

## The Ruse of Reason: Poverty, Inequality, and Personal Freedoms in the People's Republic of China 1950-2015

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My talk will be about China, more specifically about the 65 years of the People's Republic's existence. I have chosen this as my theme, in part because, as Ananya Roy reminds us, poverty and inequality in life chances are best understood in the context of a given territory—a city, region, or nation. But above all, I focus on China, because in a world-historical perspective, the peaceful rise of this vast country is perhaps the central story of the last century.

Zooming in on the short history of the People's Republic, its economic and social progress has been remarkable. To put some numbers on this assertion: Since 1950, the PRC

- has grown by 800 million who have been socially, economically, and politically integrated as citizens, currently numbering 1.4 billion;
- has lifted hundreds of millions of peasant farmers out of poverty;
- has to a considerable extent achieved its transition to an urban society, rising from approximately 12 percent at the beginning to more than 50 percent at present, while planning to urbanize another 300 million within the next two or three decades;
- has achieved home ownership for more than 75 percent of resident urban households, excluding migrant workers;
- has lengthened the average life span at birth to 75 years;

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- has abolished illiteracy, made nine years of education compulsory, enrolled 250 million children in elementary, middle, and high school, and has enrolled 12 million in post-secondary education;
- has 668 million Internet users;
- has raised incomes to a level of moderate prosperity, estimated for 2014 at \$12,609 per person measured in terms of purchasing power parity, or \$37,827 for a household of three;<sup>2</sup>
- finally, as a result of its unparalleled achievements, the PRC now stands on the threshold of becoming a global power.

The point of this schematic list is to emphasize the scale of what has been achieved so far. I turn now to the question of inequality and personal freedoms in the PRC. Before I do that, however, I need to explain why I decided not to talk about democracy instead. As we all know, China is not a liberal democracy but is ruled by the Chinese Communist Party (CCP). And as Daniel Bell has pointed out, the liberal democratic model of “one person, one vote” that we all take for granted has no traction in present-day China.<sup>3</sup> Along with the many institutions that enable them, political liberties are explicitly rejected as unsuitable for China not only by the Party-state but even by many public intellectuals.<sup>4</sup> On the other hand, what virtually all Chinese have happily embraced over the past two decades is something that we Americans take for granted; it is like the air we breathe. I refer to the wide range of *personal freedoms*, such as the freedom of choice, mobility, expression, assembly, and the many other freedoms that are claimed but whose actual enjoyment varies greatly with income, education, health, age, gender, and other characteristics of the population, as well as with the presence or absence of institutional guarantees.

As we shall see, during the years of Communist rule, personal freedoms have been both suppressed and opened up. I propose to discuss the question of poverty and inequality over

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<sup>2</sup> See [www.tradingeconomics.com/china/gdp-per-capita-ppp](http://www.tradingeconomics.com/china/gdp-per-capita-ppp).

<sup>3</sup> Daniel A. Bell, *The China Model: Political Meritocracy and the Limits of Democracy*. Princeton: Princeton UP, 2015.

<sup>4</sup> Timothy Cheek, *The Intellectual in Modern Chinese History*. Cambridge, UK: Cambridge University Press, 2015.

two successive political cycles: the collectivist experiment from 1950 to 1980 and the carefully named “socialist market economy with Chinese characteristics” from 1980-2012. A third, still incipient, cycle from 2012 onwards, which I tentatively refer to as the reach for global power, is briefly introduced. Each of these cycles is dominated by a single preeminent leader: respectively, Mao Zedong, Deng Xiaoping, and Xi Jinping.

### Political Cycle I: A Collectivist Experiment

Upon taking power at the end of 1949, a high priority of the new regime was how to transform agriculture from which 85 percent of the population made their living and turn it into some version of a socialist agriculture, meaning more productive, egalitarian, and in Mao’s personal vision, collectivist. On taking power, a series of experiments ensued in rapid succession: land reform, peasant cooperatives, communes. What eventually emerged was a kind of military command structure, which had production teams at the base, brigade-level strategic supervision, and, at the top of the pyramid, comprehensive control by commune-level cadre. In relation to its demographic size, China was short of arable land, and, after land reform, individual land holdings were often too small and fields too fragmented and scattered to allow for greatly increased productivity. Pooling land resources, it was believed, would raise efficiencies of scale in production and bring China’s rural population under the control of the Party-state.

