Title

Whither Socialism? Workers' Democracy and the Class Politics of China's Post-Mao Transition to Capitalism

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Publication Date

2024

Peer reviewed|Thesis/dissertation

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Workers' Democracy and the Class Politics of China's Post-Mao Transition to Capitalism

By

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A dissertation submitted in partial satisfaction of the

requirements for the degree of

Doctor of Philosophy

in

Sociology

in the

Graduate Division

of the

University of California, Berkeley

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Spring 2024

Abstract

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This dissertation provides a distinct class-based explanation of China's transition from socialism to capitalism. Its overarching argument is that the way in which urban industrial workers – ideologically and rhetorically celebrated as the "leading class" of Chinese socialism – interacted with the Party-state in the late 1970s and throughout the 1980s was a crucial causal ingredient in the making of China's transition to capitalism. More specifically, this dissertation argues that the patterns and modes of interaction between workers and the Party-state during this period shaped and derailed the Party leaders' efforts to pursue incipient marketization within the parameters of socialism (i.e. to build "market socialism" in China). Whereas the post-Mao Party leadership turned to market socialism as a way out of the profound crisis of the late 1970s, the patterns and modes of interaction between urban industrial workers and the Party-state set off one crisis after another throughout the 1980s. China's market socialism collapsed within a decade under the strain of these intensifying crisis cycles. It was only in the context of such derailment of China's market socialism did a full-blown transition to capitalism become an appealing option for the ruling elite, which they relentlessly pursued in the 1990s.

Based on a wide range of historical source materials, I explicate this argument by tracing a series of political contestations and policy maneuvers centered on the issue of workplace democracy, along with their economic and political aftermaths, over China's "long 1980s" (the period between the end of the Mao era in 1976 and the pro-democracy movements in 1989). These contestations and maneuvers played a pivotal role in shaping not only the trajectory of China's enterprise reform, but also the fate of China's socialist political economy more broadly.

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Acknowledgements

This dissertation is the product of a long-winded intellectual and political journey with many twists and turns that spanned almost a decade. I first of all thank the archivists at the six state archives I visited across China, who helped me access documents and continue with research at a very difficult and disruptive time. I also acknowledge the handful of informants who shared their personal experiences, observations, and insight with me. This research would not have been possible without their generosity.

I owe a humongous amount of debt to my dissertation advisor, Cihan Tugal, who has exerted a profound influence on my intellectual outlook – ranging from introducing me to the art of reading Gramsci to sensitizing me to the methodological complexities of doing social history. He believed in this project from the very beginning (when I had little confidence) and continued to maintain wild enthusiasm about it (while I was repeatedly trapped in self-doubt and despair). His emotional supportiveness was matched only by the exacting intellectual standards he held me accountable to. He kept throwing at me one gigantic question after another and seemingly trusted that I could just go and find all the answers. In the end I did not, but the work has become so much better and more ambitious as a result.

The other members of my dissertation committee have all contributed significantly to the development of this project. Laura Enriquez inspired me to interrogate and re-interrogate what it means to study "actually existing socialism" in a critical and comparative way. Yan Long helped me figure out where I was really headed when I was immersed in the messiness of my fieldwork in which a countless number of directions seemed possible. Dylan Riley's unrelenting push for analytical clarity forced me to come up with a much clearer argument. And Winnie Wong provided the intellectual stimuli that are not usually found within the disciplinary confines of sociology and helped me broaden my audiences.

In addition, two scholars not on my dissertation committee deserve special thanks. Yuan Shen has been an important mentor to me for more than a decade. His vision for what good social sciences should look like has greatly shaped my intellectual taste, and his tireless efforts to connect scholarship with praxis have influenced how I relate to the world I study. I thank him for always encouraging me to produce the kind of research that matters. Michael Burawoy's mentorship has been pivotal in helping me figure out what kind of scholar I aspire to become and expanding the realm of my scholarly possibilities. This dissertation in itself attests to how inspirational his scholarship is. I also thank Michael for repeatedly providing me with emotional care and making graduate school more bearable for me in various ways.

I would like to thank Joel Andreas for his critical inspiration when I was conceiving of this project. I thank Ghaleb Attrache, Samuel Chan, Yige Dong, Xiaojun Feng, Qiang Fu, Kyuhyun Han, Gail Hershatter, Ho-chiu Leung, Simon Sihang Luo, Mengting Ma, Wilson Miu, Micah Muscolino, Jonathan Smucker, Garrett Strain, Eylem Taylan, Zoe Mengyang Zhao and Weiqin Zhou for their helpful feedback on the previous drafts of some parts of this dissertation. I also thank Aaron Benavidez, Bart Bonikowski, Nitsan Chorev, Elisabeth Clemens, Isaac Dalke, Kristen Ghodsee, Andreas Glaeser, Huajie Jiang, Rebecca Karl, Danya Lagos, Tyler Leeds,

Shiding Liu, Martin Lockett, Monica Prasad, Mary Shi, Yihui Su, Lao Tian, Shaoda Wang, Guanchi Zhang, Luyang Zhou and Yan Zhu for their suggestions, questions, and other forms of interventions that helped improve my work in ways big and small.

I am indebted to Selda Altan, Ho-chiu Leung, Linzhuo Li, Wilson Miu, Yue Zhang, Steven Zhao, Luyang Zhou, and the Department of Sociology at the University of Chicago for the opportunities to present my work-in-progress at talks, conferences, and workshops. For the financial support that made the research and writing of this dissertation possible, I acknowledge the Esherick-Ye Family Foundation, the Kaifeng Foundation, and the following units at the UC Berkeley: the Institute of International Studies, the Center for Chinese Studies, the College of Letters and Science, and the Department of Sociology.

The underlying questions that have animated this dissertation resulted from my own involvement in labor organizing on both sides of the Pacific. The numerous conversations I have had with my fellow Chinese labor activists have helped me understand how my research could speak to some of the questions facing the labor movement today. I am tremendously grateful to these comrades who – unfortunately – cannot be named. In the U.S., I thank Alexa Nicolas, Keith Brower Brown and Yuanqi Lyu for conspiring with me to explore a vision of the labor movement that both embraces the hard work of organizing and is militantly democratic.

As I traversed my twisted intellectual and political journey over the years, I have been fortunate to find a community of fellow travelers in Yige Dong, Zoe Mengyang Zhao and Simon Sihang Luo. These close friends have taught me much about the meaning of scholarly integrity, activism, and life. The support we have lent to each other has proved to be an indispensable anchor in a world otherwise full of precarity. In Berkeley, Chris Chan has given me a sense of a home and artfully supported me through some of the most trying and anxiety-triggering moments. In China, Pheonix Chi Wang, Gongwang Yan, Yahui Zhang and Xuhao Zhao made my fieldwork experience much less stressful and more therapeutic than it otherwise would have been. I would also like to acknowledge Qiaochu Li and Ran Fang, whom I miss very much.

Lastly, I thank my partner Chengyang Shao for making me believe that there are things worth fighting for and a life worth living. He has helped me think through some of the most fundamental questions that have motivated my intellectual agenda. He has also given me the courage to face the trauma and mental toll that necessarily come with one's attempt to embed oneself in both the academic and activist worlds. His formidable command over Marxian and critical theories as well as his vast knowledge about the history of Chinese socialism have brought much unanticipated excitement and outside-the-box-ness to this dissertation. He has taught me what it means to live in revolutionary love and be in a relationship that is at once romance and comradeship. For all of this, I remain forever grateful.

List of Abbreviations

ACFTU	All-China Federation of Trade Unions
FDRS	Factory Director Responsibility System
SWC	Staff and Workers' Congress

Chronology of Major Events

September 1976	The death of Mao and the purge of the "Gang of Four"
March 1978	A large official delegation to Yugoslavia embarked on a three-week tour
October 11-21, 1978	The ACFTU's Ninth National Delegate Convention, which marked the nationwide reconstitution of the official trade union system
December 18-22, 1978	The Third Plenary Session of the Party's Eleventh Central Committee, which marked Deng Xiaoping's decisive consolidation of power within the Party and the marginalization of Hua Guofeng
June 1979	The ACFTU submitted a report seeking to reverse the political verdicts on Lai Ruoyu (the report's conclusions were endorsed by the Party leadership in September)
February 1980	Zhao Ziyang's tenure in the central Party-state began
August 14, 1980	The strike at the Lenin Shipyard in Gdansk, Poland began
August 18, 1980	Deng Xiaoping made a famous speech calling for the eradication of "feudalist legacies" within the Party and thorough political reform, including the reform of enterprise management
September 1980 – mid-1981	A wave of labor unrest swept China
September 1980	Zhao Ziyang proposed the Yugoslav-style framework of "the factory director responsibility system under the leadership of the SWC"
October-December 1980	Forty-four factories nationwide were selected for the experiments with "the factory director responsibility system under the leadership of the SWC"

November-December 1980	Hua Guofeng's dethronement was finalized
December 16-25, 1980	The Party's Central Work Conference endorsed a program of drastic economic retrenchment and a repressive approach to the ongoing grassroots unrest
May 29-June 8, 1981	The Nationwide Conference on Democratic Enterprise Management
July 13, 1981	The Party's Central Committee and the State Council jointly promulgated the *Provisional Regulations on SWCs in State-Managed Industrial Enterprises*
December 4, 1982	The revised Constitution was ratified
December 1983	The Party leadership began to push for the FDRS
February 7-25, 1984	A delegation headed by Peng Zhen visited Hangzhou and Shanghai to conduct preparatory research for the launch of the FDRS
May 18, 1984	The Party's Central Committee and the State Council jointly promulgated an official notice to launch the FDRS
October-December 1984	A wave of haphazard bonus payouts to workers in the FDRS enterprises alarmed the policymakers
January 1985	Zhao Ziyang proposed to send "representatives of the state" to public enterprises to rein in workers' alleged influence on their factory directors
December 1986	Zhao Ziyang and the State Council began to call for the wide implementation of enterprise contracting
April 13, 1988	The finalized version of the Enterprise Law was ratified
August-September 1988	A wave of panic buying followed the Party-state's announcement of upcoming price reforms
April-June 1989	A wave of pro-democracy movements swept China

Glossary of Historical Actors

Chen, Bingquan (1931-2004)
Member of the ACFTU's secretariat (1983-1993) and Vice President of the ACFTU (1985-1993).

Chen, Xilian (1915-1999)
Vice Premier (1975-1980), commonly seen as an associate of Hua Guofeng. Removed from positions of power in 1980.

Chen, Yun (1905-1995)
Senior politician with strong revolutionary credentials, who wielded formidable power over China's economic policymaking and whose authority and prestige came closest to rivaling Deng Xiaoping's in the late 1970s and the 1980s.

Deng, Liqun (1915-2015)
Deputy Director of the General Office of the Party's Central Committee (1979-1982) and Director of the Research Office of the Party's Central Secretariat (1981-1987). Commonly seen as a conservative-leaning aide of Deng Xiaoping's and one of China's most important politicians in the realm of ideological affairs in the late 1970s and the 1980s.

Deng, Xiaoping (1904-1997)
The most important *de facto* leader of the Party between the late 1970s and the early 1990s.

Geng, Biao (1909-2000)
China's Vice Premier (1978-1982), in charge of foreign and diplomatic affairs.

Gu, Dachun (1915-2007)
Vice President of the ACFTU (1979-198).

Gu, Ming (1919-2008)
Deputy Secretary-General of the State Council and Director of the State Council's research center on economic regulations (1981-1985). Participated in the policy research and deliberations regarding the launch of the FDRS in 1984.

Guo, Ying (??-??)
A union cadre based at the ACFTU's national headquarters in the late 1970s and early 1980s.

Hao, Jianxiu (1935-)
Model worker and Alternate Member of the Party's Central Secretariat (1982-1985) responsible for overseeing ACFTU affairs.

Hu, Yaobang (1915-1989)
Director of the Party's Organization Department (1977-1978), Director of the Party's Propaganda Department (1978-1980), General Secretary of the Party's Central Secretariat (1980-1982), and General Secretary of the Party (1982-1987). One of China's most important politicians in the realm of the Party's political, organizational, and ideological affairs in the late 1970s and the 1980s, and commonly seen as a liberal-leaning aide of Deng Xiaoping's. Purged from positions of power in 1987. His death in 1989 triggered a wave of protests that eventually grew into the momentous pro-democracy movements.

Hu, Qiaomu (1912-1992)
Member of the Party's Central Secretariat (1980-1982) and Member of the Party's Politburo (1982-1987). One of China's most important politicians in the realm of ideological affairs in the late 1970s and the 1980s and commonly seen as a conservative-leaning aide of Deng Xiaoping's.

Hua, Guofeng (1921-2008)
Mao's chosen heir, China's nominal supreme leader in the late 1970s and a key co-conspirator in the palace coup that ousted the "Gang of Four" in 1976. His political standing began to visibly decline in late 1978, until his eventual dethronement in 1980.

Ji, Dengkui (1923-1988)
China's Vice Premier (1975-1980), commonly seen as an associate of Hua Guofeng. Removed from all positions of power in 1980.

Jiang, Qing (1914-1991)
Mao Zedong's wife and a member of the group of Mao's radical associates referred to as the "Gang of Four". Purged from positions of power after Mao's death in 1976.

Jiang, Yiwei (1920-1993)
One of the leading economists at the Institute of Industrial Economics under the Chinese Academy of the Social Sciences in the late 1970s and the 1980s. Advocated for "putting the SWC in charge" in enterprise management in 1980-1981.

Kang, Shi'en (1915-1995)
China's Vice Premier (1978-1982) responsible for affairs related to economic planning.

Lai, Ruoyu (1910-1958)
President of the ACFTU (1953-1958). Subject of a vehement posthumous denunciation campaign in mid-1958.

Li, Lisan (1899-1967)
An important leader of the Party in the 1920s and Vice President of the ACFTU (1949-1951).

Subject of a vehement denunciation campaign in late 1951.

Li, Peng (1928-2019)
China's Premier (1987-1998). Promoted to this position after Zhao Ziyang transitioned to the position of the Party's General Secretary.

Li, Xiannian (1909-1992)
Senior politician with strong revolutionary credentials and a key co-conspirator in the palace coup that ousted the "Gang of Four" in 1976. Exercised notable sway over China's economic policymaking over the late 1970s and the 1980s, though not to the same extent as Chen Yun did.

Li, Yimang (1903-1990)
Executive Deputy Director of the Party's International Liaison Department (1974-1982). Chair of China's official delegation to Yugoslavia in the spring of 1978.

Liu, Guoguang (1923-)
Prominent economist and Deputy Dean of the Chinese Academy of the Social Sciences (1982-1993). Occasionally participated in deliberations regarding economic policymaking in the 1980s.

Liu, Shi (1924-2015)
Member of the ACFTU's secretariat (1981-1988).

Luo, Gan (1935-)
Vice President of the ACFTU (1983-1988).

Ma, Hong (1920-2007)
Deputy Dean (1979-1982) and Dean (1982-1985) of the Chinese Academy of the Social Sciences, and Director of the State Council's Center for Development Research (1985-1993). Prominent economist. Advocated for "putting the SWC in charge" in enterprise management in late 1980. Continued to participate in economic policy deliberations through much of the 1980s (with shifting positions).

Mao, Zedong (1893-1976)
China's supreme leader from 1949 to 1976.

Ni, Zhifu (1933-2013)
Model worker and President of the ACFTU (1978-1993).

Peng, Zhen (1902-1997)
Senior politician with strong revolutionary credentials. Vice Chairman (1979-1983) and Chairman (1983-1987) of the Standing Committee of the National People's Congress, who *de*

facto oversaw China's legislative affairs over much of the 1980s.

Qiao, Shi (1924-2015)
Deputy Director and then Director of the Party's International Liaison Department (1978-1983). Deputy chair of China's official delegation to Yugoslavia in the spring of 1978.

Song, Renqiong (1909-2005)
Senior politician with strong revolutionary credentials. Member of the Party's Central Secretariat responsible for overseeing ACFTU affairs (1980-1982).

Su, Shaozhi (1923-2019)
Editor at the theoretical branch of the *People's Daily* (1963-1979). Researcher at and then Director of the Institute for Marxism-Leninism and the Mao Zedong Thought under the Chinese Academy of the Social Sciences (1979-1987). Member of China's official delegation to Yugoslavia in the spring of 1978. Later became a liberal dissident in exile.

Tian, Jiyun (1929-)
Deputy Secretary-General of the State Council (1981-1983) and Vice Premier (1983-1993). An associate of Zhao Ziyang in the realm of economic policymaking.

Wan, Li (1916-2015)
Member of the Party's Central Secretariat (1980-1987) and Vice Premier (1980-1988). Jointly responsible (alongside Song Renqiong) for overseeing ACFTU affairs for a brief while in the early 1980s.

Wang, Dongxing (1916-2015)
Director of the General Office of the Party's Central Committee (1965-1978) and Vice Chairman of the Party (1977-1980). A key co-conspirator in the palace coup that ousted the "Gang of Four" in 1976. Commonly seen as an associate of Hua Guofeng. Removed from positions of power in 1980.

Wang, Hongwen (1935-1992)
An early leader of Shanghai's rebel workers' movements in 1966 and a member of the group of Mao's radical associates referred to as the "Gang of Four". Promoted by Mao to one of the (nominally) most powerful positions in the Party in 1973. Purged from positions of power after Mao's death in 1976.

Wang, Mengkui (1938-)
Researcher at the Research Office of the Party's Central Secretariat (1979-1987). Advocated for "putting the SWC in charge" in enterprise management in 1980-1981. Participated in the policy research and deliberations regarding the launch of the FDRS in 1984.

Wang, Xizhe (1948-)
Famed dissident political activist in the 1970s. Imprisoned between 1981 and 1993.

Wu, Bo (1906-2005)
Minister of Finance (1978-1980) and Deputy Director of the Financial and Economic Affairs Committee of the National People's Congress (1983-1988). Participated in the policy research and deliberations regarding the launch of the FDRS in 1984.

Wu, De (1913-1995)
The First Party Secretary of Beijing Municipality (1972-1978) and Vice Chairman of the Standing Committee of the National People's Congress (1977-1980). Commonly seen as an associate of Hua Guofeng. Removed from positions of power in 1980.

Yao, Wenyuan (1931-2005)
Prominent cultural critic and a member of the group of Mao's radical associates referred to as the "Gang of Four". Purged from positions of power after Mao's death in 1976.

Yao, Yilin (1917-1994)
China's Vice Premier (1979-1993), whose major realm of responsibility was in economic policymaking.

Ye, Jianying (1897-1986)
Senior politician with strong revolutionary credentials, and a key co-conspirator in the palace coup that ousted the "Gang of Four" in 1976. Played a key role in the eventual dethronement of Hua Guofeng in 1980. Otherwise not very involved in the policy affairs in the post-Mao era due to his poor health.

You, Lin (1929-2020)
Economics specialist at the Research Office of the Party's Central Secretariat (1979-1983) and Deputy Secretary-General of the Standing Committee of the National People's Congress (1983-1989). Participated in the policy research and deliberations regarding the launch of the FDRS in 1984.

Yu, Guangyuan (1915-2013)
Prominent Marxian economist and a close intellectual aide of Deng Xiaoping's from 1975 to 1979. Deputy chair of China's official delegation to Yugoslavia in the spring of 1978. Facilitated many endeavors of intellectual engagement with the Yugoslav model of socialism in 1978-1980.

Yu, Qiuli (1914-1999)
China's Vice Premier (1975-1982) responsible for affairs related to economic planning.

Yuan, Baohua (1916-2019)
Deputy Director (1978-1981, 1982-1988) and Director (1981-1982) of the State Council's Economic Commission. One of the policymakers most centrally involved in the specifics of policymaking pertaining to enterprise management over much of the 1980s.

Zeng, Zhi (1911-1998)
Deputy Director of the Party's Organization Department (1977-1982).

Zhang, Chunqiao (1917-2005)
One of the most prominent Party theoreticians from the late 1950s to the 1970s. A key articulator of Mao's political theory in the late Mao years. A member of the group of Mao's radical associates referred to as the "Gang of Four". Purged from positions of power after Mao's death in 1976.

Zhang, Fuyou (1934-2021)
Member of the ACFTU's secretariat (1983-1993).

Zhao, Ziyang (1919-2005)
The First Party Secretary of Sichuan Province (1975-1980), Vice Premier (1980), Premier (1980-1987), and the Party's General Secretary (1987-1989). One of China's most important politicians in the realm of economic policymaking over the 1980s. Commonly seen as a technocratic aide of Deng Xiaoping's. Purged from positions of power in the wake of the pro-democracy movements of 1989.

INTRODUCTION

A Class-Based Explanation of China's Transition from State Socialism to Capitalism

China's transition from socialism to capitalism has been one of the most extensively studied topics in the social sciences. Two factors have facilitated this scholarly interest. First, China's momentous transition ushered in one of the most rapidly growing capitalist economies over the past few decades, with significant implications for the global economic order. Some scholars have gone as far as arguing that China's spectacular capitalist ascendency served as the lifeblood that ensured the vitality of global capitalism in the neoliberal era[1]. Second, compared to what was witnessed in the Eastern European and former Soviet countries, China's transition seemed peculiar and puzzling as it was accomplished without national disintegration or the dethronement of the ruling communist party. Therefore, generations of scholars have endeavored to explain what factors propelled China's transition from socialism to capitalism and shaped its particular trajectory. Some of the most notable accounts in this voluminous literature have focused on the decisive role played by individual leaders or the dynamics of elite politics[2], the entrepreneurialism of grassroots actors such as peasants, nascent private businessmen and lower-level state officials[3], the importance of knowledge and expertise[4], and the characteristics of China's pre-existing political and economic institutions[5].

This dissertation provides a distinct class-based explanation of China's transition from socialism to capitalism. Its overarching argument is that the way in which urban industrial workers – ideologically and rhetorically celebrated as the "leading class" of Chinese socialism – interacted with the Party-state in the late 1970s and throughout the 1980s was a crucial causal ingredient in the making of China's transition to capitalism. More specifically, this dissertation argues that the patterns and modes of interaction between workers and the Party-state during this period shaped and derailed the Party leaders' efforts to pursue incipient marketization within the parameters of socialism (i.e. to build "market socialism" in China). It was only in the context of such derailment of China's market socialism did a full-blown transition to capitalism become an appealing option for the ruling elite, which they relentlessly pursued in the 1990s. Based on a wide range of historical source materials[6], I explicate this argument by tracing a series of political contestations and policy maneuvers centered on the issue of workplace democracy, along with their economic and political aftermaths, over China's "long 1980s" (the period between the end of the Mao era in 1976 and the pro-democracy movements in 1989). These

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[1] Ho-fung Hung, *The China Boom: Why China Will Not Rule the World*, Columbia University Press, 2015.

[2] Charles Bettelheim, 1978, "The Great Leap Backward," *Monthly Review* 30(3): 37-130; Joseph Fewsmith, *Dilemmas of Reform in China: Political Conflict and Economic Debate*, M.E.Sharpe, 1994; Ezra F Vogel, *Deng Xiaoping and the Transformation of China*, Harvard University Press, 2011.

[3] Yasheng Huang, *Capitalism with Chinese Characteristics: Entrepreneurship and the State*, Cambridge University Press, 2008; Victor Nee and Sonja Opper, *Capitalism from Below: Markets and Institutional Change in China*, Harvard University Press, 2012; Yuen Yuen Ang, *How China Escaped the Poverty Trap*, Cornell University Press, 2018.

[4] Julian Gerwitz, *Unlikely Partners: Chinese Reformers, Western Economists and the Making of Global China*, Cambridge, MA: Harvard University Press, 2017; Isabella Weber, *How China Escaped Shock Therapy: The Market Reform Debate*, Routledge, 2021.

[5] Susan Shirk, *The Political Logic of Economic Reform in China*, Berkeley, CA: University of California Press, 1993; Chenggang Xu, 2011, "The Fundamental Institutions of China's Reforms and Development," *Journal of Economic Literature* 49(4): 1076-1151.

[6] See the methodological appendix for a detailed discussion on my source materials and analytical approaches.

contestations and maneuvers played a pivotal role in shaping not only the trajectory of China's enterprise reform, but also the fate of China's socialist political economy more broadly.

My argument hinges upon a particular way to understand the periodization of China's post-Mao reform. In dialogue with Giovanni Arrighi's classic *Adam Smith in Beijing*[7], Joel Andreas argues that China's political economy in the early post-Mao era (the late 1970s and the 1980s) had a fundamentally different character from what was seen in the subsequent decades[8]. In the late 1970s and the 1980s, market mechanisms were revived and strengthened, and small-scale private production and businesses thrived in both agriculture and industry. At the same time, large-scale urban industry was still dominated by "socialist production relations"[9], rural industry "harboured both socialist and small-scale capitalist production relations"[10], and the logic of private capital accumulation was largely restricted to a few special economic zones in the coastal regions. Andreas calls this configuration "a non-capitalist market economy"[11]. This dissertation prefers the term "market socialism" instead, as this configuration indeed bore strong resemblance to the models of market socialism instituted in various Eastern European countries for decades[12]. In contrast, from the 1990s onwards, China's ruling elite pursued economic reforms along explicitly capitalistic lines. As Andreas puts it, after the early 1990s "the CCP strongly encouraged the growth of the private capitalist sector and by the end of the decade it had presided over the privatization of the great majority of publicly owned enterprises"[13]. Following Andreas, therefore, this dissertation conceptualizes China's transition from socialism to capitalism as a two-pronged process: an initial period of market socialism in the "long 1980s", and then a decisive turn to capitalism in the 1990s and after[14]. The shift from the era of market socialism to the era of capitalism constituted an important rupture.

An explanation of this rupture is essential to a lucid understanding of China's transition from socialism to capitalism, and it is exactly this rupture that I seek to explain in this dissertation. In insisting that this rupture deserves an explanation, this dissertation rejects two common views. The first view, to which Andreas himself partly subscribes, is that capitalism was a natural outgrowth of deepening marketization; more and more marketization inevitably led to capitalism[15]. This view is problematized by the fact that various configurations of market socialism, though always contradiction-laden, lasted for quite a while in Eastern Europe – more than two decades in Hungary and arguably four decades in Yugoslavia. It cannot explain why

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[7] Giovanni Arrighi, *Adam Smith in Beijing: Lineages of the 21st Century*, Verso, 2009.

[8] Joel Andreas, 2008, "Changing Colours in China," *New Left Review* 54:123-142.

[9] Ibid, p.129.

[10] Ibid.

[11] Ibid.

[12] Wlodzimierz Brus and Kazimierz Laski, *From Marx to the Market: Socialism in Search of an Economic System*, Oxford University Press, 1989.

[13] Joel Andreas, "Changing Colours in China," pp.129-130.

[14] This conceptualization also resonates with Laura Enriquez's argument that reform efforts enacted during China's early post-Mao era sought to reconfigure socialism, not to bring about a rapid retreat from it. See Laura Enriquez, *Reactions to the Market: Small Farmers in the Economic Reshaping of Nicaragua, Cuba, Russia, and China*, University Park, PA: Pennsylvania State University Press, 2010.

[15] Also see Chuang Collective, 2017, "Red Dust: The Capitalist Transition in China," *Chuang Journal* Issue 2, pp.173-182.

China's market socialism was particularly short-lived when examined in a comparative light[16]. The second, more conspiratorial view is that China's post-Mao leadership had intended to usher in capitalism all along, and market socialism was merely a disguised first step in this long scheme[17]. Not only does this view miss the numerous utterances from China's Party leaders over the "long 1980s" that cautioned against undoing the basic parameters of socialist production relations (particularly in urban industry) – some of which are documented in this dissertation – but it also ignores how policy programs were jointly produced by intentions and circumstances. Even if the post-Mao leadership had always harbored capitalistic intentions, certain circumstances had to be in place to enable and compel them to act openly on these intentions. This dissertation seeks to explain how these circumstances were created.

This dissertation contends that China's market socialism imploded relatively fast because of how urban industrial workers interacted with the Party-state. As the Party leadership resorted to embryonic marketization in the late 1970s and early 1980s to deal with a variety of crises inherited from the late Mao era, workers' bottom-up activism forced the partial democratization of industrial workplaces into the policy package of market socialism. But workers' practices of shopfloor democracy under market socialism soon drew ire from the ruling elite, who turned to rein in workplace democracy in the mid-1980s. In the context of continued marketization, workers' reaction to the democratic backsliding on the shopfloor created unanticipated effects, feeding into vicious cycles of inflation and the explosive pro-democracy movements in 1989. The political crisis of 1989 decidedly signaled to the Party leadership that market socialism could not work in China. The ruling elite was therefore forced to choose between a return to an orthodox model of state socialism and a full-blown transition to capitalism. In other words, a transition to capitalism emerged as a more appealing option for the ruling elite only after the elimination of market socialism as a historical possibility. My analysis is importantly inspired by historical anthropologist Yiching Wu's work, which sees the post-Mao project of market reform as the ruling elite's strategy to preempt political pressures from below[18]. But it also significantly diverges from Wu's interpretation and emphasizes how marketization within the basic parameters of socialist production relations failed to resolve the political-economic troubles posed by grassroots actors – particularly urban industrial workers. This disastrous failure was an important part of why from the 1990s onwards the Party leadership moved to inaugurate capitalism proper beyond the mere "market reform".

Let me unpack the historical narrative presented in this dissertation in more detail. In the

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[16] The view that sees capitalism as a self-reinforcing outgrowth of the market has also received strong challenges from Fernand Braudel and Giovanni Arrighi. Even though Braudel's and Arrighi's arguments are concerned with the origins of capitalism in early modern Europe, the logic of their arguments could be applied to the transition from socialism to capitalism as well. See Fernand Braudel, *Civilization and Capitalism, 15th-18th Century, Vol. II: The Wheels of Commerce*, University of California Press, 1992; Giovanni Arrighi, *The Long Twentieth Century: Money, Power and the Origins of Our Times*, Verso, 1994.

