From Master to Marginal in Post-Socialist China:

The Once-Proletariat as New Excluded Entrepreneur

A startling series of turnabouts has transfigured the social landscape of urban China in only a very few years. Just when private enterprise--excoriated and ostracized as the bane of socialism for decades--is achieving firm official legitimation--in the form of an unambivalent governmental endorsement for capitalists for the first time under the reign of the People's Republic--a novel type of private businessperson is, ironically, simultaneously appearing in urban China as a kind of pariah, what we might designate "the excluded entrepreneur."

This new-style salesperson's cohort is by no means capitalist in origin, or even in aspiration. It is instead composed of the substantial detritus lately dropping away from the ranks of the bygone mighty urban proletariat, a hitherto impressive, unified force once perched solidly upon city society's most lofty pedestal. It is the human fallout from the post-Mao state's reach for efficient, competitive, corporate advantage, a stretch the leadership imagines can be accomplished by discarding, or at least detaching from their positions, the propertyless wage earners of earlier days. Its affiliates are the <u>xiagang zhigong</u>, the "off-post" staff and workers. They have lost their jobs in droves since the middle of the 1990's.

These past renowned, now former workers transformed recently into sudden rejects comprise a sorry--and terribly sizable--mass of newborn marginals. Alarmingly, Chinese economimst Hu Angang has figured that as many as 46 million, or, he calculates, one third of existing jobs, were eliminated in the last half decade of the century<sup>1</sup>; similarly, a journalist in a September 2001 issue of the <u>Far Eastern</u> <u>Economic Review</u> reported that since the early 1990's, more than half the 80 million

<sup>1</sup>China News Digest, GL01-049, July 6, 2001.

or so people who had once worked at state-owned enterprises were estimated to have been let go.<sup>2</sup>

And according to a mid-1999 report, some government officials believe the real number of workers who should be counted as unemployed--including all those currently labelled "as waiting for work" but not officially added into the unemployed statistics--could be as high as 100 million. Many of those who, once dismissed, have managed to find a means of eking out some income, are the persons one now encounters in the tens of dozens, pedalling pedicabs and hawking trinkets along municipal roads these days, and just barely thereby sustaining a livelihood.

A 1999 trade union study found that 48.7 percent of those furloughed workers counted as "reemployed" were self-employed, while of the other 51.3 percent who had been hired, well over half (59 percent) were engaged in work that was only

<sup>&</sup>lt;sup>2</sup>Jiang Xueqin, "Fighting to Organize," <u>Far Eastern Economic Review</u> (hereafter <u>FEER</u>), September 6, 2001, pp. 72-75.

<sup>&</sup>lt;sup>3</sup>William H. Overholt, "China in the Balance," Nomura Strategy Paper, Hong Kong, May 12, 1999. I discuss the difficulties of estimating the total numbers who have lost their workposts in the past decade and of the numbers currently without real jobs in Dorothy J. Solinger, "Research Note: Why We Cannot Count the 'Unemployed,'" <u>China Quarterly</u> (hereafter <u>CQ</u>,), No. 167, 2001, pp. 671-688.

temporary.<sup>4</sup> Such people are described in a set of sobering vignettes that graced the pages of the local newspaper in the central China city of Wuhan in early summer 1998, as the numbers of those making up the new class of furloughed workers mounted steadily:

Now in a lot of units there's irregular use of labor, obstructing the [laid-off] staff and workers' reemployment..The textile trade's reemployment service center is entrusted with 10,000 laid-off staff and workers, of whom about 400 have become reemployed..not one of the 100 units that hired them has taken over social security reponsibilities for them or signed a formal contract.

Three hired as transport workers for a store's household appliance department were paid only 200 yuan after a month, while the store's regular workers' monthly income averaged more than 1,000 yuan.