The task assigned to the agricultural sector, however, went considerably beyond the peasantry’s subsistence needs. Rather, it was to produce a substantial surplus that, while ensuring food security, would also finance the push to rapid industrialization. The key means for this challenging project were the so-called production teams that brought together anywhere from 25 to 50 neighboring households who would select a leader from among themselves. These teams would deploy land acquired in the preceding cooperatives, and cultivate it as a single, economically-sized unit. About a fifth of the total acreage would be turned over to individual households for so-called sideline production—small livestock, fruit trees, vegetables—that could be sold for cash in near-by towns, while collective work was primarily to cultivate cereals. Two sayings were popular at the time: “For the bottom of the rice

bowl rely on the collective. For the top of the bowl rely on ourselves.” And “For eating rice rely on the collective. For money rely on your private sidelines.”<sup>5</sup> Moreover, during the winter months when field work was less demanding, production teams were to work on local infrastructure projects for their village, such as improving irrigation canals, road improvements, construction of an elementary school, and similar undertakings.

The Party-state was largely absent from production teams. It was very much present, however, at brigade levels and to an even greater extent, at the all-encompassing peasant commune. Basic services would be made available to everyone: primary and secondary education, rudimentary health care, welfare services for orphans, widows, the frail elderly, and assistance with funeral expenses. As a whole, the commune was to be a self-sustaining enterprise: it would sell grains to the state at a fixed price and remunerate the individual members of production teams according to earned work points, paid out partly in kind and partly in small amounts of cash. It would also engage in elementary industrial production, build village factories, and support repair shops for machinery. Above all, the commune was responsible for the ideologically correct attitudes of villagers and was expected to mobilize the local population in the frequent ideological campaigns and struggle meetings that were periodically launched by the Center.

The urban counterpart to the commune system was the work unit or *danwei*. Work units would be organized in large factories, government ministries, universities, hospitals, and other institutions to provide a combination of working and living space for their employees. The national welfare system, established early on, depended heavily on each *danwei* to organize both the provision and management of a fairly comprehensive social security net for its workers. The implementation of this system required each *danwei* not only to provide the necessary funds for all welfare programs, but also demanded that they construct the physical infrastructure to house them. Each work unit would thus constitute a relatively self-sufficient community. As David Bray writes in his classic study, “The Chinese city was to develop more as a collection of self-contained and spatially defined communities than as an integrated urban

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<sup>5</sup> Jonathan Unger, *The Transformation of Rural China*. Armonk, NY: M.E. Sharpe, 2002, p.15.

network.”<sup>6</sup> And he continues: “The predominant urban spatial form...was the *danwei* compound, invariably an enclosed space marked out by a high surrounding wall....[T]he compound wall operates...as a marker of social space. In traditional China, the wall defined the realm of the Confucian family and the space within which the family patriarch ruled supreme. In socialist China, the wall marks the realm of the ‘production unit’ and the space within which the *danwei* reigns” (*ibid.*).

To complete the picture, during the collectivist period, China’s borders were all but sealed. National development would be endogenous, her borders a virtual wall. In 1960, all Soviet advisors were withdrawn: henceforward, China would follow her own genius. Second, rural areas were sealed off from cities. Each commune member would receive a local resident permit called *hukou* that was different from an urban *hukou*, thus allowing the movement between countryside and city to be strictly controlled. Factory workers were recruited from the countryside but would keep their rural permit in order to prevent mass migration to cities. Finally, Mao believed he could transform China into a socialist society through continuous social mobilizations, campaigns, and class struggle. Positive change, he thought, would ensue from living at the edge of chaos. But the Great Leap Forward campaign he launched between 1958 and 1961 turned into unmitigated disaster, resulting in perhaps the last of China’s many famines in which tens of millions starved to death. The succeeding and notorious Great Cultural Revolution which followed a few years later and lasted until Mao’s death in 1976, has come to be known as the “lost decade.” Even so, it must be admitted that overall economic growth, while fluctuating wildly from year to year and, in some years, actually showing sharp declines, made some, if limited, progress.

