Deng Xiaoping and the Transformation of China

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Challenges to the Deng Era, 1989–1992
When Deng stepped aside in 1992 he had fulfilled the mission that had eluded China's leaders for 150 years: he and his colleagues had found a way to enrich the Chinese people and strengthen the country. But in the process of achieving this goal, Deng presided over a fundamental transformation of China itself—the nature of its relation with the outside world, its governance system, and its society. After Deng stepped down, China continued to change rapidly, but the basic structural changes developed under Deng's leadership have already continued for two decades, and with some adaptations, they may extend long into the future. Indeed, the structural changes that took place under Deng's leadership rank among the most basic changes since the Chinese empire took shape during the Han dynasty over two millennia ago.

The transformation that took place in the Deng era was shaped by the highly developed Chinese tradition, by the scale and diversity of Chinese society, by the nature of world institutions at the time, by the openness of the global system to sharing its technology and management skills, by the nature of the Chinese Communist Party, and by the contributions of large numbers of creative and hard-working people. But it occurred at a time of transition, in which the top leader was granted considerable freedom by others to guide the political process and make final decisions. And it was shaped by the role that leader, Deng Xiaoping, personally played. To be sure, the ideas underlying this sea change came from many people, and
no one fully anticipated how events would play out. Deng did not start reform and opening; they began under Hua Guofeng before Deng came to power. Nor was Deng the architect with a grand design for the changes that would take place under his rule; there was in fact no clear overall design in place during this era.

Rather, Deng was the general manager who provided overall leadership during the transformation. He helped package the ideas and present them to his team of colleagues and to the public at a pace and in a way they could accept. He provided a steady hand at the top that gave people confidence as they underwent dramatic changes. He played a role in selecting and guiding the team that worked together to create and implement the reforms. He was a problem-solver who tried to devise solutions that would work for the various parties involved both within China and in foreign countries. He helped foster a strong governing structure that could stay in control even as the Chinese people struggled to adapt to the new and rapidly evolving situation on the ground. He played a leading part in guiding the process of setting priorities and creating strategies to realize the most important goals. He explained the policies to the public in a straightforward way by describing the overall situation they faced and then what concrete measures were needed to respond. When controversies arose, he played a major role in making the final decisions and managed the process so as to minimize cleavages that would tear the country apart. He supported the effort to provide incentives and to offer hope based on realistic enough goals that people were not later sorely disappointed. He supported the effort to give enough freedom to specialists—scientists, economists, managers, and intellectuals—so they could do their work, but placed limits on their freedom when he feared that the fragile social order might be undone. And he played a central role in improving relations with other major countries and in forming workable relationships with their leaders. In all of his work, Deng was guided by his deep conviction that employing the world's most modern practices in science and technology, and most effective management techniques, would lead to the greatest progress for China—and that the disruptions that occurred from grafting these practices and techniques onto a Chinese system were manageable and worth it for the Chinese people as a whole.

It is difficult for those in China and abroad who became adults after Deng stepped down to realize the enormity of the problems Deng faced as he began this journey: a country closed to fundamentally new ways of thinking; deep rifts between those who had been attacked during the Cultural Revolution and their attackers; proud military leaders who were resistant to downsizing and budget reductions; public animosity toward imperialists and foreign capitalists; an entrenched, conservative socialist structure in both the countryside and the cities; a reluctance by urban residents to accept over 200 million migrants from the countryside; and dissension as some people continued to live in poverty while others became rich.

But Deng also had enormous advantages as he assumed responsibility for the overall management of China's transformation. He took over a functioning national party and government in a country that Mao had unified. He had many experienced senior officials who shared his view that deep changes were needed. He came to
power when there was an open world trading system and other countries were willing to share their capital, technology, and management skills and to welcome China into international institutions.

Deng also had an impressive array of personal qualities that enabled him to guide China’s transformation. It is doubtful that anyone else then had the combination of authority, depth and breadth of experience, strategic sense, assurance, personal relationships, and political judgment needed to manage China’s transformation with comparable success. What, then, is the nature of the transformation that Deng helped guide?

From the Center of Asian Civilization to a Single Nation of the World

During imperial times, China was never a global power or even an active participant in global affairs. It was a regional Asian power. In the “Chinese world order” that guided China’s relations with other countries before the Opium War, the smaller political entities around China’s periphery paid ceremonial tribute to the emperor of the “Central Kingdom,” China. These other political entities thereby acknowledged the superiority of Chinese civilization over the surrounding areas. In exchange, China agreed that these political entities outside China could remain autonomous and live in peace.¹

Rarely did a Chinese emperor take any interest in extending China’s reach beyond the Asian mainland. For a brief time during the fifteenth century, Chinese emperors did allow the construction of oceangoing vessels, and Admiral Zheng He led seven voyages overseas that stretched as far as the Middle East and the east coast of Africa. But subsequent emperors not only prohibited such lengthy voyages; they also prevented the building of oceangoing vessels. For them it was difficult enough to manage affairs within China’s long borders without linking China to lands beyond its shores. In 1793, when the British envoy Lord McCartney arrived in China and proposed the opening of trade, Emperor Qianlong famously replied, “We possess all things. I . . . have no use for your manufactures.”²

Later, after the Opium Wars of 1839–1842 and 1856–1860, European powers forced China to grant them access to a number of ports along the coast, but the Chinese government took virtually no initiative to extend its reach beyond its land borders in Asia. China as a nation did not adapt effectively to the challenge as the Industrial Revolution brought new power to Western nations. Because of China’s weak response, stronger imperialist powers from the West dominated relations with China and even dominated industry and trade along the China coast.

