

## 4 The logic and limits of the Party's social management approach in maintaining stability: lessons from Bismarck

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### *Lessons from European history for the Communist Party of China?*

Following the leadership transition in Autumn 2012, Politburo Standing Committee member Wang Qishan recommended party members to read the book *The Old Regime and the Revolution* by Alexis de Tocqueville.<sup>2</sup> Reflecting on the causes of the French revolution, Tocqueville argued in his seminal work that a social revolution was more likely when living conditions are improving and dissatisfaction with the old regime is rising. Chinese academic He Qinglian has argued “[Wang Qishan] meant to warn the ruling clique that, according to the Tocqueville Law, reform might not be fun, ‘the most dangerous time for a bad regime is not when it is most evil, but is when it begins to reform’, the so-called ‘reform’ is no different from seeking death”.<sup>3</sup> He Qinglian further elaborated “from this we could guess that for the next five (or even ten) years, China's political direction would be maintaining the status quo, making minor repairs here and there, insisting not to go back to the old path (Mao's path) or walk down the evil path (democratization).” If He's analysis is correct, and Wang

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<sup>2</sup> English Caixin (2013) ‘Tocqueville in China’, <http://english.caixin.com/2012-09-14/100438129.html?p1>, date accessed 3 October 2013.

<sup>3</sup> Articles by He Qinglian (何清涟) (2012) ‘Tocqueville and China's political predicament’, <http://hqlenglish.blogspot.com/2013/01/chinas-political-predicament.html>, date accessed 12 August 2013.

Qishan was indeed interested in upholding the status quo, he could have also recommended cadres to learn more about another European country in the 19th century, Otto von Bismarck's German Empire. Known for his balance-of-power *Realpolitik*, Bismarck unified the country in 1871 and laid the foundation for the modern German welfare state. In this paper I will argue that Bismarck's rule can provide a useful historical analogy to discuss China's socio-political trajectory past, present and future. I concur with Roxann Prazniak that "(the) histories of Europe and China offer rich opportunities for exploring aspects of the diversity and common experience of human history"<sup>4</sup> and that "(the) history of Western Europe illuminates facets of the historical experience that often remained in the shadows or side currents of the Chinese experience. Conversely, Chinese historical patterns have often developed possibilities that remained untapped or dormant in the European context."<sup>5</sup>

In the first part of this chapter I will compare and contrast key socio-political developments in the German Empire under Bismarck (1862-90) with the People's Republic of China (PRC) during the Mao (1949-1976) and post-Mao period (1976-). I argue that there are more similarities than differences between Bismarck's approach to social and political stability in the 19th century and China's social management approach in the late 20th and early 21st century. Both the German Empire and the PRC were late-comers to nation-building. In both cases the industrial revolution and urbanisation were initiated top-down under authoritarian political leadership. Economic modernisation led to societal diversification and the rise of new economic and social interest groups seeking political representation.

Similar to China since the reform and opening up period the German Empire under Bismarck was marked by decades of relative political stability and increasing

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<sup>4</sup> Roxann Prazniak 1996, *Dialogues Across Civilizations. Sketches in World History from the Chinese and European Experiences*, SMC Publishing Inc. Taipei. 2

<sup>5</sup> *Ibid.*

economic prosperity. This stability was the outcome of political rule which can be likened to an iron fist in a velvet glove. While Bismarck prosecuted political opponents such as the German catholics, the Polish minority in Prussia as well as social democrats, he simultaneously also laid the foundation for a modern welfare state. By introducing health insurance, accident insurance, and old age pensions Bismarck attempted to limit the revolutionary potential of the German workforce. As my discussion will show, Bismarck's approach to social and political stability failed to succeed.

In the second part of my paper Bismarck's social legislation will be contrasted with the introduction of social policies in the fields of social security, labour, health, education and housing in post-Maoist China. Distinguishing between social policy and social management, often understood to mean stability preservation (*wei wen*)<sup>6</sup>, I argue that such efforts have at best led to the establishment of a rudimentary welfare state in China. The lack of success of Bismarck's social legislation suggests that social policies limited in scope and ambition may enhance regime stability in the short term, but that they are likely to fail in the medium- to long term since they do not address deep-seated questions about social, political and economic justice in China.

This chapter thus centers around the question to what extent the Community Party of China's (CPC's) approach to social management in post-Maoist China can be explained with reference to Bismarck's political statesmanship in the late 19th century. If the historical analogy provides illuminating insights and if historical lessons can be drawn from the comparison of the political history of two different nations during different periods of time, this would be highly significant. Given the uncertainty

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<sup>6</sup> Qian Gang (2012) 'Preserving Stability', *China Media Project*, <http://cmp.hku.hk/2012/09/14/27074/>, date accessed 6 October 2013.

of mainland China's political transition<sup>7</sup>, which has been described by Minxin Pei as "trapped"<sup>8</sup>, the question how China will deal with the social question is relevant not only for researchers studying China but also for Chinese decision makers as well as the general Chinese public. It is hoped that by "(pausing) to step to the side of one historical tradition to examine issues from another historical perspective interrupts the construction of a central authoritative narrative".<sup>9</sup> and by "(juxtaposing) the cultural spheres of Western Europe and China reveals more about the human historical experience than either one alone can offer and opens each to the experiences of other historically conditioned situations."<sup>10</sup>

In my conclusion I argue that while Bismarck's social legislation succeeded in temporarily slowing the ascent of Germany's Social Democratic Party, he ultimately failed to contain their rise to power. In terms of the historical lessons from Imperial Germany a deepening of social policies in China would not only contribute to enhanced social safety nets but also help lay the foundation for state-led reconciliation of interests between different parties. As a necessary precondition for such a development the CPC would need to gradually open up the political process for non-state actors. Such a reform strategy would allow the CPC to continue steering China's transition, albeit with the help of civil society actors and greater public participation.

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<sup>7</sup> Arthur Waldron (2004) *China's Directionless Transition: A Commentary*, *Asia Media Archives*, <http://www.asiamedia.ucla.edu/article.asp?parentid=8157>, date accessed 6 October 2013.

<sup>8</sup> Minxin Pei (2006) 'China's Trapped Transition', *The Limits of Developmental Autocracy* (Harvard University Press. London).