According to relevant regulations, staff and workers have a three month-probation period, in which wages are rather low. But after the three months a clothing enterprise fired those it had taken on. Of all those placed out of the [reemployment] service center, 44 percent of the total were soon fired for reasons that had nothing to do with their job performances.<sup>5</sup>

<sup>4</sup>Xue Zhaoyun, "Dui xiagang zhigong zaijiuye xianzhuang di diaocha, sikao yu jianyi" [Research, reflections, and suggestions about the reemployment situation of laid-off staff and workers], <u>Gonghui gongzuo tongxun</u> [Bulletin of trade union work], No. 7, 2000, p. 8.

<sup>&</sup>lt;sup>5</sup>Changjiang ribao [Yangzi daily] (hereafter <u>CJRB</u>), June 2, 1998, p. 2.

A sympathetic writer in a trade union journal worried thusly about the troubles of these workers:

For a long time, they've been drifting outside the enterprise in a socially marginal situation, especially those in small-scale, scattered, mobile informal departments..They meet up with many problems and annoyances, but lack any organization's loving care, are without any opportunity to get education or to participate in society.<sup>6</sup>

The situation I'm describing immediately raises questions: Probably most pressing, how and why did the revered manufacturing workforce stumble from its pedestal and land in the dirt? How could such huge numbers of people be converted all at once into "marginals," particularly in a country that continues to consider itself to be "socialist?" And if the non-public sector was quite openly proclaimed to be "an important component part" of the national economy at the Fifteenth Party Congress in autumn 1997<sup>7</sup>--a judgment that was even written into the State Constitution in the spring of 1999<sup>8</sup>--why then should such a goodly portion of its practicioners be living a life of outcasts, poverty-stricken and, for most practical purposes, largely abandoned by the state?

<sup>&</sup>lt;sup>6</sup>Xue Zhaoyun, <u>op. cit.</u>, p. 10.

<sup>&</sup>lt;sup>7</sup>For Party General Secretary Jiang Zemin's report to this Congress, see <u>Summary of World Broadcasts</u> (hereafter SWB), No. FE/3023, September 13, 1997, pp. S1/1-S1/10.

<sup>&</sup>lt;sup>8</sup>SWB, No. FE/3520, from Xinhua [New China News Agency] (hereafter XH), April 26, 1999, p. G/8.

For indeed, there has been much fanfare attending the celebration of capitalists, especially in the last few years. Citing Chinese reformer Cao Siyuan's think tank, the Washington Post reported in early 2001 that, "The non-state sector now produces 70 percent of the gross national product, though it controls only 30 percent of national assets." And two authors of a piece in the latest China Quarterly note that through the latter '90's the official media constantly trumpeted the significance of the private sector in providing employment for workers pushed aside by the state sector. In line with this trend, both Premier Zhu Rongji and Minister of Labor and Social Security Zhang Zuoji have repeatedly announced that what they variously label the non-state sector, the non-public sector, the tertiary sector, or, explicitly, private firms and the service industry should be the engine that churns out multitudinous job opportunities, now that so much of the old working class has, quite literally, landed on the streets.

<sup>9</sup>Fred Hiatt, "For China, the Most difficult Reforms Lie Ahead," <u>Washington Post</u>, April 1, 2001, p. B07. A bit later in the year, Bruce Gilley, "Demand-Led Growth," <u>FEER</u>, July 19, 2001, p. 49, asserted that, "Beijing is increasingly reliant on the non-state sector, which now accounts for 75 percent of gross domestic product if the collective sector and agricultural output is included."

<sup>10</sup>Yi-min Lin and Tian Zhu, "Ownership Restructuring in Chinese State Industry: An Analysis of Evidence on Initial Organizational Changes," <u>CQ</u>, No. 166, 2001, p. 338.

<sup>&</sup>lt;sup>11</sup>Bill Savadove, "Chinese Reform to Create Big Groups, Sack Millions," Reuters, March 10, 2001 cites Zhang; SWB, No. FE/3913, August 9, 2000, pp. G/6-7, from <u>Sing Tao Jih Pao</u>, August 3, 2000 cites Zhu, for just two examples.