[17] For a critique of this view, also see Chuang Collective, "Red Dust."

[18] Yiching Wu, 2005, "Rethinking 'Capitalist Restoration' in China," *Monthly Review* 57(6): 44-63; 2013, "Coping with Crisis in the Wake of the Cultural Revolution: Toward a Historical Critique of Chinese Postsocialism," *Historical Materialism* 21(4): 1-32.

immediate post-Mao years in the late 1970s, Chinese socialism was in deep crisis. The post-Mao leadership attempted to address this crisis by launching a series of proto-marketization reforms. The intra-elite struggle at the time drove a powerful faction of this leadership (headed by Deng Xiaoping) to look for ideological alternatives to re-envision socialism, repudiate late Maoism, build legitimacy and consolidate power. In this context, the geopolitical rapprochement between China and Yugoslavia coincidentally led many Chinese intellectuals and policymakers to look to the Yugoslav model of socialism, with its distinct blending of marketization with "workers' self-management", as one promising ideological alternative. This fascination with the Yugoslav model traveled both "downward" to many corners of Chinese society as well as "upward" to the Party-state's top echelons. In the fall of 1980, the newly installed Premier Zhao Ziyang even launched policy experiments to advance Yugoslav-style workers' self-management in China's public enterprises.

Deng Xiaoping and his associates considered this "craze for Yugoslavia" useful for the overall goal to delegitimize late Maoism and build up the public image of the "reform-minded" post-Mao leadership, and thus tolerated and even encouraged it. But this widespread fascination with the Yugoslav model also created painful troubles for these elite politicians. The Yugoslav influences and Yugoslav-style policy experiments inspired Chinese workers to express their own demands for more democracy in their workplaces in new and more emboldened ways. Further amplified by the inspiring news of the outbreak of the Polish Solidarity movement, these influences led to a nationwide wave of labor unrest in the last few months of 1980 and the first half of 1981. Explicit demands for independent unions and *de facto* practices of independent organizing were key features.

The Party leadership closely watched what was unfolding in Poland, while being constantly reminded of the "horrors" of workers' rebel movements during the Cultural Revolution. They experienced the 1980-1981 wave of labor unrest as an urgent political crisis. Thanks to the maneuvering of leading cadres in the official trade union system, All-China Federation of Trade Unions (ACFTU), the Party leadership issued a two-pronged, "passive revolutionary" response in mid-1981. On the one hand, they granted partial concessions to promote institutions of workplace democracy in public enterprises. These concessions included giving strong backing to the empowerment of enterprise-level Staff and Workers' Congresses (SWCs) and endorsing proposals to implement shopfloor elections of enterprise directors. On the other hand, they imposed strict limits on how far workplace democracy was allowed to go. They clarified that shopfloor democracy should function under the leadership of enterprise-level Party committees, and quietly sidelined Zhao Ziyang's more radical Yugoslav-style experiments launched less than a year ago. Such passive revolutionary efforts to partially democratize China's industrial workplaces coincided with the incipient marketization reforms underway at the time, particularly the policy to enlarge the managerial and financial autonomy of public enterprises from the Party-state. Such embryonic marketization indeed enabled workers to exercise their workplace democracy in ways that felt relevant and meaningful to them.

Thus, in a few years' span between the late 1970s and early 1980s, a series of interaction between urban industrial workers and the Party-state ushered in a distinct configuration of

market socialism. This configuration combined incipient marketization with partial but substantial democratization of public enterprises. It exhibited many features that could also be found in the East European varieties of market socialism, particularly the Yugoslav and Hungarian ones. However, the Party leadership soon found this configuration of market socialism problematic. The combination of economic democracy only at the workplace level (i.e. no democracy in economy-wide planning) and incipient marketization disposed workers to exercise workplace democracy in "economistic" ways. That is, workers tended to focus on immediate material issues most relevant to their livelihood concerns. The Party leadership had long internalized a deep-seated contempt for workers' "economism". Therefore, when confronted with a fiscal crisis that persisted despite repeated mitigative efforts, the elite politicians quickly came to stress the need to rein in workers' material demands and democratic power in the hope of boosting the Party-state's fiscal revenue. In 1984, the Party leadership launched a reform to decisively constrain workplace democracy and concentrate managerial power into the hands of enterprise directors.

Consequently, a modified configuration of market socialism characterized the second half of China's 1980s. The enlargement of enterprise autonomy deepened, but workplace democracy degenerated. At the same time, millions of urban industrial workers still enjoyed substantial power embedded in the very institutions of socialist workplaces, especially the security of their employment. This revised configuration of market socialism proved to be even more problematic than the previous one in the early 1980s. Workers' discontent with managerial despotism mushroomed and shopfloor tensions multiplied. In a situation in which 1) firing workers was still difficult, 2) enterprise directors were unwilling to give up their despotic power and 3) enterprises were increasingly autonomous in managing their own finances, incessantly issuing across-the-board pay raises to workers became the most convenient way for enterprise directors to pacify or preempt shopfloor tensions. Thus, counterintuitively, the anti-democratic turn of 1984 ushered in chaotic and accelerating growth of workers' monetary income, and such aggregate income growth fed into vicious cycles of inflation through various mechanisms. Existing accounts have well established that rampant inflation in the second half of the 1980s was one of the most important sources of grievances motivating energetic popular participation in the pro-democracy movements of 1989. Piecing together this chain of causation, we can therefore trace the momentous political movements of 1989 at least in part to the post-1984 decline of workplace democracy.

Unruly inflation over the second half of the 1980s and the explosive movements of 1989 decisively marked the implosion of market socialism in China. They signaled to the Party leadership that workers' remaining institutional power (grounded in the basic parameters of socialist production relations) seemed rather incompatible with the functioning of market mechanisms. With market socialism no longer a viable option, the ruling elite had to choose between a policy program to stall and reverse marketization (i.e. a return to an orthodox model of state-socialist planned economy) and one to destroy the basic parameters of socialism (i.e.

inauguration of capitalism)[19]. In this two-way policy contest in 1989-1992, the latter eventually emerged as the more preferred option among the ruling elite. China proceeded to marketize its economy thoroughly, unreservedly encourage the growth of private capital, and fervently privatize public enterprises (which was accompanied by massive layoffs, termination of workers' entitlements, and tremendous social sufferings[20]), thereby becoming capitalist. In this sense, the failure of market socialism in the "long 1980s" opened the way for capitalism from the 1990s onward. Table 1 outlines this trajectory.

Table 1: China's Transition from State Socialism to Capitalism

Period	Configuration	Consequence
1978-1984 (Market Socialism Phase I)	Incipient marketization + partial strengthening of workplace democracy + no democracy in economy-wide planning	Workers' economism, which the ruling elite tolerated only temporarily
1984-1989 (Market Socialism Phase II)	Deepening marketization + degeneration of workplace democracy + workers' remaining institutional power under socialism	Rampant inflation, explosive movements of 1989
1989-1992	Policy contest: reversal of marketization OR liquidation of the socialist working class?	
1992-2000	The triumph of "reformers": encouragement of private capital + liquidation of socialist public enterprises	Inaugration of capitalism

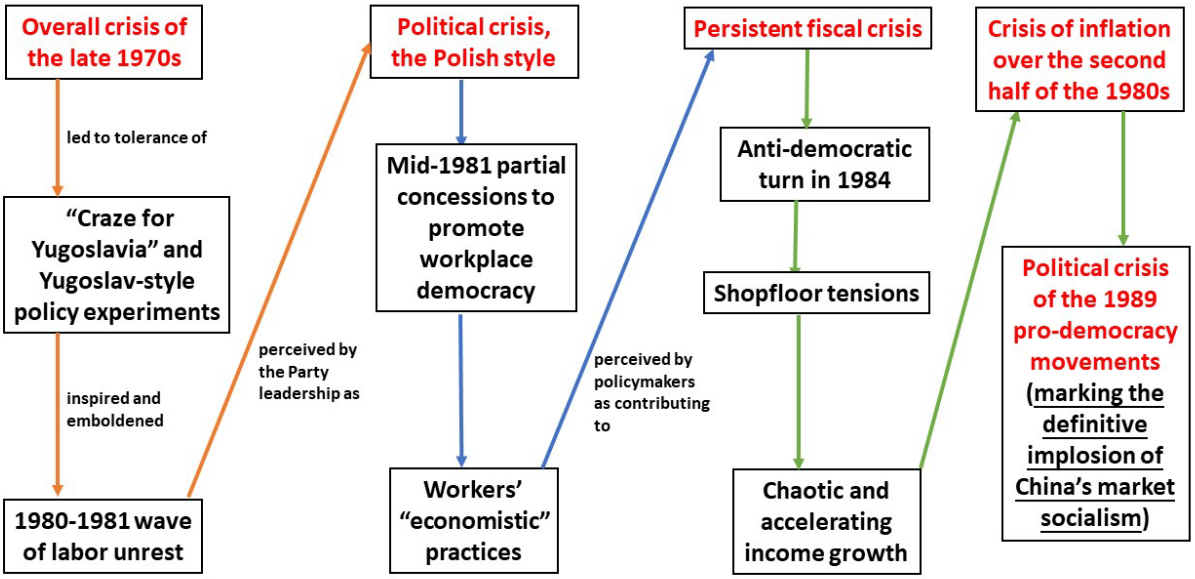
Another way to frame this dissertation's overarching argument is as follows. Whereas the post-Mao leadership turned to market socialism as a way out of the profound crisis of the late 1970s, the patterns and modes of interaction between urban industrial workers and the Party-state set off one crisis after another throughout the 1980s. China's market socialism collapsed within a decade under the strain of these intensifying crisis cycles. Deng Xiaoping and his associates hoped that their tolerance of the "craze for Yugoslavia" would shore up their public image as

[19] This is why, as existing literature has well documented, the immediate post-1989 years (1989-1992) saw a fierce political battle between "conservatives" that sought reversal of market reform and reassertion of many elements of the traditional state-socialist planned economy and "reformers" that sought extensions of market reform in ways much more radical than anything China had seen in the 1980s. See Yang Jisheng, *Political Struggle in China's Era of Reform* (中国改革年代的政治斗争/zhongguo gaige niandai de zhengzhi douzheng), Hong Kong: Excellent Culture Press, 2004, chapter 7; Julian Gewirtz, *Never Turn Back: China and the Forbidden History of the 1980s*, Harvard University Press, 2022, chapter 15.

[20] Ching Kwan Lee, *Against the Law: Labor Protests in China's Rustbelt and Sunbelt*, University of California Press, 2007; William Hurst, *The Chinese Worker after Socialism*, Cambridge University Press, 2009.

open-minded and reform-spirited leaders, but this "craze" helped inspire a political crisis in the form of a volcanic wave of labor unrest. The ruling elite's response to this crisis ushered in partial workplace democratization which coincided with incipient marketization. This arrangement brewed workers' "economistic" practices, and the Party leadership feared that such practices were worsening the Party-state's persistent fiscal crisis. These leaders subsequently resolved to renege on workplace democratization, but the anti-democratic turn in 1984 contributed to a ferocious crisis of inflation, which then fermented the explosive political crisis of 1989. The economic and political catastrophes of the late 1980s compelled the Party leadership to realize that, in order to break this chain of crises, they must terminate the very conditions of existence of the socialist industrial working class – that is, they must inaugurate capitalism. Figure 1 illustrates this argument.

Figure 1: The Chain of Crises over China's "Long 1980s"



A full elaboration of the analytical stakes of this dissertation's overarching argument requires me to make several theoretical interventions regarding how workers and the Party-state interacted under socialism. First, I argue that state socialism of the 20th century structurally enabled and emboldened workers to demand more democracy and the partial realization of their supposed status as the masterly class of socialism. But because state socialism made it very difficult for workers to see themselves as owners of public property, workers' democratic demands usually fell short of targeting economy- and society-wide planning – precisely what would be essential to realizing the truly emancipatory potential of any socialist projects. I call this dynamic the "self-limiting immanent critique". Second, I argue that under Chinese socialism, the ruling elite was often inclined to respond to workers' democratic demands through political strategies that could be conceptualized as "passive revolutionary". They endeavored to

extinguish workers' independent organizing but enacted policy changes to incrementally empower workers, particularly in the workplace. Third, I argue that when such a passive revolutionary strategy coincided with incipient socialist marketization, it tended to fall prey to a particular problem: workers' "economistic" exercise of shopfloor democracy. In the case of China, the ruling elite had long harbored distaste for workers' "economism", and a persistent fiscal crisis quickly motivated them to rescind the passive revolutionary concessions. The unraveling of this passive revolution produced unintended consequences that doomed China's market socialism. Finally, I synthesize these interventions to build a novel class-based theory of the transition from state socialism to capitalism. In particular, contrary to those scholars who characterize such transition as a passive revolution[21], I theorize that it was the unraveling and perceived unviability of passive revolutionary strategies that paved the way for capitalism. The rest of this chapter elaborates on these interventions one by one, followed by an outline of the empirical chapters.

Definitional Groundwork: Capitalism, Socialism and State Socialism

This dissertation does not intend to get into the convoluted debates on the definitions of capitalism and socialism. But some operational definitions are nevertheless necessary for a dissertation on the transition from socialism to capitalism. I agree with the general contours of Ellen Meiksins Wood's definition of capitalism: "capitalism is a system in which goods and services, down to the most basic necessities of life, are produced for profitable exchange, where even human labour-power is a commodity for sale in the market, and where all economic actors are dependent on the market."[22] I add two clarifications to this definition. First, this definition is powerful because it differs from those who define capitalism by the mere existence of commerce, markets, or production for profit[23]. Instead, it emphasizes that capitalism is a system underscored by the *complete dependence* on the market: production units "depend on the market for access to the means of production"[24]. Therefore, under capitalism, the market not only provides opportunities for profitable exchange, but also compels all production units to engage in profit maximization. Without maximizing profits, they would lose continued access to the means of production which must be purchased through the market. Second, Wood conceives of the commodification of human labour-power, or wage labor, as a necessary component of capitalism. This conception has been challenged by the recent literature on the history of capitalism, which

[21] Elaine Sio Ieng Hui, *Hegemonic Transformation: The State, Laws, and Labour Relations in Post-Socialist China*, Palgrave, 2017; Yiching Wu, *The Cultural Revolution at the Margins: Chinese Socialism in Crisis*, Cambridge, MA: Harvard University Press, 2014, chapter 6.

[22] Ellen Meiksins Wood, *The Origin of Capitalism: A Longer View*, Verso, 1999, p.2.

[23] Andre Gunder Frank, *Capitalism and Underdevelopment in Latin America: Historical Studies of Chile and Brazil*, Monthly Review Press, 1967; Immanuel Wallerstein, *The Modern World System Volume 1: Capitalist Agriculture and the Origins of the European World-Economy in the Sixteenth Century*, University of California Press, 2011; Jairus Banaji, *A Brief History of Commercial Capitalism*, Haymarket Books, 2020. Robert Brenner calls this line of theorization "neo-Smithian Marxism". See Robert Brenner, 1977, "The Origins of Capitalist Development: A Critique of Neo-Smithian Marxism," *New Left Review* 104: 25-102.

[24] Wood, *The Origin of Capitalism*, p.2.

contends that capitalism has continued to utilize a wide range of traditional, extra-economic labor arrangements – such as slavery, indentured servitude, and debt bondage – in addition to wage labor[25]. In light of these revisionist contributions, I propose to loosen Wood's definition in the following way: rather than wage labor, the deployment and reproduction of human labor-power according to the needs of profit maximization is a defining feature of capitalism.

Actually existing socialism of the 20th century was defined by its attempt to negate the core features of capitalism in the following way[26]. First, it removed the complete dependence on the market by instituting planning-based, publicly accountable mechanisms of distributing the means of production. Even though the market was still allowed to function to various degrees, a large number of production units were no longer dependent on the market for access to the most vital means of production[27]. Second, it largely abolished the deployment and reproduction of human labor-power according to the needs of profit maximization. It did so by institutionally recognizing a large number of workers – both industrial and agricultural – as citizens of their production units with a set of unalienable rights and entitlements, which the changing needs of productivity could not bluntly override[28]. A core step to achieve both objectives was to replace private ownership of the means of production – particularly in large-scale industry – with various schemes of public ownership[29]. Public ownership facilitated both the insulation of production units from market dependence and the transformation of workplaces into communities of rightful citizens.

But the question of public ownership also proved to be a tricky one. What happened in most actually existing socialist societies was that the actual ownership powers over much of the publicly owned property were not exercised by the nominal owners themselves but by their supposed political representative – the bureaucratic Party-state[30]. In other words, actually

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[25] Sven Beckert, *Empire of Cotton: A Global History*, Vintage, 2015; Caitlin Rosenthal, *Accounting for Slavery: Masters and Management*, Harvard University Press, 2019; Andrew B Liu, *Tea War: A History of Capitalism in China and India*, Yale University Press, 2020. This line of theorization could be traced back to Rosa Luxemburg's *The Accumulation of Capital* (1913).

[26] Here I'm concerned with what defines the historical experiences of actually existing socialism as socialist, not what the ideals of socialism or communism should be. In contrast to those scholars who claim that the historical experiences of actually existing socialism failed to realize the true ideals of socialism and therefore could not be considered as genuinely socialist (see, for example, Michael Lowy, 1991, "Twelve Theses on the Crisis of 'Really Existing Socialism'," *Monthly Review* 43(1): 33-41), I argue that these experiences constituted serious *attempts* to transcend the core institutional parameters of capitalism, and that socialism is a potent concept to analyze these experiences, including their failures.

[27] The feasibility of such non-market distribution of the means of production was at the core of the "socialist calculation debate". See Oskar Lange, 1936, "On the Economic Theory of Socialism: Part One," *The Review of Economic Studies* 4(1): 53-71; 1937, "On the Economic Theory of Socialism: Part Two," *The Review of Economic Studies* 4(2): 123-142.

[28] Joel Andreas, *Disenfranchised: The Rise and Fall of Industrial Citizenship in China*, New York: Oxford University Press, 2019, pp.7-8. Also see Tuong Vu, 2005, "Workers and the Socialist State: North Vietnam's State-Labor Relations, 1945-1970," *Communist and Post-Communist Studies* 38(3): 329-356; David Ost, *The Defeat of Solidarity: Anger and Politics in Postcommunist Europe*, Cornell University Press, 2005; and Mark Pittaway, *The Workers' State: Industrial Labor and the Making of Socialist Hungary, 1944–1958*, University of Pittsburgh Press, 2012.

[29] John Martin, 1911, "An Attempt to Define Socialism," *The American Economic Review* 1(2): 347-354.

[30] Milovan Dilas, *The New Class: An Analysis of the Communist System*, Harcourt Brace Jovanovich, [1957]1983; Gyorgy Konrad and Ivan Szelenyi, *The Intellectuals on the Road to Class Power: A Sociological Study of the Role of the Intelligentsia in Socialism*, Harcourt Brace Jovanovich, 1978; Evan Luard, *Socialism without the State*, Springer, 1979.

existing socialist societies demonstrated a strong tendency to collapse public ownership into state ownership. China's socialist era was a prime example of this. There were two types of public ownership: "ownership by the entire people" (*quanmin suoyouzhi*) and "collective ownership" (*jiti suoyouzhi*)[31]. After the socialist transformation was completed in the mid-1950s, the bulk of the industrial economy was placed under "ownership by the entire people". However, enterprises owned by the "entire people" did not actually involve mechanisms for all members of society to come together and set directions for these enterprises; nor were there mechanisms for the entire people to democratically decide how to distribute across society the surplus derived from the production activities in these enterprises. Instead, the Party-state, as the representative of the entire people, acted as the *de facto* owner[32]. It is immensely telling that in the socialist era the Chinese terms "enterprises owned by the entire people" (*quanmin suoyouzhi qiye*) and "state-managed enterprises" (*guoying qiye*) were used interchangeably in both colloquial settings and official discourse. Furthermore, while some of the less strategically important parts of the industrial economy were placed under "collective ownership" – meaning that the enterprises were supposed to be collectively owned by their workers – many of these enterprises were similarly placed under *de facto* management by the Party-state or run as subsidiaries of larger enterprises owned by the entire people[33].

It is this conflation between public ownership and state ownership, rather than any primarily political phenomena such as the dominance of a single Party in politics, that defines most of the actually existing socialist projects of the 20th century as "state socialism"[34]. One crucial clarification is necessary here. Even though the conflation between public ownership and state ownership meant that workers in public enterprises were *de facto* employees of the Party-state, the relationship between the Party-state as the "boss" and the workers under state socialism was fundamentally different from a capitalist relationship. This was so for two reasons. First, both the boss and the employees were largely insulated from market dependence: nominally publicly owned – effectively state-owned – enterprises did not depend on the market to access the most vital means of production; the employees similarly did not depend on the market to secure the essential means of sustenance, which were usually provisioned by their enterprises. Second, for a

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[31] Jean Oi, *Rural China Takes Off: Institutional Foundations of Economic Reform*, University of California Press, 1999, p.18.

[32] Fureng Dong, 1989, "On the Question of the Forms of Socialist Ownership in China," *Chinese Economic Studies* 23(1): 8-23.

[33] Jianzhong Tang and Laurence JC Ma, 1985, "Evolution of Urban Collective Enterprises in China," *The China Quarterly* 104: 614-640. After agricultural collectivization in the mid-1950s, China's rural communes were also designated as collectively owned. Discussing the nature of collective ownership in the countryside is beyond the scope of this dissertation, however.

[34] Based on this definition, I contend that "state socialism" and "market socialism" were not opposed categories. Socialist regimes could be both "state socialist" and "market socialist" at the same time. This was the case when they strengthened the functioning of market mechanisms (as long as these market mechanisms were not extensive enough to restore market dependence and the deployment and reproduction of human labor-power according to the needs of profit maximization) and at the same time continued to display the conflation between public ownership and state ownership. This description applies to Hungary after the New Economic Mechanism, the Soviet Union under Gorbachev, and China in the "long 1980s". Yugoslavia was arguably an exception since serious efforts did emerge there to rectify the conflation between public ownership and state ownership (more on this in Chapter One).

large number of workers in the socialist public enterprises, the institutional and ideological recognition of them as the inherently rightful members of workplace communities provided a powerful and unique basis for their claims-making vis-à-vis the boss and managers[35], which is absent under capitalism.

Theoretical Intervention I: Workers' Activism as "Self-Limiting Immanent Critique" under State Socialism

This dissertation's first major theoretical claim is that state socialism disposed workers to air what I call the "self-limiting immanent critique". This claim has two legs. On the one hand, state socialism exhibited a structural tendency to incite workers' democratic activism from below. On the other hand, state socialism tended to channel workers' democratic activism towards demands for workplace democracy and independent organizing, but not for democracy in economy-wide planning. Let me elaborate on these two legs one by one.

The argument that state socialism structurally enabled workers' bottom-up activism has been most famously articulated by Michael Burawoy and Janos Lukacs. In *The Radiant Past*[36], they contend that the structural attributes of state-socialist political economy unintendedly created fertile ground for workers to develop an "immanent critique" – in the Marxian sense[37] – of state socialism. Two processes were at play. First, the very nature of the production process under state socialism helped workers develop solidarity and autonomy. Socialist production operated under constant shortage[38], which required flexible work organization and improvisation on the shopfloor. Such flexibility necessarily meant that workers enjoyed at least a limited degree of control over the production process, some unity of conception and execution, and the potential of turning the shopfloor into a self-organized production unit. Such autonomy, and the sense of solidarity developed along with it, cultivated workers' potential political agency. Second, because the centralized appropriation and distribution of labor surplus were so apparent under state socialism, a strong legitimizing ideology was required, which had to be enacted routinely. Such an ideology was powerful not because workers were deluded to believe it accurately described reality, but because its contrast with reality was so stark. The gap between reality and the socialist ideology proclaimed by the regime provided workers with ideological and discursive weapons to hold the regime accountable to this very ideology.

I argue that additional political characteristics of state socialism could reinforce this enabling effect. Here, it is helpful to revisit Skocpol's classic *States and Social Revolutions*[39] in a new way. Whereas the first half of this book – on how social revolutions come about – has been the center of numerous scholarly debates, it is the relatively overlooked second half of the book

[35] Li Huaiyin, *The Master in Bondage: Factory Workers in China, 1949-2019,* Stanford University Press, 2023, chapter 3.
[36] Michael Burawoy and Janos Lukacs, *The Radiant Past: Ideology and Reality in Hungary's Road to Capitalism*, The University of Chicago Press, 1994.
[37] For Marx's conceptualization of immanent critique, see his *Critique of Hegel's Philosophy of Right* (1843).
[38] Janos Kornai, 1979, "Resource-Constrained versus Demand-Constrained Systems," *Econometrica* 47(4): 801-819.
[39] Theda Skocpol, *States and Social Revolutions: A Comparative Analysis of France, Russia and China*, Cambridge University Press, 1979.

that is particularly relevant here. There Skocpol argues that trajectories of class mobilization *during* the revolutions fundamentally shaped the institutions of the *post*-revolutionary states. In France and Russia, the gradual exhaustion of largely spontaneous urban popular mobilization over the course of the revolutions, coupled with a peasantry intransigently resistant to state-building, rendered the state institutions increasingly repressive and ossified, unable to achieve their liberatory potential. In China, however, the communists learned to rely on active mobilization of peasants during the revolutionary struggle, and this legacy resulted in "a revolutionary regime uniquely devoted to fostering widespread participation and surprisingly resistant to routinized hierarchical domination by bureaucratic officials and professional experts"[40].

Skocpol's insight helps us understand why, in state-socialist regimes that came to power through extensive and sustained mobilization of the countryside (which at least include China and Latin American cases like Cuba and Nicaragua), mass mobilization of *all popular sectors* continued to play a central role for both economic (e.g. production drives) and political (e.g. socialization of property and anti-bureaucratization) purposes. As Richard Fagen (regarding Cuba) and Laura Enriquez (regarding Nicaragua) argue, sustained popular mobilization was a life-or-death matter for those socialist projects where economic underdevelopment remained a persistent reality[41]. However, it is important to note that mass mobilization often produced paradoxical effects for state socialism. On the one hand, it was usually initiated and carried out from the top down. On the other hand, in order to garner genuine participation that was necessary to achieve ambitious goals, such mass mobilization often had to create at least sporadic spaces for the masses to exercise bottom-up agency and initiative. Those mobilized to populate these spaces, in turn, might well develop a more independent and subversive sense of their political potency and assert visions and demands beyond those stipulated by the regimes' ruling elite. It was therefore not uncommon that mobilization drives and political campaigns, once initiated from the top down, grew "out of control" on the ground, with an emergent sense of independence and subversiveness among the mobilized. This was what happened, for example, with Chinese workers in both the early and the late 1950s[42].

Two additional factors could further amplify this enabling effect of state socialism. The first was its mass organizations. These largely corporatist organizations, not officially part of the Party-state apparatus, were usually tasked to be the conduits for the Party-state to reach, organize, control and mobilize popular sectors. However, the grassroots cadres who staffed such mass organizations were in close contact with and deeply embedded in the masses; they were likely to develop strong sympathy with, and even facilitate the expression of, subversive grievances and demands that emerged from the masses. Additionally, because of how marginalized these mass organizations usually were within the field of political power (more on this in Chapter Two),

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[40] Ibid, p.236.

[41] Richard Fagen, *The Transformation of Political Culture in Cuba*, Stanford University Press, 1969; Laura Enriquez, *Agrarian Reform and Class Consciousness in Nicaragua*, University Press of Florida, 1997.

[42] Nara Dillon, *Radical Inequalities: China's Revolutionary Welfare State in Comparative Perspective*, Harvard University Asia Center, 2015; Elizabeth Perry, 1994, "Shanghai's Strike Wave of 1957." *The China Quarterly* 137: 1-27.

even the top leadership of these organizations might champion bottom-up grievances and demands. Existing scholarship on trade unions[43] and women's organizations[44] under state socialism alludes to these dynamics. Secondly, "immanent critiques" of state socialism often generated transnational resonance. Democratic demands that emerged in one socialist country could provide a lens for grassroots actors in other socialist countries to make sense of their own circumstances and articulate similar demands[45]. This was the case both because of the similarity of the basic political-economic contours across state-socialist regimes, and thanks to official campist discourses which fostered solidarity among the peoples of socialist countries[46].

To sum up, because of political-economic, institutional and transnational dynamics, state socialism displayed a tendency to incite workers' democratic activism from below. China exemplified this well. Throughout the history of Chinese socialism, tumultuous waves of workers' subversive and democratic activism took place in a cyclical pattern: in 1951-1953, 1956-1957 and 1966-1967, for example. The 1980-1981 wave of labor unrest and workers' active participation in the pro-democracy movements of 1989, both of which are central components of this dissertation's argumentative and narrative arc, should be understood as part of this lineage of workers' activism under state socialism.

The second leg of my theoretical intervention here is a novel theorization of how state socialism shaped the *content* of the democratic demands workers were likely to articulate. I contend that state socialism set workers up to make demands on the Party-state (or enterprise-level Party committees and managerial cadres who represented the Party-state inside workplaces) *as its employees*. In other words, workers' activism tended to leverage their identity *as workers* and targeted those who employed and managed them. Such activism was usually motivated by both concrete material demands such as pay raises, welfare provisions and permanent employment status and a moral sense of justice centered on fair treatment, dignity and the elimination of cadre misconduct. This range of demands was often more expansive than what workers under capitalism felt was possible, but just like what their counterparts under capitalism usually did, workers under state socialism articulated their demands based on their identity as workers. They were likely to realize that their material and moral demands could be safeguarded only if they gained meaningful control over their own enterprises, so they demanded greater shopfloor democracy and/or the right to supervise cadres. Workers even occasionally came to recognize that the power of their activism required independent organizing without the interference from the Party-state, so they went behind the backs of factory leaders and Party-state cadres to organize among themselves and/or explicitly demanded the right to independent

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[43] Nara Dillon, *Radical Inequalities*.