By the time Mao died, China was known to be one of the world’s most egalitarian societies. To be sure, it was a frugal society, but members of communes and work units were guaranteed a basic livelihood. This was not poverty as we generally understand it, which depends on a comparison between those who have and have not; it was rather a levelling of lifeways. Urban residents were marginally better off than their rural counterparts because urban services such

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<sup>6</sup> David Bray, *Social Space and Governance in Urban China*. Stanford: Stanford University Press, 2005, pp. 104 and 124.

as housing were subsidized, and within the commune system, there were significant variations based on land productivity, transportation infrastructure, and location. On the other hand, personal freedoms were suppressed. The *hukou* system prevented spatial mobility. Information was channeled exclusively through the state. Individual initiative was seen as a form of rightist deviation and was disallowed. All initiative remained with the Party. Looking back on this now, China in the 1970s resembled nothing so much as a gigantic military compound.

Millions mourned when Mao died, but far-sighted leaders, such as Deng Xiaoping, realized that China was falling behind other East Asian nations, such as Japan and South Korea, and was nowhere near to “catching up” with Western Europe. Indeed, the first high-level study missions that were sent to Europe were amazed by what they saw. They had to admit that, by comparison, China was economically and technologically backward. Actually, the situation had become desperate. While rural population was growing at two percent a year, arable land had remained unchanged. Food had to be rationed, and people were on the edge of starvation. On the other hand, the urban economy—heavy industry and business services—could absorb little more than a third of the annual increase in the rural labor force.<sup>7</sup> Mao’s vision had failed, his utopian imagination had overreached itself. Deng concluded that Chinese socialism would have to reinvent itself.<sup>8</sup>

### Political Cycle II: A Socialist Market Economy with Chinese Characteristics

As a 16 year old lad, Deng was among a handful of scholar-workers who were sent to France in the early 1920s to study and observe the technologies and organizations of an advanced European society at firsthand. While still in France, he joined the Chinese Communist Youth League in 1923 and, on his return to China, took part in the Long March led by Mao Zedong in the 1930s, became Mao’s close comrade-in-arms at Yan’an, fought in the war against the Japanese from the beginning of the Popular Front, fought for another four years in the civil war that followed, and came to be a trusted leader during the collectivist period. But with Mao

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<sup>7</sup> Barry Naughton, *The Chinese Economy: Transitions and Growth*. Cambridge, MA: MIT Press, 2007, pp 80-81.

<sup>8</sup> For a detailed account of the Mao era’s final days as they played out as a tragi-comedy in a small village 45 north of Tianjin, see Jeremy Brown, *City versus Countryside in Mao’s China: Negotiating the Divide*, New York, Cambridge University Press, 2012, ch. 8.

increasingly paranoid towards the end of his life, suspecting even his closest associates of disloyalty, Deng and his wife were banished to Jiangxi Province to be “re-educated through manual labor.” His come-back in 1973—engineered by Mao—and rise to paramount leader in 1978 is a fascinating story but too long to be told here.<sup>9</sup>

It was Deng Xiaoping who initiated yet another turn in the turbulent and often violent post-imperial history of his country, a turn he described as a socialist market economy “with Chinese characteristics.” There were no models for how to transit from collectivism to such an economy, and he counselled his fellow citizens “to cross the river by feeling the stones.” In fact, no one knew what would happen once China’s borders were opened up, the collectivist economy dismantled, and Mao’s practice of permanent class struggle replaced by bureaucratic rule. But Deng had the revolutionary prestige, personal courage and strength of character to move forward into the unknown future and learn from experience.

Beginning in the 1980s, the new political cycle ushered in a monetized economy based on competitive market prices that created a new perception of poverty, since poverty could now be measured by a household’s disposable income. In the collectivist system, where everyone’s livelihood was guaranteed, the question of poverty was not a matter of policy concern. But in the new cycle, the poor could be directly compared to others who were not. As the commodification of life progressed, there were to be winners and losers. To be officially declared as indigent and relegated as a ward of the state proved to be a lengthy and difficult process. As described by Dorothy Solinger, a person had to publically declare their destitution before becoming eligible for even the most minimal support by the state. The number of urban poor has been estimated at more than 50 million or 8.5 percent of urban residents, not counting rural migrants; even so, only a fraction of them would eventually be granted the minimum social subsidy or *dibao*.<sup>10</sup>

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<sup>9</sup> See the outstanding biography by Ezra F. Vogel, *Deng Xiaoping and the Transformation of China*. Cambridge, MA: Belknap Press of Harvard University Press, 2011, chapters 1-6.