Mao, at the time of the Korean War, ended the role of imperialists by closing the country to contact with the West. After that time, China began to play a role in the Communist world and for a brief time in the 1950s and 1960s played a part in the affairs of the third world. Its role in the Communist world greatly declined after it broke off relations with the Soviet Union in 1960. Before 1978 the Chinese
government still had only limited involvement in affairs beyond its borders. For a long period during the Cultural Revolution, for example, China had only one ambassador abroad, stationed in Egypt.

Although Mao had begun to open China to the West after the clashes with the Soviet Union in 1969, and the People's Republic did take over the China seat in the United Nations in 1971, during Mao's lifetime China was open barely a crack. After Mao died, Hua Guofeng was receptive to efforts to open the country, but it was left to Deng Xiaoping to open the country and lead China to take an active part in international affairs. It was not until Deng's era that government leaders had both the vision and the political strength to overcome the sour memories of the imperialist era and develop a lasting and positive new pattern of relations with other nations whereby China was a part of the new world order that had emerged after World War II.

Under Deng's leadership, China truly joined the world community, becoming an active part of international organizations and of the global system of trade, finance, and relations among citizens of all walks of life. China became a member of the World Bank and of the International Monetary Fund (IMF). China began to play an active role in World Health Organization activities, as well as the endeavors of all important international organizations in every sphere. And although it would take nearly a decade after Deng stepped down before China was admitted to the World Trade Organization, preparations for China's entry began under Deng.

During the early years of China's participation in international organizations, as China was learning how these organizations actually functioned, China was still a very poor nation, and China's efforts first focused on defending its own interests. It was left for Deng's successors, who realized the benefits of the international system for China, to begin to think about what China could do as a stakeholder in the international system and global institutions to strengthen those organizations. Before China joined institutions like the World Bank and the IMF, some participants worried that China's participation would be so disruptive that they would have trouble functioning. In fact China's participation has strengthened those organizations even as it has represented its own interests; it has abided by the rules of the organizations.

When Deng became preeminent leader in 1978, China's trade with the world totaled less than $10 billion; within three decades, it had expanded a hundredfold. At the same time, China was encouraging the United States to accept a few hundred Chinese students; by a decade after Deng's death, an estimated 1.4 million students had studied abroad and some 390,000 had already returned to China. By 1992 the nation had already come a long way toward playing an active role in global intellectual conversations as well as in the global trading system. The basic breakthrough was achieved during Deng's period as paramount leader.

During Deng's era, to adjust to its new global role, China went through wrenching internal changes that Chinese leaders called "jiegui," or linking tracks, drawing on the term used in the 1930s for the linking together of Chinese railways of different
gauges. In the 1980s Chinese used the term to describe the adjustments that China was making to take part in international organizations and in global systems of all kinds.

In the early years after 1978, when China was beginning to link up with international organizations, it greatly expanded the specialized organizations that were in effect a buffer in dealing with the outside world. Foreign enterprises in China were located in special areas like the special economic zones (SEZs), and the overall system for dealing with foreign enterprises erected artificial walls that kept foreigners from close contact with China as a whole. Foreigners in China worked with special foreign affairs offices located in local governments, in universities, and in large companies. Foreign affairs service bureaus, for example, handled domestic employees who worked for foreigners. To capture more foreign currency, which China was desperately short of, foreigners were encouraged to spend “foreign-exchange certificates” (which they received in exchange for their homeland's currency) at special “friendship stores” where they could buy goods made abroad that ordinary Chinese were not allowed to purchase. State trading firms handled much of the buying and selling of goods with foreigners, and a large proportion of foreigners who bought Chinese goods did so at the semi-annual Canton trade fair. The Chinese Foreign Ministry played a large role in supervising Chinese government activities dealing with foreigners at these specialized “go-between” institutions, which were staffed by Chinese officials trained in foreign languages and familiar with foreign practices.

In the late 1980s, however, China's relations with the outside world had already begun to expand rapidly beyond these specialized institutions. Foreigners' travel was no longer restricted to certain areas, and more Chinese firms could deal with foreign firms directly. The practices that began with the SEZs and spread to fourteen coastal areas in 1984 had started to spread to the entire country. So many foreigners were coming to China that the specialized “foreign affairs offices” could no longer manage all their affairs; the specialized institutions for dealing with foreigners mostly remained, but their activities were more often limited to routine official data collecting.

Before Deng stepped down, Chinese institutions of all kinds began to link their tracks, to adapt to foreign practices. Firms that were involved in international trade had to learn foreign legal, accounting, and organizational methods. Universities and high schools that sent their graduates abroad began to create training programs to prepare their students for the entrance examinations and other procedures required to gain admittance at foreign institutions. Chinese athletic coaches began to focus on preparing the best athletes for competition in international sports contests. Tourist facilities built to meet international standards spilled over to handle both domestic and foreign travelers. Products initially produced for export were increasingly made available to domestic consumers. And just as the United States after World War II expanded its academic and research institutions to underpin its role as a global power, so too under Deng did China's academic and research institutions expand greatly, deepening Chinese understanding of world affairs.
Deng advanced China's globalization far more boldly and thoroughly than did leaders of other large countries like India, Russia, and Brazil. The process has continued after the Deng era, but the basic breakthroughs were achieved by the time Deng stepped down.

