

Demolishing Partitions:
Back to Beginnings in the Cities?

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Using euphemisms and albeit haltingly the leaders of China in its forties began blasting the barricades their forebears had constructed to design what they had considered a fully pristine, orthodoxly socialist, separate urban realm. The result of this recent demolition is that, as the system turns fifty, its political elite--along with the markets they have licensed--is remodeling the metropolises into places less distinct socially from the rural areas outside them and much less homogeneous internally than the urban areas from which they are metamorphosing.

This transformation is occurring since decisionmakers in the '90's--under the threat of economic assault--began biting the bullet by putting squarely onto the market the two most controversial, ideologically knotty categories most persistently resistant to marketization in the '80's: ownership and labor. Specifically, top politicians are demolishing the partitions between public and private sectors, state and other patterns of ownership, and urban and rural workers. A pivotal question emerges: is "reformist" "communist" China at two-score-and-ten returning its cities to the very socio-economic systems that the regime's founders once set out to "reform?"¹

The urban economic policies of the late 1990's are by no means new: virtually all of them are over a decade old. But as enunciated in their most dramatic form to date--at the watershed autumn 1997 Fifteenth Party Congress--they reflect a foundational shift. At the close of the

¹ Martin King Whyte and William L. Parish, Urban Life in Contemporary China (Chicago: University of Chicago Press, 1984), 16 refers to the "fundamental goals of the Chinese Communist Party" in its "urban reform effort" after 1949.

1980's, it was still possible to write that, "reform of the economy--and the predominance of market-oriented institutions and behavior that this would usher in--[was not] a goal in itself."²

But by the end of the 1990's, with stark economic threats at hand, marketization and even the dissolution of a significant amount of the state ownership of the economy had become just that, goals in themselves. And as party and state chiefs gave the go-ahead to massive sales of state assets, bankruptcy of state firms, and shedding of state employees to boost enterprise efficiency, the very essence of what socialism has meant in China came under serious challenge.

I consider how the recent agenda of reforms pertaining to ownership, employment, and citizenship measure up against the situation in these areas at three benchmarks: 1949, 1979, and 1989. In broad brush, this is a story of abolishing and then of allowing difference, as private sphere and peasant laborer were first turned into outcast, pariah in the municipalities--replaced by the solitary presence there of the state sphere and the permanent urbanite worker--but then later permitted to reappear.

Thus, the '50's were a time of progressive homogenization, elimination of disparity and erection of partitions; in the '60's and '70's that drive became fully realized and deeply, ideologically, entrenched. With the '80's, diversity gingerly reemerged. But it has only been in the '90's that the partitions appear to be truly in the midst of demolition.³

The Recent Agenda

Ownership

Most prominently, Party General Secretary Jiang Zemin put forward two critical chores at the 1997 congress: to "adjust and improve the ownership structure," and to "accelerate the reform of state-owned enterprises."⁴ Together these orders amounted to placing an authoritative imprimatur upon "economies of diverse ownership," such as the joint-stock system, now said to be

² Dorothy J. Solinger, China's Transition from Socialism (Armonk, NY: M.E. Sharpe, 1993), 3.

³ I focus specifically on large cities and industry.

⁴ Summary of World Broadcasts (SWB) FE/3023 (September 13, 1997), S1/1-S1/10.

compatible with socialism just as much as with capitalism.⁵ The non-public sector was switched from being--as it had been since reforms began, a "supplement" to state ownership--to serving as "an important component part of China's socialist market economy."

Meanwhile, the "public"--as opposed to "state"--ownership, still hailed as "the main component" of the economic system, now includes not just the state and collective sectors (as at the 1992 Fourteenth Party Congress⁶) but also the state and collective's share in the "mixed economy." This is a logical extension of the 1994 tax code's stipulation that all forms of ownership would be taxed at the same rate.⁷

The Party congress commands released smaller state entities in the interest of invigorating them through merging, leasing, contracting, or selling them off, even as larger, potentially competitive firms would become modern corporations, joined via shareholding in large, even transnationally active enterprises. Not only is ownership by the state no longer sacrosanct; the reality of bankruptcy for state firms on a large scale is definitely sanctioned. Firms clearly sinking are encouraged to merge if possible, to fall into bankruptcy if necessary.