<sup>9</sup> Roxann Prazniak 1996, *Dialogues Across Civilizations. Sketches in World History from the Chinese and European Experiences*, SMC Publishing Inc. Taipei. 2

<sup>10</sup> *Ibid.*

## **Bismarck's approach Vs China's social management approach: similarities and differences**

In the first part I will compare and contrast key socio-political developments in the German Empire under Bismarck (1862-90) with the People's Republic of China (PRC) during the Mao (1949-1976) and post-Mao period (1976-present). While it should not come to anyone's surprise that a newly industrialising middle European country like the German Empire in 19th century differs in many ways from the PRC since its foundation in 1949, there are nevertheless remarkable similarities in terms of the nature of the political system and the effects it has on societal development in both countries. Findings from the comparative historical study will inform my critique of the CPC's social management approach in the second part.

### *Germany and China as late-comers to nation-building*

One of the most striking similarities between Germany and China is that both are late-comers to nation-building. The German Empire came into existence after the Prussian victory over France at Sedan in 1871.<sup>11</sup> Hans-Peter Ullmann described its form of governance as "hegemonial federalism". Among the 27 constituent territories the Kingdom of Prussia played a leading role. The German Empire was ruled by four organs, the Emperor and Chancellor, as well as the two bodies of parliament, the Reichstag on the national level and the Bundesrat on the federal level. As a constitutional monarchy with a strong Prussian-dominated administration, the new German nation-state adopted the rule of law and allowed competitive elections among political parties.<sup>12</sup>

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<sup>11</sup> Peter Pulzer (1997) 'Germany, 1870-1945', *Politics, State Formation, and War* (Oxford University Press, Oxford), p. 15.

<sup>12</sup> Hans-Peter Ullmann (1999) *Politik im deutschen Kaiserreich, 1871-1918* (R. Oldenbourg Verlag, München), p. 3-7.

The German Empire had the features of an authoritarian nation-state, with the executive branch of government dominating the legislature. While playing a largely symbolic role, the Emperor was also in charge of the military. He authorised the Prussian wars against Denmark in 1864, Austria in 1866, and France in 1870–71. The Chancellor, on the other hand, played a more significant role in the day-to-day domestic administration of the country. As the nominal head of the Bundesrat, the Chancellor had to garner support for his national policies in the German Reichstag. The Reichstag was initially elected every three years (after 1888 every five years) by male Germans above the age of 25. It could establish laws and approve budgets.<sup>13</sup>

Fourty-years after the establishment of the German Empire China's revolution in 1911 led to foundation of the Republic of China (RoC). The RoC emerged as the successor of the Qing Empire in 1912. Experiments with constitutional democracy failed in the early years of the Republic.<sup>14</sup> The subsequent first half of the 20th century was marked by warlordism and civil war between the CPC and the ruling Kuomintang (KMT). In 1949 the People's Republic of China emerged as the successor of the RoC. In quick succession the PRC extended its territory and incorporated Xinjiang in 1949 and Tibet in 1951, creating a unitary multi-ethnic state under leninist party rule, with Mao Zedong as the paramount leader until his death in 1976.

According to Frederick Teiwes the Maoist state was a 'totalistic state', "one which may have fallen short of the idealized totalitarian model, but which nevertheless achieved a remarkable degree of penetration of society".<sup>15</sup> The key governing organs consisted of a trinity of party, state, and military (*dang zheng jun*). Representative bodies such as the National People's Congress (NPC) had no independent power

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<sup>13</sup> *Ibid.*

<sup>14</sup> Suisheng Zhao (2000) 'A Tragedy of History, China's Search for Democracy in the Twentieth Century' in: Suisheng Zhao (ed.) *China and Democracy. Reconsidering the Prospects for a Democratic China* (Routledge, New York), p. 33-51.

<sup>15</sup> Frederick C. Teiwes (2000) 'The Maoist State' in David Shambaugh (ed.) *The Modern Chinese State* (Cambridge University Press, Cambridge), p. 106.

and its key functions were communication and propaganda as well as limited interest articulation. The second representative body of the Chinese People's Political Consultative Conference (CPPCC) played an important role in creating a united front. Its democratic parties were not autonomous nor could they influence national policies.<sup>16</sup>

In the post-Mao era, the "totalistic functions performed by the Maoist state"<sup>17</sup> changed such as "playing multiple roles normally left to the private sector in many countries: employer, saver, investor, manager, economic planner, price setter, social provider, and redistributor of social and economic resources"<sup>18</sup>. According to David Shambaugh, "Deng's program changed the very nature of the state from being a proactive agent of social-political change to being a more passive facilitator of economic change and reactive arbiter of social-political tensions".<sup>19</sup> China's political system evolved from an autocratic and highly personalised system under Mao to a more consensus-based, bureaucratic form of authoritarianism based on Leninist party rule.<sup>20</sup>

A comparison of the political systems of the German Empire and the PRC reveals both similarities and differences. In terms of similarities leaders such as Bismarck, Mao or Deng perceived themselves as a political avantgarde with the mission to modernise their respective countries. In the case of Imperial Germany political leadership under Bismarck has been described as authoritarian.<sup>21</sup> In China, autocratic rule under Mao turned to a more paternalistic and authoritarian style under Deng.<sup>22</sup> In terms of differences, national policies in the German Empire were debated

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<sup>16</sup> *Ibid.*, p. 113-128.

<sup>17</sup> David Shambaugh (2000) 'The Chinese State in the Post-Mao Era' in David Shambaugh (ed.) *The Modern Chinese State* (Cambridge University Press, Cambridge), p. 161.

<sup>18</sup> *Ibid.*

<sup>19</sup> *Ibid.*, p. 163.

<sup>20</sup> *Ibid.*, p. 172-173.

<sup>21</sup> Matthew S. Seligmann and Froderick R. McLean (2000) *Germany from Reich to Republic, 1871-1918* (Macmillan Press Ltd, London), p. 21.

<sup>22</sup> David Shambaugh, 'The Chinese State in the Post-Mao Era', p. 162.

publicly and at times subject to electoral outcomes. In the PRC policies have been largely confined to internal party deliberations and thus can be considered party policies.