**Rule by Party Leadership Teams**

Although the Chinese Communist Party had begun the transition from a revolutionary party to a ruling party in 1956, Mao soon led it once again into revolution. By contrast, after 1978, with the return of senior officials, the dismissal of revolutionaries not suited for governing, and the recruitment of new leaders, Deng guided the transition to a party that focused on governing the country.

The U.S. system of separating the executive, legislative, and judicial branches of government was devised by leaders concerned about an excess concentration of power. The system devised by Mao, but fundamentally revised by Deng and his colleagues, was created to deal with the opposite problem—providing unified leadership in the midst of chaos, confusion, deadlocks, inaction, and widely varied local areas. Deng and his colleagues also believed, unlike the Americans, that basing final decisions on the overall political judgments of top leaders would serve the interests of the country better than basing them on the evaluations of an independent judiciary in which laws determine what actions are permitted. They believed that a system that allows a legislative body to make laws without having the responsibility for implementing them is not as effective as concentrating law-making and implementation in one body.

The United States was formed by independent states that retained independent powers. China for centuries had been a centralized government with control over regional governments. Mao had further centralized these powers so that they extended deeply throughout the country. But Deng pulled back on the governing structure that tried to penetrate everywhere. Instead of setting tight rules that local areas had to follow, he established a system in which governing teams, selected by the next higher level, were given considerable independence as long as they managed to bring rapid growth.

The core governing structure in Beijing that Deng established is, as under Mao, centered around the Politburo and the Secretariat. It is linked to local areas through a network of party leadership teams (lingdao banzi) that is present in every locality and at every level of every major office of government. Each leadership team is responsible not only for directing the work of the Communist Party at its level, but also for overseeing the government office (or economic or cultural unit) under it. The team is expected to make judgments about broad overall issues and see to it that work within its jurisdiction makes an overall contribution to the four modernizations.

The higher levels of the party pass down rules for how the leadership teams should conduct their work and they send down endless numbers of directives to each level. They also hold meetings with lower levels, sometimes by inviting the lower-level
leaders to attend higher-level meetings, but also by sending higher-level officials on inspection tours of the lower levels. When officials at the higher level consider an issue very important, they can and do intervene. But it is difficult for them to monitor all developments at the lower levels, so the team ordinarily has considerable freedom in guiding the work at its level.

The key leverage that Beijing has over the provinces is the power to appoint and dismiss the members of the leadership team. Team members commonly serve a term of several years, but they can be dismissed at any time by leaders at the next higher level. The several members of a party leadership team are given responsibility for different sectors and are judged not only by how well they manage their respective sectors, but also by how well the entire team and the unit it supervises perform. In Deng's era and in the decades after Deng, those judgments were based overwhelmingly on how much the team contributed to China's overall economic growth. Over the years, secondary criteria have become more important for judging the performance of the teams, criteria that include the training of the next generation of officials, environmental protection, managing disturbances, and responding to emergencies.

Like Deng, Deng's successors believe that a sense of commitment to the overall goals of the nation can be achieved by the proper selection, training, and supervision of officials. Because officials at the next level down have a great deal of freedom over how they do their work, the selection and training of the members of a team are done with considerable care. At each level, younger officials judged likely to excel because of their overall intellectual ability, reliability under stress, mature judgment, ability to work well with colleagues, and dedication to serving the party and the country are picked for special training, mentoring, and testing.

Indeed, considerable time is spent mentoring officials at every level. A mentor's role is to suggest to younger, lower-level officials how they should enhance their performance and skills. The most promising young officials are allowed to accompany their superiors to various high-level meetings and to take part in informal gatherings at party retreats. They are also permitted to attend classes at the party schools, with those judged with the most potential for national leadership positions taking courses at the Central Party School in Beijing, and those considered likely nominees for provincial or urban official positions taking leadership courses at the party schools in their respective regions. Not all party members, who numbered 37 million when Deng ascended the stage, shared the camaraderie that developed among those selected to attend retreats with higher officials and to become students at the party schools. Those who attended party schools not only got to know each other as well as those who attended the party school before and after, but also became acquainted with those higher-level officials who would visit the party schools and, with the help of evaluations by party school officials, make recommendations about their future positions. Although officials in the Organization Department kept personnel files and could make recommendations, the members of the party
leadership team at each level made the final decisions about who should be promoted in their jurisdiction.

There is a danger in allowing local leaders so much freedom. The system that Deng founded, which endures today, emphasizes results more than following rules and helps nurture officials who have a broad vision in evaluating issues, who are entrepreneurial, and who support rapid growth. Without tight supervision from above, however, many of these officials have found ways not only to enrich China, but also to enrich themselves and their friends while alienating others in their locality.

Deng Xiaoping did not introduce the system of party leadership teams, but he stabilized it, professionalized the work the teams did, and changed the key criteria for judging officials from contributions to political campaigns to contributions to economic growth. This basic structure has been continued by his successors.