The immediate response to these redefinitions was a surge of privatization, in fact if not name.⁸ Indeed, privatization, dispossession, and forced bankruptcies became so widespread that

⁵ Joseph Fewsmith, "Jiang Zemin Takes Command," Current History (CH) 97, no. 620 (1998), 252.

⁶ Richard Baum, Burying Mao (Princeton: Princeton University Press, 1994), 361.

⁷ Barry Naughton, "China's Economy: Buffeted From Within and Without," CH 97, no. 620 (1998), 275-76.

⁸ Idem., "China: Domestic Restructuring and a New Role in Asia." Paper presented to the conference on the Asian Economic Crisis, University of Washington, October 30-November 1, 1998. Draft of October 7, 1998, 24; Shu Y. Ma, "The Chinese Route to Privatization," Asian Survey (AS) 38, 4 (April 1998), 380; Edward S. Steinfeld, Forging Reform in China (Cambridge, U.K.: Cambridge University Press, 1998), 23.

by the following summer the State Economic and Trade Commission issued a notice against selling small state firms, as the top party leadership split over the extent of permissible privatization.⁹

Labor

For the workers whose firms could no longer accommodate them, layoffs were to become standard practice to enhance productivity, while efforts were to be made to divert these people to other posts. The hope was that, cut off from their employers and thrown into society, dismissed workers would look to the private and tertiary sectors. Thus, what began as "enterprise restructuring" could also "readjust the industrial structure,"¹⁰ eventually "causing the flow of labor to follow the laws of the market economy."¹¹ Obviously, the sacred tie long binding the worker to his/her danwei is in the course of being cut; labor mobility must be on its way.

Meanwhile, a 1995 Reemployment Project, geared to handle the retraining, basic livelihood, and provision of new positions for the laid-offs, had its charge grossly expanded.¹² If successful, the Project could be the wedge that forces a shift from allocating labor to marketizing it; from state and collectively-owned enterprises' dominance to more non-governmental firms; and from contracted to flexible forms of employment.¹³

⁹ SWB F/3278, S1/2, from Xinhua (XH), July 11, 1998; Lo Ping, "Wenjian toulou qigai xian pingjing" [Document Reveals Enterprises in a Bottleneck] Zheng Ming [Contend] 12 (1997), 17 claims that over 9,000 firms went bankrupt in September 1997; Willy Wo-Lap Lam, "Growth Rate Target Tops Leaders' Agenda" and idem., "Dissent at Top Over Access to Markets," South China Morning Post, August 11, 1998 and September 17, 1998, respectively.

¹⁰ No author, "Yi bashou gongcheng zai Liaoning" [Number one project in Liaoning], Zhongguo jiuye [Chinese employment] 3 (1998), 13.

¹¹ Li Zhonglu, "Zai jiuye gongcheng di diaocha yu jishi" [An investigation and on-the-spot report of the Reemployment Project], Gongyun cankao ziliao [Workers' movement reference materials] 11 (1997), 17.

¹² China Daily, April 26, 1995, 1 on its inauguration.

¹³ Liu Zhonghua, "Guanyu zaijiuye gongcheng yu laodongli shichang jianshe di sikao" [Thoughts on the Reemployment

But more immediately, unemployment became so acute--with at least 13 million laid-offs by the end of 1997¹⁴--with several million more since¹⁵--that in May 1998 a national conference proclaimed the distribution of basic living allowances and on-time payment of pensions the number one priority.¹⁶ These pleas signal the extent to which local officials--in so rapidly divesting money-losing state property, and in tolerating massive firings of workers--have rushed to marketize.¹⁷

Citizenship

Another rampart in the midst of collapse is the one separating permanent urban workers from laborers from the countryside hired temporarily in the cities. In 1998, Shanghai scholars judged that, "From the 1990's, the isolation between local and outside labor has been broken." They find three causes: enterprise reform, which enlarged managers' hiring autonomy; market competition, which presses them to use cheap labor; and layoffs of city factory hands, which force urbanites to take low-paying jobs. The upshot is that the two strands of the original dual labor market may be recombining in novel ways.¹⁸

Project and labor market construction] Laodong neican [Labor internal reference] 2 (1998), 42.