### *State-led industrialisation in Germany*

In comparison with its European neighbours Britain and France, Germany's industrial revolution started comparatively late. According to Hans Mottek industrialisation unfolded from 1834 until 1873. The industrial revolution in Germany differed from other European nation-states also in other significant ways. Ralf Dahrendorf identified five phenomena that were characteristic for the special development in Germany. He points to the role of big-sized banks and their support for major companies; state-led top-down industrialisation; state ownership of rails and canals as well as key industries such as mining, iron, electricity, gas, water and transportation; state socialism in the form of the three insurances for health, accident as well as old age and disability; and finally, Dahrendorf identifies a strong emphasis on nationalism as the dominant spirit of the time (*Zeitgeist*).<sup>23</sup>

As a late-comer to industrialisation the German Empire did not have to engage in a bottom-up experimentation and could learn from experiences of neighbouring countries. It did so, however, in a highly selective way. According to Dahrendorf, the German Empire was able to "borrow the achievements of its western neighbours, despite the latter being incompatible with its own social and cultural context. It was able to appropriate the acquired to meet its own ends, to meet the ends of its obsolete institutions."<sup>24</sup>

The combination of modern economic forms and an authoritarian political order led to a peculiar form of capitalism in which the state played a dominant role in the

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<sup>23</sup> Ralf Dahrendorf (1971) *Gesellschaft und Demokratie in Deutschland*, (Deutscher Taschenbuch Verlag, München), p. 39-55.

<sup>24</sup> *Ibid.*, p. 50.



economy. While it enabled the German Empire to industrialise “quickly and thoroughly”<sup>25</sup>, the state-led nature of the process also hampered the growth of small and medium sized companies, prevented the rise of a broad-based and politically conscious bourgeoisie, and undermined the emergence of a citizen society.<sup>26</sup>

### *Industrialisation in China: catching up with the United Kingdom?*

In the case of China, industrialisation started in the first half of the 20th century during the Republican period. Industrialisation during the Nanking decade however occurred highly unevenly, with the lower Yangtze delta and part of the Wuhan area taking a lead. Manchuria under Japanese occupation also industrialised quicker than other parts of northern-western China. After the foundation of the PRC first attempts by Mao Zedong to catch up with the United Kingdom’s steel production during the Great Leap Forward in the 1950s ended in famine.<sup>27</sup> Only with the disbanding of the people’s communes after the Cultural Revolution (1966-1976) in the early 1980s China embarked successfully and in sustained way in large scale industrialisation. In the context of the four modernisations the Communist Party of China prioritised agriculture, light industry, national defence and science and technology; de-collectivised land in order to enhance rural productivity; allowed foreign investment in some sectors of the economy; and strengthened China’s higher education system with the establishment of eight key universities.<sup>28</sup>

Just as the ‘ancient’ regime in the German Empire of the 19th century, Chinese decision-makers in the late 20th and early 21st century engaged in instrumental learning and selective adaptation. The approach of “utilising western techniques whilst maintaining a Chinese core (*yi xixue weiyong, yi zhongxue wei ti*), first

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<sup>25</sup> *Ibid.*, p. 54.

<sup>26</sup> *Ibid.*, p. XX.

<sup>27</sup> Yang Jisheng (2008) *Tombstone. The untold story of Mao's great famine* (Allen Lane, London).

<sup>28</sup> Jonathan Spence (1999) *The Search for Modern China*, 2<sup>nd</sup> edn (W. W. Norton & Company, New York), p. 618-646.

popularised by reformers during the late Qing dynasty (1644-1911), was characteristic of China's embrace of market reforms after 1978. He Qinglian identified four key characteristic features of China's reform process under Deng: a continued over-concentration of political, economic, cultural and military might in the hands of the Communist Party of China; a privatisation of previously collectively-held assets (*hua gong wei si*); a turn to pragmatism as the only guiding principle; and incremental economic reforms without political structural reforms.<sup>29</sup>

The comparison of state-led industrialisation in Imperial Germany and the post-Maoist period in the PRC reveals some remarkable similarities. In both cases the political elites could employ the full weight of the state machinery to promote industrialisation from the top down. As late comers, both in Germany and China commercial practices were introduced without adjusting the existing political institutions to the newly adopted models of capitalism. Finally, the strong emphasis on the state as a key developmental actor reduced the space for a more independent private sector and civil society. As the following discussion will show, the late but state-led industrialisation and urbanisation had a profound influence on societal development.

#### *Social responses to state-led modernisation in imperial Germany*

Industrialisation and urbanisation in the German Empire led to occupational differentiation. Whereas in 1871 almost half of the German population were employed in agriculture, this percentage dropped to one third at the begin of the first World War.<sup>30</sup> Industrialisation fundamentally altered family structures, in particularly among the working class. Industrial work disciplined the workforce and led to long working hours for men, women and children. When industrial accidents happened,

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<sup>29</sup> He Qinglian (2006) *China in der Modernisierungsfalle* (Bundeszentrale für politische Bildung, Bonn), p. 461-507.

<sup>30</sup> Ralf Dahrendorf (1971) *Gesellschaft und Demokratie in Deutschland* (dtv), p. 56-57.

workers were often left without compensation and fell back into poverty. Access to health and education for workers prior to Bismarck's social reforms was limited.<sup>31</sup> Economically successful members of the middle class, on the other hand, such as wealthy industrialists, bankers, and leading administrators integrated themselves into the upper aristocratic class. Dahrendorf argues that the emerging German bourgeoisie was characterised by individuals in competition to one another, unable to instigate a citizen-led revolution and to make demands for a new political class.<sup>32</sup>

A born aristocrat himself, Bismarck relied during his liberal era on the parliamentary support of the National Liberal Party (1871-1879), followed by a conservative turn in 1880, when he started working with the conservatives and a reformed and more right-wing National Liberal Party (1880-1890). He was deeply concerned about the Social Democratic Party (SDP) and its ability to garner more and more votes from workers in Reichstag elections.<sup>33</sup> He also perceived the Polish minority in the eastern part of Prussia to be a threat to the unity of the newly unified German Empire. Bismarck was also suspicious of German Catholics and their loyalty for the Roman church, which he considered a threat to the integrity of the German Empire.