It seems that people plying a trade with funds of their own have grown quite numerous, and have even amassed impressive quantities of funds, all told: the <u>China Daily Business Weekly</u> declared in late 2000, on the basis of statistics collected at the end of 1999 by the All-China Federation of Industry and Commerce, that 31 million single-owner private companies employing fewer than seven employees each together engaged as many as 60 million employees, while firms with more than eight employees totalled 1.5 million, and had another 20 million people on their books. Moreover, private companies of all sizes laid claim to registered capital of more than 2,100 billion yuan in all at that point, and had contributed over eight percent of the country's total tax revenues. In spring 1999, the State Economic and Trade Commission announced that "private enterprises" were accounting for almost one fifth of the gross value of industrial output nationally, and for a full 37 percent of the retail trade in consumer goods, In figures that are probably much lower than the reality.

But for the shunted-aside soldiers of socialism, this solution of joining in the marketplace that these leaders propose is actually far from a cure; it in fact itself amounts to a big part of their problem, since the workers--middle-aged, undereducated, and unskilled--are so totally ill-equipped to prosper in the high-tech world of the present day. So the sidewalk vendors who once manned the factories are, most probably, not among these numbers. What we are seeing, it is clear, is a

<sup>&</sup>lt;sup>12</sup>Liu Jie, "Non-State Firms Cry for Help," <u>China Daily Business Weekly</u>, September 10-16, 2000, p. 2.

<sup>&</sup>lt;sup>13</sup>SWB, No. FE/3520, April 27, 1999, p. G/11, from XH, April 26, 1999.

rhetorical conflation of two very different "private" classes, one more akin to a bourgeoning big bourgeoisie, the other to a lumpenproletariat, though both are said to be outside the state.

Why is there a puzzling disjuncture between the prior status of the Party's one-time pride and joy, the proletariat of the past, and the status these same people are accorded in their present incarnation as petty capitalists? And, given that conflation of capitalists in the discourse that I just mentioned, why should the formerly much hated commercialists be blessed today, even as their small-time siblings are cast away? The long and short of it is that the class structure in China's cities has undergone a severe scrambling. This shake-up is the immediate social product of the obeisance that market reforms have paid to making money, instead, as in the past, to making machinery and manufactures. It is besides a reflection of the homage granted today to competing to accumulate profits, in place of cooperating to construct an ideologically correct community.

So, we must view the plight of those who belonged to the discharged workforce of yore not in isolation, but as the outcome of the shock that "reforming" the economy delivered to the entire urban status hierarchy in the People's Republic. The present condition of the former state-employed laborers is thus best understood in their interrelationship with other dying and emerging classes. For not just the ordering of the classes but also the basic appraisal of class categories has been fundamentally upended: Those who are marginal and those who are master have exchanged their places.

At the same time, whereas the wealthiest among the capitalists were once the ones most targeted to be villified and extirpated, today, when "to be rich is glorious," it is

the pettiest businesspeople, that is, the made-over, now marginalized members of the old manufacturing proletariat, who are the ones most thrust aside. And, in stark contrast to the many prior years of Communist Party rule in China, an urban-born person working in the private sector in the city today only really "belongs" in urban society if he or she is getting rich.

Indeed, by the late 1990s, one could claim that laid-off urban workers were nearly as displaced from the realm of the city's true "citizenry"--if we conceive that notion in terms of social inclusion, as I did in my 1999 book on peasant migrants--as are the non-hukou-holding migrants themselves. In the book, I borrowed the definition of citizenship coined by Brian S. Turner, who saw that status as "structured by two issues," the first having to do with social membership, or, one might say, with belonging to a community; the second concerned with the right to an allocation of resources [emphasis added].<sup>14</sup>

Like the peasants squatting on urban turf, the typical laid-off worker is excluded from state-sponsored benefits in cities; they are both rejected from what Harry Eckstein has termed "civic inclusion," or "access to institutions that provide capacities and resources." If for the peasant the barrier has been legal--their non-possession of

<sup>&</sup>lt;sup>14</sup>Brian S. Turner, "Contemporary Problems in the Theory of Citizenship," Brian S. Turner, ed., <u>Citizenship and Social Theory</u>, London: SAGE Publications, 1993, p. 2.