¹⁴ Liaowang January 5, 1998, in SWB FE/3136, S1/2.

¹⁵ Mo Rong, "1998 nian woguo jiuye xingshi fenxi" [An analysis of our country's employment situation in 1998] Zhongguo laodong [Chinese labor] 6 (1998), 42, cites a Ministry of Labor and Social Security estimate in mid-1998 of another 3.5 million layoffs.

¹⁶ Jingji ribao [Economic daily] (JJRB), May 18, 1998, 1; Far Eastern Economic Review, July 30, 1998, 46.

¹⁷ Naughton, "China's Economy," 276.

¹⁸ Beijing daxue zhongguo jingji yanjiu zhongxin chengshi laodongli shichang ketizu [Beijing University Chinese Economy Research Center Urban Labor Market Task Group], "Shanghai: Chengshi zhigong yu nongcun mingong di fengceng yu ronghe" [Shanghai: Urban staff and workers and rural labor's strata and fusion] Gaige [Reform] 4 (1998), 106-07; Peng Xizhe, Zheng Guizhen, and Chen Yuexin, "Chanye jiegou tiaozhengzhong di Shanghai fangzhiye wailai nuxing renkou" [Shanghai's

Moreover, in both 1997 and 1998, the seemingly impenetrable wall of status superiority of the city-born hoisted around 1961¹⁹ via the household registration (hukou) system--which defined urban citizenship--was pierced with some crucial regulatory shifts. In 1997, in 450 select, "advanced" county-level towns, peasants pursuing legal, stable occupations who had been resident for two years, were granted an urban hukou, complete with the right to send their children to school at subsidized rates. They also became eligible for basic health and welfare benefits.²⁰

In 1998, children got the right to inherit the hukou of either parent; and "peasant" spouses already resident over a number of years in a city could adopt their urban spouse's registration, as could retirees moving in with their city offspring. Moreover, rural investors who sponsored enterprises or purchased commercial housing in cities and their immediate families could obtain urban registration so long as they had legal, stable residences and occupations.²¹ So the purity of official urban existence promises to be steadily diluted.

Thus in three facets of the urban political economy--ownership, labor, and citizenship--in the late 1990's, the core divisions that had delimited urbanism were blurring, even threatening to disappear. At just how different a pass were these institutions from where they had been 10, 20, and 50 years before?

Past Benchmarks

outside female textile workers in industrial structural readjustment] Zhongguo renkou kezue [Chinese population science] 3 (1998), 38-43, 56. Thanks to Barry Naughton for these articles.

¹⁹ Kam Wing Chan, Cities With Invisible Walls (Hong Kong: Oxford University Press, 1994), 76; and Dorothy J. Solinger, Contesting Citizenship in Urban China (Berkeley: University of California Press, 1999), Chapter Two.

²⁰ "Gradually Reform Small Towns' Household Management System," Baokan wenzhai [Periodicals Digest], July 24, 1997, 1; XH, July 30, 1997, in SWB FE/2986, G/8. Thanks to Kam Wing Chan for the former piece.

²¹ Huasheng yuebao [China voice] October 1998, 78; Xingdao ribao [Singdao daily], August 11, 1998, A6 and September 26, 1998, A5; and Guangzhou ribao [Guangzhou daily], August 28, 1998. Thanks to Zai Liang and Kam Wing Chan for these articles.

Ownership

While wholesale trade was nationalized soon after takeover, and some 1,000 of the larger industrial companies converted into joint public-private enterprises by 1954, 70 percent of retail trade and about half major capitalist industry remained in private hands up to late 1955. But with the colossal campaign to remold capitalist industry and commerce, in the short span of just one year 99.6 percent of the output of formerly private industry had fallen into state hands, and 82 percent of the firms in the commercial sector had also been transformed.²²

Thereafter--with just a short interlude in the early 1960's--until the state constitution of 1978 legitimated going into business on one's own,²³ private economic operations were proscribed, pitilessly censured, and subject to severe punishment, so vehemently during the Cultural Revolution that the dark shadow of that castigation continued to fall across enterprising efforts throughout the 1980's. By 1978, 77.6 percent of industrial output was turned out by state-owned firms, the remaining 22.4 percent by collectives, which were also virtually the state's.²⁴