Historians have explained Bismarck's approach towards minorities as one of 'negative integration'. Hans-Ulrich Wehler described it "a manipulative strategy on the part of the Chancellor, designed to safeguard the authoritarian system in an age of rapid social and economic change by focusing the attention of ordinary Germans on a common enemy, large enough to be credible, but not serious enough to threaten the Reich's political survival".<sup>34</sup> Bismarck repeatedly rallied the public against perceived enemies of the empire (*Reichsfeinde*) to pursue his policy goals. Such political maneuvering came at the expense of developing the German

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<sup>31</sup> Agnete von Specht (1990) 'Social-Politik' in Deutsches Historisches Museum (ed.) 1990, *Bismarck - Preussen, Deutschland und Europa, Nicolaische Verlangsbuchhandlung* (Beuermann GmbH, Berlin) p. 415-417.

<sup>32</sup> *Ibid.*, p. 57-60.

<sup>33</sup> Gordon A. Craig (1981) *Germany. 1866-1945* (Oxford University Press)

<sup>34</sup> Seligmann and McLean, *Germany from Reich to Republic, 1871-1918*, p. 21.

monarchic and bureaucratic state into a parliamentary state based on civic and liberal premises.<sup>35</sup>

Bismarck's relentless persecution of social democrats in the form of the Anti-Socialist Law (1878-1890) only temporarily slowed their ascent. Seligman and McLean argue that "what can not be contested is that the Anti-Socialist Law backfired disastrously (...). The same sense of unity developed among Socialists as a result of official prosecution as had emerged in similar conditions among Catholics and Poles".<sup>36</sup> During the 1912 Reichstag election the Social Democratic Party emerged as the strongest parliamentary group and garnered 110 seats.<sup>37</sup> Seligman and McLean further conclude that "his strategies of persecuting minorities polarized German politics, contributed to the atomization of society in the Reich, and set a dangerous precedent of official intolerance which, lamentably, was followed by the governments of both Wilhelm II and Adolf Hitler".<sup>38</sup> Political conservatism and societal dynamism thus characterised state-society relations in the German Empire towards the end of the 19th century.

In the following, I will contrast social responses to state-led modernisation in Imperial Germany with social developments in both Maoist China (1949-1976) as well as the post-Maoist period (1976-). This distinction is necessary to do justice to the historical particularities of the Chinese case. Arguably, there are also important ideological differences to consider. Whereas Bismarck fought against the perceived danger of socialism, the Chinese leadership after Mao had to reinvent communism after the failures of the Great Leap Forward (1958-1960) and the Cultural Revolution (1966-1976). Whereas previous discussions showed more similarities than differences

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<sup>35</sup> Hans-Peter Ullmann (1999) *Politik im deutschen Kaiserreich, 1871-1918* (R. Oldenbourg Verlag, München).

<sup>36</sup> Seligmann and McLean, *Germany from Reich to Republic, 1871-1918*, p. 26.

<sup>37</sup> Hans-Peter Ullmann (1999) *Politik im deutschen Kaiserreich, 1871-1918* (Oldenbourg), p. 40.

<sup>38</sup> *Ibid.*, p. 27.

between the two time periods, it can be argued that societal development in China followed a different path from the German Empire.

### *Social cellularization in Maoist China*

Social stratification in China followed very different trajectories during the Maoist and post-Maoist period. Andrew Nathan has pointed out that Maoism “was highly stratified in several ways: by the class status system, by the system of bureaucratic ranks, and by the social cleavages between rural and urban residents and between state and non-state employees.”<sup>39</sup> He maintains that “the system of control mechanisms (units, class labels, political campaigns, the party network) added up to unique achievement in the social technology of control.”<sup>40</sup> Chinese farmers were kept in their place and in a significant way tied to the land with the help of the household registration system (*hukou zhidu*), whereas urban Chinese became dependent on the work unit (*danwei*) in the allocation of resources. According to Vivienne Shue societal demands had to be channeled through the party-state bureaucracy and “articulated in the categories of the state’s own ideology - categories of class struggle and revolutionary purity, anti-imperialism and antirevisionism.”<sup>41</sup> Shue maintains that the “party-state relied on its organs of mass mobilization - the peasant associations, labor unions, the women’s federation, the youth league, and so on - to press these categories of social analysis and concern into the popular mind.”<sup>42</sup> Nathan described the Maoist social structure as one which “forced individuals into dependency on party secretaries in their work units in order to enforce social conformity.”<sup>43</sup>

The economic failure of the Great Leap Forward (1958-1960) and the political violence during the Great Proletarian Cultural Revolution (1966-76) posed an

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<sup>39</sup> Andrew Nathan (1997) *China’s transition* (Columbia University Press, New York) p. 50.

<sup>40</sup> *Ibid.*

<sup>41</sup> Vivienne Shue (1994) ‘State power and social organization in China’ in Joel S. Migdal, Atul Kohli, and Vivienne Shue (eds.) *State Power and Social Forces. Domination and Transformation in the Third World* (Cambridge University Press, Cambridge), p. 69.

<sup>42</sup> *Ibid.*

<sup>43</sup> Andrew Nathan (1997) *China’s transition*, p. 54.

existential threat to the CPC. Teiwes maintains that “Mao Zedong left a difficult legacy for the post-Mao state: a fractured and grievance-riddled society, a party-state with reduced legitimacy and weakened dominance over society, faction-infested institutions, ambiguous official norms and a divided top leadership.”<sup>44</sup> Nathan outlines the key concerns of Deng thus were to “reform economic institutions so as to increase living standards and efficiency; to redress the grievances of individuals who had been harmed under Mao; to create a new legitimacy based on economic performance rather than a vision of a future utopia; and to institutionalize the Party’s own decision making processes to improve the quality of its leadership.”<sup>45</sup>

### *Social stratification and new social cleavages in post-Maoist China*

Societal development during the post-Mao era was a result of top-down economic modernisation and bottom-up entrepreneurialism of the Chinese people. As Shue outlines “(expanded) markets in commodities, labor, services, money, and knowledge have presented people in almost all walks of life with new opportunities to provide for their own welfare by working or investing in ventures *outside* the scope of their home units.”<sup>46</sup> Economic reforms after 1978 created both winners and losers. While rural Chinese briefly benefited from relaxed price controls in the early 1980s, their income progressively declined in comparison to urban wages.<sup>47</sup> Rising income inequalities are just one of social ills that have plagued China since 1978.