The Modern Meritocracy

By the time Deng stepped down, young party officials had to prove their ability by first passing examinations to the better high schools and better universities. Deng's focus on meritocracy has deep roots in China, which was the first country in the world to select officials on the basis of their performance on examinations. Beginning in 605 C.E., during the Sui dynasty, China had used written examinations as the chief criterion for determining which aspiring candidates were qualified to become government officials. But from the time when the imperial examinations ended, in the year after Deng was born, until Deng ascended the stage, China had not had the combination of stability and leaders' political determination to reestablish a national meritocratic basis for selecting officials. When Mao was alive it was impossible to use educational achievement as the major criterion for selecting officials. Many of those who had made contributions to the Communist cause and emerged in high positions simply had not had any opportunity for university training during the chaotic war and revolution years of the 1930s and 1940s. Furthermore, Mao considered political commitment ("redness") a more important qualification than expertise, and he favored peasants and workers over candidates from the "bad classes" (landlord and capitalist families), who were generally better educated. For this reason, examinations were not the main criterion for selecting and promoting officials. Indeed, many of the officials after 1949 were veterans from the Communist armies or guerrilla forces who were barely literate. If examinations had been held, they and their children would not have outperformed the children from the "wrong social classes" who had received better formal training. After Mao's death, Deng boldly dismissed a "good class background" as a criterion for selecting officials; instead he strictly relied on qualifications as measured by entrance examinations. Under new guidelines that Deng introduced in 1977, many children and grandchildren of those once labeled as belonging to the "bad classes" passed examinations, gained admission to the best universities, and became officials.
In fact, Deng established a system of highly competitive meritocratic examinations at each level, from elementary school through university to officialdom. His goal was not to produce social equality but to sift out the ablest and provide them with the best education possible. Examinations were given for entrance to elementary school, junior middle school (the equivalent of grades seven to nine in the United States), senior middle school (grades ten to twelve), and college, and those who made it into the most competitive schools were given the best teachers and facilities.

The unified examination system that Deng introduced in 1977 for universities was not only specifically for future officials. It was a system for selecting the ablest young people for large organizations in all walks of life. But all those selected as officials had first proved themselves in examinations at each educational level. Even among those who became officials, the ablest from the best universities would get jobs in the central government, whereas those who had gone to less competitive universities would start out at lower levels in the bureaucracy. As the number of university graduates rapidly increased in the late 1980s and beyond, additional exams became important for selecting government servants from among university graduates. Once selected as an official, however, one rose through the system not primarily by taking further examinations but on the basis of work performance. This system has been continued under Deng's successors.

In the mid-1980s, many ambitious and energetic young people sought success by “jumping into the rough waters” (xia hai) of business. Yet despite these attractive career alternatives, the position of “official” remains highly valued, not only for the power and the economic security it provides, but also because of the deep respect Chinese have for those judged to have great ability and a commitment to public service. Deng thus left his successors with a meritocratic system for choosing officials that accords with the same principle of selection by examination as in imperial times. But the system he left his successors is completely different in content and structure from imperial times. Furthermore, Deng's system extends the principle of meritocratic selection to include not only the identification of promising officials, but also the selection and training of talented people in many walks of life.

An Open, Urban, National Society

From the dawn of Chinese history until the 1990s, China was predominantly a rural society with strong regional differences in dialect and culture. Before 1949, China's poor transportation systems meant that most goods were produced and consumed within walking distance from a local market town and many people spent most of their lives within that area. Mao's tight controls over population movement slowed the modest amount of migration that occurred before 1949. At his death in 1976 the population remained more than 80 percent rural, and life in the countryside was dominated by the local village, family, and collective, with little contact with the outside world. In the Mao period, even large urban work units (danwei)—such as government offices, factories, schools, universities, and military bases—were located...
within relatively self-sufficient compounds, many of which were gated so that any visitors would have to report to the gatekeeper before entering. These closed communities supplied the basic needs of the employees and their families: housing, food, care and education of children, medical care, and welfare. It was difficult for residents to obtain any of these services outside their work units; like rural dwellers, most of these residents lacked opportunities to find alternative work and had little choice but to heed the authorities of their respective units. The limited mobility, the dependence on authorities within the village or urban work unit, and the limited communications with the outside world led to stagnation. Mao trumpeted a revolutionary ideology, but the controls on movement that he imposed further solidified a closed, “feudal” society.

By the time Deng retired, the new economic opportunities created by economic growth and the mobility that he had allowed had put China well on its way to becoming an urban rather than a rural society. During the Deng era, an estimated 200 million people migrated to towns and cities, movement that has since continued at a rapid pace. It is estimated that by 2015, scarcely two decades after Deng’s retirement, an estimated 700 million people, more than half the population, will be urban. By the time Deng stepped down, more than 90 percent of households owned television sets, which instantly brought urban culture to the countryside. Youth returning from coastal areas to visit their families in the villages also brought with them the latest fashions, utensils, electric appliances, and food they had come to know in the cities. In short, even rural areas had begun to become urban in culture.

After the reforms began in 1978, urban leaders of Chinese cities, fearing that a torrent of rural migrants could overwhelm urban services and food supplies, still preserved the urban household registration system that had long restricted access to urban services such as housing, employment, and schooling for children. In the early 1980s when grain and edible oil rations were at barely more than subsistence level, there was not enough food to support those people from the countryside who had entered the cities and were trying to live surreptitiously there with relatives or friends. After 1983, however, as food supplies grew, the government began allowing people to move to the cities even without an urban household registration. By then, too, the export industries on the coast could absorb vast numbers of rural youth who were migrating to the area to find a better life. Throughout Chinese history, as a result of wars and famines, millions of people had relocated, but never before on a scale like that which took place in the decades after 1978.