[44] Wang Zheng, *Finding Women in the State: A Socialist Feminist Revolution in the People's Republic of China, 1949-1964*, Berkeley, CA: University of California Press, 2016; Maxine Molyneux, "Mobilization without Emancipation? Women's Interests, State, and Revolution," in *Transition and Development: Problems of Third World Socialism*, edited by Richard Fagen et.al., pp. 280-302, New York: Monthly Review Press, 1986.

[45] Johanna Bockman, 2019, "Democratic Socialism in Chile and Peru: Revisiting the 'Chicago Boys' as the Origin of Neoliberalism," *Comparative Studies in Society and History* 61(3): 654-679.

[46] James Mark, Péter Apor, Radina Vučetić, and Piotr Osęka, 2015, "'We Are with You, Vietnam': Transnational Solidarities in Socialist Hungary, Poland and Yugoslavia," *Journal of Contemporary History* 50(3): 439-464

organizing[47]. To the extent that workers demanded workplace democracy and independent organizing and/or practiced them in embryonic forms, they were indeed seeking to democratize state socialism. Nevertheless, these democratic demands were premised on workers' common identity as workers, against a Party-state that employed them.

At the same time, it was quite rare for workers under state socialism to demand greater democracy in economy- and society-wide planning. This, I contend, was because state socialism positioned workers to think of themselves *as employees, not as owners*. If workers had thought of themselves as owners of numerous publicly owned enterprises that nominally belonged to all members of society, they would have been able to pose the question of how they could actually exercise ownership powers over these numerous enterprises across society, which would essentially be a question of democratic planning. But this was exactly what state socialism made unlikely. Here I draw inspiration from and critically revise David Ost's analysis of how the ideological features of state socialism shaped workers' self-identity[48]. Ost argues that the valorization of "workers" in the socialist discourse as representatives of the universal interest paradoxically "left workers unable to articulate their own particular interests as workers" (with disastrous consequences for post-socialist transitions)[49]. Following a similar logic, I posit that the discursive and ideological valorization of "workers" occluded how workers were also "owners", and forestalled their ownership-based democratic demands.

For a concrete example, consider Chinese socialism. Even though workers were hailed as the masterly and leading class of the socialist project, their identity as part of the "entire people" that collectively owned tens of thousands of enterprises remained deeply obscured. When applied in the context of class designations, the concept of "ownership" was closely associated with expropriated former capitalists and landlords who continued to be vilified. "Ownership" (*suoyou quan*) as a *class concept* carried negative undertones that conjured up exploitation and parasitism. This was reinforced by the curious fact that in the official and colloquial discourses of Chinese socialism the terms "the working class" (*gongren jieji*) and "the proletariat" (*wuchan jieji*) were used interchangeably. But it was technically incorrect to call the Chinese working class under state socialism "the proletariat". The Chinese rendering of "the proletariat", *wuchan jieji*, literally means "the class with no property", but workers under socialism were not propertyless: each and every worker (alongside peasants, intellectuals and other rightful members of society), as part of the "entire people", was an owner of a vast amount of property! This linguistic muddle spoke volumes to how workers' identity as owners was occluded. Essentially, workers were made to think that they were not owners. Greta Krippner has documented how instances of collective ownership, however rare they were, formed a powerful basis for claims-making regarding

[47] Here I argue that workers' awareness of the importance of self-organizing was rooted in their concrete struggles regarding specific material and moral issues. But for workers under state socialism to embrace and act on this awareness *en masse*, outside catalysts were often needed. In the history of Chinese socialism, the catalysts came in the form of students' rebel organizing in 1966, the news of the Polish Solidarity movement in 1980, and the intelligentsia's discourse of democracy in 1989.

[48] David Ost, *The Defeat of Solidarity*, chapter 5.

[49] Ibid, p.124.

economic democracy even under capitalism[50]. This is a weapon largely unavailable to workers under state socialism, unfortunately. State socialism disposed workers away from demanding more collective control over the bulk of the economy they technically owned.

To sum up, I have offered a theorization of how state socialism inspired workers' immanent critique and how such immanent critique was at the same time self-limiting. To be more specific, state socialism structurally enabled and emboldened workers to demand more democracy; yet, these demands were usually premised on workers' identity as workers (rather than as owners of public property) and centered on workplace democracy and independent organizing (rather than on democratic planning). This dynamic of workers' "self-limiting immanent critique" is important because of its implications for the transition from state socialism to capitalism. The theoretical interventions detailed in the next two sections unpack these implications.

Theoretical Intervention II: Passive Revolution as a Response to Workers' Activism

Workers' "self-limiting immanent critique" under state socialism sometimes resulted in a particular type of response from the ruling elite. On the one hand, the ruling elite was generally unwilling to tolerate workers' demands for or embryonic practices of independent organizing. State-socialist regimes found such demands and practices inherently threatening. This is where conceptualizations of state socialism as "totalitarianism" do hold water. Under state socialism, the Party-state endeavored to be omnipresent and omniscient; the masses were allowed to act only within organizational frameworks that linked them up to the Party-state. As David Ost puts it, "the relationship between state socialism and *independent* civil society is necessarily hostile"[51]. On the other hand, it was not at all rare to see instances in which the socialist ruling elite shut down workers' independent organizing yet simultaneously opted to partially accommodate their democratic demands. Partial accommodation took the form of incrementally empowering workers within institutional structures that were ultimately dominated by the Party-state. Limited democratization of the workplace could be a key element in this response.

I propose to understand the logic of such two-sided response through the concept of "passive revolution", a concept most famously associated with Antonio Gramsci. Articulating this concept through a comparison between the Italian Risorgimento and the French Revolution, Gramsci defines it as "the period of restoration-revolution" in the face of insurgent grassroots mobilizations, in which revolutionary demands from below "were satisfied by small doses, legally, in a reformist manner—in such a way that it was possible to preserve the political and economic position of the old" ruling elite and "especially, to avoid the popular masses going through a period of" further radicalization[52]. Cihan Tugal has offered a further operationalization

[50] Greta Krippner, 2017, "Democracy of Credit: Ownership and the Politics of Credit Access in Late Twentieth-Century America," *American Journal of Sociology* 123(1): 1-47.

[51] David Ost, *Solidarity and the Politics of Anti-Politics: Opposition and Reform in Poland since 1968*, Temple University Press, 1990, p.29, emphasis added. Note that state socialism – or totalitarian regimes in general – does not necessarily have a hostile relationship with non-independent civil society. See, for example, Dylan Riley and Juan Fernandez, 2014, "Beyond Strong and Weak: Rethinking Postdictatorship Civil Societies," *American Journal of Sociology* 120(2): 432-503.

[52] Antonio Gramsci, *Selections from the Prison Notebooks*, International Publishers, 1971, p.119.

of this concept:

> "In a passive revolution, by contrast, an inchoate bottom-up mobilization is 'absorbed' into existing political and economic structures. Absorption is not simply incorporation: it entails a thorough remaking of certain policies and dispositions, even if the overall structures remain the same."[53]

In these formulations, a passive revolution is comprised of two core elements. On the one hand, concrete policies and reforms are needed to address, in "small doses", some of the demands arising from bottom-up mobilizations. On the other hand, the ruling elite must take action to stabilize the overall political and economic structures and prevent popular mobilizations from radicalizing further. From Gramsci's examination of the Italian history, the concept of passive revolution has traveled to the analyses of political developments as diverse as Japan's Meiji Restoration[54], the end of apartheid in South Africa[55], and the rise of the Justice and Development Party in Turkey[56].

Scholars have also deployed this concept to analyze the overall trajectory of China's transition from socialism to capitalism[57] – but this is not the sense in which I use the concept here. My usage is narrower and more specific: I argue that the socialist ruling elite did at times deploy passive-revolutionary strategies to deal with workers' democratic activism. To be more precise, the ruling elite always refused to tolerate independent organizing but recurrently sought to enact institutional changes to partially empower workers in the hope of pacifying them. Among the state-socialist regimes, the tendency to resort to passive-revolutionary strategies to manage workers' subversive organizing seemed to be particularly pronounced in China. In Eastern Europe, in contrast, it is the regimes' heavily repressive approaches to democratic movements that are most remembered today, as evidenced by the cases of East Germany in 1953, Hungary in 1956, Czechoslovakia in 1968, and Poland in 1981. The peculiarity of Chinese socialism in this regard likely had something to do with its strong populist orientation, which valorized and heavily emphasized mass mobilization[58] (also recall Skocpol's point discussed in the previous section). The Chinese socialist elite was more inclined to deploy passive-revolutionary responses to workers' bottom-up activism exactly because of how such strategies helped paint the regime as the champion and spearhead of mass mobilization, rather than its repressor.

In the history of Chinese socialism, three notable instances of passive-revolutionary response formed an almost cyclical pattern. First, in the wake of the 1956-1957 strike wave which featured both demands for and concrete instances of independent organizing, the Party rejected independent organizing but made concessions on workplace democracy. Specifically, it

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[53] Cihan Tugal, *The Fall of the Turkish Model: How the Arab Uprisings Brought Down Islamic Liberalism*, Verso, 2016, p.23.
[54] Jamie C. Allinson and Alexander Anievas, 2010, "The Uneven and Combined Development of the Meiji Restoration: A Passive Revolutionary Road to Capitalist Modernity," *Capital and Class* 34(3): 469-490.
[55] Marcel Paret, *Fractured Militancy: Precarious Resistance in South Africa after Racial Inclusion*, Cornell University Press, 2022.
[56] Cihan Tugal, *Passive Revolution: Absorbing the Islamic Challenge to Capitalism*, Stanford University Press, 2009.
[57] Elaine Hui, *Hegemonic Transformation*; Yiching Wu, *The Cultural Revolution at the Margins*.
[58] Maurice Meisner, *Mao's China and After: A History of the People's Republic*, Simon and Schuster, 1999.

tightened control over the official trade union system (which was advocating for more independence from the Party in union work and fueling workers' demand for independent organizing)[59]. But it also launched serious efforts to promote institutions of workplace democracy, calling for wide establishment of SWCs in enterprises[60] and promulgating the "Anshan Steel Constitution"[61]. Second, in response to the burgeoning wave of workers' rebel movements over the last few months of 1966, the ruling elite sought to absorb workers' independent organizing by granting rebel organizations a symbolic place in the reconstituted governance structures. Such structures seemingly allowed rebel workers more power but actually remained under tight control by the Party-state apparatus. Mao and his associates attempted to accomplish this by calling on rebel organizations to "seize power" from local Party authorities in early 1967 and at the same time imposing military control to help "consolidate" the power seizures[62]. Third, threatened by the 1980-1981 wave of labor unrest, the Party leadership took heed of the official union leadership's suggestion and enacted a series of partially democratizing measures. In order to accommodate and channel workers' rebellious momentum into institutionalized arenas, they promoted efforts to expand the role of workplace democracy in enterprise governance – in the form of strengthened SWCs and shopfloor elections of factory directors – while stressing that all institutional channels of workplace democracy must function under the unwavering guidance and supervision of Party committees.

These three instances of passive-revolutionary response all proved tenuous[63]. For this

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[59] 张允美，2003，《理顺与冲突：中国工会与党-国家的关系》，载于《二十一世纪》网络版九月号（Yunmei Zhang, 2003, "Straightening Out and Conflict: The Relationship between the Chinese Union and the Party-State," *The Twenty-First Century* Online Version, September Issue）。Also see Nara Dillon, *Radical Inequalities*.

[60] 武汉市档案馆，XX000091-WS02-134-17，《顾大椿同志在部分省市轻工业工会负责人座谈会上的讲话》，1980 年 10 月 10 日；The Municipal Archive of Wuhan (MAW), XX000091-WS02-134-17, "Gu Dachun's Speech at the Symposium of Provincial Union Leaders in Light Industries". October 10, 1980.

[61] Allegedly based on shopfloor practices developed at the Anshan Steel Mill, the "Anshan Steel Constitution" was a blueprint for shopfloor democracy that was widely promoted in the late 1950s and early 1960s. Its core elements were the following: the participation of managerial cadres in manual labor, the participation of production workers in managerial affairs, rectification of unreasonable enterprise policies and stipulations, and the formation of "triple combination" teams (comprised of production workers, technical experts and managerial cadres) to attempt technological innovation. See Koji Hirata, "1960: The Angang Constitution: Labour, Industry and Bureaucracy during the Great Leap Forward," pp.310-318 in *Proletarian China: A Century of Chinese Labour*, edited by Ivan Franceschini and Christian Sorace, Verso, 2022.

[62] Yiching Wu, *The Cultural Revolution at the Margins*, chapter 4.

[63] Regarding the first instance, the collapse of the Great Leap Forward in the early 1960s ushered in a period of harsh economic retrenchment, and the emphasis on promoting workplace democracy was replaced by a focus on strengthening managerial authority and labor discipline. See 王永华，2010，《<工业七十条>争论始末》，载于《党史博采》第二期第 15-18 页（Yonghua Wang, 2010, "Disputes on the Seventy Articles on Industry," *Dangshi Bocai* Issue 2: 15-18）. Regarding the second instance, Mao's passive-revolutionary strategy to pacify workers' rebellions in 1967 failed disastrously. The symbolic recognition granted to rebel organizations in the name of the "power seizures" enabled many of these organizations to continue with their rebel activities and defy the Party leadership's wish to restore political stability. This failure forced Mao and his associates to switch to a much bloodier strategy in 1968, extinguishing all active rebel organizations by force and inaugurating the most brutal and catastrophic political crackdown ever seen in the history of the People's Republic. Andrew G Walder, *Agents of Disorder: Inside China's Cultural Revolution*, Harvard University Press, 2019; *Civil War in Guangxi: The Cultural Revolution on China's Southern Periphery*, Stanford University Press, 2023.

dissertation, it is the third instance that is of particular interest, because it coincided with the incipient wave of market reform underway in the late 1970s and early 1980s. In urban industry, this initial marketization took the form of enlarging the managerial and financial autonomy of large public enterprises from the Party-state[64]. The ruling elite's passive-revolutionary response in 1981, centered on the limited democratization of industrial workplaces, formed a subtle and contingent symbiosis with this incipient marketization. Market reform allowed workers to exercise workplace democracy in ways that felt more substantive to them (see Chapter Three). This was because the increased autonomy of enterprises expanded the range of managerial affairs in which workers could have a meaningful say. In return, the more substantive experiences with workplace democracy rendered worker likely to embrace – or at least acquiesce to – incipient market reform. In this way, embryonic marketization inadvertently became integral to the passive-revolutionary policy package in the early 1980s, even though this was not the policymakers' intention behind the launch of such marketization[65].

On a higher level of abstraction, this symbiotic dynamic reveals some degree of structural affinity between workers' "self-limiting immanent critique" and embryonic marketization under state socialism. Because workers' democratic demands tended to focus on workplace democracy and independent organizing, rather than democratic planning, these demands were compatible with and could even benefit from the strengthening of market mechanisms to some extent. Therefore, embryonic market reform could partly help address workers' democratic demands, given such demands' self-limiting character. This opened the way for *potential* mass tolerance or even support of marketization under state socialism (also recall Ivan Szelenyi's famous argument that under a planning apparatus dominated by the ruling elite, marketization could be seen by the masses as both equalizing and democratizing[66]). In the early post-Mao China, workers' democratic activism and the ruling elite's passive-revolutionary response jointly shaped the character of the initial phase of market reform. In the early 1980s, this resulted in a configuration of market socialism combining enlarged enterprise autonomy in urban industry, partial enhancement of workplace democracy, and the lack of democracy in economy-wide planning. It could be understood as a diluted and milder version of the configuration of market socialism and workers' self-management that existed in Yugoslavia for decades. The tensions in this configuration went on to have fateful consequences for China's eventual transition to capitalism.

Theoretical Intervention III: Economism, Productivist Bias, and the Unraveling of Passive Revolution

[64] Barry Naughton, *Growing Out of the Plan: Chinese Economic Reform, 1978-1993*, Cambridge University Press, 1995, pp.98-108.

[65] Here, I disagree with Yiching Wu's argument that incipient marketization was introduced intentionally as a self-defensive measure by the Chinese ruling elite in the face of potential upheavals from below (see Wu, "Rethinking 'Capitalist Restoration' in China" and "Coping with Crisis in the Wake of the Cultural Revolution"). My argument is rather that incipient marketization coincided with and happened to aid the ruling elite's efforts to pacify grassroots popular unrest. This coincidence and symbiosis were historically contingent, not intentional.

[66] Ivan Szelenyi, 1979, "Social Inequalities in State Socialist Redistributive Economies: Dilemmas for Social Policy in Contemporary Socialist Societies of Eastern Europe," *International Journal of Comparative Sociology* 19(1-2): 63-87.

The ruling elite's passive-revolutionary strategy that helped produce the first phase of China's market socialism in the early 1980s did manage to pacify labor unrest, but it unraveled in only a few years' time. In the mid-1980s, the Chinese ruling elite effectively rescinded the passive-revolutionary concessions they had granted on workplace democracy. In order to explain the rapid unraveling of this passive-revolutionary episode, I advance a third theoretical intervention. I argue that the particular configuration of market socialism – combining enlarged enterprise autonomy, partial workplace democratization and the lack of democracy in economy-wide planning – was prone to generate what communist discourse often referred to as "economistic" behavior. The concept of economism is most famously associated with Vladimir Lenin's analysis of workers' "trade union consciousness" under capitalism and refers to the tendency of workers' struggles to focus on immediate material demands rather than on transcending capitalism[67]. Under state socialism, this concept was often invoked to describe workers' pursuits of short-term, immediate and individualistic material interests without regard to some more fundamental objective(s) of the socialist project[68]. Indeed, as documented in Chapter Three, workers' practice of shopfloor democracy in the early 1980s focused on material issues of most immediate relevance to their livelihoods, particularly distributional issues concerning housing, hiring, wages and bonuses. "Economistic" tendencies were clear there.

I argue that under state socialism, the coupling between workplace democracy and the lack of democracy in economy-wide planning structurally produced such "economistic" behavior among workers. Excluded from decision-making over the direction and fate of the socialist economy as a whole, workers lacked the experiential foundation necessary to relate themselves to the fundamental, society-wide objective(s) a socialist project ought to embrace. It was difficult for most workers to "see" the fundamental interests of socialism because they were structurally disallowed to "see" the wider economy and society. Therefore, when workers participated in decision-making within their enterprises, the prioritization of those material issues most relevant to their livelihoods was an expected outcome. My argument is thus not a criticism of workers but a structural critique of state socialism's lack of democracy in economy-wide planning. Furthermore, workers' economistic exercise of workplace democracy was greatly amplified by incipient market reform. This is because public enterprises' enlarged autonomy allowed workers to push for more resources to be devoted to livelihood concerns, and the weakened planning apparatus made it more difficult to mitigate the macroeconomic consequences of workers' micro-level economism. Yugoslavia was a prime example of this dynamic. There, workers' practice of self-management in a context of vibrant market mechanisms chronically produced severe and uncorrectable imbalances within the economy over decades[69]. Such problems seriously undermined the country's ability to withstand the external economic shocks of the 1980s.

In China's early 1980s, workers' economistic practices of workplace democracy by no

[67] See Vladimir Lenin's *What Is to Be Done? Burning Questions of Our Movement* (1902).

[68] Historical sociologist Yige Dong's ongoing book project attempts a historicization of the concept of "economism" under state socialism. Also see Yiching Wu, *The Cultural Revolution at the Margins*, pp.97-108.

[69] Ellen Comisso, *Workers' Control Under Plan and Market*, Yale University Press, 1979; Susan L. Woodward, *Socialist Unemployment: The Political Economy of Yugoslavia, 1945-1990*, Princeton University Press, 1995.

means reached the Yugoslavian level. However, Chinese policymakers found such practices so intolerable that it rapidly moved to rein in workplace democracy after a mere few years – that is, around 1984[70]. A combination of contingent and structural factors caused the Chinese alertness. The contingent factor was a persistent fiscal crisis which, by 1983, the Party-state had failed to tame despite recurrent efforts. The structural factor was what I call the "productivist bias" which many policymakers in the Party-state had deeply internalized. This productivist bias was best captured by the widely promulgated slogan in China's socialist era: "production first, livelihood afterwards" (*xian shengchan, hou shenghuo*). It gave rise to the following understanding shared among most of the Chinese ruling elite: addressing the population's consumption and livelihood needs could sometimes be necessary and temporarily prioritized; yet, such prioritization should not last long because in the long run, the focus of Chinese socialism should ultimately be on developing production. This productivist bias led Chinese policymakers to identify the discipling of workers' material demands and democratic power as a necessary measure to alleviate the persistent fiscal crisis. Strikingly, as documented in Chapter Four, in 1983-1984 Chinese policymakers repeatedly pointed to the economic ills in Yugoslavia to justify such disciplining. The relatively democratic configuration of market socialism in the early 1980s – a result of the regime's passive-revolutionary strategy in 1981 – was dismantled due to the tension between workers' economistic practices of workplace democracy and the ruling elite's productivist bias that had little tolerance for such practices.

On a higher level of abstraction, this deep-rooted productivist bias encapsulated – albeit in an exaggerated form – a profound structural tension between production and social reproduction in socialist economy. Social reproduction theory has long argued that the separation between production (the process in which laborers turn materials into products) and social reproduction (the process in which laborers' laboring capacity is renewed daily and generationally) is historically specific. It emerged with industrial capitalism[71]. However, state socialism not only failed to abolish this separation but arguably exacerbated it. Despite various efforts to collectivize social reproduction, policy discourse under state socialism continued to maintain a distinction between the realm of production and the realm of social reproduction – a distinction often also referred to as one between the realm of accumulation vis-à-vis the realm of consumption, or in Chinese terminology, between the realm of production (*shengchan*) vis-à-vis the realm of livelihood (*shenghuo*). Not only were production and reproduction seen as separate affairs, but the former was prioritized over the latter in policy emphasis and resource allocation, giving rise to the productivist bias[72]. This productivist bias was ultimately rooted in the fact that

[70] In contrast, the Yugoslavian socialist leaders not only allowed the configuration of market socialism and workers' self-management to last for decades but also progressively consolidated it. See Wlodzimierz Brus and Kazimierz Laski, *From Marx to the Market*.

[71] Cinzia Arruzza, 2016, "Functionalist, Determinist, Reductionist: Social Reproduction Feminism and Its Critics," *Science & Society* 80 (1): 9–30; Tithi Bhattacharya, *Social Reproduction Theory: Remapping Class, Recentering Oppression,* Pluto Press, 2017; Susan Ferguson, *Women and Work: Feminism, Labour and Social Reproduction*, Pluto Press, 2020.

[72] For the tension-laden relationship between production and social reproduction under Chinese socialism, see Yige Dong, "'Red Housekeeping' in a Socialist Factory: *Jiashu* and Transforming Reproductive Labor in Urban China (1949-1962)," OnlineFirst in *International Review of Social History*. Dong will tackle this issue more thoroughly in her

under the pressure of a capitalist world-system, state-socialist regimes must embrace strong developmentalist and industrializing imperatives. In order to survive (particularly in a geopolitical sense), state socialism must fiercely compete and catch up with capitalist countries on industrial capacity. This competitive pressure in turn meant that state-socialist countries must embark on large-scale capital accumulation, with the state serving as its directing agent[73]. In this sense, the productivist bias could be seen as an imprint on state socialism of a system of global capitalism from which socialist regimes could not ultimately escape[74].

Towards a Class-Based Theory of the Transition from State Socialism to Capitalism

A common thread throughout the three theoretical interventions outlined above is an emphasis on workers' historical agency. The first intervention focuses on the potential as well as the limits of workers' democratic activism under state socialism. The second intervention looks at how such activism sometimes became powerful forces for the ruling elite to reckon with, triggering subtle and multi-pronged responses of partial accommodation. The third intervention emphasizes how workers' quotidian exercises of shopfloor democracy under a marketizing socialism produced unsettling effects on economic policy. In addition, this dissertation's empirical narrative presents a great historical irony. After China's socialist leaders moved to rein in workplace democracy in the mid-1980s, workers' shopfloor reactions led to macroeconomic consequences that policymakers had not at all anticipated and paved the way for the implosion of China's market socialism (see Chapter Five). In sum, this dissertation takes an expansive and multi-faceted view of workers' agency. It highlights how this agency manifested in both explosive mobilizations and quotidian life, in both subversive organizing demanding workers' democracy and minutes acts of discontent against factory management, and in both the realm of the political and the realm of the economic.

This expansive and multi-faceted view of workers' agency is essential to this dissertation's overarching argument and analysis. This dissertation contends that the rollout of market socialism in China was particularly fraught with tensions and crises because of the alchemy between the agency of the socialist working class and the Party-state's policy maneuvers. Workers' agency not only shaped the way in which the Party leadership ushered in and modified market socialism, but eventually wrecked the economic viability of market socialism and made significant contributions to an eruptive political crisis in 1989 that seriously imperiled the rule of the Communist Party. In other words, the Party leadership initially turned to market-socialist reforms to diffuse the overall crisis of the late 1970s, but workers' agency derailed the rollout of market socialism, giving rise to one crisis after another along the way. The collapse of market socialism in 1989 sent a strong signal to the Party leadership that, if market reform were to

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forthcoming book.

[73] This imperative is encapsulated in the concept of "primitive socialist accumulation", propagated by Soviet economist Yevgeni Preobrazhensky. See Preobrazhensky's *The New Economics* ([1926]1965).

[74] In a sense this imprint partially confirms Wallerstein's argument that socialist countries in a capitalist world-system invariably remained capitalistic. Immanuel Wallerstein, 1974, "The Rise and Future Demise of the World Capitalist System: Concepts for Comparative Analysis," *Comparative Studies in Society and History* 16(4): 387-415.

proceed, the institutional conditions enabling the agency of the socialist working class must be terminated. Therefore, market reform in the 1990s explicitly entailed the abolition of the basic parameters of socialist production relations – that is, the inauguration of capitalism. This dissertation thus argues that it is the rapid derailment of China's market socialism that compelled and opened the way for a transition to capitalism.

Based on a synthesis of these theoretical interventions and analytical arguments, this dissertation attempts to build a class-based theory of the transition from state socialism to capitalism. My theorizing draws inspiration from a critical reading of two socialist thinkers: Zhang Chunqiao and Alexandra Kollontai. Both Zhang and Kollontai are obscure figures for the contemporary social sciences. But I insist that they should be treated as serious theorists, and their interventions are useful exactly because they were themselves situated within socialist projects, theorizing how to *prevent* a transition to capitalism. Zhang Chunqiao was arguably the most important Chinese theoretician of socialist political economy in the late Mao years[75]. He was part of a group of Mao's radical associates later denounced as the "Gang of Four", closely involved in many of the most intense political dramas throughout the Cultural Revolution decade, and purged alongside other members of the "Gang of Four" in a palace coup shortly after Mao's death in 1976. Thanks to his theoretical acumen, Zhang received Mao's keen attention initially in 1958 and later rose to political fame. Indeed, Zhang's theoretical work – including famous treatises he wrote in 1958[76] and 1975[77] and drafts of a textbook on socialist political economy the writing of which he directed in 1975 and 1976[78] – provides the most developed and sophisticated elaboration of late Maoism's theory of socialist political economy.

The fundamental premise of Zhang's theoretical framework is that a socialist society must retain many institutional remnants of capitalism, referred to as "bourgeois right". The concept of "bourgeois right" was initially invoked by Marx in his *Critique of the Gotha Program* to discuss the problems with the "remuneration according to work" principle[79]. Zhang and his collaborators radically expanded the concept to include such diverse things as commodity exchange, the wage form, incomplete socialization of property, and the distinction between mental and manual labor. According to Zhang, these institutional remnants of capitalism cannot be abolished in a socialist society (that is, not until a society enters the communist phase), yet they constantly provide opportunities for some people to enrich themselves, appropriate others' labor and accumulate capital. In other words, the bourgeois right forms the economic foundation on which a bourgeoisie is continuously produced and renewed under socialism. These bourgeois elements coalesce into a faction within the Party that seeks to gradually restore capitalism by enlarging the

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[75] Benjamin Kindler, "1958: Beyond the Wage: Zhang Chunqiao, Bourgeois Right, and Maoism as Theory," pp.282-290 in *Proletarian China: A Century of Chinese Labour*, edited by Ivan Franceschini and Christian Sorace, Verso, 2022.

[76] 张春桥，《破除资产阶级的法权思想》，载于《人民日报》，1958 年 10 月 13 日；Zhang Chunqiao, "Smash the Ideology of Bourgeois Right," *People's Daily*, October 13, 1958.

[77] 张春桥，《论对资产阶级的全面专政》，载于《红旗》，1975 年第四期；Zhang Chunqiao, "On Exercising All-Round Dictatorship Over the Bourgeoisie," *Red Flag,* 1975 Issue 4.

[78] 《社会主义政治经济学》编写小组，《社会主义政治经济学》（未定稿第二版讨论稿），1976 年；Editorial Small Group for Socialist Political Economy, *Socialist Political Economy: Non-Finalized Draft Second Discussion Edition*, 1976.

[79] Karl Marx, *Critique of the Gotha Program*, 1875.

spheres of bourgeois right. The key axis of class conflict under socialism, therefore, is a struggle between two lines in the Party: between the "capitalist roaders" seeking to enlarge bourgeois right and those endeavoring to constrain (but not abolish) it. If the capitalist roaders manage to seize control over the Party, they will proceed to expand bourgeois right to such an extent that socialist property relations are effectively transformed into capitalist ones. According to Zhang and his collaborators at the time of their writing in the mid-1970s, this process had already been completed in the Soviet Union[80].