<sup>&</sup>lt;sup>15</sup>Harry Eckstein, "Civic Inclusion and Its Discontents," Harry Eckstein, ed., <u>Regarding Politics: Essays on Political Theory, Stability, and Change</u>, Berkeley: University of California Press, 1991, p. 346.

a city birthright, with capitalism in Chinese cities spelling the the paring away of stateand work unit-supplied welfare benefits, such resources as basic health care and
education are available to both of them now only for substantial sums of cash.

Granted, a quite well-meaning Reemployment Project has been instituted in most
cities since 1995, promising preferential policies and placements for the out-of-work.

But the campaign struggles and limps in most places, from a want of funds and an
excess of embezzlement.

Despite appearances, the non-public, deregulated economic activity of the new entrepreneurial class does not represent just a straightforward manifestation of the metamorphosis of the Chinese urban economy, some uncomplicated consequence of that system's steadily deepening marketization. Nor do these sellers merely symbolize an instance of the widespread process of privatization<sup>16</sup> that is attending

<sup>&</sup>lt;sup>16</sup>At the same time that employment in state units dropped 19.6 percent between 1995 and 1998, jobs in urban privately and individually-owned enterprises increased by 44.8 percent, according to the figures of economist Hu Angang (as cited in the journal Jingmao daokan [Economic and trade guide], December 30, 1999, in SWB, No. FE/3750, January 29, 2000, p. G/10; XH announced in late 1997 that between 1991 and 1995, self-employed and private business provided 40 percent of the newly created jobs in cities (SWB, No. FE/3098, December 10, 1997, p. G/5, from XH, December 9, 1997). As for the lately laid off, in particular, a 10-city study of 553 reemployed staff and workers undertaken in 1999 with help from the trade unions found that 77 percent of those queried had switched from state to nonstate firms, half of whom went into the private sector (Xue Zhaoyun, op. cit., p. 8).

the advance of capitalism on a global scale.<sup>17</sup> It is also inappropriate to view their labor as only the latest incarnation of the secondary sector of China's longstanding "dual market," as if a market, operating according to principles of supply and demand, had become bifurcated along some new fault line.<sup>18</sup>

Yes, these people <u>are</u> operating in a kind of secondary labor market. For, just as in what is usually billed as the "secondary economy" across the world, these people also hustle to make their living in a sector comprised of marginal and/or denigrated people who have been relegated to the least desirable and most unstable work available. But elsewhere around the globe, the lives of such commercial laborers and service providers, no matter how bitter, generally improves significantly in material terms as a result of their having joined these markets, as compared with what their existence--

<sup>&</sup>lt;sup>17</sup>P. Connolly, "The Politics of the Informal Sector: A Critique," N. Redclift and E. Mingione, eds., <u>Beyond Employment: Household, Gender and Subsistence</u>, Oxford: Blackwell, 1985 and Alejandro Portes and John Walton, <u>Labour Class and the International System</u>, New York: Academic Press, 1981. Both these works are cited in Michael Pinches, "'All that we have is our muscle and sweat': The Rise of Wage Labour in a Manila Squatter Community," M. Pinches and S. Lakha, eds., <u>Wage Labour and Social Change: The Proletariat in Asia and the Pacific</u>, Clayton: Centre of Southeast Asian Studies, Monash University, 1987, p. 104.

<sup>&</sup>lt;sup>18</sup>Louis Putterman, "Dualism and Reform in China," <u>Economic Development and Cultural Change</u> No. 40, 1992, pp. 467-93; and Flemming Christiansen, "The Legacy of the Mock Dual Economy: Chinese Labour in Transition, 1978-1992," <u>Economy & Society</u> Vol. 22, No. 4, 1993, pp. 411-36.

whether in poverty-stricken rural areas or in other poorer countries--was like before they entered this informal market.<sup>19</sup> The critical distinguishing feature in China today, however, is this: As distinct from the usual secondary market participant elsewhere, these laid-off Chinese workers are <u>downwardly</u>, not upwardly, mobile.