Even during Mao's days, despite the lack of mobility, the entire population had come to share a deep layer of common national culture. By the late 1960s many urban households owned radios, and those that lacked radios, both in the countryside and the cities, could listen to loudspeakers that broadcast national news and music. More of the population could see movies, which brought a shared national culture, and the entire population learned the same slogans and songs from the political campaigns. Elementary schools grew rapidly in number, so that by the time Mao died, roughly 80 percent of the young adults could be considered literate.
The continuing expansion of the educational system under Deng enabled most youth in the 1980s to complete not only elementary school but also junior high school. The rapid diffusion of television in the late 1980s, and the introduction of national channels that broadcast standard news in Mandarin, greatly expanded the public's common base of information. By the time Deng stepped down, the widespread use of standard Mandarin, not only in schools and public offices, but also in state enterprises, stores, and educational institutions, made it possible for a substantial majority of Chinese to communicate with one another using the standard Mandarin pronunciation (putonghua). The spread of transportation systems during the Deng era also made it possible to distribute industrial goods to a larger geographical area and therefore to increase the scale of production for domestic as well as foreign markets. Before the 1980s, there were few brand names in China, but by the time Deng retired, manufactured goods with national and international brand recognition were beginning to spread throughout the country.

With the opening of the closed urban living compounds and the mixing of populations from different areas, local differences declined and were replaced by more shared national culture. Before 1978, people ate local dishes as a matter of course. Just as in the Western world in the late twentieth century when certain dishes that had once been national dishes—like pizza, donuts, bagels, and sushi—became international dishes, so too in China during the 1980s and 1990s did many regional dishes become popular nationwide. Southerners learned to eat steamed buns made from wheat, which had long been standard fare in northern cuisine; and northerners learned to eat rice, which had long been a staple of southern cuisine. Similarly, some of the best regional operas, which had previously been viewed mostly by local people, were now presented to national audiences. After Deng stepped down, the greater mobility of the Chinese population, and the diffusion of cell phones, computers, and the Internet, helped to spread this national culture. The Chinese, like people elsewhere, maintain loyalties to their own village, town, county, dialect group, or province. Members of minority groups have always identified with others of their group. But during the Deng period the growth of a truly national culture and greater awareness of foreign cultures greatly strengthened identification with the nation as a whole.

When Deng retired, a substantial number of youth who had spent several years working in the coastal areas returned to their hometowns, bringing with them not only new goods from the coast, but also new ideas and styles that enabled them to establish their own enterprises and to set new standards for the hinterland. This process further hastened the rapid spread of an urban national culture. Even though the inland residents had far less money to spend, they still acquired products not long after inhabitants of the coastal areas, often by creating less expensive imitations. Not surprisingly, then, more costly items like automobiles spread inland far more slowly than did smaller consumer products—but by the end of the Deng era, even they were beginning to trickle into inner China. But when Deng stepped down in 1992, the construction of rural housing that met global standards of modest comfort had
scarcely begun, and the quality of elementary schooling in rural areas still lagged far behind that in the better urban schools.

The transformation of rural to urban society and the growth of a stronger national culture derived not from any plan of Deng or his colleagues. Deng did try to break down regional loyalties within the military so that soldiers would serve commanders from other regions. He did promote the teaching of Mandarin so people from one locality could communicate with men and women from other areas of China. But the growth of urban society and a national culture derived less from conscious planning and more from the new urban opportunities and the appeal of city life to so many rural youth. Once these changes began occurring, however, officials involved in planning adjusted to the changing realities. They began to reorganize the administration of local areas, allowing cities to expand their administrative reach to include surrounding rural counties and allowing towns and counties to restructure as they became cities.

Paradoxically, the open mobility that began with the Deng era had a far more revolutionary influence on the structure of society than the so-called Mao revolution that had imposed rigid social barriers. The transition from a predominantly rural to a predominantly urban society and the spread of a common national culture are among the most fundamental changes that have occurred in Chinese society since the country's unification in 221 B.C.

The Wild East

When China began opening in the 1980s, there were virtually no rules in place for food and drugs, product and workplace safety, working conditions, minimum wages, or construction codes. In the early 1980s, if an enterprising person found empty Coke bottles and filled them with a liquid of a similar color, there was no law against selling them as bottles of Coca Cola or some similar beverage. In the nineteenth century, in the United States and Europe, the rules and laws designed to protect the public by placing limits on what companies could do in pursuit of profits had evolved slowly. The situation in China under Deng was reminiscent of the rapacious capitalism of nineteenth-century Europe and the United States, when there were no anti-trust laws and no laws to protect workers. In China, when the markets suddenly exploded in the 1980s, there was no way to immediately enact a comprehensive set of rules and laws adapted to Chinese conditions; nor was it possible to train officials right away to implement and enforce such rules and laws. In some ways the situation in China during the Deng era was also similar to the nineteenth-century American West before there were local laws and courts. Like gun-slinging sheriffs in dusty, out-of-the-way towns, Chinese officials responsible for local markets, in the absence of a well-developed court system, defined the law on their own.