With the closing of the Eleventh Party Central Committee's 1978 landmark Third Plenum, cautious proposals for ownership reform were raised by economists Dong Furen (in 1979) and Li Yining (in 1985 and 1986). But State Planning Commission opposition forestalled action.²⁵ Once the political climate eased with the 1987 Thirteenth Party Congress's consensus that China was in the "primary stage of socialism"--a claim revived in 1997--more plans appeared for the paid transfer of enterprise property rights.²⁶ The climax was Party General Secretary Zhao Ziyang's

²² Dorothy J. Solinger, Chinese Business Under Socialism (Berkeley: University of California Press, 1984), 308-09.

²³ Baum, op. cit., 96.

²⁴ Guojia tongjiju bian [State Statistical Bureau, ed.], Zhongguo tongji nianjian 1989 [1989 Chinese statistical yearbook] (Beijing: Zhongguo tongji chubanshe, 1989), 267.

²⁵ Joseph Fewsmith, Dilemmas of Reform in China (Armonk, NY: M.E. Sharpe, 1994), 188-89.

²⁶ Guangming ribao [Bright daily], December 19, 1987, 3; Jingji cankao [Economic reference], February 10, 1988, 2; Renmin ribao [People's daily] (RMRB), May 20, 1988, 5; and Shijie jingji daobao [World economic herald], October 24, 1988, 14.

report to its Third Plenum in 1988, suggesting the public sale of small state firms and encouraging large and medium ones to issue their own stocks, much the same program announced in 1997.²⁷

Through the 1980's ownership by the state was challenged along three different paths: enterprise reform; a set of "capitalistic practices"; and the steady expansion of the private sector. In the efforts at enterprise reform, however, two flaws were outstanding: none really challenged ownership, and there were no effective governance mechanisms.²⁸ "Capitalistic" tactics abounded before 1990, including leasing, begun in 1984, involving 66 percent of the small state commercial firms by 1986²⁹; mergers, underway by 1988;³⁰ and shareholding, initiated in Shenyang in 1982, where a securities exchange had national reach by 1986. Nearly 80 cities had engaged in negotiable securities transfer by late 1988³¹; as of mid-1987, over 1,000 enterprise groups were registered.³² But, as Zhao Ziyang himself admitted (trying to cloak his true purposes?), these experiments posed no threat to the dominant role of public ownership;³³ state offices also supervised the use of the funds.³⁴

²⁷ Beijing Review (BR), November 14-20, 1988.

²⁸ Louis Putterman, "The Role of Ownership and Property Rights in China's Economic Transition," The China Quarterly (CQ), 144 (1995), 1052, 1063; Shu, op. cit., 380-81; Naughton, "China," 17; and Steinfeld, op. cit., 2-6.

²⁹ Yue Haitao, "Leasing Invigorates Small Businesses," BR 27 (1987), 25; Lora Sabin, "New Bosses in the Workers' State," CQ 140 (1994), 953; RMRB, May 8, 1987, 5 and May 24, 1987, 2.

³⁰ JJRB, May 2, 1988 and October 4, 1988, 1; RMRB, February 3, 1989, 5.

³¹ Solinger, China's Transition, 134.

³² RMRB, August 10, 1987, 2.

³³ Foreign Broadcast Information Service (FBIS), November 17, 1988, 27.

³⁴ Solinger, China's Transition, 187.