Furthermore, unlike what are known as "informalites" in other places, the urban people on Chinese streets today are not situated in this niche voluntarily in order to build businesses or to amass capital. Rather, they have found themselves in this spot because their former rice bowl was snatched away, and for them there is no other means of survival. Since most of these small-time sellers of odd merchandise and manual labor were until recently full-time, life-tenured, completely welfare-entitled and state-employed manufacturing workers, one needs to go beyond the surface signs of their quotidian practices--their superficial appearance as a reborn "private sector" linked to economic "reform" in the urban areas--to get a good grasp of what is going on.<sup>20</sup>

<sup>&</sup>lt;sup>19</sup>See Michael J. Piore, <u>Birds of Passage: Migrant Labor and Industrial Societies</u>, Cambridge: Cambridge University Press, I979, for the classic statement of this phenomenon. According to David Stark, the "second economy" is "a broad range of income-gathering activity outside the boundaries of the redistributively coordinated and managed economy" (in "Bending the Bars of the Iron Cage: Bureaucratization and Informalization in Capitalism and Socialism," <u>Sociological Forum</u> Vol. 4, No. 4, 1989, pp. 637-64.

<sup>&</sup>lt;sup>20</sup>There has indeed been a reborn private sector in China since the early 1980's. But the current informalites have emerged from a very different social process from the ones that produced the earlier segments of this sector. Those who earlier joined the post-1980

For--and here is the crucial point--the predicament of these people is by no means a product of "the market" acting alone. Instead, it derives mainly from state policies. Indeed, in the second half of the 1990's, the Chinese state adopted a set of new policies quite unrestrained by the nature of the social coalition that had formerly buttressed its rule: it abandoned its putative past political partner, the working class, quite callously, in a step it has disingenuously justified as being in labor's own "long-term interest." Just as the sacking campaign was getting underway in force, the

private sector are actually people who were or hoped to become capitalists, if often just petty ones. They were young people waiting for their first state jobs, migrants from the countryside, ex-convicts, demobilized soldiers, rural cadres, and, especially in more recent times, officials and state enterprise managers. See Susan Young, Private Business and Economic Reform in China, Armonk, N.Y.: M.E. Sharpe, 1995; Ole Bruun, Business and Bureaucracy in a Chinese City: An Ethnography of Private Business Households in Contemporary China, Research Monograph 43, Berkeley: Institute for East Asian Studies, University of California, 1993; Ole Odgaard, "Entrepreneurs and Elite Formation in Rural China" Australian Journal of Chinese Affairs, No. 28, 1992, pp. 89-108; and David L. Wank, Commodifying Communism: Business, Trust and Politics in a Chinese City, New York: Cambridge University Press, 1999.

<sup>21</sup>Jingji ribao [Economic daily], April 27, 1998; Deng Baoshan, "Zhengfu, qiye, he xiagang zhigong zai zaijiuye gongcuozhong de cuoyong" [Government, enterprise, and laid-off staff and workers' role in reemployment work], <u>Zhongguo laodong</u> [Chinese Labor] (hereafter <u>ZGLD</u>) No. 3, 1999, p. 11; also see Zhu Rongji's speech in Tianjin, from <u>Jingji</u> guanli wenzhai [Economic management digest], in <u>Gongyun cankao ziliao</u> [Workers' movement reference materials], No. 3, 1998, p. 5.

1997 May Day editorial in the Party paper, the <u>People's Daily</u>, admonished its readers that, "It's possible benefits of some workers may be temporarily affected. Seen from long-term benefits, the pains are worth enduring."<sup>22</sup>

Ironically enough, in its march toward modernization and economic reform, even as the Chinese leadership has unleashed and encouraged the forces of the market, at the same time it has arrested the full unfolding of some of the chief social processes that generally emerge from marketization elsewhere. Thus in China, instead of the advancing affluence, rising levels of education, and embourgeoisment of a large section of the working class that took place in many societies along with economic development—and quite markedly so in China's East Asian neighbors, South Korea, Japan and Taiwan—this informalization of the urban economy represents a regression, not an ascent, for quite a numerous portion of the urban populace.