One advantage of the Wild East, from the view of local officials and businesspeople, was that the small number of leaders in charge could make decisions far more rapidly than leaders in countries where more elaborate legal systems required “due process.” By the time Deng retired, rules and laws had been introduced in
virtually every major sector of the economy by young Chinese legal scholars trained in the West, but implementation by local officials lagged behind because many saw the rules as too complicated and not in keeping with their personal interests. In some areas like international trade, where the Chinese worked closely with foreign partners, the Chinese partners adapted quickly to the use of international rules and laws. As economic relations expanded from small groups of people who knew one another personally and shared understandings, to larger groups that included links with regional, national, and even international partners, some rules and laws were needed so that agreements would hold up and inspire confidence among all parties.

It was difficult for Deng to create a more flexible, dynamic economy in China when after the Cultural Revolution so many were worried about being accused of allowing capitalist practices. Deng understood that if officials were too strict in enforcing the rules, it would be difficult for China's economy to take off. Deng, as usual, was more interested in producing results than in following some precise process. He believed some corruption was unavoidable. As he said, “When you open the door, flies will get in.” He wanted officials who dared to move boldly and he was willing to pay the price of allowing in some flies. Some of Deng's children have been accused of using their connections for personal purposes, but there is no evidence suggesting that Deng ever sought personal wealth for himself or for his family.

Deng knew, too, that if local officials were actively to support reforms and entrepreneurial activities, they had to be given some opportunity to improve their own living conditions. Reforms had all too often been stalled or even overturned in the Soviet Union and Eastern Europe by bureaucrats who could not see how their personal interests would be served by the reforms. Deng wanted officials committed to reform and to the public good, so he allowed some local officials to get rich first if they brought economic success to their locality. Deng valued the importance of preserving the authority of local party officials in the eyes of the local public. To call attention publicly to the errors of officials who were otherwise making solid contributions to modernization ran the risk, in Deng's view, of making their jobs more difficult. But Deng made no effort to protect officials who upset the public, and he was ready to deal severely with any officials who were criticized by local citizens for rampant disregard of the public good. The death penalty has been used in China more frequently than in many countries to warn others who might be tempted to engage in similar criminal activities.

Opportunities for personal gain in the Wild East are almost endless. Officials who control access to land often receive gifts when they distribute permits for land use. When government enterprises are “privatized,” employees of the unit sometimes acquire shares in the enterprise at prices well below market prices. Leaders of state firms have been allowed to sell products on the market once they meet their targets, and they have often devoted considerable energy to such buying and selling. Trucks available after being used by a work unit for its core responsibilities have been allowed to transport and sell goods at a profit to improve the living conditions of the members of the unit. As a popular saying goes, in Mao's days, people were “xiang
qian kan” (looking to the future), but since Deng's time they are “xiang qian kan” (with the same pronunciation)—looking for money.

The system Deng left his successors did not maintain a sharp separation between the private and public realms. Among local officials there was widespread variation in views about how much to accept from the businesses they supervised: New Year's presents? Introductions to jobs for relatives and friends? “Red envelopes” containing cash and, if acceptable, then how much cash? Opportunities for children to enter better schools or study abroad? Official cars or trucks for private use? The public, without an independent judiciary, is often reluctant to risk challenging local power holders who serve their own interests. China has only weak protections for those who are moved from their property to make way for construction projects, and businesses can work with government officials to take over property quickly with at best modest compensation to those who were previously living on or otherwise using that land. From the view of Chinese leaders, such links between local governments and builders are not necessarily improper and may allow enterprises to jumpstart their production and so more quickly provide employment for local residents.

Those who complain about corruption find it upsetting that officials and their family members flaunt public goods acquired through their connections or privileges, such as fancy banquets, cars, sumptuous clothing, or upscale homes. Candidates who have worked hard to pass examinations and to fulfill their work responsibilities become indignant when they see people whom they regard as less able promoted to higher positions or receiving more privileges because of their special connections.

Urban construction and the creation of public spaces in China are proceeding at a far faster pace than in most other countries. In cities like Guangzhou and Lanzhou, for example, within several years' time the government has been able to remove all the old structures for tens of miles along the river to make way for parks. At the peak of subway building, some large cities like Guangzhou and Beijing constructed an average of one entirely new subway line per year for several successive years. In just five years, new campuses at universities like Nanchang University or East China Normal University have sprung up with facilities for ten thousand students, including administration buildings, classroom buildings, auditoriums, dormitories, apartment projects for faculty and administrators, athletic facilities, and park-like campus spaces. Given these dramatic success stories, it is perhaps no surprise that in the view of Deng and his successors, the legal rights of individuals who had formerly occupied the land should not stand in the way of what they consider to be good for the greatest number of people.

China is not unique in the weak protection it has been giving to foreign patents and foreign copyrights. Similar problems have been found in Japan, South Korea, Taiwan, and other countries that have sought to make use of the newest technologies from abroad. Some Chinese companies have been careful to honor Western patents and copyrights, making payments and using foreign technologies in ways that do not violate their patents. But many Chinese enterprises have not exercised such care, and
some Chinese once employed by foreign companies have started their own companies, sometimes illegally making use of the technology they had learned while on the job. Even Hong Kong, which is far stricter about enforcing laws than is mainland China, has found it difficult to prevent the pirating of songs and movies; the copied CDs, DVDs, and discs have sold at a fraction of the price of the patented products and so offer a hefty profit margin to those who engage in such illegal practices. When criticized and pressured by foreign companies and foreign governments for violating copyright laws, the Chinese government has on occasion closed down the enterprises and smashed the machines making the copies. Not long thereafter, however, other Chinese entrepreneurs have been found brazenly producing similar copies in other locations.