While Shue argues that “thanks to all the splendid opportunities - and to all the terrible risks - that come with marketization of social relations, a great many people in China today are less dependent on the very contained local communities that

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<sup>44</sup> Frederick C. Teiwes (2000) ‘The Maoist State’, *name of journal/book*, p. 159.

<sup>45</sup> Andrew Nathan (1997) *China’s transition* (Columbia University Press, New York), p. 59.

<sup>46</sup> Vivienne Shue (1994) ‘State power and social organization in China’, p. 74.

<sup>47</sup> Nick Young (2007) ‘How much inequality can China stand? A special report from China Development Brief’, <http://www.chinadevelopmentbrief.com/node/1001>, date accessed 6 October 2013.

characterized Chinese social life in the recent past”<sup>48</sup>, it can equally be argued that top-down economic modernisation alone failed to solve persistent social problems such as income inequality, gender inequality, uneven regional development, and mass migration.<sup>49</sup> Chan, Ngok and Phillips have pointed out that “economic benefits have not been equally shared by all citizens, and inequalities have widened between social classes, between rich and poor provinces and between urban and rural areas.”<sup>50</sup> Economic modernisation has benefited a relatively small but growing middle class in China, which remains highly dependent on official patronage. According to Peter Hefele, “the main difference between the Western and Chinese concept of a middle class lies in the unique role played by party functionaries as a result of their having access to power and resources. Working in the state sector is seen as a key factor in becoming part of the middle class, and having a close relationship with the political elite can have a significant impact on financial success.”<sup>51</sup>

This mirrors the development in imperial Germany where the emerging German bourgeoisie was unable to press for bottom-up reform and form a new political class. This can at least partly explain why widening inequalities and societal discontent so far has not posed a direct threat to the continued rule of the CPC. As Saich argues it is “clear that no coherent alternative vision has emerged that would fashion either a civil society or a rapid construction of a democratic political order.”<sup>52</sup> At the same time, he points out that “from the party’s view, what is lurking in the shadows waiting to pounce on any opening that would allow freedom of expression is revivalism,

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<sup>48</sup> Vivienne Shue (1994) ‘State power and social organization in China’, p. 75.

<sup>49</sup> Nick Young (2007) How much inequality can China stand? A special report from China Development Brief, <http://www.chinadevelopmentbrief.com/node/1001>, date accessed 6 October 2013.

<sup>50</sup> Chak Kwan Chan, King Lun Ngok and David Phillips (2008) *Social policy in China. Development and well-being* (Policy Press, Bristol), p. 5.

<sup>51</sup> Peter Hefele (2011) ‘China’s Middle Class: a driving force for more democratic change or guarantor of the status quo?’, *KAS International Reports*, 12/2011, [http://www.kas.de/wf/doc/kas\\_29625-544-2-30.pdf?111205133611](http://www.kas.de/wf/doc/kas_29625-544-2-30.pdf?111205133611), date accessed 13 October 2013.

<sup>52</sup> Tony Saich (2001) *Governance and Politics of China* (Palgrave, New York), p. 204.

religion, linguistic division, regional and non-Han ethnic loyalties.<sup>53</sup> Similar to Bismarck's approach of 'negative integration', the CPC in post-Maoist China has continuously emphasized the dangers of greater pluralism, rather than accepting the latter as a necessary pre-condition for social and political liberalisation. As the German case showed such official intolerance is likely to lead to societal atomisation and fragmentation, thereby undermining bottom-up efforts to strengthen social cohesion through self-organisation and democratic self-government.

### **Logic and limits of social management in maintaining stability**

The discussion so far has compared socio-political developments in the German Empire under Bismarck (1862-90) and the People's Republic of China (PRC) during the Mao (1949-1976) and post-Mao period (1976-present). It revealed both similarities in the nature of political control and the effects of industrialisation and urbanisation on societal development in both countries. In the second part of this chapter I will discuss in more detail the logic and limits of China's social management approach in maintaining stability in the late 20th and early 21st century. Reflecting on Bismarck's failed approach to social and political stability in the 19th century in will draw conclusions in the third and final part.

#### *Political or social stability?*

Despite challenges to its legitimacy, the CPC has been governing China from 1949 until the present day. According to Gunter Schubert it has achieved this feat not only by relying on economic development and nationalism but also by building legitimacy through incremental political reform, more specifically by gradually developing its ideology, adjusting its administrative structures and by enhancing the personal

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<sup>53</sup> *Ibid.*



authority of officials.<sup>54</sup> Such ‘authoritarian resilience’ in the post-Mao period resembles Bismarck’s rule in the German Empire, which can be likened to an iron fist in a velvet glove. A key to the understanding why the CPC has been able to hold onto power is the understanding of stability among its political leadership.

Duncan Freeman argues that “the quest for stability is arguably at the very centre of the Chinese concept of politics.”<sup>55</sup> Drawing on speeches by Hu Jintao, Wen Jiabao and Jiang Zemin Freeman points out that “the statements from China’s leaders invoke the double connotation of stability, considered as political stability (stability of the state, the party and ultimately the Chinese nation) and social stability (stability of society in the wider sense, including law and order).”<sup>56</sup> According to this logic, the stability of the political system and social stability are two sides of the same coin. Drawing on Jiang’s political thinking Freeman summarises the official position to mean that “stability is both a prerequisite for and a result of reform and development.”<sup>57</sup>

This seemingly contradictory view is also mirrored in the CPC’s social management (*shehui guanli*) concept. While Chinese academic Yu Keping has interpreted its emergence to signify that “the Party and government have in fact already begun to see the existence and role of civil society as an important basis for decision making”<sup>58</sup>, Zhou Benshun, a secretary of the Party’s Central Politics and Law Commission warned that “some people have had two misunderstandings about social management overseas. The first is the idea of ‘small government – large

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<sup>54</sup> Gunter Schubert (2008) ‘One-Party Rule and the Question of Legitimacy in Contemporary China: preliminary thoughts on setting up a new research agenda’, *Journal of Contemporary China*, vol. 17, no. 54, p. 195.