<sup>10</sup> Dorothy J. Solinger, “The Urban Dibao: Guarantee for Minimum Livelihood or for Minimal Turmoil?” in Fulong Wu and Chris Webster, eds., *Marginalization in Urban China*. Palgrave Macmillan, 2010, ch. 13, 261-62.

Above the stratum of the indigent are the working poor, a category that includes a fluctuating number of rural migrants—from 120 to 170 million in any one year, a huge proportion of the rural labor force—who seek low-paid work in factories, construction, and a variety of service jobs in cities and surrounding periurban areas. I will return to this story shortly.

The next stratum are the vaunted propertied middle classes (*xinzhongchan jieceng*), which began to emerge in the context of the explosive economic growth of the nineties. It is an ambiguous social formation, which Li Zhang characterizes as emergent, heterogeneous, fragmented, and precarious, forever fearful of falling back into the category of the working poor from which they had escaped.<sup>11</sup> Zhang, who did her field work in Kunming, capital of the southern Province of Yunan, estimates their overall numbers in Chinese cities at less than 16 percent of total population, or roughly 30 percent of resident urban population, or 200 million.

At the apex of the social pyramid above them is the one percent of the super-rich and powerful.

A few comments about rural migrants, which I will draw from Li Zhang's Kunming study, because it is the most graphic, concise account of their conditions of life during the first post-millennium years. A few direct quotes will have to stand in for a more detailed discussion for which time is lacking. Zhang writes:

- “Although the buildings they create are highly visible in the urban landscape they remain an invisible social group living under substandard conditions.” (70)
- “Overcrowded housing is a common problem facing construction workers. It was not uncommon to see fifty people crammed into a room of thirty square meters without any privacy. Their beds were made of bamboo sticks and a piece of hard cardboard.” (72)
- “The daily meals for construction workers were very simple, consisting of rice or steamed buns and boiled or pickled vegetables. Meat was considered a rare luxury. Not getting enough to eat was a common complaint among migrant workers.” (72)
- “Long delays in, or denial of, wage payments by their contractors or developers is a common problem faced by migrant construction workers...Their average monthly wage in Kunming [in

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<sup>11</sup> Li Zhang, *In Search of Paradise: Middle Class Living in a Chinese Metropolis*, Ithaca, NY: Cornell University Press, 2010, pp. 6-10.



2006] is between 400 and 800 yuan, but getting this much or any money at all is not guaranteed.” (71)

- “The emerging real estate industry as I observed it in Kunming displays a pattern of two opposite movements involving capital and labor. On the one hand, capital keeps moving up and becomes concentrated in the sectors controlled by developers, architects, and community planners; on the other hand, labor moves downward to small, flexible teams that tap into a rural migrant workforce to reduce costs and shed welfare responsibilities.” (77-8)

I might add that migrants represent a huge portion of the urban population that is best described as “socially excluded.” Shunned by the very people whom they benefit with their labor, they are generally perceived as dirty and uncouth, having latent criminal tendencies, and should preferably be hidden from public view. Even so, their labor is essential, and they are very much part of the urban scene. More and more of them will eventually be settling permanently on the urban periphery and meld into the general population.

In its several dimensions, inequality—social, geographic, economic, and cultural—has been one of the by-products of China’s single-minded pursuit of economic growth. Here I will mention only the most frequently used index of inequality, the Gini index for income distribution that ranges from 0 of complete equality to 1 of complete inequality. In 1982, China had one of the lowest Gini coefficients for household income of any country for which this measure was available. Now, thirty-two years later, it stands at 0.47 (which compares to the US index of 0.45, Japan at 0.38, and the European Union at 0.31). High income inequality has thus become a major concern for the Chinese government. Given the present economic situation worldwide, it is unlikely, however, that counter-measures will succeed to significantly improve the country’s existing income distribution.<sup>12</sup>

I turn now to the question of personal freedoms in the socialist market economy. As evident from my account of the emerging social stratification, reforms have done relatively little so far