Conditions for Chinese workers, including work hours, environmental conditions on the factory floor, and safety standards, have often not been better than some terrible Western working conditions at the early stage of the nineteenth-century Industrial Revolution. Some entrepreneurs have taken advantage of the lack of effective regulations concerning working conditions to give their workers only cramped dormitory spaces in which to live, and to offer them little in the way of safe working environments or quality standards.\textsuperscript{2} For tens of millions of rural Chinese youth, life in the factories in the coastal areas, as hard as it is and as poorly as they are paid, is far better than the grinding poverty they knew in the countryside. They have thus been willing to work long hours and even to hold back complaints for fear of being fired.

Factories built with Western and Japanese capital and managed by foreigners, while taking advantage of the cheap labor, have generally offered better working conditions than local enterprises. In many foreign factories, the spaces are well-lit with good air circulation, and in warmer climates, summer temperatures are kept well below the sweltering heat outside. In such factories, standards related to the number of hours in a workday, working conditions, and worker safety have been gradually introduced, and progress has been made in overcoming the most serious abuses. In these factories, too, some youth from poor areas learn the basics of modern living, including regular hours, cleanliness and hygiene, and discipline.\textsuperscript{10}

Large numbers of foreign firms have built factories in China. By 2000, the largest branch of the U.S. Chamber of Commerce outside the United States was in Shanghai, and the Japanese Chamber of Commerce there, which was the largest Japanese Chamber of Commerce outside of Japan, was more than twice the size of the U.S. Chamber. Moreover, the numbers of Americans, Japanese, and Europeans in Shanghai pale in comparison with the number of Taiwanese businesspeople who are there. Why have so many businesspeople from abroad been flocking to a country where rules are not fully developed and where patents receive only limited legal protection? They have been attracted by the sheer dynamism of the place: the speed with which decisions can be made and implemented without the burden of complex legal procedures, and the quick pace of growth in markets of enormous scale. Although some foreign entrepreneurs have complained that they have been taken
advantage of by their Chinese partners and by local Chinese government officials, others have found that the unusual combination of some legal protections, relationships with reliable problem-solving local officials, and the possibility of appealing to higher authorities has created sufficiently promising opportunities that they are willing to take on whatever risks are involved.

**Challenges for Deng's Successors**

As a result of Deng's transformation, in the several decades after Deng left the stage, his successors have been confronted by a series of challenges that are likely to remain in the decades ahead. These challenges include:

**PROVIDING UNIVERSAL SOCIAL SECURITY AND HEALTH CARE.** During Deng's era, those employed by the government, including the large state enterprises, had their health care and welfare benefits provided by the work unit, but such employees made up only a small proportion of the population. The government budget was far too small to provide retirement, health, and other welfare benefits for everyone. Toward the end of the 1980s, as the role of markets increased, those with large incomes could afford good medical treatment and provide for their own welfare needs. But vast numbers of Chinese people were still not offered health care and welfare benefits. Deng's successors have found that those who lack these benefits have become more vocal. The increased mobility of the population requires protections that a single work unit cannot provide, and the government budget and numbers of well-trained medical professionals are not yet sufficient to meet the growing demand. With the abolition of the rural collective, there is no rural unit to provide first aid and elementary public health services. With the privatization of housing and the pressure placed on state enterprises to compete in a more open-market environment, even the welfare provided by large work units is not always adequate. The challenge for Chinese leaders, then, is to expand the number of qualified medical personnel, upgrade facilities, and develop a system of health care and social security that protects the entire population, including the people living in poverty in remote areas—all within the constraints of the national budget. And because it will take many decades to develop a system that meets these goals, an additional challenge is to distribute the resources and facilities that are currently available in a way that appears fair and reasonable.

**REDEFINING AND MANAGING THE BOUNDARIES OF FREEDOM.** Perhaps the most troubling problem that Deng faced was setting boundaries of freedom that would satisfy the demands of the intellectuals and general public and at the same time enable leaders to maintain public order. After the Tiananmen tragedy, the public has generally been afraid to demand more freedoms, but such intimidation will not last forever. In the meantime, the growth in the number of publications and the dramatic
expansion of Internet and mobile phone use have made it vastly more difficult for the party to control the spread of ideas officials judge to be dangerous.

Deng's successors fear, just as Deng had, that tolerating the expression of divergent views will unleash a torrent of public expressions of hostility, which will again, like in 1989, lead to demonstrations that disrupt public order. The challenge for government leaders is to find boundaries that people find reasonable enough to accept, and then find ways to enforce these accepted boundaries. Given the growing sophistication of modern communications and the creativity of those who seek to evade controls, can government leaders find a way to shape public perceptions and prevent turmoil?