Bankruptcy experimentation started with a 1983 study and Cao Siyuan's 1984 draft law. In 1988, a national law went into effect³⁵; soon a "job security panic" hit the workforce, with reformers' repeated intention to shut failing firms.³⁶ But though 98 cases reached the courts by 1989, the freeze on anything that smacked of capitalism after the Tiananmen shoot-out and Zhao Ziyang's fall halted the process for several years. Though cases mounted after 1991, especially after 1994,³⁷ ongoing obstacles were the state's unchanging commitment to resettle and succor the unemployed, plus the scarcity of social security funds.³⁸ By 1997, a mere one percent of state enterprises had even initiated bankruptcy proceedings.³⁹

The private sector's expansion made the biggest dent in state ownership; after the State Council's 1981 regulations on "individual" ventures, they usually received official support through the '80's. The 1988 Seventh National People's Congress legitimized larger "private" firms by amending the state constitution, and, after a downturn in 1989-90, this sector grew rapidly in the approving atmosphere following Deng Xiaoping's famous 1992 Southern Tour and the Fourteenth Party Congress that fall.⁴⁰

Where in 1985 the state sector was producing 65 percent of industrial output, and the "individual" or private sector just 1.84 percent, by 1996, the state's share had plummeted to 28.5 percent, the private's had jumped to 15.5. Besides, the 39.4 percent attributed to the "collective"

³⁵ Ibid., 129-30.

³⁶ Andrew G. Walder, "Workers, Managers and the State," CQ 127 (1991), 479.

³⁷ Yang Yiyong et al., Shiye chongji bo [The shock wave of unemployment] (Beijing: Jinri zhongguo chubanshe, n.d. (probably 1997)), 216.

³⁸ FBIS, January 1, 1995, 47 and January 19, 1995, 41.

³⁹ Neil C. Hughes, "Smashing the Iron Rice Bowl," Foreign Affairs 77, 4 (July/August 1998), 75.

⁴⁰ Sabin, op. cit., 959-64; and Martin Brosseau, "The Individual and Entrepreneurship in the Chinese Economic Reforms," in Lo Chi Kin, Suzanne Pepper, and Tsui Kai Yuen, eds., China Review 1995 (Hong Kong: The Chinese University Press, 1995), 25.31.

sector was certainly largely private as well;⁴¹ meanwhile, a category called "other," containing foreign-invested industry--amounting to just 1.2 percent in 1985--had expanded to 16.6 percent.⁴²

Competition from non-state producers and a more marketized environment combined to undermine the state sector by the 1990's much more than organizational tampering alone could do.⁴³ As that sector's shrinkage proceeds, the boundaries between it and other sectors are becoming far less significant than they used to be.

Labor

Among the fundamental urban goals of the Party in 1949 were to realize full employment, job security replete with benefits, minimal income and life style differences, and comfortable consumption standards for all residents.⁴⁴ The leadership therefore shepherded the population into state and "collectively"-owned firms; by mid-1956, 85 percent of the personnel in commerce had been "transformed"; at year's end, 99 percent of the staff and workers of private industrial concerns were working in public-private joint firms.⁴⁵

Within less than a decade after taking over, the country's new leaders had replaced a world of workshops, where jobs were insecure and unemployment frequent, wages low and welfare benefits absent, with cities marked by large, modern firms that in every way fulfilled their plans.⁴⁶

⁴¹ Sabin, op. cit., 952-53, 969-70.

⁴² Guojia tongjiju bian [State Statistical Bureau, ed.], Zhongguo tongji nianjian 1997 [1997 Chinese statistical yearbook] (1997 nianjian) (Beijing: Zhongguo tongji chubanshe, 1997), 415.

⁴³ Barry Naughton, Growing Out of the Plan (Cambridge: Cambridge University Press, 1995); idem., "China's Economy," 275.

⁴⁴ Whyte and Parish, op. cit., 16.

⁴⁵ Solinger, Chinese Business, 308.

⁴⁶ Andrew G. Walder, "The Remaking of the Chinese Working Class, 1949-1981," Modern China (MC) 10, 1 (1994), 4-10.