Two claims in Zhang's theory are particularly useful and notable. First, it correctly points out that the expansion of market mechanisms (or in Zhang's own terms, the enlargement of bourgeois right) under socialism provides the *pre*-condition for a transition to capitalism. Second, in contrast to those who understand the emergence of capitalism as a result of grassroots entrepreneurialism[81], Zhang's theory conceptualizes the transition from socialism to capitalism as a top-down elite project. I adopt both of these stances. In the meantime, this theory also suffers from two crucial limitations. First, it largely reduces class relations amid the transition from socialism to capitalism to a political struggle *within* the Party leadership: whether and how this transition happens hinges upon the battle between the "capitalist roaders" (the political representatives of the constantly renewed bourgeoisie under socialism) seeking to enlarge bourgeois right versus those (the political representatives of the proletariat, supposedly) seeking to constrain it. It conceptualizes the transition from socialism to capitalism as not just an elite project but also a product of *intra*-elite struggle[82]. This theory therefore tells us virtually nothing about the role of subaltern class actors – particularly the most powerful and agentic of them, urban industrial workers – in shaping the transition from socialism to capitalism. Second, Zhang Chunqiao's theory posits a linear progression from the enlargement of bourgeois right to a transition to capitalism: the introduction of market mechanisms necessarily reinforces itself and grows into capitalism, according to this logic. This might have been true if we look at things from a *longue durée* perspective, but what is supposed to be the transitory phase of "market socialism" could last for decades – it did in East European countries such as Yugoslavia and Hungary[83]. What is peculiar about China, on the other hand, is that market socialism collapsed rather rapidly and made way for the transition to capitalism. Zhang's theory cannot tell us why.

One way to remedy the first of the two problems with Zhang's theory, I contend, is to put Zhang Chunqiao into conversation with Alexandra Kollontai. A leading figure of the Workers' Opposition in the Bolshevik party in the early 1920s, Kollontai's writing in that period similarly demonstrated an acute concern with how to prevent a transition to capitalism from happening[84].

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[80] Ibid.

[81] Yasheng Huang, *Capitalism with Chinese Characteristics*; Victor Nee and Sonja Opper, *Capitalism from Below:*

[82] Ivan Szelenyi's theory of the transition from socialism to capitalism also suffers from this problem, as he and his collaborators pinpoint intra-elite struggle as the key driver of this transition. See Gyorgy Konrad and Ivan Szelenyi, *The Intellectuals on the Road to Class Power;* Lawrence Peter King and Ivan Szelenyi, Theories of the New Class: Intellectuals and Power, University of Minnesota Press, 2004.

[83] For the vibrancy of market socialism in Hungary's post-1968 years, see Chris Hann, 2016, "Cucumbers and Courgettes: Rural Workfare and the New Double Movement in Hungary," *Intersections* 2(2): 38-56.

[84] Alexandra Kollontai, *The Workers' Opposition in Russia*, 1921.

According to Kollontai, the working class – particularly industrial workers – was the only class in Russia whose interests were aligned with the socialist project. The other major classes – the peasantry, the petty bourgeoisie, and the technical and managerial personnel of the former capitalists – all harbored capitalist aspirations and were inherently hostile to socialism. Kollontai argued that whether a backslide from socialism to capitalism could be prevented depended on whether workers – not the Party, but self-organized workers – exercised political leadership. She therefore proposed measures to 1) ensure that trade unions are genuinely workers' self-organizations, 2) strengthen unions' power and autonomy in governing not only the shopfloor but economy- and society-wide affairs, and 3) increase workers' composition within the Party. Conversely, Kollontai's theory warns that political disempowerment of workers, coupled with an increasing detachment of the Party from workers, would mean that pro-capitalist tendencies harbored by other classes dominate the Party's political direction. In other words, political demobilization and marginalization of industrial workers would *cause* the transition from socialism to capitalism.

Kollontai's theory provides an antidote to the first problem with Zhang's theory. It powerfully reminds us to pay serious attention to the relationship between the Party and workers when analyzing the transition from socialism to capitalism. My theorization adopts this focus on the relations between the Party-state and the industrial working class. However, her specific argument – that the political marginalization of workers' agency drives the transition from socialism to capitalism – is too simplistic. After all, it is based on very problematic theorization of different classes' orientations towards socialism (i.e. workers are for socialism, and all the other classes are against it). Additionally, Kollontai's theory provides no remedy to the second problem with Zhang's theory – in fact, her theory suffers from it too. Like Zhang Chunqiao, Kollontai saw the introduction of market mechanisms under socialism (packaged in the New Economic Policy in the early 1920s) as self-reinforcing and progressing towards capitalism in an almost linear fashion. She similarly cannot help us understand why the supposedly transitory phase of market socialism had strikingly varied longevities across different socialist countries.

This critical reading of Zhang and Kollontai's work leads me to develop a class-based theoretical framework of the transition from state socialism to capitalism. This framework contains the following two components. First, I contend that "market reform" and "capitalism" are not conceptual equivalents. In the context of the transition from state socialism to capitalism, this means that "market socialism" and "capitalism" should be identified as distinct social formations – the former could not spontaneously grow into the latter. Instead, it was the collapse of market socialism that compelled and opened the way for (certain elements of) the ruling elite to pursue a turn to capitalism – this was true not only in China but in many other cases. Therefore, explaining the transitions from socialism to capitalism largely comes down to explaining the varied configurations, longevities and paths of collapse of market socialism. Second, I propose that the patterns and modes of interaction between the socialist working class and the Party-state are a crucial factor explaining the varied configurations, longevities and paths of collapse of market socialism. In China, market socialism allowed workers' agency to move fluidly and fleetly between the political and economic realms, which the Party leadership failed

to either anticipate or tame. This dynamic caused China's market socialism to be especially ephemeral. Further comparative research is needed to explore how variations in the patterns of interaction between workers and the Party-state shaped the varied configurations, longevities and paths of collapse of market socialism across countries.

In the end, the transition from socialism to capitalism was not a Gramscian passive revolution[85]. It was a fundamental transformation of the property regime, a counter-revolution through highly brutal and repressive means. The fact that China's relentless dismantling of socialist production relations – particularly the liquidation of socialist public enterprises – in the 1990s created immense social sufferings[86] attests to this brutality. But the concept of passive revolution is nevertheless key to a class-based theory of the transition from socialism to capitalism. This is because a transition to capitalism could be understood as a *response* to the prior unraveling of passive revolution within the parameters of market socialism. More specifically, the ruling elite resorted to a counter-revolution in large part because they had lost faith in the viability and effectiveness of passive revolution as a means of rule. In the case of China, the unraveling of the passive-revolutionary strategy over the early and mid-1980s and the series of unintended consequences this set off in the late 1980s were crucial. The resultant implosion of market socialism at the end of the 1980s indicated that workers' amorphous yet formidable agency could no longer be put under control through a tenuous passive-revolutionary strategy. In this context, the wholesale demolition of the very institutions that allowed the socialist working class to exist became an appealing option to the ruling elite. Therefore, for the socialist ruling elite, there was a "no other way out"[87] logic to the capitalist transition: in light of the perceived tenuousness and unraveling of passive revolution, a highly repressive counter-revolution (i.e. a transition to capitalism) emerged as one – if not the only – viable and promising way for the ruling elite to diffuse crisis, restore order and preserve themselves.

Outline of the Empirical Chapters

This dissertation's historical narrative is presented in five empirical chapters. Chapter One shows how, amid the overall crisis of the late 1970s, some intellectuals and policymakers turned to the Yugoslav model of socialism, particularly the theory and praxis of workers' self-management, to critically rethink Chinese socialism and envision more democratic paths forward. This fascination with Yugoslavia quickly became a society-wide phenomenon. Some of the major powerholders in the Party – especially Deng Xiaoping – tolerated and even encouraged this "craze for Yugoslavia", because it was consistent with and appeared useful for their overarching goal to ideologically delegitimize late Maoism and build up a public image for the "reform-minded" post-Mao leadership. This chapter then zooms in on the influence of the Yugoslav model on Zhao Ziyang, who was promoted from a provincial post to become China's Premier in 1980. In the fall of 1980, the newly installed Zhao launched a series of bold policy

[85] I thank Dylan Riley for pushing me to clarify this point.

[86] Ching Kwan Lee, *Against the Law*; William Hurst, *The Chinese Worker after Socialism*.

[87] Jeff Goodwin, *No Other Way Out: States and Revolutionary Movements, 1945-1991*, Cambridge University Press, 2001.

experiments with his own version of "workers' self-management": the factory director responsibility system under the leadership of the Staff and Workers' Congress (SWC) – that is, installing the enterprise-level SWC, a collective body of representatives elected by workers, as the highest decision-making authority (to which the factory director answers) within a public enterprise. This chapter proceeds to unpack the concrete shopfloor dynamics of these self-management experiments (which turned out to be short-lived) inside factories.

Chapter Two tells the story of the passive revolution of 1981. It first introduces one group of important actors in this political drama: the leadership cadres of the official trade union system, ACFTU. After the ACFTU's reconstitution in 1978, its cadres sought redress for the persecutions and denunciations from which the union system had suffered in the 1950s. It argued along the way for greater independence and power to the ACFTU as well as for strengthening the institutions of workplace democracy (albeit not to an extent as far as Zhao's self-management experiments). This chapter then demonstrates how the society-wide fascination with Yugoslavia helped brew and articulate grassroots sentiments demanding more democracy for workers. The inspiring news of the Polish Solidarity movement further catalyzed these sentiments and made them explode into the open, in the form of a nationwide wave of strikes, independent organizing and shopfloor unrest in the last few months of 1980 and early 1981. Zhao's self-management experiments also played an inspirational role in this wave of labor militancy. Whereas these developments deeply alarmed the Party leadership, they also provided the ACFTU with a precious opportunity to advance its own agenda. The ACFTU could now forcefully argue that, in order to prevent workers from following the Polish example to form independent unions and defy the Party, the official trade unions must be empowered and the institutions of workplace democracy must be strengthened. The ACFTU was therefore critical in helping the Party leadership formulate a passive-revolutionary response to workers' mobilization in mid-1981: policy pronouncements promoted the empowerment of SWCs in enterprise management as a high-priority issue, and the ACFTU's demand for implementing shopfloor elections of factory directors also gained official endorsement. At the same time, the Party leadership also made it very clear that these democratizing reforms must take place under the premise that enterprise-level Party committees continue to be the utmost authority in enterprise governance. Zhao's self-management experiments, themselves a source of destabilizing inspiration, were quietly jettisoned.

Chapter Three delves into how workers in the early 1980s utilized the partially expanded institutional space for workplace democracy to address issues they cared about. It provides thick, textured descriptions of how exactly workers practiced workplace democracy through their enterprise-level SWCs. Two core findings emerge here: first, workers exercised their SWC power to address a wide range of issues, but particularly focused on a set of distributional issues of immediate relevance to their livelihoods, such as housing, wages and bonuses, and employment opportunities for workers' children. Second, in addition to a policy emphasis on empowering SWCs that created pressures from above, the everyday pressures exerted by workers themselves were an important reason why many enterprise leaders willingly deferred to the SWCs over the handling of distributional issues. This chapter then argues that the SWCs'

ability to effectively address workers' livelihood-related distributional issues was also made possible by two structural changes in China's political economy in the late 1970s and early 1980s: the increasing autonomy of public enterprises from the Party-state, and a series of policy attempts to readjust the balance between accumulation and consumption. These elements together constituted the fabric of the first phase of market socialism in China (see Table 1 in the current chapter). In the meantime, workers' exercise of shopfloor democracy came into conflict with a deep-seated productivist bias among many Party-state officials and enterprise leaders. These cadres worried that the way workers practiced workplace democracy turned the SWCs into platforms for workers' "backward consciousness". They also worried that workers' economistic practices diverted resources and attention away from the supposedly more important objective of developing production.

Chapter Four moves again from the shopfloor back to the top echelon of policymaking. It demonstrates that the productivist bias produced a fateful consequence for workplace democracy and led to the unraveling of the first phase of market socialism. In 1983, economic policymakers including Zhao Ziyang became deeply alarmed by a fiscal crisis that persisted despite repeated efforts to address it in the previous few years. Whereas excessive government spending had driven this fiscal crisis in the past, the center of the problem appeared to have shifted from excessive spending to insufficient revenue by 1983. The imperative to find a revenue-side solution to the fiscal crisis motivated the leading politicians and policymakers to prioritize the curbing of workers' material demands and the taming of workplace democracy that enabled workers to pursue these demands. In other words, the Party leadership was no longer willing to tolerate workers' economistic practices of workplace democracy. Consequently, the Party leadership united in 1984 behind a decision to sideline workplace democracy and concentrate managerial powers into the hands of enterprise directors. This ushered in the second phase of market socialism (see Table 1 in the current chapter), which coupled deepening marketization with the decay of workplace democracy. Powerless to stop this anti-democratic turn, the ACFTU cadres nevertheless managed to defend workers' right to elect factory directors. However, they did so only by redefining shopfloor elections in a way that hollowed out their democratic substance. Therefore, shopfloor elections of factory directors were easily reappropriated as a hegemonic instrument advancing enterprise directors' power centralization. In many localities, these shopfloor elections were arranged as a preparatory step to build workers' consent – or at least acquiescence – to factory directors' subsequent power centralization. But the actual effect of these elections might also end up contradicting the official intentions, as this chapter illustrates through a case study in the end.

Chapter Five documents the economic – and ultimately political – aftermath of the 1984 anti-democratic turn. As factory directors gained much greater latitude for managerial despotism in the wake of the 1984 reform, workers' discontent with managerial despotism mushroomed and shopfloor tensions multiplied almost immediately. Since firing workers was still very difficult, enterprise directors were in constant need of some measures to ensure workers' compliance with their authority and pacify the shopfloor. On the one hand, enterprise directors were absolutely unwilling to give up their despotic power. On the other hand, public enterprises enjoyed

expanded autonomy to manage their own finances. Thanks to this combination of factors, incessantly issuing across-the-board pay raises and other benefits to workers became the most convenient way for enterprise directors to achieve industrial peace. Thus, counterintuitively, the institutional decay of workplace democracy caused chaotic and accelerating growth of workers' income. Given such conditions as partial price liberalization and a banking system eager to cater to enterprises' hunger for loans, chaotic and haphazard growth of workers' income contributed to severe inflationary cycles over the second half of the 1980s. Put differently, rampant inflation – commonly identified as the single most significant challenge facing China's economy in the late 1980s and an important trigger of the momentous political movements of 1989 – could in part be traced to the post-1984 decline of workplace democracy. In the end, the configuration of the second phase of China's market socialism ended up with a volcanic implosion both economically and politically. The implosion of this market socialism paved the way for China's full-blown transition to capitalism.

CHAPTER ONE

The Yugoslav Inspiration: Elite Politics, Transnational Socialism and Advancing "Workers' Self-Management" in China, 1978-1980

This dissertation's historical narrative starts with how a fascination with the Yugoslav model of socialism in 1978-1980 resulted in a policy agenda to experiment with something similar to "workers' self-management" in China's early years of market socialism. This chapter explicates the political conditions that made this "craze for Yugoslavia" possible, delves into the depth and breadth of China's fascination with the Yugoslav model, details how intellectual fascination translated into actual policy ideas, and provides an account of how the Yugoslav-style policy experiments unfolded on the ground. In the immediate post-Mao years, a significant faction of China's Party leadership was busy with finding ways to launch attacks on late Maoism. These Party leaders therefore sponsored a quasi-opening in which diverse intellectual and discursive resources – including some which had heretofore been tabooed – could be deployed to critically reflect upon China's socialist experience of the preceding decades and chart alternative paths forward. In this context, the geopolitical rapprochement between China and Yugoslavia coincidentally led many Chinese intellectuals and officials to look to the Yugoslav model of socialism, particularly its theory and praxis of "workers' self-management", as one promising alternative. In particular, the Yugoslav theory and practice helped the Chinese make sense of the shortcomings of the prevailing models of public ownership practiced in China so far. It also helped them envision how to reform China's public enterprises in ways that would make workers the true masters of their workplaces.

Some Party leadership tolerated and even encouraged this widespread fascination with the Yugoslav model. In particular, Deng Xiaoping signaled partial endorsement, recognizing the utility of this phenomenon in service of the overarching goal to delegitimize late Maoism and build an alternative ideological program that emphasized "seeking truth from facts". In 1980, this fascination was translated into a concrete policy agenda by Zhao Ziyang. As someone who had been very recently promoted from a provincial leadership post to become one of the chief economic policymakers in the central Party-state, Zhao had a shaky foundation of his power within the landscape of China's elite politics. He instead sought to draw upon economists' expertise to generate policy ideas and build authority. As a result, the Yugoslav theory and practice, which was at the time in vogue in many economists' circles, exerted a profound influence on Zhao. Taking advantage of Deng Xiaoping's fleeting open-mindedness, in the autumn of 1980 Zhao started to promote a policy agenda modeled on the Yugoslav exemplar. This agenda proposed to install workers' elected representative bodies as the utmost decision-making authority within China's public enterprises. This quite radical and somewhat utopian policy agenda gave rise to a series of policy experiments in 44 industrial enterprises across China over the last few months of 1980 and early 1981.

Arguably the first work to seriously document the scope of China's engagement with the Yugoslav model as well as its concrete influence on policymaking in the early post-Mao years, this chapter makes a significant intervention in the historiography of China's post-Mao reform. A major theme in the recent historical scholarship on China's 1970s and 1980s is how the transnational circulation of ideas, networks and resources shaped China's reform trajectory[88].

[88] See Julian Gewirtz, *Unlikely Partners*; Isabella Weber, *How China Escaped Shock Therapy*; Peter Hamilton, *Made in*

This scholarship has overwhelmingly focused on how China's engagement with influences from the capitalist world facilitated its eventual integration into global capitalism. Correspondingly, this literature has largely overlooked how influences originating from countries outside the capitalist core – particularly other socialist countries – served as important sources of inspiration for how Chinese actors envisioned, navigated and contested the reform process. It could perhaps be argued that the literature displays a teleological bias: since China's reform eventually ended up on a capitalist road, capitalist influences on China's reform trajectory have garnered most attention and been deemed more worthy of study. This chapter, however, draws attention to how the transnational circulation of socialist ideas and practices played an inspirational role in the making of China's post-Mao reform. Specifically, engagement with the Yugoslav model of rather heterodox socialism helped inform some of the earliest endeavors to explore how to reform China's political economy, particularly centered on the question of what it would mean to make China truly socialist.

In addition to its historiographic contributions, this chapter also seeks to advance the burgeoning field of global and transnational sociology. When studying the transnational circulation, influence and adoption of ideas, institutions and political practices, conventional approaches in the field tend to focus on how ideas, institutions and political practices originating from the core of a given world system – which usually means the hegemonic and liberal-democratic West – travel to and shape the peripheries[89]. In recent years, these approaches have been challenged by scholars of empire and colonialism who, drawing upon the writings of W.E.B Du Bois, C.L.R. James and other decolonial theorists, turn the conventional approaches on their head. These scholars ask how dynamics in the colonial and post-colonial peripheries profoundly shaped the metropolitan core[90]. I advance this endeavor of intellectual subversion by applying the periphery-centered approach to the study of actually existing socialism of the 20th century. I

Hong Kong: Transpacific Networks and a New History of Globalization, Columbia University Press, 2021; Taomo Zhou, 2021, "Leveraging Liminality: The Border Town of Bao'an (Shenzhen) and the Origins of China's Reform and Opening," *The Journal of Asian Studies* 80(2): 337-361.

[89] The "world-society" and "world-polity" approaches famously associated with John Meyer and his collaborators have been, and still are, dominant in this regard. See, for example, John W. Meyer, John Boli, George M. Thomas and Francisco O. Ramirez, 1997, "World Society and the Nation-State," *American Journal of Sociology* 103(1): 144-181; Evan Schofer and John W. Meyer, 2005, "The Worldwide Expansion of Higher Education in the Twentieth Century," *American Sociological Review* 70(6): 898-920; John W. Meyer, 2010, "World Society, Institutional Theories, and the Actor," *Annual Review of Sociology* 36: 1-20. Recent scholarship complicates these frameworks, but still largely adheres to their premises. See, for example, Kiyoteru Tsutsui, *Rights Make Might: Global Human Rights and Minority Social Movements in Japan*, Oxford University Press, 2018; Yan Long, 2019, "The Contradictory Impact of Transnational AIDS Institutions on State Repression in China, 1989–2013," *American Journal of Sociology* 124(2), 309-366; Zeynep Ozgen and Matthias Koenig, 2021, "When Global Scripts Do Not Resonate: International Minority Rights and Local Repertoires of Diversity in Southern Turkey," *Qualitative Sociology* 45(1) 149-187.

[90] See, for example, Julian Go, 2020, "The Imperial Origins of American Policing: Militarization and Imperial Feedback in the Early 20th Century," *American Journal of Sociology* 125(5): 1193-1254; Christy Thornton, *Revolution in Development: Mexico and the Governance of the Global Economy*, University of California Press, 2021; Katrina Quisumbing King, "The Political Uses of Ambiguity: Statecraft and US Empire in the Philippines, 1898-1946," dissertation completed at the University of Wisconsin-Madison, 2018; and Ricarda Hammer, "Citizenship and Colonial Difference: The Racial Politics of Rights and Rule across the Black Atlantic," dissertation completed at Brown University, 2021.

show how the theory and practice coming from Yugoslavia, a marginalized and vilified "outcast" in the socialist camp, generated a significant impact on reform policymaking in China, a socialist hegemon – widely regarded as a center of worldwide socialist revolutions in the 1960s and 1970s – whose global prestige even at times surpassed the USSR.

This chapter proceeds in five sections (of uneven lengths). The first section charts the landscape of China's elite politics in the immediate post-Mao years. It shows how the dynamics of elite power struggle produced a quasi-opening in which various intellectual and discursive resources could be mobilized to question late Maoism in particular and critically rethink Chinese socialism in general. The second section then unpacks how the Yugoslav theory and practice centered on "workers' self-management" and "social ownership" coincidentally emerged as one of these intellectual resources. The Yugoslav model informed Chinese reflections on what "public ownership" could and should mean and became an object of society-wide fascination in 1978-1980. The third section explains how and why some Party leaders, particularly Deng Xiaoping, tolerated and encouraged this fascination with the Yugoslav model, creating the political condition for it to take off. The fourth section then zooms in on the influence of the Yugoslav model on Zhao Ziyang in the very first year of his tenure as one of China's chief economic policymakers. In the autumn of 1980, enabled by a transiently and ambiguously open-minded Deng Xiaoping, Zhao laid out a Yugoslav-style policy agenda to elevate enterprise-level SWCs to be the utmost leadership authority in public enterprises' internal managerial arrangement. A series of experiments were launched in 44 factories across China. The fifth section examines the actual implementation of some of these experiments in Beijing, Tianjin, Xiamen and Shanghai in late 1980 and early 1981. Even though none of these experiments resulted in thorough democratization and empowerment of the shopfloor, they nonetheless provided opportunities for many workers to engage in democratic activism from below.

Scrambling to Repudiate Late Maoism

By the time Mao died in September 1976, the arena of China's elite politics was mainly occupied by three groups[91]. The first consisted of Mao's radical associates, most notably the "Gang of Four": Mao's wife Jiang Qing, Party theoretician Zhang Chunqiao, cultural critic Yao Wenyuan, and rebel worker Wang Hongwen. This group represented the political and ideological legacy of the Cultural Revolution. Jiang, Zhang and Yao had helped propagate many of Mao's radical initiatives since the beginning of the Cultural Revolution in 1966. Wang, an early leader of Shanghai's rebel workers, quickly rose through the ranks and was promoted by Mao to one of the (nominally) most powerful official positions in the Party in 1973.

The second group was the "old revolutionaries". These people had already risen to the leadership of the Party before the Communist takeover in 1949, continued to occupy key leadership positions in the following decades, suffered various forms of persecution and

[91] This conceptualization of China's elite politics at the time of Mao's passing as interaction between three groups has been elaborated on by Frederick Teiwes and Warren Sun. See their 2014 book, *The End of the Maoist Era: Chinese Politics During the Twilight of the Cultural Revolution, 1972-1976*, Routledge.

marginalization during the Cultural Revolution, but were more or less rehabilitated in the early and mid-1970s. Deng Xiaoping was the exemplar of this group. Cast aside during the early years of the Cultural Revolution, he returned to the political center in 1973 and became the person *de facto* in charge of the administrative functioning of the Party-state in 1975, both with Mao's permission. But Mao soon deemed him to have gone too far in undermining the legacy of the Cultural Revolution and subjected Deng to another denunciation campaign in 1976. Deng was stripped of all official titles and placed on the brink of expulsion from the Party. Nonetheless, the other "old revolutionaries" rehabilitated in the early and mid-1970s, such as Ye Jianying, Li Xiannian and Wang Zhen, continued to occupy powerful positions and were relatively unscathed during the anti-Deng campaign of 1976.

The third group consisted of the "Cultural Revolution bureaucrats", such as Hua Guofeng, Ji Dengkui, Chen Xilian and Wu De. These actors – generally way more junior compared to the "old revolutionaries" – had occupied various leadership positions in China's *provincial* Party-state and military apparatuses before the Cultural Revolution. They were then promoted to leadership posts in the central Party-state during the Cultural Revolution. Even though they benefitted greatly from the reshuffling of the Party-state caused by the Cultural Revolution, they were not primarily associated with its radical ideological premises. They generally shouldered administrative - rather than ideological – responsibilities in the center's division of labor.

After the notorious "Lin Biao Incident"[92] in 1971, Mao kept switching between these three groups in search of an heir. He initially placed immense hopes in Wang Hongwen who, with the background of a rebel worker leader, would embody the ultimate triumph of the Cultural Revolution's ideological agenda, were he to be put at the helm of the Party-state. However, Wang's political immaturity and general incompetency soon disappointed Mao, and Mao switched his endorsement to Deng Xiaoping. The signs seemed clear when Deng took full responsibility over the functioning of the Party-state in early 1975. But Deng's policy program, which appeared to be negating many of the political achievements of the Cultural Revolution, also quickly drew Mao's ire. A full-fledged denunciation campaign against Deng was launched in late 1975 and continued in full swing in 1976. With both Wang Hongwen and Deng Xiaoping falling from grace, Mao picked Hua Guofeng as his successor in 1976, reportedly telling Hua that "with you in charge, I'm at ease". After Mao passed, a series of events akin to a palace coup took place almost immediately. Upon being installed as the Party-state's supreme leader, Hua quickly colluded with other "Cultural Revolution bureaucrats" as well as the "old revolutionaries" to purge and arrest the "Gang of Four" and other radical associates of Mao.

Even before Mao's death and the surprising turn of events that followed, multiple signs had pointed to a fundamental crisis across the Chinese society. A sense of political disillusionment was prevalent after the Lin Biao Incident in 1971. By 1976 the Chinese population had seen little improvement in its standard of living for over a decade. The confluence of political

[92] On September 13, 1971, Lin Biao, the Party's Vice Chairman and Mao's heir apparent, died in a plane crash with his family and aides. This is one of the most mysterious political incidents in the history of the People's Republic and caused a significant personnel reshuffle in the Party's top echelon.

disillusionment, the lack of material improvements and a lingering spirit of unruliness after the end of the mass rebel movements also meant that labor indiscipline was a widespread problem in Chinese industry in the mid-1970s[93]. Faced with these challenges, the post-Mao Party leadership had to come up with ways to stabilize Chinese society and consolidate societal support. The purge of the "Gang of Four" made this objective even trickier to accomplish. How to justify to the Chinese society this political about-face, in which those figures who had for years been celebrated as Mao's closest followers – including his own wife – were suddenly cast as villains? This complex project of legitimation included some policy measures to materially uplift sectors of the Chinese society. For example, a sizable wave of wage raises was issued to Chinese workers in 1977[94]. However, the very nature of a state-socialist regime meant that ideological discourse also had to be a key site for legitimation as well.

Complicating this state of affairs even further was the breakup of the coalition between the "Cultural Revolution bureaucrats" and the "old revolutionaries" shortly after the purge of the "Gang of Four". In 1977, pressured by some "old revolutionaries", Hua discontinued the anti-Deng denunciation campaign and allowed Deng to return to the Party leadership. Thereafter, the "old revolutionaries" headed by Deng endeavored (and in a few years' time eventually managed) to dethrone Hua and the other "Cultural Revolution bureaucrats". While this power struggle was being waged on multiple fronts, ideological contestation was a prominent component. For Hua and the other "Cultural Revolution bureaucrats", the core ideological task was to develop discourses that could *both* convincingly justify the purge of Mao's radical associates *and* legitimate their own power. Deng and the other "old revolutionaries", on the other hand, needed ideological and discursive tools to *both* justify the purge of Mao's radical associates *and* cast Hua and the other "Cultural Revolution bureaucrats" in a negative light.

Ideological battles ensued along these lines. For the "Cultural Revolution bureaucrats" and particularly for Hua as the supreme leader, the most important basis of legitimation for their staying in power was Mao's designation of Hua as his heir in the last year of his life. This situation gave rise to an ideological strategy that continued to uphold late Maoism and the Cultural Revolution discourse and cast the "Gang of Four" as the *betrayers* of this political line. This strategy was at work most evidently in Hua's speech delivered at the 11th Party Congress in 1977. There he claimed that *quashing the "Gang of Four" was a decisive victory achieved by the Cultural Revolution*. Whereas the "first" Cultural Revolution finally ended in this glorious victory, Hua asserted that there would be many more iterations of it in the future, in keeping with

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[93] Teiwes and Sun, *The End of the Maoist Era*, p.62; Jackie Sheehan, *Chinese Workers: A New History*, Routledge, 2002, Chapter 5; Elizabeth J. Perry and Xun Li, *Proletarian Power: Shanghai in the Cultural Revolution*, Westview Press, 1997, pp.191-192; Keith Forster, *Rebellion and Factionalism in a Chinese Province: Zhejiang, 1966-1976*, 1990, M.E. Sharpe, pp.226-227.