CONTAINING CORRUPTION. During his tenure, Deng had advocated punishment for prominent cases of corruption, but he also was willing to look the other way when local officials quietly bent the rules in order to promote the four modernizations and accelerate economic growth. The problem for Deng's successors is that officials at every level have found ways to receive incomes beyond their regular salaries. Public officials, medical doctors, and employers often receive “red envelopes” with money. Officials who grant permits for land acquisitions for new projects and for construction receive not only direct payments, but also shares in the company, property at below market price, lavish dinners, and luxurious cars. Officials, both in the military and civilian institutions, make payments to superiors who make promotion decisions. And young people pay the army recruiter to be allowed to join the military. The challenge for high-level officials is that such practices are now so widespread, and so many officials or members of officials' families are involved, that tackling the problem is extremely difficult.

PRESERVING THE ENVIRONMENT. In Deng's era, poverty was so widespread and the desire for economic growth so strong that economic growth took precedence over preventing pollution—although Deng did take a personal interest in promoting reforestation and expanding park areas. Since Deng's time, however, as industry has expanded greatly, and as environmental concerns such as coal smoke, water shortages, river pollution, acid rain, environmentally related health problems, and contaminated food have grown along with public consciousness about them, officials are confronted with how to change those practices that cause serious environmental damage. Some of the most difficult problems have arisen in poor areas where mining and the use of coal and other resources cause great environmental damage but the economic pressures to continue these practices are great. How too will China respond to complaints from other countries now that it is the largest emitter of greenhouse gases, the number of motor vehicles on Chinese roads is growing by several million each year, and the growth of heavy industry is likely to increase the use of coal?

MAINTAINING THE GOVERNMENT'S LEGITIMACY TO RULE. Mao achieved his legitimacy to rule by winning the civil war, expelling the foreign imperialists, and
unifying the country. Deng gained legitimacy by bringing about order after the chaos of the Cultural Revolution, by dealing pragmatically with the serious issues facing the country, and by achieving rapid economic growth. How will Deng's successors establish their own legitimacy in this new age?

Deng's successors are under pressure for not being more successful in stopping China's widespread corruption and for not doing more to resolve the problems of inequality. And it may be even harder in the future to combat these problems: given global economic fluctuations, China faces the potential of an economic slowdown before a substantial portion of the population has had the chance to enjoy the benefits of the earlier rapid growth period. To prepare for this possibility, Chinese leaders will have to look beyond fast economic growth for legitimacy and accelerate progress on some of the issues that the public is most concerned about: reducing corruption and inequality, providing a reasonable level of universal medical care and welfare, and finding a way to show that public opinion is being respected in the selection of officials.

**China as a Superpower: Deng's Legacy**

China's extraordinarily rapid growth, which began under Deng and further accelerated with his departing final effort, his southern journey, has raised the question of how China will behave as the size of its economy rivals that of the United States. What would Deng do if he were alive?

Concerning territorial disputes, Deng believed in setting them aside and allowing wiser people to resolve them peacefully, at a later time. The big picture to him was not to get excited about border issues; what was important was to maintain overall good relationships with other countries.

Deng believed that it was in China's interest to have harmonious relations with its neighbors and to concentrate on peaceful development. He strengthened relations with Europe beginning with a quick trip to France in 1974 and a state visit the following year. He not only improved relations with Japan in 1978 and made the first visit in history by a Chinese leader to Japan, but he also supported the development of cultural relations so there would be a stronger positive relationship between the two nations overall. He normalized relations with the United States and made a triumphant visit to America to strengthen U.S.-China relations. He opened trade with South Korea and paved the way for normalization of relations that followed shortly after his southern journey. One of his crowning achievements was to restore normal relations with the Soviet Union in 1989 after thirty years of strained relations. In short, he improved China's relations with every major nation.

Deng, as the first Chinese leader to address the UN General Assembly in 1974, said that China would never become a tyrant and that if it ever oppressed and exploited other nations, the world, and especially the developing countries, should expose China as a “social imperialist” country and, in cooperation with the Chinese
people, overthrow the Chinese government. In August 1991, upon receiving the news that Soviet leader Gennady Yanayev had staged a coup against Gorbachev, Wang Zhen sent a telegram to the party center proposing that they lend support for Yanayev's coup. Deng replied “taoguang yanghui, juebu dangtou, yousu zuowei.” [Incorrectly translated by some Westerners as “avoid the limelight, don't take the lead, bide your time.” What it means is “avoid the limelight, never take the lead, and try to accomplish something.”] In Deng's view, China should not get involved in other countries' domestic affairs.

In the years after Deng, as China gained strength, some Chinese security specialists, as well as some of their American counterparts, debated whether once China became strong it should continue biding its time or take a more forceful stance. After some months of debate in 2010–2011, during which time some Chinese leaders were ready to behave more aggressively, the debate was resolved in favor of China continuing to maintain harmonious relations with other countries. One cannot predict how future generations of Chinese leaders will respond to the issue, but there is no question what Deng would say if he were still alive. He would say that China should never behave like a hegemon that interferes in the internal affairs of another nation. Rather, it should maintain harmonious relations with other countries and concentrate on peaceful development at home.


8. For works on law, see Stanley B. Lubman, Bird in a Cage: Legal Reform in China after Mao (Stanford, Calif.: Stanford University Press, 1999); Randall Peerenboom, China’s Long


10. Ezra F. Vogel, One Step Ahead in China: Guangdong under Reform (Cambridge: Harvard University Press, 1989). For some of the abuses in the system, drawing on exposures within China, see Chan, China's Workers under Assault.