<sup>55</sup> Duncan Freeman (2012) ‘Stability and Change: The EU, China and Perceptions of Stability’ in Zhongqi Pan (ed.) *Conceptual Gaps in China-EU Relations. Global Governance, Human Rights and Strategic Partnerships* (Palgrave Macmillan, Houndmills, Basingstoke), p. 145.

<sup>56</sup> *Ibid.*

<sup>57</sup> *Ibid.* Eberhard Sandschneider has argued to the contrary that instability should be considered a key driver for reform in China. See Eberhard Sandschneider (2003) ‘Chinas Zukunft. Projektion und Wirklichkeit’, *Internationale Politik* 53, p. 10-16.

<sup>58</sup> Qian Gang (2012) ‘Society lost, China Media Project’, <http://cmp.hku.hk/2012/09/27/27630/>, date accessed 9 October 2013.

society,' that the bulk of social management should be taken on by society. In fact, not all developed nations follow this 'small government – large society' model, and quite a number of large nations have large governments with the government taking on the principal tasks of social management. Second is the idea that social organizations are a 'third sector,' independent of the government and of the social management system. In fact, the vast majority of nongovernmental organizations overseas have government backgrounds, and all are under the effective management of the government. In our country, we must properly regulate conduct in fostering and developing social organizations, first putting 'safety valves' in place, thereby preventing the propagation of social organizations with ulterior motives."<sup>59</sup>

While Yu sees social management as a stepping stone towards inclusive social governance<sup>60</sup> Zhou Benshun's interpretation appears to be less benign. The official's emphasis on 'safety valves' can also be interpreted to mean 'stability preservation' (*wei wen*). According to Qian Gang this political term gained currency in the second half of the Hu/Wen administration and can be understood as "a coded reference to social disorder — which is to say, social disorder must be avoided at all cost."<sup>61</sup> Based on such an official understanding of stability, social harmony therefor is not only to be achieved by social policies alone but also with the help of a strong party-state capable of initiating political campaigns and employing law enforcement agencies such as the notorious City Urban Administrative and Law Enforcement Bureaus (*chengguan*), police departments (*gonganju*), as well as the People's Armed Police (*renmin wuzhuang jingcha*) in times of crisis.

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<sup>59</sup> *Ibid.*

<sup>60</sup> Yu Keping (2011) 'A shift towards social governance in China, East Asia Forum', <http://www.eastasiaforum.org/2011/09/09/a-shift-towards-social-governance-in-china/> (accessed 9 October 2013).

<sup>61</sup> Qian Gang (2012) 'Preserving stability, China Media Project', <http://cmp.hku.hk/2012/09/14/27074/>, date accessed 9 October 2013.

The CPC's two-pronged approach of influencing societal development with a combination of social services and increasingly heavy handed policing strategies<sup>62</sup> strongly resembles Bismarck's approach of utilizing social legislation to appease the growing working classes' demand for participation and representation, while at the same time employing the Anti-Socialist Law (*Sozialistengesetz*) to harass and persecute active members of the German Social Democratic Party. As our previous discussion revealed, Bismarck's strategic approach only yielded short-term results and could not prevent the rise of the Social Democratic Party. The latter were repeatedly labelled as enemies of the state (*Reichsfeinde*), thereby creating resentment of the *ancien regime* among large swaths of the German working class. A similar development may also be taking place in post-Mao China, "where ethnic minority questions are especially often portrayed ... as a threat to national sovereignty, unity and stability."<sup>63</sup>

#### *Logic and limits of building legitimacy through social policy*

Pitman Potter argues that the CPC has also been trying to "build legitimacy through social policy".<sup>64</sup> Reforms became necessary during the transition from the Maoist period, when social welfare was "an integral part of economic policy and planning, rather than a separate residual sector."<sup>65</sup> According to Sarah Cook "a major feature of the system was the division between the 'iron rice bowl' (and arm-chair) security provided to urban state workers (and officials) and much less generous programs of relief and social assistance for the remainder of the population - the minority of urban

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<sup>62</sup> For a critical discussion of the CPC's approach to stability preservation see Yu Jianrong (2013) 'Reassessing Chinese Society's "Rigid Stability" Stability Preservation Through Pressure, Its Predicament and the Way Out', <http://www.thechinastory.org/2013/01/chinas-rigid-stability-an-analysis-of-a-predicament-by-yu-jianrong->, date accessed 15 October 2013.

<sup>63</sup> Duncan Freeman (2012) 'Stability and Change: The EU, China and Perceptions of Stability', p. 145.

<sup>64</sup> Pitman B. Potter (2003) 'Belief in Control: Regulation of Religion in China', *The China Quarterly* 174, p. 318.

<sup>65</sup> Sarah Cook (2003) 'After the Iron Rice Bowl: Extending the Safety Net in China' in Sarah Cook, Naila Kabeer, and Gary Suwannarat, *Social Protection in Asia* (Har-Anand Publications PVT Ltd, New Dehli), p. 73.

residents who fell outside the work unit system, and the majority of the rural population.”<sup>66</sup> This level of social welfare became unsustainable in the subsequent reform period.

In the post-Maoist period “the government has been transferring back to society and family many welfare functions for which it previously had taken responsibility”.<sup>67</sup> Chan, Ngok and Phillips argue that slow economic restructuring and the dismantling of state-owned enterprises (SOE) during the 1990s “almost completely destroyed China’s socialist welfare system centred on the welfare activities of communes and state-owned enterprises”.<sup>68</sup> Sarah Cook argues that “the government’s concern [was] with ‘perfecting’ the social security system, principally as a means to smooth the reform of the state enterprise sector, maintain social stability, and reduce the costs on the state.”<sup>69</sup>

Social welfare reforms thus went hand in hand with the introduction of new social policies. The latter were designed to preempt societal challenges to economic policies by co-opting politically significant parts of the Chinese population. Whereas “urban workers received a wide range of social protections including old age insurance, medical insurance and discounts on the sale of public housing”<sup>70</sup> Chan, Ngok and Phillips point out that “poorer families, especially those in rural areas, as well as migrant workers, received inadequate support with public assistance, housing, education and health.”<sup>71</sup> Björn Gustafsson, Li Shi, and Terry Sicular have

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<sup>66</sup> *Ibid.*, p. 74.