[94] Indeed, even five years later in 1982, some workers still remembered dearly this wave of wage raises, expressing thankfulness for Hua Guofeng who had, by that time, been thoroughly marginalized in elite politics. 武汉市档案馆, XX000091-WS04-41-10，武汉市总工会办公室编《工运情况》增刊第十期《职工群众学习十二大文件的思想反映》, 1982 年 9 月 21 日。Wuhan Municipal Archive (WMA), XX000091-WS04-41-10, "Report on Thoughts Expressed by Workers and Masses While Studying the Documents of the 12th Party Congress," *Workers' Movement Bulletin* Special Issue 10, compiled by the Office of the Wuhan Federation of Trade Unions, September 21, 1982.

the late Maoist theory of "continuous revolution". Earlier that year, members of the "Cultural Revolution bureaucrats" also produced an editorial, jointly published in all of the major official mouthpieces (*People's Daily*, *Red Flag*, and *PLA Daily*), which contained the famous line "we will resolutely uphold whatever policy decisions Chairman Mao made, and unswervingly follow whatever instructions Chairman Mao gave"[95]. This line was so famous that Hua's ideological program came to be colloquially referred to as "Two Whatevers", with him and the other "Cultural Revolution bureaucrats" labeled the "whateverists". It is important to note that recent historical works have shown that the actual content of Hua's policy program diverged significantly from Maoist practices[96] and that Hua "carried out *de facto* de-Maoization under Mao's name"[97]. But at the same time, the *ideological-discursive* allegiance to late Maoism on the part of the "whateverists" was unmistakable.

The "whateverist" discourse provided an easy target for the "old revolutionaries" and their allies to launch an ideological offensive at. Their counter-argument insisted that Chinese people should not adhere to whatever instructions Mao gave, and by extension, that many elements of the late Maoist theory – or even the entire late Maoist project – should be critically rethought. In other words, the ideological strategy at work here was one trying to repudiate late Maoism, delegitimizing *both* the "Gang of Four" as its propagators *and* the "whateverists" as its adherents, In contrast, it depicted Deng and the "old revolutionaries" as the undogmatic and open-minded leaders full of democratic spirit. The most famous episode in this series of ideological contestations is by now very well known: in May 1978, Hu Fuming, a philosophy professor at Nanjing University, published in the Central Party School's internal theoretical bulletin a commentary titled "Practice is the Only Criterion of Truth", providing a sharp and barely veiled attack on the doctrine of "Two Whatevers". In a few days, the article was republished in *People's Daily*, *PLA Daily* and many other major newspapers across China. Whereas some "Cultural Revolution bureaucrats" and their affiliates rushed to come up with pointed criticisms of this article, Deng and the other "old revolutionaries" quickly threw their support behind it[98].

However, simply attacking the doctrine of "Two Whatevers" was not enough to fully repudiate late Maoism. More substantive criticisms of late Maoism's core theoretical tenets were needed. Between 1977 and 1980, the "old revolutionaries" – most notably Deng – sponsored a range of efforts to theoretically rebuke late Maoism. In 1977, Yu Guangyuan, a Marxian economist and close associate of Deng between 1975 and 1979, commissioned two writing groups to develop theoretical critiques of two key components of the late Maoist theory. Against

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[95] Based on existing evidence, historians have generally concurred that Hua himself did not directly order the drafting of this editorial, but he definitely acquiesced to its propagation. See 韩钢，《"两个凡是"的由来及其终结》，载于《中共党史研究》2009 年第 11 期，第 54-63 页（Han Gang, 2009, "The Origin and the End of the 'Two Whatevers'," in *CPC History Studies*, Issue 11: 54-63）；《关于华国锋的若干史实》，载于《炎黄春秋》2011 年第 2 期，第 9-18 页（Han Gang, 2011, "Some Historical Facts about Hua Guofeng," *Yanhuang Chunqiu*, Issue 2: 9-18）。

[96] Frederick Teiwes and Warren Sun, 2011, "China's New Economic Policy under Hua Guofeng: Party Consensus and Party Myths," *The China Journal* 66: 1-23.

[97] Hao Li-Ogawa, 2022, "Hua Guofeng and China's Transformation in the Early Years of the Post-Mao era," *Journal of Contemporary East Asia Studies* 11:1, 124-142.

[98] Yang Jisheng, *Political Struggle in China's Era of Reform,* pp.79-93.

the late Maoist assertion that "remuneration according to work" constituted fertile ground to brew new bourgeoisie[99], one writing group was tasked to argue that there was nothing bourgeois about "remuneration according to work". Against the late Maoist crusade against "production-centrism" (that is, the alleged tendency to prioritize the development of productive forces over political goals), the other writing group was tasked to argue that the development of productive forces should play a fundamental role in building socialism[100]. These writing groups produced volumes of treatises to drive these points home, some of which were circulated widely and published in the Party's major mouthpiece *People's Daily*. Yu Guangyuan also convened various conferences to promote these discussions. These efforts, particularly the defense of "remuneration according to work", were blessed with Deng's strong and unambiguous backing[101].

Therefore, as Deng and the other "old revolutionaries" promoted ideological repudiations of late Maoism in order to delegitimize both Mao's radical associates and the "whateverists", they endorsed a quasi-opening in which various theoretical and discursive resources could be activated to render negative verdicts on late Maoism as a theoretical and political project. To clarify, I am not arguing that everyone who participated in these efforts to rebuke late Maoism did so out of an intention to help the "old revolutionaries" consolidate power. Many of these participants were more or less genuine in trying to figure out what was problematic with late Maoism and the Cultural Revolution, critically take stock of the Chinese socialist experience, and envision future directions of reform. Some indeed experienced this quasi-opening as a moment of exhilarating freedom and possibility. I would argue, however, that the condition of possibility for this quasi-opening was rooted in China's elite politics at the time. Amidst this momentary quasi-opening in the immediate post-Mao years, the Yugoslav model of "workers' self-management" accidentally and unexpectedly attracted substantial attention from various intellectual and political circles across China. It served as a useful frame of reference for many to critically rethink Chinese socialism and model reform proposals on. It further went on to become the subject of society-wide fascination. It is this story I now turn to.

The "Craze for Yugoslavia" (*nansilafu re*) in Early Post-Mao China

Yugoslavia was a heterodox outlier in the Eastern European socialist camp. After Tito, Yugoslavia's major leader, fell out with Stalin in 1948, Yugoslavia was kicked out of the Soviet Bloc. Yugoslavia, in return, leveled strong criticisms at the Soviet model of socialism, and vowed to independently build an alternative model. With some twists and turns in the 1950s, Yugoslavia's "socialist self-management" developed into a relatively stable system in the 1960s

[99] See the discussion of Zhang Chunqiao's theoretical work in the introduction.

[100] 冯兰瑞，《改革开放初期理论界的拨乱反正》，载于《领导者》2008 年 4 月号。Feng Lanrui, 2008, "Theoretical Rectification in the Early 'Reform and Opening' Era," in *Leadership* April Issue. 苏绍智，《超越党文化的思想藩篱》，载于《现代中国研究》2007 年第 2 期。Su Shaozhi, 2007, "Beyond the Intellectual Fences of the Party Culture," in *Modern China Studies* Issue 2.

[101] 黄黎，《"按劳分配"正名始末》，载于《北京日报》，2008 年 10 月 13 日。Huang Li, "Reversal of the Verdict on 'Remuneration according to Work'," *Beijing Daily*, October 13, 2008.

and 1970s. The key element in this system was the fact that the bulk of the public enterprises were managed by standing committees elected by workers themselves in the respective enterprises. These management committees held decision-making power over issues of major importance to the enterprises including how to distribute a substantial portion of the profits earned, as well as over the appointment of managerial personnel. There was some similarity to how a co-op is usually run, with the crucial distinction being that a self-managed public enterprise in Yugoslavia was *not owned* by its workers. Even though self-managed public enterprises enjoyed a substantial amount of autonomy from the state bureaucracy, they still operated within broad parameters set by the state. At the same time, robust market mechanisms were introduced to carry out the concrete, everyday coordination between these relatively autonomous enterprises. In sum, the Yugoslav model combined a high degree of participatory democracy within the workplaces and vibrant market mechanisms (at the expense of weakened state planning apparatuses), whereas democracy beyond the workplace remained limited by comparison[102].

For the better part of the Mao era, China's official stance towards Yugoslavia was acrimonious. After Tito's fallout with the USSR in the late 1940s, China followed Stalin to denounce Yugoslavia for betraying the socialist cause and trying to restore capitalism. The Sino-Yugoslavian relationship briefly softened in the mid-1950s following Stalin's death, with the official establishment of diplomatic relations between the two countries in 1955. But Yugoslavia again became a target of China's fierce criticism as China engaged in heated theoretical battles with the post-Stalin USSR in the late 1950s. For most of the 1960s, Chinese critics kept denouncing Yugoslavia as "revisionist" (*xiuzheng zhuyi*) and sham socialist. However, as part of China's broader geopolitical realignment in the early and mid-1970s, Mao started to normalize China's relationship with Yugoslavia towards the very end of his life[103]. This effort continued after Mao's passing. After Tito paid a state visit to China in 1977, China's post-Mao leadership decided to seize the opportunity and make further progress in befriending Yugoslavia.

Therefore, China sent a high-profile delegation to Yugoslavia in March 1978. Headed by Li Yimang, Executive Vice Director of the Party's International Liaison Department, the delegation was tasked to examine (*kaocha*) Yugoslavia's social, economic and political situations in some depth, as a step to prepare for the re-establishment of official liaison between the Chinese Communist Party and the League of Communists of Yugoslavia[104]. The delegation's overall concern was to understand what "the system of socialist self-management" (*shehuizhuyi zizhi zhidu*) – which Yugoslavia argued to be its distinctive model of socialism – exactly was: was it

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[102] Sharon Zukin, *Beyond Marx and Tito: Theory and Practice in Yugoslav Socialism*, Cambridge University Press, 1975; Dennison Rusinow, *The Yugoslav Experiment: 1948-1974*, University of California Press, 1978; Ellen Comisso, *Workers' Control Under Plan and Market*; Pat Devine, *Democracy and Economic Planning*, Polity Press, [1988]2010; Wlodzimierz Brus and Kazimierz Laski, *From Marx to the Market*; Susan L. Woodward, *Socialist Unemployment.*

[103] 项佐涛、向康祺，《中南关系正常化的过程——基于南斯拉夫解密档案的分析》，载于《国际政治研究》2021 年第 2 期第 118-133 页。Xiang Zuotao and Xiang Kangqi, 2021, "The Process of the Normalization of the Sino-Yugoslavian Relationship: Analysis based on Declassified Yugoslavian Archives," *Research on International Politics* Issue 2: 118-133.

[104] 吴兴堂，《李一氓：新时期对外政策"两个转变"的推手》，载于《中国新闻周刊》，2015 年 4 月 22 日。Wu Xingtang, "Li Yimang: The Hand behind the 'Two Transformations' in the New-Era Foreign Policy", *China Newsweek*, April 22, 2015.

socialist? Was it revisionist? Su Shaozhi, a member of the delegation, later recalled that the delegation was particularly interested in making sense of workers' self-management (*gongren zizhi*), the central pillar of the Yugoslav model[105].

Yu Guangyuan, a close associate of Deng at the time and a key figure in many of the intellectual battles against late Maoism as we have seen, was one of the two vice-chairs of the delegation. His personal report after the three-week tour described, in quite vivid details, how the institutions of workers' self-management functioned to ensure shopfloor democracy and workers' masterly status (*dangjia zuozhu*) in their workplaces: e.g. how workers' councils decided on the appointments of factory directors, the specific division of powers and responsibilities between workers' management councils and the managerial staff, how workers' income was determined, and institutional procedures to deal with factory directors' managerial despotism.[106] He further marveled at how a strong sense of democracy went even beyond the shopfloor to permeate other spheres of social and economic life, including how Belgrade's urban development plan was democratically devised[107]. A deep sense of excitement about something new and different ran through Yu Guangyuan's report: "I think the Yugoslav practices seem very idealistic, and I'm not sure how much the actual practice approaches the ideal. But I find their ideas to be indeed very attractive."[108]

Yu Guangyuan's concentration on the democratic aspects of the Yugoslav model was likely motivated by a broader intellectual concern of his at this historical moment. In the last few years of the Cultural Revolution decade, Yu embarked on a keen study of Lenin's theory of the dictatorship of the proletariat and the withering away of the state. This intellectual endeavor led to his conclusion that an important part of where the Cultural Revolution went wrong was embodied by what Yu saw as late Maoism's theoretical misunderstanding of the concept of "the dictatorship of the proletariat". He contended that the late Maoist misunderstanding glossed over the emphasis on democracy in Lenin's formulations of the concept[109]. For Yu, late Maoism in particular and Mao-era socialism in general had a major democratic deficit, and continuous democratization towards "the withering away of the state" should be a focus of future reform[110]. This concern even led Yu to present at the January 1979 Theoretical Work Conference – one of the most influential intellectual events in the early post-Mao years – a long treatise (in the form

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[105] Su Shaozhi, "Beyond the Intellectual Fences of the Party Culture".

[106] 于光远，《我从南斯拉夫访问归来》(1978)，载于《于光远改革论集》，中国发展出版社，2008。Yu Guangyuan, 1978, "After the Visit to Yugoslavia", in *Yu Guangyuan on Reform*, China Development Press, 2008.

[107] Of course, the reality of how workers' self-management was actually practiced in Yugoslavia was not as rosy as what Yu observed here. See Sharon Zukin, *Beyond Marx and Tito*; Susan L. Woodward, *Socialist Unemployment*; and Pat Devine, *Democracy and Economic Planning*. However, the Chinese perception of the Yugoslav experience was in itself highly significant. And the gap between this perception and the reality opens up interesting avenue for further analysis and research in comparative political economy.

[108] Yu, "After the Visit to Yugoslavia".

[109] 于光远，《文革中的我》，广东人民出版社，2011 年。Yu Guangyuan, *Me in the Cultural Revolution*, Guangdong Peoples' Press, 2011. In 1975, Yu had a particular interest in Lenin's treatise *State and Revolution*, according to a student and assistant of his (conversation on October 14, 2021).

[110] 于光远，《1978：我亲历的那次历史大转折》，中央编译出版社，1998 年。Yu Guangyuan, *1978: The Historical Turning Point that I Experienced*, Central Compilation and Translation Press, 1998.

of a series "notes") on the issue of the withering away of the state. The central questions he posed in this treatise were: how did it come about that, contrary to the Marxist theoretical proposition that the state should be gradually withering away under the dictatorship of the proletariat, Chinese socialism saw the dramatic strengthening and expansion of the state apparatus? When would the state actually begin to wither away?[111] Yu's treatise was so politically subversive that even Deng Xiaoping, his political patron, found it to be unacceptable and ordered all copies of it being circulated at the Conference to be confiscated[112]. It is not hard to see how Yugoslavia's "socialist self-management" spoke powerfully to Yu's concern with democratization under the dictatorship of the proletariat and the withering away of the state. This connection likely fostered the enthusiasm with which Yu recounted his observations in Yugoslavia.

As an avid theoretician, Yu was particularly curious about the theoretical underpinning of workers' self-management. His report noted that the delegation's Yugoslavian interlocutors offered a peculiar and confusing theory of socialist ownership:

> "The Yugoslavians said their ownership scheme was neither state ownership nor collective ownership. They called it 'social ownership'. But even after hearing their descriptions several times and asking several questions, we still haven't exactly understood what 'social ownership' as they called it means. Because literally, 'social ownership' means public ownership. If it is a different type of public ownership than state or collective ownership, they should have explained what kind of public ownership it is exactly. That point has not got across. But based on what they described, we could see that this kind of ownership is indeed distinct, different from both state and collective ownership as we know them."[113]

As Yu pointed out, this failure on the Chinese delegation's part to understand what "social ownership" really meant revealed how different the Yugoslav conception was from the conventional understandings of public ownership to which the Chinese were accustomed. As already discussed in the Introduction, Chinese socialism from the mid-1950s onwards largely collapsed public ownership – both the "ownership by the entire people" and "collective ownership" – into state ownership. But it was exactly this conflation between public ownership and state ownership that the Yugoslav theory and practice sought to rethink.

In Yu's account, the Chinese could understand why "social ownership" was *not* state or collective ownership but could not comprehend what it was. In other words, it was relatively straightforward to see that workers in self-managed enterprises did not nominally "own" these enterprises (thus "social ownership" was not "collective ownership"), and that these quite autonomous enterprises were not property of the state in any direct sense (thus "social ownership was not "state ownership"). But it was much more difficult to see how these self-managed enterprises belonged to "society", and how "society" was supposed to exercise ownership

[111] 张显扬，《四项基本原则的由来》，载于《爱思想》，2013 年 9 月 5 日。Zhang Xianyang, "The Origins of the Four Cardinal Principles", *Aisixiang*, September 5, 2013.

[112] For this reason, I do not have a copy of Yu's treatise.

[113] Yu, "After the Visit to Yugoslavia".

powers over them. This failure at understanding both demonstrated the cognitive dissonance between the Yugoslavian and Chinese actors *and* pointed to the very ambiguities in the Yugoslav theory itself. Nevertheless, the very fact that Yu went to such length to document this challenging moment showed that he did believe the Yugoslav theory and practice should be taken very seriously and further efforts should be made to understand them. It is this sense of *both* confusion *and* excitement at something drastically different that captured the initial moment of "real" encounter between Chinese actors and the Yugoslav experience.

In May, a couple of months after the delegation returned to China, Li Yimang, the chair of the delegation, and Qiao Shi, the other vice-chair of the delegation alongside Yu Guangyuan, briefed the Party's International Liaison Department on the main findings from the tour. Along with foreign debt, workers' self-management and social ownership were among the three issues the report-back focused on[114]. On workers' self-management Qiao Shi said:

> "Yugoslavia has promoted workers' self-management since 1950. In the past we saw it as revisionist and opposed to the party's leadership. But looking at it now, even though we still don't completely agree with the practice of workers' self-management, it should be respected and we should not interfere[115]. The Yugoslavians also provided theoretical justifications for it. They argued that workers' self-management is a manifestation of grassroots democracy, something articulated by Marx himself."[116]

On social ownership, Qiao said:

> "In the past we criticized Yugoslavia for abandoning state ownership and taking a capitalistic road. But this time the Yugoslavian comrades told us that they think that the Soviet-style over-centralized system of economic management should be reformed, and that state ownership should be reformed into social ownership. The Yugoslavian comrades also said that Marx only did talk about social ownership and never about state ownership. Even though we don't completely agree with their propositions, we should be open to their exploration."[117]

Correspondingly, the official report[118] submitted by the delegation to the Party leadership also advanced these arguments and concluded that "Yugoslavia has both held onto Marxism and started from domestic realities, ending up on a path to independently build socialism, centered on socialist self-management."[119]

In other words, contrary to previous Chinese denunciations that the Yugoslav practice constituted revisionist attempts to restore capitalism, the delegation argued that the Yugoslav model was unquestionably a variety of socialism, rooted in legitimate understandings of Marxism, and should be "respected" despite remaining disagreements. Also, by repeatedly

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[114] 吴兴堂，《深情思念忆乔石》，载于《当代世界》2015 年第 7 期。Wu Xingtang, 2015. "Remembering Qiao Shi with Deep Affection", *Contemporary World*, Issue 7.

[115] The word "interfere" (*ganshe*), given the context and the undertone, should be taken to mean "criticize" or "denounce".

[116] Wu, "Remembering Qiao Shi with Deep Affection".

[117] Ibid.

[118] This official report of the delegation was different from Yu Guangyuan's personal report discussed above.

[119] Wu Xingtang, "Remembering Qiao Shi with Deep Affection" and "Li Yimang: The Hand behind the 'Two Transformations' in the New-Era Foreign Policy".

paraphrasing the Yugoslavians' own justifications for their model of socialism, the delegation also intimated a willingness to understand the Yugoslav model on its own terms. This sentiment was also echoed by Geng Biao, the Vice Premier in charge of foreign affairs. He argued publicly in April 1978 that "if we insist on our own criteria to demand that truly socialist countries shall not show any trait of 'revisionism', then China would be the only country in the world that qualifies as socialist and no others. Can we use the Chinese ruler to measure all others? We cannot……Thus some institutions cannot be evaluated using our standards."[120] These affirmative assessments were of course motivated by China's overarching diplomatic and geopolitical agenda to befriend Yugoslavia. After all, justifying official liaison (which was established in June 1978) between the Chinese and Yugoslavian communist parties necessarily required public acknowledgement that the Yugoslavian communists were not capitalist roaders. But at the same time, these high-level official pronouncements both legitimated and inspired closer intellectual engagement with and popular interest in the Yugoslav model of socialism. A much more hospitable political environment emerged in which the Yugoslav theory and practice could be openly reported, discussed and researched.

A fervent love affair was soon ignited. In the summer of 1978, leaders of the March delegation to Yugoslavia presented its official report at the State Council's Theoretical Conference. According to Yu Guangyuan, the report received "a vast amount of attention" (*shoudao henda zhongshi*) at the conference, with most attendees agreeing with the report's conclusion[121]. When another Theoretical Work Conference was convened by the Party leadership in January 1979[122], the discussion there concluded that Yugoslavia's breaking away from Soviet-style socialism and its exploration of socialist self-management was "invaluable" (*nannengkegui*)[123]. Meanwhile, articles introducing various aspects of the Yugoslav model and translations of Yugoslav materials blossomed in both Party mouthpieces and academic journals. Historian Gail Hershatter, for example, recalled that when she stayed in Tianjin as an exchange scholar in 1979, materials on Yugoslavia were "all over the newspapers"[124].

A fascination with the Yugoslav model rapidly grew in many intellectual circles, with Yu

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[120] 孔祥琇、赵秀松，《耿飚恢复和重建党的对外联络工作纪实》，载于《湘潮》2009 年第 8 期。Kong Xiangxiu and Zhao Xiusong, 2009, "Records of Geng Biao's Efforts to Restore and Rebuild the Party's International Liaison Work", *Xiang Tides* Issue 8.

[121] 于光远，《三中全会和国务院务虚会》，载于《上海综合经济》，1998 年第 11 期。Yu Guangyuan, 1998, "The Third Plenum and the State Council's Theoretical Conference", *Shanghai Economic Summary*, Issue 11. In this recollection Yu also mentioned that the report by the delegation to five Western European countries, headed by Vice Premier Gu Mu, also "received some attention" at the conference. Yu's account seems to suggest that the Yugoslavian report was a higher priority and drew more attention than the Western European one. In today's conventional narratives, however, Gu Mu's delegation to Western Europe is usually depicted as one of the most significant events that kick-started China's "Reform and Opening", whereas the delegation to Yugoslavia is rarely mentioned. This sense of import in hindsight likely diverges from how the significance of the two delegations was perceived by the historical actors themselves at the time.

[122] This was the conference where Yu Guangyuan presented his subversive treatise on the withering away of the state, as discussed earlier.

[123] Zhang Xianyang, "The Origins of the Four Cardinal Principles".

[124] Gail Hershatter's remark on a previous draft of this dissertation chapter, presented at the UC Graduate Student Workshop on the History of China's Reform and Opening, June 2022.

Guangyuan playing a key role in many of them. In May 1978, a prominent Chinese journal *World Economics* hosted an intellectual conference on the Yugoslav economy, which drew more than 230 participants from Party and government agencies, the Chinese Academy of the Social Sciences, the Central Party School, multiple universities and news organizations, headlined by such leading theoreticians and social scientists as Yu Guangyuan, Chen Hansheng and Huan Xiang[125]. A couple of months later, a Research Institute on the Yugoslav Economy was formed under Yu Guangyuan's initiative. Within a month, the Institute produced a short pamphlet on the basics of the Yugoslav economy "in response to urgent demand from society", and continued to author and translate a series of manuals and handbooks on the topic over the next couple of years[126]. Such materials were particularly welcomed by the young generation and those who just entered college. Lei Yi, who later became a prominent historian in China, recounted that "from wall posters at our college to pamphlets and zines produced by young people, the 'Yugoslav theory' was everywhere. After entering college in the fall of 1978, my classmates and I, who had been working in factories[127], craved for those materials and sucked in whatever we could find at the libraries."[128]

At the same time, Yugoslavia became one of the most popular destinations for Chinese visitors. In 1978 and 1979, more than thirty Chinese delegations visited Yugoslavia. Among them was a state visit in August 1978 headed by the supreme leader Hua Guofeng, with the escort also including the future Premier Zhao Ziyang (who was then the Party secretary of Sichuan Province; more on him below)[129]. Another of these delegations, comprised of economists at the Chinese Academy of the Social Sciences, left in November that year and went on a two-month tour in Yugoslavia[130].

This "craze for Yugoslavia" reached a climax when the Research Institute on the Yugoslav Economy – a brainchild of Yu Guangyuan's, as already mentioned – published in May 1980 a translated collection of writings by Edvard Kardelj, one of the main intellectual architects of Yugoslav socialist self-management, titled *Contradictions of Public Ownership in Contemporary Socialist Practices*. This foundational theoretical treatise was a full elaboration on the intellectual rationale behind the Yugoslav model of socialism, articulating the pitfalls and perils of "public

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[125] 雷颐，《改革初期的思想历程》，载于《经济观察网》，2012 年 7 月 3 日。Lei Yi, "The Intellectual Trajectory in the Early Reform Era", *Economic Observer*, July 3, 2012.

[126] 江春泽，《探索社会主义市场经济的思想历程》，载于《见证重大改革决策：改革亲历者口述史》，社会科学文献出版社，2018. Jiang Chunze, "The Intellectual Trajectory to Explore Socialist Market Economy", in *Witnessing Significant Reform Decision-Making: Oral Histories of Reform Participants*, Social Sciences Academic Press, 2018.

[127] Because the system of higher education and admissions into it were disrupted and then radically restructured between 1966 and 1976, many graduates of junior high or high school ended up spending an extensive amount of time laboring as factory workers or rural commune members. The system of regular university entrance exams was reestablished in 1977. For more details on the restructuring of higher education in the Cultural Revolution decade, see Joel Andreas, *The Rise of Red Engineers: The Cultural Revolution and the Origins of China's New Class*, Stanford University Press, 2009.

[128] Lei Yi, "The Intellectual Trajectory in the Early Reform Era".

[129] 朱良，《铁托与华国锋互访：改革开放初期重要外事活动》，载于《炎黄春秋》，2008 年第 8 期。Zhu Liang, 2008, "The Mutual Visits Between Tito and Hua Guofeng: A Significant Diplomatic Event in the Early Reform Era", *Yanhuang Chunqiu*, Issue 8.

[130] Lei Yi, "The Intellectual Trajectory in the Early Reform Era".

ownership" as practiced in traditional Soviet-style socialist economies. The work developed an alternative, distinctly Yugoslav conception of "social ownership". The publication of this volume was remembered by many as a highly significant intellectual event in its own right[131]. The impact was deeply and widely felt. For example, Lei Yi, still a college student at the time, recounted that upon the volume's publication, "I read it carefully, word by word, a number of times and took a copious amount of reading notes."[132] He recalled how the Yugoslav theory and practice helped many young intellectuals like him rethink what "public ownership" could and should mean:

> "Many classmates of mine [in college] came from factories, including a handful of them who had been workshop heads, factory directors or factory Party secretaries. They had personal experiences with the flaws of 'state enterprises' – more often called 'ownership by the entire people' then – including low efficiency. But the more baffling question for us was: is this really 'ownership by the entire people'? What exactly is ownership by the entire people? Other than the Stalinist model, are there other possible forms of ownership by the entire people? The Yugoslav theory, which was introduced to China at the time and which since the 1950s had been providing deep theoretical discussion and analysis of the Stalinist model of 'ownership by the entire people', directly supplied us with intellectual resources."[133]

What Lei referred to as the "Stalinist model" here was a conventional mode of public ownership that equated "ownership by the entire people" with "state ownership"[134]. This equation had indeed been a core feature of China's socialist political economy in the preceding decades. At this historical moment when many facets of Chinese socialism were being rethought, Lei Yi and his classmates were grappling with the question of what exactly it should mean for an enterprise to be owned by the entire people. Conversely, what exactly should it mean for the "entire people" to be owning something together? Must "ownership by the entire people" always be operationalized as *de facto* state ownership, or could there be alternative arrangements? The Yugoslav theory and practice of workers' self-management and "social ownership" became a critical source of inspiration for these young thinkers' intellectual exploration along these lines.

So far, we have seen how the fascination with the Yugoslav model unfolded in the intellectual sphere – from leading intellectuals who had the ear of the top politicians to young students still in college, and many intellectual circles in between. However, it is important to note that the fascination with the Yugoslav model was by no means only an intellectual affair. It reached many grassroots corners of Chinese society. The next chapter will discuss in detail what impact the Yugoslav model of socialism, together with the policy experiments it inspired in China, had on Chinese workers. For now, I would like to zoom in on one channel through which the "Yugoslav inspiration" could potentially reach rank-and-file workers: how China's official

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[131] Conversation with a student and assistant of Yu Guangyuan's, conducted on October 14, 2021.

[132] Lei Yi, "The Intellectual Trajectory in the Early Reform Era".