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<sup>12</sup> *CIA World Fact Book*, List of Countries by Income Equality, Wikipedia.

to enlarge the personal freedoms of the indigent and working poor. It is chiefly the social strata above them, the consuming classes of the expanding middle, who enjoy most of the new freedoms: extended life expectancy at birth; private home ownership along with the right to organize homeowner associations; quality medical care; more open, egalitarian gender relations; hugely expanded consumer choices; universal access to books, newspapers, cell phones, the Internet, and television; pathways to tertiary education; and international travel. But for everyone without exception, restrictions on important freedoms have remained in place throughout this political cycle: the one-child per family policy instituted in the early eighties, the differentiation between agricultural and urban residence permits, and the ubiquitous political censorship. Challenging CCP hegemony continues to be strictly forbidden and remains taboo.

On the other hand, poverty alleviation in rural areas has been extraordinary. According to Barry Naughton, the number of rural residents who were poor in 1978, which he estimates at 250 million, had shrunk to 26 million by 2004.<sup>13</sup> Much of this gain was a result of urbanization *in situ*, particularly through small-scale manufacturing by township and village enterprises (TVE) that by the late 90s had surged to one-third of industrial production, though declining thereafter. Chinese villages became electrified, housing quality improved, new roads were built connecting village to city, and frequent contact with urban centers via marketing, migration, and remittances became normalized. In the end, the rapid outward expansion of cities began swallowing up collective village lands. Sooner or later, rural land was transformed into urban land that could now be disposed of by the local state, and for many, farming was little more than a memory of hard times.<sup>14</sup>

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<sup>13</sup> Barry Naughton, *op. cit.*, p.212-13.

<sup>14</sup> Youtien Hsing, *The Great Urban Transformation: Politics of Land and Property in China*. Oxford: Oxford University Press, 2010.

### Political Cycle III: The Reach for Global Power

After nearly three decades of the evolving socialist market economy, a time when primary, if not exclusive, attention was focused on economic growth, the inherent contradictions of this strategy became increasingly apparent. At some point, two-digit growth would have to give way to a more sustainable rate, and the global recession of 2008 turned out to be the critical moment. Initially, the government attempted to mitigate a sudden decline in export orders through huge investments in high speed rail and other infrastructure, but this had its limits, and as the global recession receded, economic growth declined to what some now refer to as the “new normal:” a seven percent annual rate of GDP growth, which, if maintained for a decade, would double production. This new normal foreshadows the end of the second political cycle, which I date from the turnover in national leadership from Hu Jintao to Xi Jinping who was elected General Secretary of the CCP in 2012.

By now, China’s economy has become so strong and its international entanglements so numerous that a new political cycle seems inevitable. The transition from one cycle to the next will certainly not be as cataclysmic as the change from collectivism to Deng’s market economy. With the end of Hu Jintao’s leadership period, much unfinished business remains, such as the completion of the urban transition and continuing institutional work to perfect China’s market economy. But other domestic issues immediately confronted the new “paramount leader.” Let me give you an idea of his agenda:

- eradicate rampant corruption in the CCP at all levels;
- greatly expand domestic markets for Chinese-made goods while retrenching exports;
- create jobs sufficient to reduce mounting urban poverty as well as under- and unemployment in the face of a radically reduced long-term rate of growth;
- facilitate the progressive integration of tens of millions of rural migrants in cities;
- continuously modernize the country’s hierarchical administrative system and forms of local governance;
- begin to reduce both household income inequality and the excessively unequal spatial distribution of economic development across the country;

- address the multiple challenges caused by the unfettered pursuit of maximum economic growth without regard to environmental damage;<sup>15</sup>
- creatively respond to the growing unrest in the ethnic border regions of China, especially Tibet and Xinjiang.

