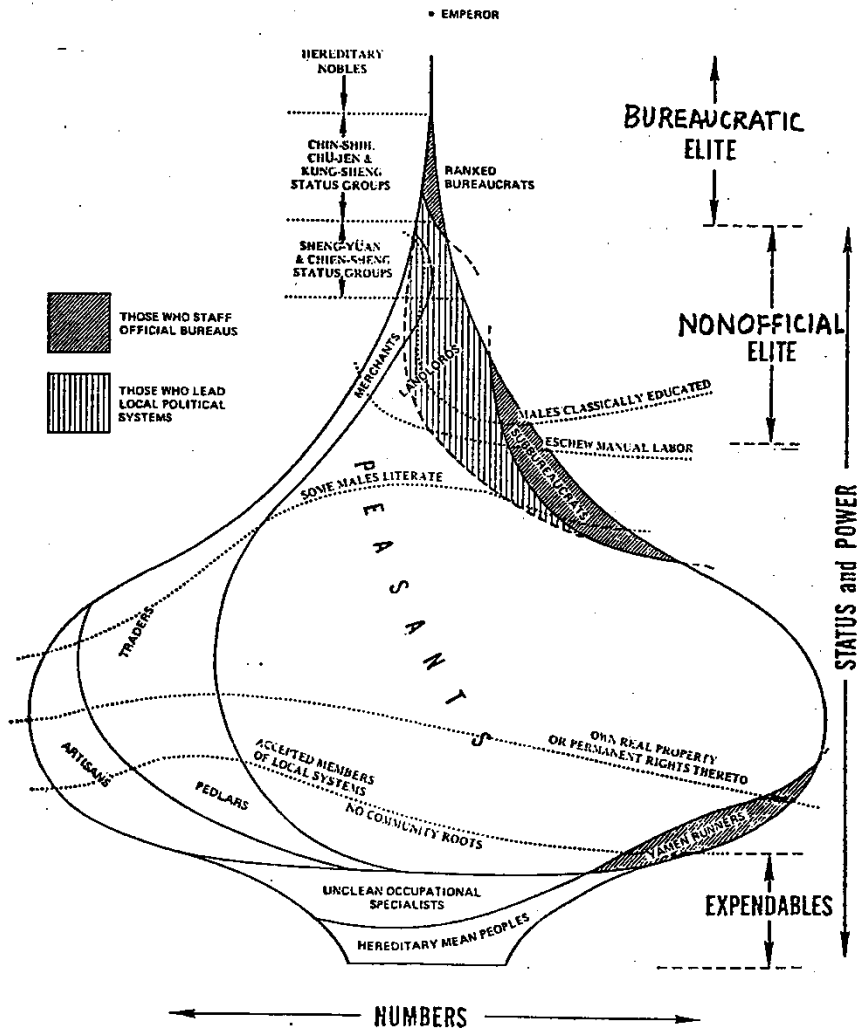


FIGURE 2



## 6. Favorable Impact of Harmonious Society Initiatives?

- More than just propaganda slogans?
- Major policy initiatives under Jiang and later Hu leaderships, to try to redress inequalities and reduce poverty (pledges along the same lines from Xi)
- Develop the west, reduce burden of rural taxes and fees (70% of 2004 rural respondents reported reductions), rebuilding village medical insurance coverage, waiving grain tax and tuition for grades 1-9 of schooling, minimum income (*dibao*) distributions
- Some clear impact, even though Gini still rising—e.g. coverage by public medical insurance:

Table 6: Public health insurance coverage (%)

	2004	2009	2014
Rural	15.4	89.6	93.8
Urban	50.8	75.2	94.2
Rural migrants	9.2	56.1	91.5
Total	29	82.4	93.4
N	3250	2878	2494

# Conclusions

- China's communist leaders have done a better job than their counterparts in other post-socialist societies in convincing their citizens that current inequality patterns are fair
- Greater success probably explained by several distinctive features of Chinese transition—more sustained and rapid growth, more inequitable Chinese socialist institutions escaped from, greater historical precedent for current inequalities, favorable impressions created by harmonious society initiatives (+ more effective pro-market propaganda messages?)
- But all continues to hinge on maintaining robust growth and perception that opportunities abound, hard work is rewarded, and leaders care--even if substantial unfairness exists
- Even if not angry at rich, much popular anger against procedural injustices, corruption, abuses of power, lack of redress, etc.
- Stiff challenges for Xi leadership and successors—stay tuned