[133] Ibid.

[134] Analytically, however, the equation of public ownership with state ownership was generic to state socialism, not a distinctly "Stalinist" phenomenon. I thank Cihan Tugal for helping me clarify this point.

trade union system, the ACFTU, also had intense engagement with its Yugoslavian counterpart in these early post-Mao years.

After a Yugoslavian trade union delegation visited China in November 1977, the ACFTU sent two delegations to visit Yugoslavia in November 1978 and May 1979, respectively, both of which were headed by an ACFTU Vice President. On the ACFTU's invitation, a council member of the Confederation of Trade Unions of Yugoslavia[135] toured China for two weeks in late October and early November 1979 to give lectures about socialist self-management and union work in Yugoslavia. Three lectures were arranged in Beijing. Two of them, with about 800 attendees each, introduced to Chinese union cadres Yugoslavia's socialist self-management and the role of the unions in it. The other lecture, arranged at the Central Party School, introduced the role of the League of Communists in socialist self-management to 200 faculty members at the School[136].

Outside of Beijing, three lectures were also organized in Nanjing, Shanghai and Chengdu, each of which drew between 600 and 1,500 attendees, most of whom were union cadres and activists[137]. These lectures were received enthusiastically. In Nanjing, some attendees handed in requests to extend the time of the lecture, and many asked for the transcript and the recording of the lecture the day after, planning to broadcast it in their factories[138]. In Shanghai, the attendees handed in almost a hundred questions during the Q&A section after the lecture[139]. The questions received across the six lectures ranged from theoretical ones such as what the difference between state ownership and the Yugoslav social ownership was and the relationship between planning and the market in the Yugoslav economy, to highly practical ones such as the role of Yugoslavian unions in the distribution of housing and how disputes between unions and factory directors were resolved[140].

Prevalent among the ACFTU cadres was an enthused appreciation of the Yugoslav model's emphasis on workers' democracy. After the Yugoslavian lecturer's 1979 tour, the International Department of the ACFTU reported that "according to preliminary feedback gathered thus far, attendees of the lectures are most interested in four aspects of the Yugoslav experience, which they think are worth learning and borrowing from." Among these four major lessons, the very first was that "workers are indeed masters in Yugoslavia, as they hold decision-making power on major issues in their enterprises. Their spirit of democratic deliberation is good. Whatever they

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[135] The Chinese transliteration of this person's name is 安蒂-布迪米尔. I haven't been able to locate how this name is spelled in English.

[136] 上海市档案馆，C1-4-205-16，中华全国总工会国际部《接待南斯拉夫工会报告员计划》。Shanghai Municipal Archive (SMA), C1-4-205-16, The International Department of the ACFTU, "Plan to Receive the Yugoslavian Union Lecturer".

[137] 上海市档案馆，C1-4-205-30，中华全国总工会国际部《外事情况简报》。Shanghai Municipal Archive (SMA), C1-4-205-30, The International Department of the ACFTU, "Brief on Foreign Affairs".

[138] Ibid.

[139] 上海市档案馆，C1-4-205-25，上海市总工会国际联络部《外事情况简报》。Shanghai Municipal Archive (SMA), C1-4-205-25, The International Liaison Department of the Shanghai Municipal Federation of Trade Unions, "Brief on Foreign Affairs".

[140] SMA C1-4-205-25; SMA C1-4-205-30.

do, they do it through mass discussion and bottom-up aggregation, with mutual institutional checks to prevent bureaucratism".[141] However, there were also some union cadres who, though concurring that the Yugoslav experience was indeed admirable, felt that the gap in the practical circumstances between Yugoslavia and China was so vast as to render the lesson unapplicable. For them, workers' autonomy and the power of unions had been so tamed over the Mao decades that there was no foundation on which to build vibrant workplace democracy[142].

Tolerating the "Craze for Yugoslavia"

In 1978, the "old revolutionaries" among the Party's top echelon – particularly Deng Xiaoping – publicly signaled tolerance and even encouragement of this widespread fascination with the Yugoslav model. For sure, part of what motivated such a public gesture was the ongoing diplomatic rapprochement between the two countries. But I would also argue that this tolerance was equally motivated by something else: seeking to marginalize the "whateverists" headed by Hua Guofeng, Deng was trying to build up his own image as an open-minded, democratically spirited and reform-seeking leader. In September 1978, Deng embarked on a tour in Northeast China, during which he gave a series of speeches and public remarks. These speeches and remarks paved the way for the most well-known speech he ended up giving a couple of months later, in which he urged Chinese people to "liberate the mind and seek truth from facts" (*jiefang sixiang, shishi qiushi*), and which definitively laid out his political program in opposition to late Maoism[143]. When Deng met with cadres in Changchun on September 16 during his Northeast China tour, he gave a pointed speech, with the overall message being a relentless attack on "Two Whatevers". The speech included the following passage:

> "We need to start from the reality and seek truth from facts. Even a small enterprise or a production team should all be democratically managed. Look at how enterprises are managed in Yugoslavia – we can't completely imitate, of course – there the managers are elected by workers; if the management does not return good results in a year, it will be reshuffled. Why aren't our production teams run democratically?"[144]

Even though Deng insisted that China "can't completely imitate" Yugoslavia, he looked to the Yugoslav model of workers' self-management – more specifically, workers' power to elect factory managers – favorably, because such an exercise of democracy was understood to be consistent with the principle of "seeking truth from facts": "if the management does not return good results in a year, it will be reshuffled". In other words, Deng gave a public nod to the

[141] SMA C1-4-205-30.

[142] Ibid.

[143] Yu Guangyuan, *1978: The Historical Turning Point that I Experienced*.

[144] 于光远，《我忆邓小平》，浙江人民出版社，2018，第 195 页。Yu Guangyuan, *Deng Xiaoping in My Memory*, Zhejiang People's Press, 2018, p.195. Interestingly, this passage mentioning Yugoslavia disappeared from the version of the same speech published in the official *Selected Works of Deng Xiaoping (1975-1982)* that came out in 1983. My assessment is that Yu Guangyuan's version is credible. I consulted with a student and assistant of Yu's (conversation on October 14, 2021), who told me that Yu's recollection was based on notes taken first-hand at the time, and that Yu was a very meticulous person. I will leave it to the reader to speculate why this passage was left out of the officially published version.

Yugoslav model, which he rhetorically framed as a useful element in his repudiation of "Two Whatevers" and the rigid adherence to late Maoism.

In November that year, Deng was interviewed by American journalist Robert Novak. Novak specifically asked Deng whether China would adopt the Yugoslav model of workers' self-management, to which Deng replied:

> "There are many differences between countries. Each country has its own characteristics and institutions for development. Of course, we need to study their experience, but we cannot mechanically absorb it. We must make decisions based on our own conditions. The fundamental point is to admit that we are lagging behind and that many of our current methods are wrong and need to be reformed. We need to acknowledge this and find appropriate approaches."[145]

On the one hand, Deng argued that China could not "mechanically absorb" the Yugoslav model of socialism. On the other hand, he contended that the Yugoslav experience should be studied and some of its useful lessons should be learned "based on our own conditions". In essence, Deng was championing open-mindedness. For Deng, this open-mindedness was important exactly because China was "lagging behind and that many of our current methods are wrong and need to be reformed." Deng did not appear to embrace the Yugoslav model in an enthusiastic manner. But he again gave a partial and qualified endorsement to the ongoing fascination with the Yugoslav model, packaged in an overall discourse stressing the need to reform many flaws of the socialist system that China had inherited from the late Mao era.

Interestingly, it was Hua Guofeng who explicitly raised sobering concerns with the Yugoslav model, upon his return from the state visit in August 1978. According to a member of Hua's escort, several aspects of the Yugoslav model left a deep impression on Hua. Among them, the very first that Hua commented on when sharing his thoughts with the escort was the following:

> "Yugoslavia's foundational system of 'workers' self-management' has a good side. It promotes democracy and mobilizes the initiative of localities and grassroots workers. But on the other hand, the republics have too much power, dispersing the authority of the federal center. There would be no problems when Tito's personal authority is still strong, but if this authority is weakened, something might happen."[146]

In a sense, Hua was prescient: ethnic tensions between Yugoslavian republics quickly amplified and exploded after Tito passed, eventually resulting in immense tragedies. For our analytical purpose, however, what is noteworthy is how the subtle differences between Deng Xiaoping's and Hua Guofeng's attitudes towards the Yugoslav model were conditioned by their positions in the elite power struggle. Whereas Deng acknowledged that nothing about the Yugoslav model should be directly imitated, he nevertheless repeatedly mentioned the Yugoslav model in a positive tone, as something the Chinese should be studying when trying to "seek truth from

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[145] 《邓小平年谱（1975-1997）》第 438 页，中央文献出版社，2004 年。*Chronology of Deng Xiaoping (1975-1997)*, p.438, Beijing: Central Literature Press, 2004.

[146] Zhu Liang, "The Mutual Visits Between Tito and Hua Guofeng: A Significant Diplomatic Event in the Early Reform Era".

facts". In contrast, it was precisely a troubling aspect of the Yugoslav model – excessive decentralization – that Hua paid particular attention to and openly stressed.

To sum up, even though Deng Xiaoping did not proactively engage in "learning from Yugoslavia", his publicly signaled tolerance and partial endorsement created the political condition for the "craze for Yugoslavia" to take off. Deng's own ideological and discursive work incorporated an openness to learning from Yugoslavia into his overall emphasis on refuting the doctrine of "Two Whatevers", diagnosing the problems with late Maoism, and charting reform paths. In a sense, therefore, the "craze for Yugoslavia" precariously hinged upon the particular landscape of power struggle in China's elite politics in the late 1970s.

Zhao Ziyang's Yugoslav-Style Policy Experiments

In February 1980, Zhao Ziyang debuted in Beijing and embarked on a tenure in the central Party-state that would transform him to be one of the most influential Chinese politicians of the 1980s. Promoted from a provincial leadership post in Sichuan, Zhao was now expected to be the chief overseer of China's economic affairs[147]. This was one of the many moves that the "old revolutionaries" and their associates were making to marginalize Hua Guofeng, who had to hand over the post of the Premier to Zhao Ziyang in September that year[148]. However, in 1980 Zhao's own foundation of power was shaky. Having no prior experience working in the central Party-state, Zhao was entirely a "newcomer" and lacked a concrete basis to establish his authority. The ultimate decision-making power on policy issues was in the hands of the "old revolutionaries" such as Deng Xiaoping, Chen Yun and Li Xiannian. Key economic agencies in the central government – particularly the Planning Commission and the Ministry of Finance – that were supposed to answer to Zhao acted as "independent kingdoms" and had their own ways of circumventing Zhao's authority. As an informant with first-hand knowledge of the internal workings of economic policymaking in this period told me, "during the first couple of years of Zhao's tenure [in the central government], Zhao could not get a hold of those key governmental organs" that were under the sway of other leading bureaucrats who had been accumulating authority in those organs for a long time, such as Vice Premiers Yu Qiuli and Kang Shi'en[149]. In addition, other politicians who supposedly had little to do with economic policymaking, such as Hu Yaobang whose main responsibilities were over the Party's organizational work, also interfered occasionally[150].

A partial outsider occupying a relatively marginalized position in the field of power in the central Party-state, Zhao struggled to establish his own voice and command over economic policymaking. It was in this political context that Zhao turned to pay close attention to the

[147] His initial appointment in Beijing was Vice Premier, as well as the Director of the Party's Central Leadership Group on Economic and Financial Affairs. He was soon promoted to Premier, in September 1980.

[148] By the time Hua stepped down as Premier, he continued to hold the positions of the Party Chairman and the Chair of the Central Military Commission. More moves had to be made to thoroughly marginalize Hua over the last few months of 1980.

[149] Conversation with a student and assistant of Yu Guangyuan's, conducted on October 14, 2021.

[150] 赵紫阳，《改革历程》，新世纪出版社，2009，第三部分第五章。Zhao Ziyang, *Prisoner of the State: The Secret Journal of Zhao Ziyang*, Simon and Schuster, 2009, Chapter 5 in Part 3.

emerging intellectual trends among academic economists. In doing so, he tried to both gain new policy ideas as part of his effort to establish his distinct programmatic voice and build his authority based on intellectual competency in economics. According to the aforementioned informant, "when he started out Zhao didn't really have much policy agenda of his own"[151]. Instead, he observed and absorbed what was trendy in the economist circles. In fact, the close contact Zhao maintained with various groups of academic economists and the extent to which he listened to their input were a distinguishing feature of Zhao's tenure throughout the 1980s and have been well remarked upon by scholars[152]. The aforementioned informant shared with me a colorful and revealing anecdote: "one day, Zhao handed Tian Jiyun[153] a doctoral thesis written by an economics PhD and asked him to read it closely. He then said to Tian: 'but after all how could you be able to comprehend it, it was written by a PhD!'" [154] Apparently, Zhao took great pride in the fact that he himself seemed uniquely capable of comprehending an economics PhD thesis.

As Zhao followed the intellectual trends in Beijing's economist circles in 1980, he could not fail to take note of many economists' obsession with studying the Yugoslav model's theory and practice. The fact that he had accompanied Hua Guofeng on his state visit to Yugoslavia in September 1978 (when Zhao was still the first Party secretary of Sichuan Province) must have further disposed him to devote attention to the ongoing fascination with the Yugoslav model. The influence of the Yugoslav model on Zhao Ziyang's thinking, particularly regarding how to reform China's industrial enterprises, was on full display when Zhao visited some enterprises[155] in Shenyang on August 11, 1980. There Zhao said:

> "As the autonomy of enterprises was enlarged, the issue of workers' masterly status must be solved. Fundamentally, the enlargement of enterprise autonomy should not be understood as the delegation of managerial power to factory directors, but rather to workers in the factories. Thus, the problems of democratic management, of workers' masterly status, shall be researched thoroughly. It should be researched whether the Staff and Workers' Congresses (SWCs) should have standing committees, and what issues should go to the SWCs as opposed to the factory directors. As of now, it looks like the highly centralized way to manage those enterprises under ownership by the entire people does not make workers feel like they are masters. Workers in enterprises under collective ownership are more likely to feel that the enterprises are their own, but workers in enterprises owned by the entire people feel like employed wage laborers. This fundamentally hurts their initiative. Once enterprise autonomy is enlarged, workers' masterly status must be made clear, which, as Marx and Engels said, means that workers, as masters of their factories and the means of production, could participate in the

[151] Conversation with a student and assistant of Yu Guangyuan's, conducted on October 14, 2021.
[152] See, for example, Julian Girwitz, *Unlikely Partners*; Isabella Weber, *How China Escaped Shock Therapy*.
[153] Tian Jiyun was for much of the 1980s one of the Vice Premiers and one of the closest associates of Zhao in the realm of economic policymaking.
[154] Conversation with a student and assistant of Yu Guangyuan's, conducted on October 14, 2021.
[155] Zhao paid a visit to these enterprises because these enterprises had been granted increased managerial autonomy from the Party-state.

> distribution of surplus products……Chairman Mao's thought on democratic management was correct, but since factories had very little autonomy in the past, such thought was not actually implemented. Workers have had no power on issues like long-term construction plans and the distribution of funds in their factories. This perhaps is an important factor that has long been suppressing workers' initiative and negatively affecting how much workers actually care about their factories. We must see that the enlargement of enterprise autonomy is fundamentally about enlarging workers' masterly power, so that workers are unified with the means of production and empowered to participate in the distribution of surplus products, including supervision over cadres. *On the question of the status of the working class in enterprises, Yugoslavia has made breakthrough advances both in theory and in practice*. Of course, we don't necessarily have to use the concrete forms they adopted."[156]

Two things were worth noting in this long quote. First, the vision Zhao articulated here on how to reform China's public enterprises was one that would *both* make enterprises more autonomous from the Party-state *and* empower workers in enterprises' internal decision-making. In the past, according to Zhao, the management of public enterprises – particularly those under "ownership by the entire people" – was too "highly centralized". Enterprises "had very little autonomy", having to follow the Party-state agencies' detailed instructions on what to do. The resultant constraint on shopfloor democracy, Zhao contended, made workers feel "like employed wage laborers". Zhao therefore advocated the empowerment of workers within enterprises regarding such major issues as "long-term construction plans and the distribution of funds". Only such a combination of the enlargement of enterprises' managerial autonomy and the empowerment of workers in enterprises' internal decision-making could ensure that "workers are unified with the means of production and empowered to participate in the distribution of surplus products". Second, Zhao specifically connected this line of thinking to "breakthrough advances" made by the Yugoslavians, acknowledging rather directly where his intellectual inspiration came from.

In mid-September that year, Zhao made similar remarks again at the Provincial Party Secretaries Conference. In his speech, Zhao doubled down on advocating the empowerment of the shopfloor within a framework of enhanced enterprise autonomy, albeit in even more conceptually sophisticated language:

> "In the past, state-managed enterprises (*guoying qiye*) actually turned ownership by the entire people into state ownership. In those enterprises under state ownership, factory directors hold all the power and workers are treated like wage laborers and rendered uninterested in the enterprises' fortune, management and long-term development. This fundamentally hurts workers' initiative. According to Marxist theory, workers are the masters of their factory and of the means of production. They are entitled to participate

[156] 赵紫阳《用改革的思路解决扩大企业自主权的有关问题》，1980 年 8 月 11 日，载于《赵紫阳文集（第一卷）》，第 61-67 页。Zhao Ziyang, "Using the Reform-oriented Approach to Address the Issues Related to Enlarging Enterprise Autonomy", August 11, 1980, in *Collected Works of Zhao Ziyang (Volume 1)*, pp.61-67. Emphasis added.

> not only in the management of enterprises but also in the distribution of labor surplus. But right now, in publicly owned – state owned, in fact – enterprises, workers have little or no power in managing their enterprises or distributing surplus, which does not reflect their masterly status. Workers have said: how can we be masters when we can't decide things? Therefore, the essential point of enlarging enterprise autonomy is to solve the issue of workers' status within enterprises."[157]

Here, Zhao made an essential conceptual distinction between "state ownership" and "ownership by the entire people" as it ought to be. In the former, the Party-state – represented by its appointed factory managers – acted as despotically as a capitalistic employer, leaving the wage labor relation largely intact. In the latter, workers would be given a substantial amount of power to themselves manage not only the *production process* but also *the distribution of surplus*. Whereas China had claimed in the past to practice the latter, the kind of public ownership actually practiced was the former, according to Zhao. The distinction between these two models of public ownership, as Zhao implied here, is also the one between a socialism that fails to abolish wage labor and thus is essentially no different from capitalism, versus a socialism that faithfully adheres to "Marxist theory".

Two crucial observations could be made about Zhao's pronouncements. First, the conceptual vocabulary Zhao used here, as well as the argument itself, bore striking resemblance to Edvard Kardelj's in his aforementioned volume *Contradictions of Public Ownership in Contemporary Socialist Practices.* This volume was published in China in mid-1980 – just a few months before Zhao gave this speech – and made splashes in many intellectual corners upon publication. In it, Kardelj advanced the argument that state ownership was a degenerated form of public ownership that left the essence of capitalism intact and advocated for "social ownership" instead. There is no evidence to suggest that Zhao had himself read Kardelj, but the intellectual influence, likely via Beijing's economist circles, was unmistakable.

Second, Zhao's argument here – as well as the Yugoslav theory on which it was based – was also problematic. Whereas it was relatively easy to understand why "state ownership" did not constitute genuine "ownership by the entire people", it was difficult to see how simply empowering workers *within* enterprises could make these enterprises genuinely owned by the "entire people". Workers within an enterprise could well have substantial power "not only in the management of enterprises but also in the distribution of labor surplus", but "ownership by the entire people" supposedly should have required something more. The "entire people" (alternatively, the "public" or the "society") as the collective owner should have had some role to play here. In what way could the "entire people" – not just the workers within a given enterprise – exercise some sort of ownership powers over the said enterprise? On this question Zhao was silent. This reflected not only the limitations of his thinking but also the very ambiguities of the Yugoslav theory itself.

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[157] 引自：郭峰，《在辽宁省工会优秀积极分子、先进工作者、先进集体表彰大会上的讲话（摘要）》(1980 年 11 月 18 日)，载于《全国企业民主管理座谈会有关文件汇编》第 68-71 页。Quoted from: Guo Feng, "Speech at the Convention to Honor Exemplary Union Activists, Cadres and Collectives of Liaoning Province (summary)", November 18, 1980, in *Collection of Documents Related to the Nationwide Conference on Democratic Management of Enterprises*, pp.68-71.

Nevertheless, it was clear that Zhao's repeated pronouncements in the early fall of 1980 demonstrated his enthusiasm for drastically expanding workers' democratic power in public enterprises. It was equally clear that the Yugoslav model significantly informed this enthusiasm. Zhao's remarks generated broad impact, as evidenced by multiple official documents and speeches by lower-level officials that cited them[158]. Coincidentally, the landscape of China's elite politics in 1980 provided an opening for Zhao to put his enthusiasm into policy. By 1980, Deng Xiaoping and the "old revolutionaries" had made significant progress in marginalizing Hua Guofeng and his associates. But the final victory was yet to be sealed, as Hua continued to hold major leadership titles (even though his actual powers had been significantly diminished). In order to justify stripping Hua of his leadership titles and decisively dethroning the "whateverists", Deng needed to come up with a sweeping reform rhetoric that would supposedly guide China out of the shadow of late Maoism (a shadow embodied by the "whateverists"). This imperative led to a discourse, frequently invoked by Deng and his associates in the middle of 1980, that attributed the ills of the Mao-era socialism to the continuing legacies of "feudalism". Conversely, this discourse framed reform as the eradication of "feudalism" from socialism. Supposedly, this eradication would bring China both economic progress and socialist democracy[159].

One "feudalist" ill identified by Deng was the all-encompassing supremacy of the Party in all realms of affairs, including in the managerial arrangement of public enterprises. Since the late 1950s, enterprises owned by the entire people were mostly placed under "the factory director responsibility system under the leadership of the Party committee" (*dangwei lingdao xia de changzhang fuzezhi*)[160]. Under this system, it was the enterprise-level Party committees that exercised the utmost authority in the enterprises, to which the factory directors and managerial staff were subjected. This arrangement was briefly disrupted in the early years of the Cultural Revolution, resulting in the subsequent imposition of military control in China's factories in the late 1960s. The managerial authority of the enterprise-level Party committees was generally re-established in the early 1970s. In 1977, "the factory director responsibility system under the leadership of the Party committee" was officially restored. Since the 1950s, public enterprises in China were also stipulated to establish "Staff and Workers' Congresses" (SWCs), which were bodies of grassroots representatives elected by workers. But according to the official stipulations, the SWCs were also subjected to the leadership of the enterprise-level Party committees, and the

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[158] 1）Guo Feng, "Speech at the Convention to Honor Exemplary Union Activists, Cadres and Collectives of Liaoning Province (summary)". 2）贾庭三,《在北京市民主管理工作会议上的讲话（摘要）》(1981 年 6 月 24 日)，载于《全国企业民主管理座谈会有关文件汇编》; Jia Tingsan, "Speech at the Work Conference on Democratic Management in Beijing (summary)", June 24, 1981, in *Collection of Documents Related to the Nationwide Conference on Democratic Management of Enterprises*. 3)《云南重机厂党委报告》，载于《全国企业民主管理座谈会有关文件汇编》; "Report by the Party Committee of the Yunnan Heavy Machinery Factory", in *Collection of Documents Related to the Nationwide Conference on Democratic Management of Enterprises*.

[159] 阮铭,《历史转折点的胡耀邦》，八方文化企业公司，1991 年，第 42-48 页。Ruan Ming, *Hu Yaobang at the Historical Turning Point*, River Edge, NJ: Global Publishing Co., 1991, pp.42-48.

[160] At times this system was officially called "the factory director **divided** responsibility system under the leadership of the Party committee" (*dangwei lingdao xia de changzhang* ***fengong*** *fuzezhi*), which effectively further constrained the managerial power of factory directors vis-à-vis enterprise-level Party committees.

amount of power these organs of "democratic management" actually held was meager[161].

As Deng saw it now, this managerial arrangement putting the Party in charge inside public enterprises resulted in both economic mismanagement and an overburdened Party apparatus. This "feudalist" ill, therefore, must be reformed. The question of what the managerial arrangement should be reformed *into*, however, was not settled. Deng himself preferred something he called "the factory director responsibility system under the leadership of a 'factory management committee' or a 'board of directors'". He envisioned this arrangement to be one that would endow the utmost managerial power within an enterprise to a committee equipped with technical and specialized expertise. But he was also open to exploring other alternatives, in keeping with his celebrated slogans of "seeking truth from facts" and using "practice" as the sole criterion to adjudicate truth. This provided an opening for Zhao Ziyang to act on his enthusiasm towards empowering workers.

An informative exchange took place in July 1980, when Zhao Ziyang, along with some other top economic officials, went to see Deng Xiaoping in private to report on a range of economic issues. At this meeting, Deng suggested that "the Party's monolithic leadership in enterprises be abolished, and the Party committees only play a supporting role from now on." Zhao then concurred that "'the factory director responsibility system under the leadership of the Party committee' should no longer be upheld," but with the reasoning that "only when the standing of the Party committees is changed can the *SWCs* really play a role" in enterprise management. To Zhao's comment Deng replied, "I think we should make up our mind to reform this. There should be a 'board of directors' (*dongshihui*) or a joint committee (*lianhe weiyuanhui*) in charge of setting the fundamental policy principles and supervising, under which the manager independently exercises responsibility."[162]

This exchange is worth unpacking. Whereas Zhao had no objection to Deng's call to abolish the utmost authority of enterprise-level Party committees in the running of public enterprises, the two politicians differed on what should take its place. For Zhao, the point of relegating the Party committees to a supporting role was to enable the SWCs to exercise more power. The fact that he brought up the SWCs without any prompting in this conversation suggested that, at this particular moment, he really was preoccupied with the empowerment of workers in public enterprises. On the other hand, Deng did not dismiss Zhao's idea but did express his own preference for a managerial arrangement in which a "board of directors" or a "joint committee"

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[161] The SWCs generally became defunct during the Cultural Revolution decade. The first couple of years of the Cultural Revolution saw the spontaneous blossoming of numerous mass organizations inside China's factories. Factories were then instructed to establish "Revolutionary Committees" (*geming weiyuanhui*) where the spontaneous workers' organizations could gain representation and participate in managerial affairs. However, the actual power of these enterprise-level Revolutionary Committees was highly restricted during the period of imposed military control in the late 1960s. In the early 1970s, managerial power began to revert back into the hands of the rebuilt enterprise-level Party committees. The post-Mao leadership ordered the SWCs, in its pre-Cultural Revolution form, to be widely re-established in 1977. For the various twists and turns of shopfloor power arrangements during the Cultural Revolution decade, see Joel Andreas, *Disenfranchised,* chapters 5 and 6.

[162] 房维中编《在风浪中前进（1980 卷）》，第 104-106 页。*Marching through the Storms (1980)*, edited by Fang Weizhong, pp.104-106. Emphasis added.

would become the utmost enterprise-level authority.

At an enlarged meeting of the Party Politburo on August 18, 1980, Deng Xiaoping gave a speech calling for sweeping political reforms of the Party-state apparatuses and the thorough eradication of the legacy of "feudalism". Many scholarly and popular accounts saw this speech as the climax of Deng's pro-democracy sentiment and open-mindedness[163]. This speech also marked the beginning of several months of intense maneuvers that succeeded in stripping Hua Guofeng of his official leadership titles and remaining political responsibilities. This renowned speech included a passage on reforming the managerial arrangement of public enterprises. In it, Deng made public what he had already expressed to Zhao Ziyang a month previously:

> "The factory director/manager responsibility system under the leadership of the Party committee should be reformed, in a prepared and step-by-step manner. After *experimentation* and step-by-step expansion, the factory director/manager responsibility system under the leadership and supervision of factory management committees, boards of directors or joint committees of economic conglomerates should be installed respectively."[164]

Four days later at a small-group session of the same meeting, Deng again asserted that "the factory director responsibility system under the leadership of the Party committee must be abolished. *Experiments should be held first*, but there is no need to be slow, as this has all been figured out pretty clearly."[165] Deng was resolute that the "Party in charge" model of enterprise management must be abolished. But when it came to what should take its place, even though Deng had expressed his own preference (for "the factory director responsibility system under the leadership of factory management committees, boards of directors or joint committees"), his less determinate language and explicit endorsement of "experimentation" subtly indicated his openness to a "hundred flowers" approach in which a variety of managerial arrangements could be tried out.

Shortly after Deng called for the abolition of the "Party in charge" model as well as for experimentation on what should take its place, Zhao Ziyang seized the opportunity. In mid-September, at the aforementioned Provincial Party Secretaries Conference, he made a decisive move. On the one hand, as already discussed, Zhao made remarks that incisively articulated the distinction between "state ownership" and "ownership by the entire people". On the other hand, he publicly proposed "the factory director responsibility system under the leadership of the SWC" (*zhidaihui lingdao xia de changzhang fuzezhi*) as the model towards which enterprise

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[163] See, for example, Julian Girwitz, *Never Turn Back*, chapter 8; Yang Jisheng, *Political Struggle in China's Era of Reform*.

[164] 邓小平《党和国家领导制度的改革》，1980 年 8 月 18 日，载于《邓小平文选（1975-1982）》第 280-302 页。Deng Xiaoping, "Reforming the Leadership System of the Party and the State", August 18, 1980, in *Selected Works of Deng Xiaoping (1975-1982)*, pp.280-302, emphasis added. Interestingly, the part of the speech where Deng remarked on abolishing "the factory director responsibility system under the leadership of the Party committee" was removed when the speech was published in the first edition of *Selected Works of Deng Xiaoping (1975-1982)*. This part was added back in subsequent editions. 邓力群《十二个春秋》; Deng Liqun, *Twelve Years*.