A population that had been highly mobile geographically found its movement strictly controlled, as urban workers were sorted into danwei, from which they virtually never departed.⁴⁷

Though a hierarchy of urban industrial labor emerged, with three distinct statuses enjoying differing levels of pay, benefits, and work security, urbanites as a group received adequate and roughly comparable wages, subsidized housing, and other public goods.⁴⁸ Because of the ostracism of the private sector, and the near exclusion of peasants from the cities, in 1978 employment in the state and collective sectors combined totalled 100 percent of the working population (78.4 percent in state firms, 21.6 in collectives).⁴⁹

But the nod to private employment in 1979--necessary, given the cessation of rustification and the immediate need for placing millions--meant new entrants began finding posts outside the state: in 1980 only 63.5 percent of new entrants went into state firms.⁵⁰ Where the numbers of urbanites in private firms and self-employed individuals totalled just 814,000 in 1980, by 1990 the figure had grown to 6.7 million; in 1996 the official count was up to 23.29 million.⁵¹ The first

⁴⁷ Barry Naughton, "Danwei: The Economic Foundations of a Unique Institution," in Xiaobo Lü and Elizabeth J. Perry, eds., Danwei: The Changing Chinese Workplace in Historical and Comparative Perspective (Armonk, NY: M.E. Sharpe, 1997), 169-82; Whyte and Parish, op. cit., 22.

⁴⁸ Walder, "The Remaking," 28-38; Naughton, "China," 25.

⁴⁹ Guojia tongjiju renkou yu jiuye tongjisi, laodongbu zonghe jihua yu gongzisi, bian, [Department of Population and Employment Statistics, State Statistical Bureau, Department of Overall Planning and Wages, Ministry of Labor], Zhongguo laodong tongji nianjian 1997 [China Labour Statistical Yearbook] (Beijing: Zhongguo tongji chubanshe, 1997), 15.

⁵⁰ Sabin, op. cit., 945-48; Deborah Davis, "Job Mobility in Post-Mao Cities," CQ 132 (1992), 1065.

⁵¹ 1997 nianjian, 116.

half of the 1990's saw an average of 10.85 million new private jobs annually.⁵² Among state employees, people jumping into the sea of business increased quickly from the mid-1980's.⁵³

Two other trends after 1978 split workers from their prior unalterable bond to the firm: limited-term contracts, and governmental encouragement to mobility. Though the notion of fixed-term tenure was first raised in 1982, its affront to what the Chinese considered core socialist values (full employment, job security) meant it was slow to take hold. A 1986 Regulation on Labor Contracts specified that all new labor be hired on limited-term contracts, but by mid-1988 only eight percent of state industrial workers were on contracts.⁵⁴ And though the 1994 Labor Law demanded contracts for all employees, its implementation was overtaken by the growing push to downsize which followed in its wake. But urban labor exchange centers appeared for skilled workers, and it became possible to take short-term unpaid leaves. Still, despite these moves in the direction of shattering the famous "iron rice bowl," work for all with life-long tenure remained the norm at the end of the '80's.⁵⁵

Once the '90's got underway, however, as official job assignments were reduced, personal connections played an increasingly dominant role in job-seeking.⁵⁶ Meanwhile the danwei's control of careers diminished with an incipient labor market and new freedom to find positions.⁵⁷ In Shanghai from 1985 to 1995 the percentage of urbanites assigned jobs by labor departments dropped from 28 to 18, as those locating jobs on their own escalated from nine to 19 percent;

⁵² Barry Naughton, "China's Emergence and Prospects as a Trading Nation," Brookings Papers on Economic Activity 2 (1996), 285.

⁵³ Sabin, op. cit., 963.

⁵⁴ Gordon White, Riding the Tiger (Stanford: Stanford University Press, 1993), 138-43, 159.

⁵⁵ Davis, op. cit., 1062-64, 1085; Walder, "Workers, Managers," 477; FBIS, June 8, 1984, K15.

⁵⁶ Yanjie Bian, "Guanxi and the Allocation of Urban Jobs in China," CQ 140 (1994), 979.

⁵⁷ Lowell Dittmer and Lu Xiaobo, "Personal Politics in the Chinese Danwei Under Reform," AS XXXVI, 3 (1996), 247-49; and Naughton, "Danwei," 184.

meanwhile, 35 percent of 5,800 rural migrants surveyed there in 1995 had found their posts themselves.⁵⁸ Thus, urbanites and migrants were becoming similar in searching for work.