Thus, what has ensued in urban China is not just a simple shift in the principle of social stratification from status to class that one might imagine to be underway. Though one could categorize these newly jobless as members of a new sort of lower class in formation, their situation is now defined and shaped just as much by their status as <u>xiagang</u> workers as it is by their membership in some new class category. For this group of people, chiefly of middle age, have together and all at once fallen onto a downward trajectory in their livestyles and in their prospects.

<sup>&</sup>lt;sup>22</sup><u>Renmin ribao</u> [People's Daily], May 1, 1997, in SWB, No. FE/2908, May 2, 1997, p. G/6.

The overwhelming majority of them were deprived of formal education from having been compelled to quit school and join in the Cultural Revolution (including, for most, a lengthy stint in the countryside) over a decade or so after 1966, and therefore lack any skills. Study after study more or less replicates the findings of sample research done in 1996 nationwide by the State Statistical Bureau. That inquiry discovered that as many as 57 percent of those laid off had been educated only up to junior high level; another 14 percent had received just a primary school education or even less. As many as 70.4 percent were between the ages of 25 and 44, while another 18.5 percent were over 45. Women accounted for a total of 64.3 percent of the sample, though they represented under half the workforce before the sackings started.<sup>23</sup>

True, with the demise of the planned economy, economic forces <u>have</u> played an important role in changing society. For one thing, they have surely infringed on state institutions' old monopoly on shaping people's fates. And there has certainly been a diminution in the determining power over urbanites' lives of specific institutions such as the <u>danwei</u> [work unit].<sup>24</sup> But this move away from planning, with its shunting

<sup>&</sup>lt;sup>23</sup>For one example, see Mo Rong, "Dui guoyou qiye zhigong xiagang yu zaijiuye wenti di renshi" [Thoughts about state enterprises' staff and workers' layoffs and the question of reemployment] <u>ZGLD</u>, No. 2, 1998, p. 12.

<sup>&</sup>lt;sup>24</sup>Lowell Dittmer and Lu Xiaobo, "Personal Politics in the Chinese *Danwei* Under Reform," <u>Asian Survey</u>, Vol. XXXVI, No. 3, 1996, pp. 247-49; and Barry Naughton, "*Danwei:* The Economic Foundations of a Unique Institution," Xiaobo Lü and Elizabeth J. Perry, eds., <u>Danwei: The Changing Chinese Workplace in Historical and Comparative</u> Perspective, Armonk, NY: M.E. Sharpe, 1997, pp. 169-82.

aside of the former urban workforce, has not, unlike marketization in other settings, eventuated in any meangingful autonomy for most members of this contingent, as some have predicted.<sup>25</sup> For the occupations open to them are few and quite bounded, and the so meager resources they can garner from such jobs for living their lives and supporting their dependents stretch many people nearly to the point of bondage.

The state's project of marketization is evolving distinctively in yet another way. To a large extent the emerging labor market lacks true demand-driven economic activity, at least insofar as the work done by the furloughed is concerned. This is the case because, given the immense proportions of the official program of enforced dismissals, plus the unspecialized nature of the labor the affected workers can provide, there simply can not be demand sufficient to forge a decent livelihood for the millions made redundant, now struggling to find takers for their petty wares and the surfeit of rudimentary services they have on offer.