<sup>67</sup> *Ibid.*, p. 73.

<sup>68</sup> Chan, Ngok, and Phillips (2008) *Social policy in China. Development and well-being*, p. 27.

<sup>69</sup> Sarah Cook (2003) ‘After the Iron Rice Bowl: Extending the Safety Net in China’, p. 88.

<sup>70</sup> Chan, Ngok, and Phillips (2008) *Social policy in China. Development and well-being*, p. 217.

<sup>71</sup> Björn Gustafsson, Li Shi, and Terry Sicular, eds. (2010) *Inequality and Public Policy in China* (Cambridge University Press, New York), p. 1.

argued that “concerns ... arise if segments of the population are left behind with insufficient resources to meet basic needs or entitlements”.<sup>72</sup>

Reviewing the government’s efforts in the field of social security, labour, health, education and, housing policies Chan, Ngok and Phillips concluded that “China’s welfare reforms focused on the privatisation of public welfare and the localisation of welfare provisions that accelerated social divisions of welfare, threatening the equal value of citizens.”<sup>73</sup> They go on to argue that “the development of social policy over the past three decades, revealed from market-oriented welfare provisions, the exclusion of migrant workers from basic needs, and the welfare gap between men and women, shows that China’s traditional socialist welfare values centred on equality and human needs have been severely suppressed.”<sup>74</sup>

The picture that emerges from the discussion of social policies and social services as a key element in China’s social management approach both differs and resembles the situation in 19th century Germany. Whereas the challenge for the CPC in post-Maoist China was “to reform and dismantle certain structures, thus reducing entitlements for some, while replacing and extending others”<sup>75</sup> Bismarck’s social legislation in 19th century Germany created social safety nets where there had been none before. Bismarck’s concern was to reduce the dissatisfaction of the workers by insuring the life risks of sickness, accidents, disability, and old age.<sup>76</sup> From 1883 until 1889 he introduced health insurance, accident insurance, and old age pensions.<sup>77</sup>

A co-author of Bismarck’s social legislation, Theodor Lohmann (1831-1905) described why Bismarck’s attempt to combine state repression with welfare ultimately failed. He mused that “the real social dissatisfaction is not simply a lack of

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<sup>72</sup> Chan, Ngok, and Phillips (2008) *Social policy in China. Development and well-being*, p. 217.

<sup>73</sup> *Ibid.*

<sup>74</sup> *Ibid.*

<sup>75</sup> *Ibid*, p. 59.

<sup>76</sup> Agnete von Specht (1990) ‘Social-Politik’, p. 416.

<sup>77</sup> *Ibid.*

material conditions (...) but the desire for true equality before the law and the ability to participate in cultural affairs. Dissatisfied workers will only be satisfied if they have a feeling of genuine equality with the owning classes (e.g. in terms of the right to associations and the right to assembly) and by providing them with an orderly family life (regulation of the working hours for women, during nights, and on Sundays), thereby allowing them to gain access to a higher quality of life.<sup>78</sup>

Lohmann's comment is illuminating insofar as it highlights the inherent limits of building legitimacy through social policy. Whereas Bismarck's social policy can be described as too little, too, late the post-Maoist dismantling of the traditional welfare state and the accompanying privatisation could equally be described as too much, too soon. In both instances, the resulting welfare states were rudimentary at best, providing only limited safety nets for vulnerable groups. As the German case has shown, the strategic use of social policy as a means to uphold political stability thus was rather short-lived. If the Communist Party of China wants to avoid a similar demise as Bismarck's ancien regime in the late 19th century its political strategists may need to go back to the policy drawing board. One possible first step for CPC decision-makers would be to acknowledge that economic reforms in China have brought about a multitude of new interest groups. In order to give Chinese citizens a better chance to articulate their various interests and defend and extend their particular values, the CPC should consider creating the legal-administrative framework conditions for Chinese civil society to participate in the policy process.

### **Learning from Bismarck?**

This research paper raised the question to what extent the CPC's current approach to social management can be explained with reference to Bismarck's political statesmanship in the late 19th century. In order to address this question in the first

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<sup>78</sup> *Ibid.*

part I compared the political history in the German Empire under Bismarck (1862-90) with the People's Republic of China (PRC) during the Mao (1949-1976) and post-Mao period (1976-present). This historical comparison revealed a number of similarities as well as a few differences. Both Germany and China were late-comers to nation-building. Whereas the German Empire had the features of an authoritarian nation-state, the PRC developed from a totalistic state under Mao to a more paternalistic and authoritarian state under Deng Xiaoping. State-led industrialisation in Imperial Germany and the post-Maoist period in China revealed remarkable similarities. In both cases, commercial practices were introduced without adjusting the existing political institutions to the newly adopted models of capitalism.

Social responses to state-led modernisation in Imperial Germany and China also exhibit some degree of similarity. In both cases the working class had to bear the brunt of rapid industrialisation and urbanisation. Members of the emerging middle classes in both cases aimed to improve their economic situation and thus became dependent on the good will of the upper aristocratic class in the German Empire and government bureaucrats in the PRC respectively. Both political systems responded in similar ways to the increasing demands of a diversifying society. Bismarck employed manipulative strategies to focus the attention of Germans on perceived common enemies both home and abroad. Such political maneuvering yielded short term political gains during Reichstag elections, but also set a precedence of official intolerance towards minorities. A similar phenomenon can be observed in the case of China, where the fear of religion, linguistic division, and ethnic conflict has led to the blanket curtailment of freedom of expression.

In the second part I discussed in more detail the logic and limits of China's social management approach in maintaining stability in the late 20th and early 21st century. The discussion revealed that leading proponents of the CPC regard the stability of

the political system and social stability as two sides of the same coin. Social management has either been understood to signify an opportunity for the inclusion of non-state actors into the development process or as a call to arms for an empowered bureaucracy to actively intervene in societal development. Upon closer inspection it became evident that the CPC's approach to social management combines social policies with increasingly heavy handed policing strategies.