But Xi Jinping's greatest challenge will be to re-position China in the global system, which is why I have tentatively called the third political cycle The Reach for Global Power.<sup>16</sup> Only three years have so far elapsed of what I believe to be this new cycle, and we still lack the perspective to sense its overall direction. What we do know is that Xi made himself "paramount leader" in a very short time, and that he almost immediately declared war on corruption, especially within the Party.<sup>17</sup> He also abandoned the 1-child per family policy and eliminated the distinction between agricultural and urban resident permits which had made holders of the former into second-class citizens, thus contributing to the equalization of life chances at least in this regard. Both moves strengthened Party legitimacy and somewhat expanded personal freedoms. On the other hand, Xi tightened control over the media and began clamping down on dissident intellectuals and "human rights" lawyers. How this will evolve remains to be seen. It may take another thirty years to judge the outcomes of this new political cycle.

### Lessons of History

I've come to the end of my story. We have looked at two political cycles in the history of the People's Republic since its beginning, for a total of 65 years. I have also argued that the PRC is now starting its third cycle, which is striving to position China as a global power. What have we learned from this brief journey into the past about poverty, inequality, and personal freedoms? I promise to be brief.

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<sup>15</sup> See, for example, Elizabeth C. Economy, *The River Runs Black: The Environmental Challenge to China's Future*. Ithaca and London: Cornell University Press, 2004.

<sup>16</sup> In particular, see the so-called One Belt, one Road Initiative (BRI), which is a development strategy and framework proposed by the PRC that focuses on connectivity and cooperation among countries primarily in Eurasia and consists of two main components, the land-based "Silkroad Economic Belt" (SREB) and oceangoing "Maritime Silk Road" (MSR). Few details of this initiative are available, but see the corresponding Wikipedia article.

<sup>17</sup> According to Professor David Ley of UBC, in recent years, capital flight from China has been estimated at one trillion dollars (lecture January 2016).

In the first cycle, Mao Zedong achieves his goal: he has unified China and now embarks on a collectivist experiment: communes in the countryside and *danwei* in the cities. People are guaranteed a basic livelihood, and equality is achieved, but the costs are enormous: hunger during the years of the Great Leap Forward and social chaos during the Cultural Revolution. Personal freedoms are suppressed. In comparison to East Asia and Western Europe, China's economy remains economically and technologically backward. The egalitarian experiment has failed.

In the second cycle, initiated by Deng Xiaoping, China opens up to the world, and the economy is decollectivized. Dubbed a socialist market economy "with Chinese characteristics," a large state sector continues to be protected from the market, but everywhere else, a competitive price system ensures greater efficiency in the allocation of resources. This opening releases the tremendous creative power and energy of the Chinese people. The state promotes economic growth as a first priority. China becomes a producer for world markets, and by the end of the cycle, is second only to the United States in total production.

But the costs incurred are heavy. China now ranks among the group of countries which have the highest indices of income inequality world-wide. As urbanization continues, the new urban poor begin to arrive in large numbers, including about 150 million rural migrants looking for work each year in the thriving eastern seaboard cities in construction and the dirty work of daily life. Nor, in the single-minded pursuit of hyper-rapid growth, has the environment been heeded, and serious damage continues to be done to the collective resources of air, water, and land, endangering people's health and well-being. A sustainable development has yet to be achieved.

Amidst this new prosperity, an incipient class system emerges. It is the middle-income sectors who are the principal beneficiaries of public policies, and their enjoyment of personal freedoms expands disproportionately in comparison to the indigent population, which remains statistically significant, and the masses of the working poor, who have little to cheer about. As for *political* freedoms, even the topic remains off-limits for discussion.

China has reached the point where it now aspires to become a global power even as it battles to reverse the unintended costs inflicted on the country in the preceding cycle: excessive inequality, deep corruption among the political class, and the destruction and losses suffered by the environment. These herculean tasks have been bequeathed to the new generation of leaders, headed by Xi Jinping who initiates the third political cycle of CCP rule under severe economic constraints.

And the lesson of history perhaps is this:

Each of the two political cycles I have sketched lasted for about thirty years. Each begins with a powerful vision—the egalitarian utopia of a classless society, the heady promise of a socialist market economy—and ends with a sense of profound disappointment. The 18<sup>th</sup> century German philosopher Hegel called such unanticipated and indeed unwelcome outcomes the Ruse of Reason (*die List der Vernunft*), which hides from us the full consequences of our actions. Hegel's understanding reflects a tragic view of history that even our best intentions tend to fall short of their initial promise. And yet we continue to try, perhaps, as the poet Samuel Beckett writes, next time to fail better.

THANK YOU!