[165] 张占斌《新中国企业领导制度》第 162 页。Zhang Zhanbin, *The System of Enterprise Leadership in the People's Republic of China*, p.162. Emphasis added.

management should be reformed[166]. The gist of this quite radical proposal was to install the SWCs as the utmost decision-making authority in public enterprises, to which factory directors would answer. The influence of the Yugoslav "workers' self-management" on this proposal was so clear that an influential faculty member at the Workers' Movement College, the ACFTU's intellectual base to train union cadres, retrospectively remarked that the rollout of the experiments with this proposal "was the result of a process in which China borrowed from the Yugoslav experience of enterprise self-management to elevate SWCs to be enterprises' highest power organs"[167].

In the last few months of 1980 and early 1981, multiple economists and policy researchers went public to advocate "putting the SWC in charge" in enterprise management. Ma Hong, a leading economist based at the Chinese Academy of the Social Sciences who consistently participated in economic policymaking through much of the 1980s, offered the following remarks at a symposium in October 1980:

> "The decision-making power I'm talking about here is the power for an enterprise to make decisions on how to use and allocate the means of production the state has delegated to the said enterprise, not decision-making power at the level of the state. This power, it seems, should be exercised by the SWC or its standing committee. For workers to truly become masters of their enterprises, they should hold the power to make decisions on the major issues. Put differently, the SWC should not be treated merely as a channel to 'incorporate' workers to 'participate' in management, whose power only extends to routine consultation and supervision. Instead, we should start from the premise that workers are the masters of their enterprises and enable the SWC to truly play its role as a power organ."[168]

Similar remarks were also made in these months by Jiang Yiwei[169], another leading economist based at the Chinese Academy of the Social Sciences, and Wang Mengkui[170], a policy researcher at the Research Office of the Party's Central Secretariat[171]. It was unclear whether these

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[166] *Marching through the Storms (1980)*, pp.133-134. 武汉市档案馆，XX000091-WS02-134-19，《顾大椿同志在全国财贸工会工作会议上的讲话》，1980 年 11 月 1 日；The Municipal Archive of Wuhan (MAW), XX000091-WS02-134-19, "Gu Dachun's Speech at the Nationwide Conference on Union Work in Financial and Commercial Industries". November 1, 1980.

[167] 崔义，《企业民主管理通论》，企业管理出版社，1990，第 158 页。Cui Yi, 1990, *A General Theory of Democratic Management of Enterprises*, Enterprise Management Press, p.158.

[168] 马洪，《关于改革工业企业领导管理制度的探讨——1980 年 10 月 23 日在北京技术经济和管理现代化研究会举办的报告会上的讲话》，载于《企业领导制度研究》。Ma Hong, "Discussion on Reforming the Leadership and Management System of Industrial Enterprises – A Speech Given at the Report Conference Hosted by the Beijing Research Institute on Technology Economics and Management Modernization, October 23, 1980," in *Research on the Enterprise Leadership System*.

[169] 蒋一苇，《论社会主义企业的领导体制》，载于《红旗》，1980 年第 21 期。Jiang Yiwei, 1980, "On the Leadership System of Socialist Enterprises", *Red Flag*, Issue 21.

[170] 王梦奎，《企业领导制度改革中的一个重要问题》，载于《经济研究》，1981 年第 1 期。Wang Mengkui, 1981, "An Important Issue in the Reform of Enterprise Leadership System", *Economic Research*, Issue 1.

[171] For a contemporaneous overview of these remarks, see Martin Lockett, "Enterprise Management: Move towards Democracy?" pp.224-256 in *The Chinese Economic Reforms*, Taylor and Francis, 1983.

intellectuals had already been proposing to "put the SWC in charge" in the preceding months and ended up shaping Zhao Ziyang's thinking, or they were simply offering intellectual support after Zhao already made up his mind. It was probably more likely that the influence was reciprocal between Zhao and these economists. What was clear, on the other hand, was that over the last few months of 1980 "the factory director responsibility system under the leadership of the SWC" was gaining momentum in policy and intellectual circles.

As Zhao Ziyang called for local experiments with "the factory director responsibility system under the leadership of the SWC", multiple agencies thought they had to get involved. The ACFTU was one of them. Its leading cadres were particularly insistent that enterprise-level union branches should play an important role in the to-be-empowered SWCs[172]. Given how unprecedented this policy proposal was, no policy actors had a clear sense of what the local experiments should look like. A lot of ambiguities remained in how "the factory director responsibility system under the leadership of the SWC" should be designed. Consequently, different agencies (in collaboration with local governments) scrambled to select factories to experiment with their own versions of "the factory director responsibility system under the leadership of the SWC", with a lot of improvisations on the ground. What took place in late 1980 and early 1981 was therefore a variety of factory-level experiments unfolding in a slew of different ways. In total, 44 enterprises across China were selected to enact these experiments[173]. The next section documents how some of these experiments went.

The SWCs Put in Charge (or Not?)

In February 1981, the ACFTU submitted a report to the Party leadership after sending cadres to research the ongoing experiments with "the factory director responsibility system under the leadership of the SWC" in five enterprises in Beijing and Tianjin: the Internal Combustion Engine Factory of Beijing, the Leather Products Factory of Beijing, the Optical Instrument Factory of Beijing, the First Wool Spinning Factory of Tianjin, and the Enameled Wire Factory of Tianjin[174]. According to the report, the experiments in these five factories were all coupled with the expansion of these enterprises' autonomy from the overseeing Party-state organs. Furthermore, they proceeded in accordance with a blueprint devised by the Economic Commission of the State Council. This blueprint included the following steps: 1) educating enterprise cadres and workers on the necessity of this reform; 2) commissioning a task force to

[172] MAW, XX000091-WS02-134-17. Contrary to what I had expected, a close examination of the source materials has suggested that the ACFTU played no role in advocating "the factory director responsibility system under the leadership of the SWC" in the first place. It only got involved in discussing this reform initiative after Zhao publicly made the policy gesture in September 1980. Even though the ACFTU did state that it supported this policy move, the support did not seem to be particularly enthusiastic. Instead, the ACFTU was much more concerned with the role of unions in the to-be-enacted "factory director responsibility system under the leadership of the SWC".

[173] Martin Lockett, "Enterprise Management: Move towards Democracy?"

[174] 《中华全国总工会党组关于北京、天津五个工厂改革领导制度试点的简况向中央书记处的报告》，1981 年 2 月 23 日，载于《中华全国总工会文件选编（1981）》第 49-55 页。"The ACFTU Party Committee's Report to the Party's Central Secretariat on the Experiments with Reforming the Leadership System in Five Factories in Beijing and Tianjin", February 23, 1981. In *Selected Documents of the ACFTU (1981)*, pp.49-55.

draft enterprise by-laws stipulating the powers and functioning of the SWC vis-à-vis the factory director, and submitting the drafted by-laws to workers' deliberations and revisions; 3) holding an election for SWC representatives and soliciting workers' input on items to be discussed at the SWC sessions; 4) holding an inaugural session of the newly elected SWC at which the SWC representatives finalize and ratify the by-laws, establish the SWC's standing organs, evaluate or elect the factory director and the other leading managerial staff, and deliberate on the annual work report of 1980 and the production plan for 1981 presented by the factory director. The paces at which these experiments proceeded were uneven. Whereas the Internal Combustion Engine Factory of Beijing, the Leather Products Factory of Beijing and the Enameled Wire Factory of Tianjin had already held inaugural sessions of their newly empowered SWCs by February 1981, the First Wool Spinning Factory of Tianjin was still in the process of electing SWC representatives.

The report argued that most workers in these factories were "in enthusiastic support" of the reform. This, of course, was a dubious claim. But the report did provide some evidence suggesting that the level of workers' engagement was high in some enterprises. The SWC representatives in the Internal Combustion Engine Factory of Beijing participated in heated debates on whether the SWC should establish a standing committee. Nine divisions of SWC representatives were in favor, eight divisions against and five divisions internally divided. In the Enameled Wire Factory of Tianjin, the SWC representatives engaged in similarly contentious deliberations on the same issue, resulting in a narrow vote of 42 to 36 in favor of not establishing a standing committee. It seemed that the SWC representatives in these factories did take this reform seriously and cared about setting in place an institutional structure that would achieve the best result. Also, in the Internal Combustion Engine Factory of Beijing the inaugural session of the new SWC garnered 1,081 suggestions from workers, compared to 277 when the previous SWC was convened. This likely suggests the amount of workers' excitement with and hopes for the newly empowered SWC.

On the other hand, the report did admit that some workers expressed doubts or indifference towards the reform. One worker was quoted as saying: "among these democratic reforms, more are fake than real"[175]. Some workers – especially young workers – expressed the sentiment that as long as they could receive wages and higher bonuses, they did not care about this reform. Such suspicion and indifference suggest that these workers had little faith in how genuine this reform would really be in terms of democratizing the shopfloor and concretely improving workers' material conditions. Their suspicion turned out to be well warranted. The ACFTU's report documented strong resistance and hostility towards this reform on the part of many leading cadres in these enterprises. A factory director even reported to their superior that "even though our factory is nominally on 'the factory director responsibility system under the leadership of the SWC', in fact we are still sticking to 'the factory director responsibility system under the leadership of the Party committee'."[176]

[175] Ibid, p.50.
[176] Ibid, p.54.

Furthermore, it was the enterprise-level Party committees in these five enterprises that were responsible for steering the step-by-step implementation of the experiments. This seemed rather ironic, since it was exactly these Party committees that the experiments were supposed to disempower! Indeed, in some enterprises these Party committees and their leading cadres made blatant interventions to thwart the empowerment of the SWCs. For example, the Leather Products Factory of Beijing initially planned to hold an election of the factory director by SWC representatives. But the enterprise leadership got worried that an election would cause chaos after hearing some complaints from workers about the current factory director. It then called off the election[177]. In the Internal Combustion Engine Factory, several stipulations were made such that the SWC's standing committee was not elected by the SWC at large, that the election of the factory director had only one candidate, and that the deputy factory directors were elected not by a vote but by acclamation. Some workers said that their "hearts felt half-cold"[178] after seeing how the SWC session unfolded.

In April 1981, the ACFTU leadership reported to the Party leadership recent developments in the Xiamen Rubber Factory, an enterprise in Fujian Province. The factory was also among the 44 enterprises selected to experiment with "the factory director responsibility system under the leadership of the SWC". According to the ACFTU report,

> "Last December[179], this factory held a democratic election of the factory director and deputy directors as well as of the union branch chair and vice chairs at the third SWC session. Li Zhenjing, the municipal Party secretary of Xiamen, visited the SWC session to acknowledge the election results and vowed to respect workers' democratic rights. *Xiamen Daily* reported this as the top headline on the front page. But the Fujian Provincial Federation of Trade Unions recently notified us that Xiamen's municipal leadership recently nullified the election results and restored all cadres to their previous posts. The union branch chair and vice chairs refused to accept this and are planning to resign together. [This incident is still being verified.]"[180]

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[177] Martin Lockett, who visited this factory in September 1981, reported that an election of the factory director had indeed taken place by that time. He also reported that the SWC there successfully pushed back against the factory director's proposals for the division of the retained profits of 1980 (the proposals had previously been endorsed by the enterprise-level Party committee) and demanded more emphasis on workers' housing. As a result of several months of deliberations, the proportion of the retained profits to be allocated to welfare was increased from 30% to 44% whereas that allocated to production was reduced from 40% to 30%. In sum, he observed that "the Party committee still seemed to play a major role in management but the workers' congress had a significant influence" (p.247). Martin Lockett, "Enterprise Management: Move towards Democracy?" Elsewhere Lockett and his collaborator noted that the election of the factory director in this enterprise was uncontested, for which the incumbent stood as the sole candidate. Martin Lockett and Craig Littler, "Trends in Chinese Enterprise Management, 1978-1982", p.72, in *China's Changed Road to Development*, edited by Neville Maxwell and Bruce McFarlane, Pergamon Press, 1984.

[178] "The ACFTU Party Committee's Report to the Party's Central Secretariat on the Experiments with Reforming the Leadership System in Five Factories in Beijing and Tianjin," p.52.

[179] "Last December" refers to December 1980.

[180] 《中华全国总工会党组关于各地工会反映的一些问题向中央书记处的报告》，1981 年 4 月 29 日，载于《中华全国总工会文件选编（1981）》第 81-86 页。"The ACFTU Party Committee' Report to the Party's Central Secretariat on Some Problems Communicated by Local Unions", April 29, 1981, in *Selected Documents of the ACFTU (1981)*, pp.81-86.

If this account is indeed accurate, three things stand out. First, the initial election in which the SWC representatives elected the factory leadership in December 1980 was probably genuinely democratic rather than arranged from the top down. Otherwise, it would have been difficult to explain why the municipal leadership of Xiamen suddenly became unhappy with the election results and sought to nullify them. Second, the December 1980 election in particular, and the democratizing reform in general, was well publicized in the city, appearing on the front page of *Xiamen Daily*, the municipal Party mouthpiece. Third, the municipal Party leadership's encroachment on workers' democracy likely generated some strong backlash among the workers in the factory. This was evidenced by both the planned resignation of the union chair and vice chairs and the very fact that this matter was brought to the attention of the national ACFTU leadership, which in turn found it worth reporting to the Party leadership.

More detailed material is available on Shanghai's experiments. Shanghai's municipal Economic Commission took action immediately after Deng Xiaoping's August 18 speech calling for the abolition of the "Party in charge" model was promulgated nationwide. It selected the Hero Pen Factory, one of China's leading pen manufacturers with more than 1,200 workers, to experiment with "the factory director responsibility system under the leadership of a factory management committee", which was one of the possible arrangements mentioned in Deng's speech. However, after Zhao Ziyang issued the call to put the SWCs in charge in September, the managerial arrangement to be experimented with in the Hero Pen was changed into "the factory director responsibility system under the leadership of the SWC". This sudden switch confused some in the factory[181]. At the same time, the Shanghai Federation of Trade Unions also proposed to select a couple of factories to run experiments with "the factory director responsibility system under the leadership of the SWC". It initially picked the Shanghai 12th Cotton Mill – a large factory with 6,720 workers – and the Diesel Engine Factory of Shanghai. But the latter was soon vetoed by Shanghai's municipal leaders due to unresolved issues of "factionalism" there, a code word referring to remaining rebel activity (the Diesel Engine Factory saw one of the most militant, persistent and unruly rebel workers' movements in Shanghai during the Cultural Revolution)[182]. Therefore, in the autumn of 1980 two experiments began to proceed in Shanghai: the one in the Hero Pen was supervised by the municipal Economic Commission, whereas the one in the 12th Cotton Mill was primarily overseen by the Shanghai Federation of Trade Unions.

In both enterprises, the actual implementation of the experiments was steered by the enterprise-level Party committees, similar to what we have already seen from the ACFTU report on the experiments underway in Beijing and Tianjin. In the Hero Pen, the Party committee, under

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[181] 上海市档案馆，B246-5-204-33，《情况简报（二）》，1980 年 11 月 30 日。Shanghai Municipal Archive (SMA), B246-5-204-33, "Brief on Situations (Issue 2)", November 30, 1980.

[182] 上海市档案馆，C1-4-223-45，《拟进行职代会制度试点的报告》，1980 年 11 月 4 日。Shanghai Municipal Archive (SMA), C1-4-223-45, "Report on the Proposed Experiments with the SWC System", November 4, 1980. 上海市档案馆，C1-4-223-44，《钟民、韩哲一批示》，1980 年 11 月 7 日。Shanghai Municipal Archive (SMA), C1-4-223-44, "Instructions Given by Zhong Min and Han Zheyi", November 7, 1980. 上海市档案馆，C1-4-223-47，《李家齐、周璧意见》，1980 年 11 月 13 日。Shanghai Municipal Archive (SMA), C1-4-223-47, "Li Jiaqi's and Zhou Bi's Opinions", November 13, 1980. For rebel activity in the Diesel Engine Factory in the early years of the Cultural Revolution, see Yiching Wu, *The Cultural Revolution at the Margins*, pp.134-137.

the supervision of the municipal Economic Commission, first spent October and early November drafting new enterprise by-laws to guide the experiment (the by-laws were later officially approved by the SWC on December 7, 1980)[183]. It then proceeded to hold a shopfloor election of representatives for the to-be-empowered SWC in late November, and the inaugural session of the newly elected SWC took place in early December. The enterprise-level Party committee reported that the outset of the experiment was met with reluctance from some cadres and suspicion and indifference among some workers – this, of course, is not surprising. One worker was quoted as saying, "all these changes from this system to that system have not benefitted workers."[184]

On November 22, the election of the SWC representatives was held in the Hero Pen. According to the Party committee's report, 87% of the eligible workers voted[185]. The candidates were nominated either by their work teams or through an anonymous preliminary vote. Whereas in the past mid-level managerial cadres became SWC representatives by default, this time every representative had to be elected by secret ballot (even though all of the leading managerial cadres who stood in this election ended up winning it). Among the 184 final candidates, 140 were elected: 86 were frontline workers, 10 were managerial personnel, 17 were engineering and technical staff and 27 were enterprise leaders and cadres. 27.5 percent of the elected representatives were young workers or women. Among the 68 work teams in the factory, only 4 did not have a member elected as a SWC representative. The Party committee specifically reported that a few candidates "who should have been elected" were not, suggesting that it failed to get all of its favored candidates elected. It also complained that some young workers treated the election heedlessly, picking only one or two candidates they knew from a ballot with dozens of names[186].

Before the newly elected SWC in the Hero Pen had its official inaugural session, the Party committee convened preparatory meetings to have the SWC representatives approve the session agenda it had come up with. To the Party committee's surprise, however, the SWC representatives expressed strong disagreement with some aspects of the agenda and failed to ratify it. The newly elected representatives insisted that, contrary to what the Party committee had devised, the factory's annual plan for the next year and the future development blueprint should be presented to the SWC by the *new* factory director and vice directors *after* they were elected by the SWC; that the candidates for the election of the factory director and members of the "factory management committee" (this new, elected committee would serve as the standing body of the SWC) should be nominated from the bottom up; and that the inaugural SWC session should last longer to allow for fuller deliberations. The Party committee ended up conceding to these SWC representatives, revising its proposed session agenda accordingly and extending the

[183] 上海市档案馆，B246-5-204-11，《市经委组织处腾企明给王杰的信》，1980 年 11 月 15 日。Shanghai Municipal Archive (SMA), B246-5-204-11, "Letter by Teng Qiming from the Organization Office of the Municipal Economic Commission to Wang Jie", November 15, 1980.

[184] SMA, B246-5-204-33.

[185] 上海市档案馆，B246-5-204-31，《情况简报（一）》，1980 年 11 月 23 日。Shanghai Municipal Archive (SMA), B246-5-204-31, "Brief on Situations (Issue 1)", November 23, 1980.

[186] Ibid.

proposed session duration from five days to nine[187].

The inaugural session of the new SWC started on December 6, 1980. The 132 SWC representatives present were assigned to 11 small groups to nominate candidates for the election of the factory director. It had already been stipulated that if the nominations put forward by these SWC small groups were disperse, the final election would be competitive and include multiple candidates; otherwise, the final election would have only one candidate. It turned out that Tang Hailong, the incumbent factory director, garnered nominations from 9 out of 11 small groups with 97 nominators in total. With such an overwhelming advantage, Tang became the only candidate in the final election, where 113 representatives (out of 132 present) anonymously voted in favor of his appointment on December 9[188]. Upon election as the factory director, Tang nominated 4 deputy directors. When the SWC representatives deliberated on these nominees (again in small groups), one small group (out of 11) offered explicit disapproval of one of them. The SWC representatives rejected proposals to elect these four nominees by acclamation or to vote to confirm them in one package, instead demanding that a separate vote of confirmation be held for each of them. As a result, two nominees were confirmed as deputy factory directors unanimously, one received a vote of abstention, and the nominee who one small group disapproved of even received three dissenting votes (out of 123 voters)[189]. According to the Party committee's report, even though the elections were by no means competitive, and the factory director and deputy directors were all elected by a landslide, these voting procedures had a symbolic impact on them, making them feel more accountable to workers.

On the last day of the inaugural SWC session in the Hero Pen, the SWC elected its standing body – a "factory management committee". Among the 53 people nominated by the SWC representatives, 14 were selected to be the final candidates, and 11 of them were elected as members of the factory management committee (six of them were rank-and-file workers). Since this standing committee was supposed to be the body which the enterprise's leading managers reported to when the SWC was not in session, the factory director or the deputy directors were not allowed to sit on this committee[190]. After this nine-day SWC session adjourned, workers had both doubts and hopes in the newly elected factory leadership. The Party committee's report quoted one worker as saying, "now that the factory director was elected, we need to see whether he would bring benefits to workers after the reform." Workers were particularly curious to see whether the factory director would be able to realize his promise to raise workers' income, a promise they felt he was not adequately specific about. The Hero Pen's Party committee flagged this as an area for further "thought work"[191].

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[187] 上海市档案馆，B246-5-204-35，《情况简报（三）》，1980 年 12 月 6 日。Shanghai Municipal Archive (SMA), B246-5-204-35, "Brief on Situations (Issue 3)", December 6, 1980.

[188] 上海市档案馆，B246-5-204-36，《情况简报（四）》，1980 年 12 月 10 日。Shanghai Municipal Archive (SMA), B246-5-204-36, "Brief on Situations (Issue 4)", December 10, 1980.

[189] 上海市档案馆，B246-5-204-37，《情况简报（五）》，1980 年 12 月 13 日。Shanghai Municipal Archive (SMA), B246-5-204-37, "Brief on Situations (Issue 5)", December 13, 1980.

[190] 上海市档案馆，B246-5-204-39，《情况简报（六）》，1980 年 12 月 16 日。Shanghai Municipal Archive (SMA), B246-5-204-39, "Brief on Situations (Issue 6)", December 16, 1980.

[191] 上海市档案馆，B246-5-204-25，《揭开了领导体制改革的序幕——前阶段改革工作的情况汇报（初稿）》，1980 年

In April 1981, the Hero Pen's leadership produced another report documenting the progress of the experiment, giving us a glimpse into how the reformed managerial arrangement worked after the inaugural SWC session in December 1980. According to the report, the "factory management committee" met once a week. Over more than four months since its election by the SWC, this committee met 12 times and heard the factory director present his work plans for the first and second quarters of 1981. It also followed up on how workers' suggestions submitted to the SWC were being handled by the factory management. The report also mentioned that the factory management committee kept regularly in contact with the SWC representatives. Despite this, the report claimed that there was no condition of possibility for the SWC or the factory management committee to truly exercise "leadership" over the factory director:

> "However, the leadership of the SWC and the factory management committee over the factory director has not materialized. The factory director is supervised not just by the SWC or the committee, but mostly by his superiors in the Party-state organs; he is responsible not only to the SWC but also to the state (his superiors). In concrete work, the SWC and the committee cannot directly lead the factory director either: the political leadership is usually exercised by the Party committee; the SWC cannot exercise policy leadership either, because its members are mostly frontline workers with no access to the Party-state's policy documents and no familiarity with specific economic policies; the SWC is even more incapable of exercising leadership in terms of managerial expertise, because the factory director possesses a whole set of expertise [which workers cannot access] which the supervising Party-state organs take care of by organizing training courses for factory directors and guiding them; the SWC can neither fully exercise leadership in terms of production tasks, because the factory's production targets in terms of quality and variety are set by the state on a yearly and quarterly basis. Therefore in practice, the factory director responsibility system under the leadership of the SWC has been shown to be empty talk."[192]

What this report is essentially showing here is that the whole web of institutional arrangements within which an enterprise was embedded – such as the Party-state's overriding command over the enterprise, the secretive nature of the Party-state's economic policymaking that kept policy documents inaccessible to workers, and the separation between mental and manual labor that deprived workers of "managerial expertise" – made it virtually impossible for the SWC to exercise genuine leadership over the factory management. Without much more thoroughgoing transformations of China's economic and industrial life, "the factory director responsibility system under the leadership of the SWC" seemed untenable. Understandably, rather than calling for such thoroughgoing transformations, the report recommended

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12 月 23 日。Shanghai Municipal Archive (SMA), B246-5-204-25, "The Outset of the Reform of the Leadership System – Report on the Reform Work over the Previous Phase (First Draft)", December 23, 1980.

[192] 上海市档案馆，B246-4-211-4，《关于上报改革工业企业领导制度试点情况》中英雄金笔厂《领导体制改革的情况汇报》，1981 年 4 月。Shanghai Municipal Archive (SMA), B246-4-211-4, The Hero Pen Factory "Report on Reforming the Leadership System" in the Municipal Economic Commission of Shanghai, "Reporting on the Experiments with Reforming the Leadership System in Industrial Enterprises", April 1981.

abandonment of this experiment. Furthermore, in both this report and an earlier report[193], the Hero Pen Factory's leadership complained that the enterprise was still suffering from too little autonomy in managing its internal affairs. This lack of autonomy, according to these enterprise leaders, constrained the SWC's exercise of leadership over the factory management even more.

As for the 12th Cotton Mill of Shanghai, the announcement that this factory would embark on an experiment with "the factory director responsibility system under the leadership of the SWC" in November 1980 was reported in newspapers. Reactions among cadres and workers in the factory were lackluster[194]. Many Party cadres in the enterprise had strong reactions against the reform. Some even went as far as arguing that the experiment was equal to "instigating a revolution by kicking the Party committee aside" (*tikai dangwei nao geming*) – a phrase often used derogatorily to refer to the rebel activities against the Party apparatus during the Cultural Revolution. Because of such resistance, the enterprise-level Party committee made sure to write into the new enterprise by-laws a clause that the Party committee shall continue to exercise "political leadership"[195]. The factory director, on the other hand, was concerned that the SWC's leadership would hamper his work. He even suggested instead that the enterprise adopt "the factory director responsibility system" without any "leadership" over it[196]. Among workers, indifference and suspicion were typical sentiments, similar to what we have seen in the Hero Pen. Some were worried about how the SWC could handle such a dramatic expansion of its powers. Others wondered how much power the SWC could actually have, given that the enterprise had limited autonomy and had to defer to the overseeing Party-state organs for much of its internal affairs[197]. One report acknowledged that there was a general lack of enthusiasm towards this reform[198].

Nevertheless, the enterprise's Party committee, under the guidance of the Shanghai Federation of Trade Unions, did go ahead to steer the experiment forward. As we have usually seen, one of the first steps was to hold an election of representatives for the to-be-empowered SWC. The Party committee reasoned that, in order for the new SWC to be able to effectively exercise power, the SWC representatives should be fewer and of higher "quality". Whereas the previous SWC had 667 representatives (in a factory of more than 6,700 workers), the size of the

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[193] 上海市档案馆，B246-5-204-7，《新的职工代表大会制度贯彻试行的初步打算》。Shanghai Municipal Archive (SMA), B246-5-204-7, "Preliminary Plan on Experimentally Implementing the New SWC System".

[194] 上海市档案馆，G28-1-518，《把企业党委领导下的厂长负责制改为职工代表大会领导下的厂长负责制的情况汇报》，1980 年 12 月。Shanghai Municipal Archive (SMA), G28-1-518, "Report on Changing the Factory Director Responsibility System under the Leadership of the Enterprise Party Committee into the Factory Director Responsibility System under the Leadership of the SWC", December 1980.

[195] 上海市档案馆，B246-4-211-4，《关于上报改革工业企业领导制度试点情况》中十二棉党委《改革企业内部的领导体制 加强和改善党的领导》。Shanghai Municipal Archive (SMA), B246-4-211-4, The Party Committee of the 12th Cotton Mill "Reforming the Internal Leadership System of the Enterprise and Strengthening and Improving the Leadership of the Party" in the Municipal Economic Commission of Shanghai, "Reporting on the Experiments with Reforming the Leadership System in Industrial Enterprises".

[196] SMA, G28-1-518.

[197] Ibid. One of the other reports submitted by the enterprise's Party committee explicitly demanded more autonomy for the enterprise in order to increase the level of workers' interest in the SWC reform. SMA, B246-4-211-4.

[198] SMA, B246-4-211-4.

new SWC was cut down to 314. Initially, some among the enterprise leadership argued against holding competitive elections and in favor of continuing with previously used methods (a combination of election by acclamation and top-down appointments). But the Party committee reported that, after workers showed "displeasure" with those anti-democratic proposals, it opted to hold a competitive election by secret ballot this time[199]. The election started with nomination of candidates by work shift teams, in accordance with the various quotas pre-determined by the Party committee (in consultation with the masses). The list of nominees was then screened several times by the various layers of authorities in the enterprise, reportedly also incorporating grassroots feedback in the process. This resulted in a list of final candidates one third more than the number of representatives to elect. Many workers did take the election seriously, as evidenced by the fact that the election in some factory workshops was rather contentious: in one workshop, the winning candidate defeated their opponent 93 votes to 92[200]. No leading cadres in the enterprise were guaranteed a spot. At least one workshop-level Party branch secretary and two workshop directors who stood in the election lost. All in all, among the 314 representatives elected, 60 percent were production workers, 30 percent were managerial and technical staff, and 10 percent were leading cadres. More than half were Party members[201].