The subsequent discussion centered around the question to which degree the CPC has been able to build legitimacy through social policy. While social policies have so far been successful to co-opt politically significant parts of the Chinese population, the preferential treatment of urban workers over rural Chinese and migrant workers also raise serious questions about social, political and economic justice in China. According to a study conducted by Göbel and Ong “[social] unrest in China has been increasing at an alarming rate. Few incidents of public demonstrations, disruptive action or riots occurred in the 1980s, but 8,700 ‘mass incidents’ were recorded in 1993 alone. By 2005, their number had grown tenfold to 87,000, and estimates for the number of public protests in 2010 range between 180,000 and 230,000.”<sup>79</sup> The costs for maintaining social order through domestic policing has also dramatically increased. According to a study conducted by Tsinghua University, the budget for internal security in 2010 surpassed China's spending on national defense.<sup>80</sup> Such developments suggest that the CPC's current social management approach to maintaining stability is not sustainable. One of the historical lessons from Bismarck's approach to social and political stability is that his repression of societal demands

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<sup>79</sup> Christian Göbel and Lynette H. Ong (2012) ‘Social Unrest in China, Europe China Research and Advice Network’, [http://www.euecran.eu/Long%20Papers/ECRAN%20Social%20Unrest%20in%20China\\_%20Christian%20Gobel%20and%20Lynette%20H.%20Ong.pdf](http://www.euecran.eu/Long%20Papers/ECRAN%20Social%20Unrest%20in%20China_%20Christian%20Gobel%20and%20Lynette%20H.%20Ong.pdf), date accessed 13 October 2013.

<sup>80</sup> David Kelly (2010) ‘Costs of maintaining stability in China’, *EastAsiaForum*, <http://www.eastasiaforum.org/2010/05/23/costs-of-maintaining-stability-in-china/>, date accessed 13 October 2013.



was ultimately unsuccessful. So what could be done by the CPC to escape the political predicament of the German Empire, which imploded in 1918?

While none of the Chinese political leaders in the post-Maoist era have attained the historical status of Otto von Bismarck, it can be argued that the CPC as a Leninist party is already playing by his playbook. Preempting societal demands for political reform by establishing a rudimentary form of a Chinese welfare state has helped enhance the party-state's legitimacy. China's current political leaders should however not be too self-congratulatory and simply assume that their social management approach will also work in the future. Bismarck ultimately failed to win over the hearts and minds of German workers. I argued that he failed due to the limited scope and ambition of his social legislation. He also failed to develop the political institutions of the German Empire to meet the needs of a diversifying society.

In conclusion I argue that a deepening of social policies in China would not only contribute to enhanced social safety nets but also help lay the foundation for state-led reconciliation of interests between different parties. The Xi Jinping Administration can also learn another historical lesson from Imperial Germany. It is in its organisational self-interest to gradually open up the political process for non-state actors and to become more inclusive. Such a reform strategy would allow the Xi Administration to continue steering China's transition, albeit with the help of civil society actors and greater public participation.

In 2012 Chinese academic Yu Jianrong put forward a ten-year plan for social and political reforms which provides details how such a political opening could be achieved. In a first reform phase from October 2012 until December 2015 he suggests that China's new political leadership should "(achieve) basic social equality and justice, with the adjustment of public welfare policies as the premise and the

protection of people's rights as the foundation".<sup>81</sup> During a second phase from January 2016 to September 2022 he suggests that the Xi Administration in its second terms should "(promote) the transition of the country to constitutional democracy, with political reform as the premise and civil rights as the foundation".<sup>82</sup> As I have argued before "Yu's plan is the most notable reform agenda to emerge since the Charter 08"<sup>83</sup> and "signifies a willingness among party-state officials to engage in open-ended discussions about democracy and human rights in China". Yu has been "working within the system to advocate incremental political reform and is frequently invited to lecture officials at training seminars funded by the Communist Party."<sup>84</sup>

The "Decision on Major Issues Concerning Comprehensively Deepening Reforms" published by the CPC on 15 November 2013 in the wake of the Third Plenum of the 18th CPC Congress suggests that Yu's message is not entirely falling on deaf ears. While some commentators have lauded the document as evidence that "the Communist Party has indeed produced its most wide-ranging and reform-tinged proposals for economic and social change in many years"<sup>85</sup> there seems to be a great deal of continuation of the former social management approach under Xi Jinping. As Alice Miller has pointed out, nine of the sixty reform proposals address "social services and 'social management' reform".<sup>86</sup> Miller has furthermore argued that the goal of China's new Central State Security Committee, another outcome of

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<sup>81</sup> David Bandurski (2012) 'Scholar posts 10-year plan for social and political reform', *China Media Project*, <http://cmp.hku.hk/2012/03/26/20910/>, date accessed 26 March 2012.

<sup>82</sup> *Ibid.*, date accessed 26 March 2012.

<sup>83</sup> Andreas Fulda (2012a) 'A convergence of China's political reform agendas', *China Policy Institute Policy Paper 2012: No.3*, <http://www.nottingham.ac.uk/cpi/documents/policy-papers/policy-paper-2012-03.pdf>, date accessed 13 October 2013.

<sup>84</sup> Andreas Fulda (2012b) 'China's reformers within', *South China Morning Post*, <http://www.scmp.com/comment/insight-opinion/article/1135292/chinas-reformers-within>, date accessed 13 October 2013.

<sup>85</sup> The Economist (2013) 'Reform in China. The party's new blueprint', <http://www.economist.com/blogs/analects/2013/11/reform-china>, date accessed 4 June 2014.

<sup>86</sup> Alice Miller (2014) 'How strong is Xi Jinping?', *China Leadership Monitor*, no. 43, <http://media.hoover.org/sites/default/files/documents/CLM43AM-2.pdf>, date accessed 4 June 2014.

the Third Plenum, is to “improve national security strategy and its work mechanism to keep high vigilance against and resolutely forestall activities of separatism, infiltration and subversion carried out by hostile forces to ensure national security.”<sup>87</sup> Such continued emphasis on a few social policy carrots and a big political control stick does not bode well for China’s future. If the CPC wanted to avoid the predicament of Bismarck’s ancien regime and if the new Xi Administration was to adopt Yu Jianrong’s ten-year plan for social and political reforms, either wholesale or in part, it may once again prove naysayers wrong and continue to steer China’s political future.

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<sup>87</sup> *Ibid.*, date accessed 4 June 2014.