The most crucial shift in the `90's was the ballooning of numbers of those dismissed and effectively without a job, or at least without a steady, secure one. Here again, years of indecision passed from 1979, when Xue Muqiao first suggested eliminating permanent jobs.⁵⁹ The late 1980's witnessed scattered reports of job losses for "redundant workers." But managers generally still abstained from dismissing employees openly.⁶⁰

It was then-Vice Premier Zhu Rongji's mid-1993 austerity program--with its stiff curtailment of guaranteed credit, and consequent rises in firm losses--that induced serious unemployment.⁶¹ By 1994, when the Labor Law granted firms freedom to fire if near bankruptcy,⁶² xiagang (employees nominally retained ties to their danwei but were effectively without work to do) began to gather speed.⁶³ By spring 1996, urban unemployment, once strictly anathema to the Communist Party, was being termed "inevitable in a market economy," which in China by that time unquestionably obtained.⁶⁴ By December 1997, the National Labor Work Conference announced, apparently with much chagrin,

⁵⁸ Wang Feng, "Invisible Walls Within Cities." Paper prepared for Conference on Social Consequences of Chinese Economic Reform, Harvard University, May 23-24, 1997, Table 2.

⁵⁹ Baum, op. cit., 94-95.

⁶⁰ FBIS, September 14, 1988, 36, and September 28, 1988, 52-53; Walder, "Workers, Managers," 473, 477.

⁶¹ Naughton, "China's Emergence," 294; idem., Growing, 274-300; and Wing Thye Woo, "Crises and Institutional Evolution in China's Industrial Sector," Joint Economic Committee, Congress of the United States, ed., China's Economic Future (Armonk, NY: M.E. Sharpe, 1997), 164-65; SWB FE/3358, G/3, from XH, October 14, 1998.

⁶² FBIS, July 19, 1994, 18-26, from XH, July 5, 1994.

⁶³ Niu Renliang, "Xiagang zhigong chulu sikao" [Thoughts on the way out for the laid-off staff and workers] Lingdao canyue [Leadership consultations] 1 (1998), 8.

⁶⁴ FBIS, June 14, 1996, 52, from Jinrong shibao [Financial Times], April 15, 1996, 1.

Dismissing and laying off workers is a move against our will taken when we have no way to turn for help, but also the only way to extricate ourselves from predicament.⁶⁵

This acquiescence in allowing market forces to play themselves out has once again recast the subdivisions within the working class. The lines are no longer drawn by residence (urban versus rural) and the possession of a permanent, state-sector job,⁶⁶ as they had been into the early '90's.

Instead, with wages in the state sector slipping below those outside it, and with job security sacrificed to competition, gross disparities segregate workers even within the state sector, in accord with firms' economic success.⁶⁷

The 1995 Ninth Five Year Plan unveiled an employment policy aimed at accelerating the development of the non-state economies and the tertiary sector (both erased in the 1950's); giving vigorous support to small and medium firms, the mainstay of the pre-1949 economy; obliterating boundaries distinguishing different kinds of workers; encouraging workers to transfer jobs across enterprises, trades, and regions; and urging the urban unemployed to do the work once done just by migrant peasant workers.⁶⁸ Thus the top leadership has fully legitimated a return to an urban labor market that its predecessors had eradicated decades ago.

Citizenship

In pre-1949 China, cities and countryside formed a continuous web, with no separation between their populaces.⁶⁹ But beginning with injunctions in 1952 discouraging ruralites from entering municipalities--as millions did so⁷⁰--followed by increasingly harsh and ultimately effective repatriations of peasants from towns in 1955, 1957, and 1961, the cities became pretty

⁶⁵ Ming Pao [Bright Daily] (MP), December 19, 1997, in SWB FE/3107, G/7.

⁶⁶ Walder, "The Remaking," 41-42.

⁶⁷ Ching Kwan Lee, "The Labor Politics of Market Socialism," MC 24, 1 (1998): 3-33.

⁶⁸ FBIS, June 14, 1996, 54 and SWB FE/3107, G/7 (note 65).

⁶⁹ Whyte and Parish, op. cit., 10, 12, quoting Frederick W. Mote.

⁷⁰ Walder, "The Remaking," 14-15.

much devoid of farmers for about two decades. The borders barring outsiders from becoming residents, enforced by rigid registration checks, food rationing and governmentally-assigned jobs and housing, forged a clear distinction between those of the metropolis and those who were not.