So the Chinese leadership has fostered a novel style of economic growth and development, one that entails sacrificing and discarding the very working class that once laid the foundation for the rest of urban society's present rise to prosperity. In short, in the state's very rush to reform its municipal economy, a number of marketization's typical key social concomitants have been suppressed or halted for many. This is especially ironic as the state's mouthpieces propound the virtues of "the market," when what politicians have produced is a market so heavily influenced by statist measures. It is the statist measures, and not economic forces by themselves,

<sup>&</sup>lt;sup>25</sup>Ming-kwan Lee, "The Decline of Status in China's Transition from Socialism," <u>Hong Kong Journal of Sociology</u>, No. 1, 2000, p. 72.

that have engendered the present surge of unemployment. So this street activity I have described is the outcome not so much of marketization per se. Rather, it is much more the result of a fundamental reconstruction underway of the liaison between the state and its former premier workforce.

For more than 40 years, the Chinese state and its elite laborers, the workers at the urban state-owned enterprises (SOE's), enjoyed a relationship that was multifacted, to be sure. But at its core this tie embodied a strong dose of paternalistic protection, of succor, albeit one laced with surveillance. As is well known, workers labored under a reign of "organized dependency,"<sup>26</sup> in which plant leaders could generally consider themselves to be caretakers--for the employees--but for the state as well, under whose commission managers controlled their charges. In prosaic terms, factory officials were there to administer the daily business of production and workers' welfare. But in a larger sense they were joined with the Chinese state in enacting a role of benefactor as well as guardian, if a very intrusive one.

Now all that has changed in the space of just a few short years. Increasingly as the last century came to a close, the nature of this once often benign connection turned sour. With the sudden surge in shedding state workers after 1995 that had already seen a start in the late 1980's, the key component of the linkage between state and this laboring segment of society has become fear, a searing dread on both sides. At the same time, many of the one-time intermediaries standing between them, the plant officials--especially those in the failing firms--have allegedly shucked off their pose of

<sup>&</sup>lt;sup>26</sup>Andrew G. Walder, <u>Communist Neo-Traditionalism: Work and Authority in Chinese</u> <u>Industry</u>, Berkeley: University of California Press, 1986.

custodian and taken on that of looter, thereby no longer serving either the central state (except insofar as they obey orders from above to push the workers from their plants) or their original worker-wards.

Thus the more or less clear line of command and superintendence of old--along which management acted toward labor as the agent of the center, which was its principal, directing production and disbursing benefits--has been deflected, such that the three parties (state, enterprise administrators, workers), once supposed allies, have become mutually antagonistic. Now in the relation between state and this recast lower portion of society, the state's moves are motivated primarily by its fear (though probably also, at least for some among its staffers, by guilt), as it abandons its prior roles, along with its prior proteges. At the same time, the workers, in turn, experience despair mixed with their fear, and, in a growing proportion of cases, embitterment and daring. This is the mid-term inter-echelon and inter-personal dynamic that is developing with the marginalization of the working class, as the process transforms a crowd of once so-styled "masters" into one of paupers.

The upshot is that the state and its rulers have fallen captive to an increasingly pronounced paradox in the trio of their stated aims--reform, development, and stability: While the leaders strive to develop the economy through market reforms, they must balance a treacherous trade-off between their objectives of growth and marketization, which, in their version, has meant massive discharges, and the creation of a new mass of marginals, on the one hand, and a resultant and mounting social instability among these recently disenfranchised, on the other.

The material I have been presenting demonstrates that in China today--where rampant economic reforming and enterprise dismantling is decimating a great

proportion of the old state sector and those it sustained for decades--unemployment means much more than being out of work on an individual level. Rather, it is but the prelude to the collective and sudden marginalization of much of the old urban proletariat, a reforging of a mass once ennobled and proud into a new multitude, one cowering and declasse.

Thus, formal Chinese workers, dignified and advantaged for decades, became idle or informal ones in the late 1990's; the past cream of the urban citizenry has been turned into a horde which, in its uselessness, seems no longer even to belong. In the altered social status hierarchy in the making in Chinese cities, to be a laborer is lowly, not lordly, as it had been not so long ago. There is, too, quite a transformed tie between the state and its one-time working class, a bond lately characterized much more by mutual fear and shame than by the original socialists' shared and cooperative mission of constructing, with and through their honored urban workforce, a more fair and egalitarian China.