With the fall of the communes, the reactivation of commerce and services, and the stimulation to urban construction, by 1983 the regime granted the "floating population" the right to inhabit temporarily in urban areas, at first under quite restrictive conditions. Throughout the '80's progressively more lenient regulations, plus increasingly flourishing markets, steadily undermined the barriers that had made city dwelling impossible for peasants before.⁷¹

Eventually "villages" of co-locals congealed in large cities, where outsiders from the same native place shared space and occupations. Their presence lent a richness and diversity to the sizable metropolis that had been wanting there for at least thirty years. Given the booming economy into the '90's, the overwhelming majority found work and a place of abode. Despite their lack of power and fundamental legitimacy, and the uncertainty over their ongoing right to remain through the '90's, considerable economic variation developed among them, with some remarkably wealthy by the '90's.⁷²

Is the bulwark against rural outsiders disintegrating; has city citizenship become a nonexclusive category available to all residents? As the PRC turns fifty, this would be claiming too much. The Ninth Plan's aim to coordinate urban and rural workers in one grand job market⁷³ defies realization. For the wave of unemployment washing across the country since 1997 has affected treatment of migrant workers. Major cities--though usually incapable of staunching the

⁷¹ Solinger, Contesting Citizenship, Chapter Two.

⁷² Laurence J. C. Ma and Biao Xiang, "Native Place, Migration and the Emergence of Peasant Enclaves in Beijing," CQ 155 (1998): 546-81; Yuan Yue et al., Luoren--Beijing liumin di zuzhijia zhuangkuang yanjiu baogao [The exposed--a research report on the condition of the organization of migrants in Beijing] (Beijing: Beijing Horizon Market Research and Analysis Company, 1995); Li Zhang, "Strangers in the City." Ph. dissertation (Ithaca: Cornell University, Department of Anthropology, 1998); Solinger, Contesting Citizenship.

⁷³ See former Minister of Labor Li Boyong's speech at the 1997 National Labor Work Conference (SWB FE/3111, S1/4, from XH, December 17).

flow of floaters--are nonetheless bent on restricting it, clearing out some to free posts for natives, and reserving certain occupations for locals; and some have achieved a bit of success.⁷⁴ Migrants continued also to be ineligible for unemployment insurance and the Reemployment Project, and excluded from the contract system.

Conclusion

Have Chinese urban areas now come full circle, back to the beginnings that so unsettled the early communist leaders? No, this is not yet the case. Yes, the partitions sustaining difference are just about demolished. But the state sector still governs over seventy percent of industrial assets and over two thirds of industrial employment, and contributes the same percentage of industrial income tax revenues.⁷⁵ Besides, the marketization that undermined the state sector contained a twist that was never expected. Markets made China prosperous, lifting the average urban family's disposable income from 343.4 yuan in 1978 to 5,160.3 in 1997.⁷⁶ But they also pushed the actual unemployment rate up to around seven percent, causing cold feet among decisionmakers.⁷⁷ Thus, even in the face of a threatening financial crisis that destabilized many of its neighbors, in late 1998 some laid-off state workers were rehired, and a massive stimulus program welcomed the participation only of state-owned firms, failing ones among which received special loans.⁷⁸ These developments do not imply that partitions, once pulled down, are being reproduced. But they do lend a caution to judgments that the PRC at the end of 50 years of socialist rule is no longer socialist at all.

⁷⁴ Dorothy J. Solinger, "The Impact of Openness on Integration and Control in China." Paper prepared under a grant from the Smith-Richardson Foundation to the University of California's Institute on Global Conflict and Cooperation for the study, "China and its Provinces."

⁷⁵ Hughes, op. cit., 71.

⁷⁶ XH, December 10, 1998, in SWB FE/3409, G/8 (without saying if this is in constant yuan).

⁷⁷ SWB 3155, G/13, from MP, February 18, 1998.

⁷⁸ Maggie Farley, "Building Boom in China Blocks Market Reforms," Los Angeles Times, November 1, 1998, A1, A6; Erik Eckholm, "Not (Yet) Gone the Way of All Asia," New York Times, November 15, 1998; XH, November 30, 1998, in SWB FE/3399, G/9.