The inaugural session of the new SWC in the 12th Cotton Mill took place in late December 1980. At this session, the SWC representatives motioned to make ten major revisions to the new enterprise by-laws drafted by the Party committee. The drafted by-laws had stipulated that the factory director could "halt" the implementation of those SWC resolutions they disagreed with. Regarding this provision, the SWC representatives argued pointedly that the factory director should not unilaterally halt SWC's resolutions; the director should instead motion to have the SWC reconsider those resolutions they disagreed with and then ask for intervention by the Party committee or the overseeing Party-state authority if the disagreement remained. These revisions were granted[202]. The SWC session then conducted an election of the factory director. Even though a secret ballot election was claimed to have been conducted, this seemed to have not mattered much as the election was not at all competitive: the incumbent factory director Lu Guoxian stood as the sole candidate in the final election and was voted in unanimously by the 297 SWC representatives present[203]. The SWC seemed to have exercised more meaningful power in the determination of the deputy factory directors. During the nomination period, many SWC representatives nominated Zhuang Xinjia, the vice chair of the enterprise' union branch, to

[199] 上海市档案馆，B246-4-211-4，《关于上报改革工业企业领导制度试点情况》中上棉十二厂《恢复和健全职工代表大会制度，让职工群众真正当家作主》，1981 年 3 月。Shanghai Municipal Archive (SMA), B246-4-211-4, The 12th Cotton Mill "Restoring and Perfecting the SWC System, Letting the Staff and Workers Be the True Masters" in the Municipal Economic Commission of Shanghai, "Reporting on the Experiments with Reforming the Leadership System in Industrial Enterprises", March 1981.

[200] SMA, G28-1-518.

[201] SMA, B246-4-211-4.

[202] Ibid.

[203] 上海市档案馆，G28-1-519-2，《关于我厂职代会选举厂长的结果审批报告》，1980 年 12 月 27 日。Shanghai Municipal Archive (SMA), G28-1-519-2, "Report on the Result of the SWC Election of the Factory Director in Our Enterprise", December 27, 1980.

be the deputy factory director in charge of livelihood and welfare affairs. One of the enterprise Party Committee's reports admitted candidly that the Party committee had not previously had this plan in mind, but decided to respect the SWC representatives' wishes[204].

In addition to revising the enterprise by-laws and electing the managerial leadership, the inaugural SWC session also examined the 1981 production plan, decided on the 1981 welfare improvement plan, and elected an 18-member presidium of the SWC through secret ballot[205]. The SWC presidium was responsible for overseeing the factory management's implementation of the SWC's resolutions when the SWC was not in session. The enterprise union branch was in charge of coordinating the SWC's logistics, with the union branch chair serving as the vice chair of the SWC presidium. After the inaugural SWC session was convened, on the 25th of every month members of the SWC presidium hosted a "hearing session" to listen to workers' complaints and demands. In addition, the new SWC also established five task forces on production and technology, management, wages and bonuses, livelihood and welfare affairs, and reviewing suggestions submitted to the SWC, respectively. These task forces were supposed to play an advising role for the enterprise management[206].

In the early months of 1981, the SWC in the 12th Cotton Mill, per popular demand by the SWC representatives, hosted three "questioning sessions" on technological innovation, the distribution of bonuses and the management of the factory canteens, respectively. At these questioning sessions, the leading managerial cadres in charge of the respective affairs were summoned to answer questions posed by the SWC representatives. The enterprise's Party committee reported that some leading cadres in the factory administration were anxious about these forthcoming questioning sessions, fearing that they would resemble the frightening "struggle sessions" during the Cultural Revolution. But the actual proceeding of these questioning sessions was reported to be incisive but civil, which the Party committee attributed to successful "thought work" beforehand. At the questioning session on the distribution of bonuses, per the request by the SWC representative Lin Dehua, the deputy factory director Shi Dingxiang and the heads of the finance and wage offices openly shared with the SWC representatives details on 1) the sources of the bonus fund, 2) the form of bonus payments and 3) the distribution of annual bonuses. This reportedly resulted in a level of transparency the factory had not seen before. At the questioning session on technological innovation, the SWC representatives sharply criticized how some "autonomic transport lines" served only ornamental purposes[207].

In April 1981, a delegation of union leaders and cadres from the Confederation of Trade Unions of Yugoslavia visited China for nine days. During its three-day stay in Shanghai, the delegation spent an entire afternoon on April 16 in the 12th Cotton Mill. According to the report written by the Shanghai Federation of Trade Unions:

"The Yugoslavians were very interested in the system reform underway in our country

[204] SMA, B246-4-211-4.
[205] Ibid.
[206] Ibid and SMA, G28-1-518.
[207] SMA, B246-4-211-4.

> and the SWC work. When they visited the 12th Cotton Mill……they asked in detail what this system subjecting the factory director to the authority of the SWC is, how many members the SWC has and how much power it has, how the enterprise union branch fulfills the tasks handed by the SWC, how the democratic elections of the leading cadres were conducted, and the relationship and differences between the SWC committees and the union committees. Comrades in the 12th Cotton Mill gave detailed answers."[208]

The Shanghai Federation of Trade Unions further reported that the Yugoslavian delegation was enthusiastic to see the ongoing experiment in the 12th Cotton Mill, recognizing the link between it and the Yugoslav model:

> "China's SWC system had received a lot of attention from socialist countries and Western Europe. The Yugoslavians also paid a great deal of attention this time, and they thought that what China is doing right now followed what they had done in the past; [they felt that] whereas the world was not paying much attention when Yugoslavia was doing it, China is now also doing it and sending quite an amount of influence worldwide, which made them feel proud as well."[209]

Despite numerous problems with how the experiments with "the factory director responsibility system under the leadership of the SWC" unfolded on the ground, the Yugoslavian delegation was excited to observe that China's reform at least *appeared* to be moving towards the Yugoslav model. If this report is to be believed, the Yugoslavian delegation even thought that the international prestige of the Yugoslav model was boosted by the Chinese learning from it. At least for a short while, China and Yugoslavia seemingly became fellow travelers and mutual supporters in search of a political path that was at once democratic and socialist. Such transnational bonds captured a critical, yet short-lived, conjuncture in China's post-Mao history as well as in the transnational history of socialism.

Chapter Conclusion

It is fair to conclude that the experiments with "the factory director responsibility system under the leadership of the SWC" in late 1980 and early 1981 fell far short of the hefty promises made by its political and intellectual advocates at the top. These experiments were usually managed by the enterprise-level Party committees, the very entities the experiments were supposed to disempower; many Party and managerial cadres expressed unambiguous hostility; genuinely competitive elections of factory directors and deputy directors were rarely held; the SWCs' concrete and sustained exercise of "leadership" over the factory management was practically unthinkable; and the enterprises' lack of managerial autonomy further constrained the

[208] 上海市档案馆，C1-4-552-42，《南斯拉夫工联代表团在沪活动简报（草稿）》。Shanghai Municipal Archive (SMA), C1-4-552-42, "Brief on the Activities of the Delegation of the Confederation of Trade Unions of Yugoslavia in Shanghai (Rough Draft)".

[209] 上海市档案馆，C1-4-552-30，《上海接待南斯拉夫工会联合代表团简况》，1981 年 4 月 25 日。Shanghai Municipal Archive (SMA), C1-4-552-30, "Brief on How Shanghai Received the Delegation of the Confederation of Trade Unions of Yugoslavia", April 25, 1981.

SWCs' possible realm of power. It was no wonder that suspicion, indifference and cynicism were common sentiments among some workers from the very beginning.

At the same time, these top-down efforts to create at least an *appearance* of more shopfloor democracy were indeed met with serious engagement among many other workers who sought to substantiate such democracy. These workers forced and participated in contested elections of SWC representatives; fought adamantly to make the SWC procedures and agendas more democratic in bits and pieces; capitalized on the elections of the leading managerial cadres – which tended to be engineered as mere shows – to air real grievances and demands; and innovated new institutional channels to make the factory management at least partially accountable to the SWCs. It is perhaps more accurate to say that the top-down experiments with "putting the SWC in charge" created openings for many workers to engage in democratic activism from below.

Had the political resolve from the top been stronger and more sustained, there might have been policy efforts to continuously deepen these experiments and reform other institutional roadblocks (after all, the Yugoslav system of workers' self-management took decades to build). But this did not happen, and the policy experiments turned out to be short-lived (more on this in the next chapter). This is not surprising, since the 1978-1980 fascination with the Yugoslav model of socialism and the policy agenda it informed hinged upon a delicate and precarious configuration of China's elite politics, as this chapter has shown. In retrospect, it is perhaps difficult to even fathom how this moment could possibly have lasted. However, despite the ephemerality of this moment, its impact was very real. In particular, as the next chapter will demonstrate, the Yugoslav model of socialism inspired some Chinese workers to demand more shopfloor democracy in their own factories. The well-publicized experiments with "putting the SWC in charge" emboldened workers in *non-experimental* enterprises. These influences, in combination with the galvanizing news of the Polish Solidarity movement, set off a momentous wave of labor unrest across China in the last few months of 1980 and early 1981. Such labor unrest then triggered evolving and significant responses from the Party's top leadership. It is this story to which we now turn.

CHAPTER TWO

The Mini Passive Revolution of 1981:
Evolving Policy Responses to a Nationwide Wave of Labor Unrest

Whereas the previous chapter traced how a fascination with the Yugoslav model of "workers' self-management" led to the launch of concrete policy experiments in 1980, this chapter presents a fuller picture of the grassroots manifestations of the Yugoslav inspiration. Already in 1978 and 1979, some grassroots democratic activists and workers were drawing upon the Yugoslav model to articulate demands for more thoroughgoing empowerment of the working class. In the fall of 1980, these influences combined with the galvanizing news of Poland's labor uprisings to create a ubiquitous atmosphere of restiveness and unruliness among Chinese workers. The launch of the Yugoslav-style policy experiments with "putting the SWC in charge" over the last few months of 1980 further emboldened many workers. What resulted was a nationwide wave of labor unrest in late 1980 and early 1981, which contained enough elements to put the Party leadership on the alert: striking and other forms of contentious activity, demands for independent unions, concrete instances of independent organizing, a quotidian sense of boldness on the shopfloor expressed in creative and subtle ways, as well as positive assessments of the Cultural Revolution.

Shortly after this wave of labor unrest erupted, the national leadership of China's official trade union system, the ACFTU, outlined a strategy of pacifying the unrest and preempting independent unions. This strategy was centered on improving the ACFTU's own autonomy and ability to represent workers' interests and strengthening concrete institutions of workplace democracy such as the SWCs and elections of factory directors. This proposal initially failed to gain sufficient attention from the Party leadership who were scrambling to tame down the ongoing unrest through other means. But sustained momentum of the unrest eventually compelled the Party leadership to gravitate toward the ACFTU's strategy in mid-1981. A complex set of policy actions ensued. On the one hand, the Party leadership made an extraordinary effort to highlight the strengthening of workplace democracy, particularly the creation of functional SWCs, as a high-priority policy item. They also went as far as explicitly green-lighting shopfloor elections of factory directors. On the other hand, the Party leadership also made it very clear that all of these had to be carried out under the hardened premise that the utmost authority of Party committees in enterprises continues to be upheld. The more subversive initiative to "put the SWC in charge", which itself played a role in emboldening workers and contributing to perceived "turmoil", was now silently jettisoned in mid-1981.

This set of policy responses constituted a subtle version of a Gramscian passive revolution. Significant but partial policy concessions were granted to institutionalize and pacify industrial conflicts, whereas the more subversive policy alternative was uneventfully but decisively sidelined. This chapter seeks to not only describe what this passive-revolutionary response consisted of, but also to excavate the key processes and actors that produced it. In doing so, I particularly zoom in on the role of the ACFTU. I argue that understanding its behaviors at this historical moment requires one to analyze its position as a "dominated-dominant" actor – to borrow Bourdieu's analytical terms – in the society's overall field of power. Therefore, a theoretical contribution made by this chapter is the integration of Bourdieu's field-analytical tools into a Gramscian study of passive revolution. The concluding paragraphs of this chapter further elaborate on this point.

This chapter contains four empirical sections. The first section "sets the stage" by introducing the key actor that was not centered in the previous chapter: the ACFTU. It unpacks how the ACFTU's historical experiences positioned itself as a "dominated-dominant" actor after it was reconstituted in 1978. The next three sections narrate the main storyline in three "acts". In "Act I", we explore the extent, scope, substance and dynamics of the nationwide wave of labor unrest in late 1980 and early 1981. This section pays particular attention to the dissident activities leading up to it and how a combination of Yugoslav and Polish influences fanned the flames. In "Act II", we see how the Party leadership's responses to the labor unrest evolved. Whereas the ACFTU leaders outlined a passive-revolutionary strategy as early as in October 1980, the Party leaders decisively embraced this strategy only in mid-1981, after the labor unrest failed to be pacified for more than half a year. Finally, in "ACT III" we set our eyes on the array of policy actions that emerged in mid-1981 and after. This passive-revolutionary package included doling out institutional concessions, hardening the bottom line, preserving the status quo and quietly sidelining what was considered too subversive.

Introducing a Key Actor: the ACFTU

On October 11, 1978, the ACFTU's Ninth National Delegate Convention commenced in Beijing. This 11-day gathering, attended by almost two thousand delegates from across the country, celebrated the official reestablishment of the ACFTU's national organization after the Cultural Revolution decade. The symbolic significance of this occasion was marked by the fact that the Party's entire top leadership – Hua Guofeng, Deng Xiaoping, Ye Jianying, Li Xiannian and Wang Dongxing[210] – attended the opening ceremony. On behalf of the Party leadership, Deng Xiaoping gave the keynote address. His speech was composed by some of his closest associates under his instruction[211]. In the speech, Deng extolled the ACFTU and its local functionaries across all levels for "doing much good work under the leadership of the Party and playing an important role in the victorious development of the socialist revolution and socialist construction across the country." Looking ahead, Deng tasked the union system with "educating all members to uphold the highly centralized administrative leadership in enterprises and uphold the great authority of the system of command over production", and at the same time "educating all members to actively participate in the management of enterprises." He also called for the union system to "work diligently to safeguard workers' welfare" and "be a model of democracy". This address further clarified that some institutional mechanisms of shopfloor democracy should be widely reinstated in their pre-Cultural Revolution form. These mechanisms included workers' elections of workshop heads (*chejian zhuren*), work section leaders (*gongduan zhang*) and team crew leaders (*banzu zhang*), as well as enterprise-level SWCs. Deng stipulated that enterprise-level union branches were to become the "coordinating and organizing organs" (*gongzuo jigou*) of the SWCs. Because of this newly assured status, Deng argued, "unions would no longer be the

[210] These five politicians comprised the Standing Committee of the Party's Politburo at the time. In the categorization scheme used in the last chapter, Hua and Wang belonged to the "whateverists" and Deng, Ye and Li were "old revolutionaries".

[211] *Chronology of Deng Xiaoping (1975-1997)*, p.394; Deng Liqun, *Twelve Years*.

dispensable organizations some people used to understand them to be."[212]

The ceremonial splendor of this event heralded the end of more than a decade of the ACFTU's ambiguous political status. Over the second half of 1966, the burgeoning workers' rebel movements across China's major cities paralyzed official union branches in many localities and enterprises. In January 1967, the ACFTU headquarters co-signed a declaration in support of the demands posed by a nationwide rebel organization of temporary and contract workers. Soon afterwards, the Party leadership ordered the declaration to be rescinded, the ACFTU's funds frozen, and the ACFTU Party Committee's power to sign and issue official documents suspended[213]. The ACFTU henceforth entered a period of paralysis. Over the next couple of years, Mao and the Party leadership struggled to deal with the unruly rebel workers, creating a set of new representative structures that also ended up becoming largely defunct by the early 1970s. In 1973, the official union system began to be rebuilt at local and enterprise levels. Those who staffed the municipal, local and enterprise-level union branches tended to be a combination of old union cadres from before 1966 and workers who partook in rebellions in 1966-1968[214]. In 1975, preparatory work ensued for the rebuilding of the national ACFTU headquarters, but this work was put in the hands of the radical Maoists. The post-Mao leadership took over this work after 1976, which culminated in the ACFTU's official reestablishment at its Ninth National Delegate Convention. Ni Zhifu, a model worker who rose through the political ranks during the Cultural Revolution decade but did not have unionist experiences prior to the Cultural Revolution, was appointed the President of the ACFTU.

The post-Mao Party leadership's decision to throw strong symbolic support behind the nationwide revitalization of the official trade union system was importantly motivated by their belief in the ACFTU's utility to help pacify Chinese workers. They saw a functional ACFTU as a potential firewall that could prevent the kind of "chaotic" workers' rebellions seen in the early years of the Cultural Revolution. Li Xiannian exemplified this sentiment. A year after the ACFTU's re-founding, Li made the following remarks while attending the October 1979 meeting of the ACFTU executive council to convey the Party leadership's support:

> "We have suffered from great troubles due to the absence of the union! The union was dysfunctional for more than a decade, leaving the stage to those organizations under the slogan of 'to rebel is justified', which brought us great anxieties (*liushenbu'an*) for a decade. We therefore restored the ACFTU, the Youth League and the Women's Association. Why don't we the Party use these organizations to keep in touch with the masses?"[215]

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[212] 邓小平《在中国工会第九次全国代表大会上的致辞》，1978 年 10 月 11 日，载于工人出版社编《中国工会第九次全国代表大会主要文件》。Deng Xiaoping, "Speech at the ACFTU's Ninth National Delegate Convention", October 11, 1978, in *Major Documents from the ACFTU's Ninth National Delegate Convention*, Workers' Press.

[213] 何布峰，《文化大革命中全国总工会停止工作的前前后后》，载于《中国工人运动史研究文集》，工人出版社，2000 年。He Bufeng, "How the ACFTU Went Defunct During the Cultural Revolution," in *Collected Research Papers on the History of the Chinese Labor Movement*, Workers' Press, 2000.

[214] Joel Andreas, *Disenfranchised*, p.145.

[215] 《李先念在全总九届二次执委（扩大）会议上的讲话（摘要）》，1979 年 11 月 4 日，载于《中华全国总工会文件选编（1978-1979）》第 64-71 页。"Li Xiannian's Speech at the Second Enlarged Meeting of the Ninth ACFTU Executive

Later in this speech he repeated this sentiment. Li Xiannian's hope seemed to be that, by deploying institutional means to "keep in touch with the masses", the ACFTU could dissipate and preempt industrial conflicts that might otherwise grow into something unruly. Because of this, the Party leadership was willing to allow the ACFTU to play a greater role and grace it with the explicit backing of its political status.

In this relatively hospitable political environment upon the ACFTU's reestablishment, many union cadres' priorities were somewhat at odds with the Party leadership's. For those union cadres, the ACFTU's historical troubles did not start with the Cultural Revolution: the ACFTU and its cadres from various ranks suffered two devastating blows in the 1950s. In December 1951, Li Lisan, the *de facto* leader of the ACFTU[216], was heavily criticized by the Party leadership and purged from the ACFTU. He was accused of committing the serious mistakes of "narrow economism" (*xiaai jingjizhuyi*) – that is, excessively championing workers' selfish material interests – and "syndicalism" (*gongtuanzhuyi*) – that is, seeking unions' political independence in defiance of the Party's authority[217]. The Party leadership then installed Lai Ruoyu as the chief leader of the ACFTU. Initially seen as a loyalist, over the years after assuming the leadership of the ACFTU Lai gradually moved to a position that emphasized the unions' role in championing workers' interests. This again infuriated the Party leadership. In May 1958, days after Lai died of cancer, the Party launched another harsh campaign to criticize and sanction Lai and some of his underlings for such sins as disobeying the Party's authority over unions, grabbing power at the expense of the Party and the government, tampering with the Party's line on the labor movement, and admiring workers' spontaneous struggles[218]. Notably, the denunciation campaigns against both Li Lisan and Lai Ruoyu took place on the heels of waves of militant labor actions focused primarily on material demands. The ACFTU leadership was somewhat sympathetic to and many grassroots union cadres played a role in facilitating these actions[219]. After 1958, the ACFTU was largely reduced to a state of political insignificance and submission until its collapse in 1966-1967.

For many ACFTU cadres who returned to union work in 1978, the incidents of 1951 and 1958 were deeply traumatic. On the one hand, both denunciation campaigns involved large-scale persecution and purge across the entire union system, against those accused of following Li and Lai's erroneous lines. On the other hand, these campaigns did not only entail enumerating the wrongs conducted by specific individuals. They were fundamentally about key *political*

Council (Summary)", November 4, 1979, in *Selected Documents of the ACFTU (1978-1979)*, pp.64-71.

[216] Li Lisan was at the time the Vice President of the ACFTU. However, because the presidency (bestowed on Chen Yun) was largely ceremonial, it was Li who was in charge of running union affairs. Li was also one of the most prominent leaders of the Communist Party in the 1920s and the early 1930s, who was subsequently marginalized (see Elizabeth J. Perry, *Anyuan: Mining China's Revolutionary Tradition*, University of California Press, 2012).

[217] Paul Harper, 1969, "The Party and the Unions in Communist China," *The China Quarterly* 37: 84-119.

[218] 《中华全国总工会党组关于全总党组第三次扩大会议的复查报告和中共中央的批示》，1979 年 6 月 18 日，载于《中华全国总工会文件选编（1978-1979）》第 115-157 页。"The ACFTU Party Committee's Report on the Re-investigation of the Third Enlarged Meeting of the ACFTU Party Committee, with Responses from the Party Center", June 18, 1979. In *Selected Documents of the ACFTU (1978-1979)*, pp.115-157.

[219] Nara Dillion, *Radical Inequalities*.

questions on the relationship between the Party and labor unions in a state socialist society. To what extent should labor unions act independently of the Party? To what extent could unions champion workers' material claims that the Party authority on the shopfloor and in government were not sympathetic to? To what extent could unions support struggles and strike actions by workers, particularly those in public enterprises, against the management and the government? The denunciation campaigns of 1951 and 1958 made it clear that the only politically permissible answer to all these questions was "to absolutely no extent". These campaigns further clarified that the Party leadership was determined to reduce the union system to merely one of its appendages. Therefore, many union cadres who lived through the campaigns of 1951 and 1958 and their aftermath painfully remembered years of either personal persecution or political humiliation and breathlessness. Consequently, for the ACFTU in general and those union cadres in particular, a priority in the late 1970s was to seek redress for what happened in the 1950s.

In 1978, the Party leadership was not yet ready to offer such a "reversal of verdicts". Deng Xiaoping's aforementioned speech at the Ninth National Delegate Convention sought to paper over the historical disputes by offering such vague assessments as "since the founding of the People's Republic of China, Chairman Mao's revolutionary line has occupied a dominant position in our country's labor movement and union work" and "the line, principle and task for the workers' movement, as stipulated at the Sixth, Seventh and Eighth National Delegate Conventions, were correct."[220] The speech contained no mention of or allusion to the alleged errors of Li Lisan and Lai Ruoyu or what to do about them. Whereas Deng's address simply pretended that the historical disputes never happened, the work report presented by the ACFTU President Ni Zhifu at this Convention[221] sought to appease the union cadres in attendance by claiming that the ACFTU as a whole did not fall into the traps of "economism" and "syndicalism". But it still retained the historical verdict that Li, Lai and their cliques did commit such mistakes:

> "Since our country's liberation, even though within a period of time a few specific leaders of the ACFTU committed the mistakes of syndicalism, economism and propagandizing the 'withering away of the union'[222] and caused some damage to our work, these mistakes were quickly rectified because Chairman Mao and the Party center discovered them promptly and the Party committees across all levels, union

[220] Deng Xiaoping, "Speech at the ACFTU's Ninth National Delegate Convention".

[221] The ACFTU cadres had very little autonomy in drafting this work report and instead had to primarily follow the instructions received from the Party leadership. For an occasion of a Party leader giving such instructions, see the following document: 《胡耀邦同志在全国省、市、自治区工会负责人会议上的讲话（摘要）》，1978 年 8 月 26 日，载于《中华全国总工会文件选编（1978-1979）》第 1-10 页。"Hu Yaobang's Speech at the Nationwide Meeting of Provincial Union Leaders (Summary)", August 26, 1978, in *Selected Documents of the ACFTU (1978-1979)*, pp.1-10.

[222] The "withering away of the union" seems to refer to a tendency that originated not from the ACFTU itself but from some Party theoreticians in the late 1950s and early 1960s. It argued that unions should altogether be abolished because workers were adequately represented by the Party and the People's Communes. This is not at all the same as the positions being criticized as "syndicalism" and "economism". It is interesting that these "mistakes" of very different nature were lumped together in this speech.

cadres and mass workers resisted them."[223]

Such half-hearted attempts to appease the union cadres failed to satisfy many of them, who demanded a much more serious reconsideration of the historical "mistakes". In January 1979, three months after the National Delegate Convention, Hu Yaobang, a junior associate of Deng who was at the time in charge of the Party's organizational and propaganda work, attended a symposium with ACFTU cadres. Hu's remarks there indicated the strength of the union cadres' demand:

> "There might be some remaining historical problems in the union system that have not been satisfactorily addressed. *Many comrades have proposed that some problems should be further addressed.* I do not object and leave you to give them further consideration. Some of the remaining historical problems were touched upon in Ni Zhifu's report[224], and we have thought that what was said in the report should suffice to settle all questions[225]. *Now some of you have argued that two constraining 'hats' haven't been removed, one called 'syndicalism' and the other 'welfarism'* (fuli zhuyi)[226]. Perhaps these two problems have not been solved satisfactorily. I cannot opine on this, since I have not done any research. But if you do insist on exerting more efforts to address and reconsider these, it's fine by me. Why not? We seek truth from facts."[227]

It was unclear what the ACFTU cadres said to Hu Yaobang at this symposium. But what was indeed clear was that some union cadres were rather unsatisfied with how the "historical problems" – especially those of "syndicalism" and "economism" – were dealt with at the Ninth National Delegate Convention. Apparently, many at the symposium demanded that these problems be reconsidered and addressed much more thoroughly. The union cadres must have expressed their demand so widely and strongly as to warrant a specific response from Hu. Hu's tone in these remarks also conveyed that he was somewhat caught off guard. Nevertheless, he was receptive to the idea of "exerting more efforts to address and reconsider these" problems.

The ACFTU forged ahead. In June 1979, the ACFTU leadership submitted a report to the Party leadership, which detailed a re-investigation into the alleged mistakes and crimes committed by Lai Ruoyu[228] and his associates. The report concluded that all the allegations against them were baseless and should be dismissed[229]. It not only corrected the historical

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[223] 倪志福《在中国工会第九次全国代表大会上的工作报告》，1978 年 10 月 12 日，载于《中国工会四十年（1948-1988）资料选编》第 917-943 页。Ni Zhifu, "Work Report at the Ninth ACFTU National Delegate Convention", October 12, 1978, in *Compilation of Selected Documents over Forty Years of China's Unions (1948-1988)*, pp.917-943.

[224] This refers to the aforementioned work report delivered by Ni Zhifu at the Ninth National Delegate Convention.

[225] Hu's words here further confirmed that the drafting of Ni Zhifu's report was overseen by the Party leadership including Hu himself.

[226] The term "welfarism" was often used interchangeably with "economism" in the Party discourse.

[227] 《胡耀邦同志在全总干校学员座谈会上的讲话（摘要）》，1979 年 1 月 17 日，载于《中华全国总工会文件选编（1978-1979）》第 53-62 页。"Hu Yaobang's Speech at the Symposium with the Students of the ACFTU Cadre School (Summary)", January 17, 1979. In *Selected Documents of the ACFTU (1978-1979)*, pp.53-62, emphases added.

[228] The reinvestigation into the Lai Ruoyu case was prioritized because the Li Lisan case was more complicated, involving some controversies in the Party Li had been enmeshed in before the communists took power in 1949.

[229] "The ACFTU Party Committee's Report on the Re-investigation of the Third Enlarged Meeting of the ACFTU Party Committee, with Responses from the Party Center."

records of individual deeds, but necessarily entailed a significant rethinking on the substantive questions about the political role of unions. Insisting that Lai's opinions were "mostly correct", the report affirmed that some political distinction should be maintained between the Party and the union. It also established there could be concrete dealignment between the interest of workers and the interests of the management in public enterprises that required the unions to intervene on behalf of the former. For example, it contended that Lai was correct in arguing that the union should care about workers' sufferings and grievances when conflict arose between workers on the one hand and the Party, the government and enterprise administration on the other. According to the report, Lai was also correct in emphasizing that the union should not detach itself from the masses – lest workers circumvent the union when engaging in contentious activity. It similarly advanced that Lai's criticism of a top-down model of union work that neglected the masses' opinions and demands and the initiative of grassroots activists was actually consistent with Mao's teachings on the "mass line".[230]

The ACFTU's campaign to reverse the historical verdicts on its previous leaders also informed many union cadres' understanding of the ACFTU's broader political task at this historical moment. Here, it is useful to recall Pierre Bourdieu's analysis of the position of intellectuals in a society's overall field of power. According to Bourdieu, intellectuals as holders of cultural capital belong to a society's dominant class, but within the dominant class they nevertheless tend to occupy a dominated position vis-à-vis holders of economic capital. Intellectuals' dominated position among the dominant, and their concrete experiences of being subject to domination, are conducive to their development of a sense of solidarity with the truly dominated classes. In Bourdieu's words, there is a "correspondence" – albeit an imperfect one – "between the interests of the dominated and those of the dominated-dominant" [231]. For Bourdieu, this structural correspondence disposes intellectuals to act as advocates and spokespeople for the dominated classes in a broader emancipatory project. In the case of the ACFTU, its national leaders and local cadres were surely part of the circuits of political power at the corresponding governmental levels. But within these circuits of power, the unionists were dominated by the Party-state officials. Therefore, there was a structural correspondence between the relationship between the Party-state and the ACFTU on the one hand and the relationship between the Party-state and workers in general on the other. This correspondence disposed many union cadres to see themselves as champions of workers' rights and power[232]. In other words, seeking redress for the ACFTU's victimization in the Mao era also led many to advance broader critiques of how Chinese socialism in the Mao era failed workers and to demand remedies.

In one example of such critiques leveled by the ACFTU cadres, Guo Ying – a member of the ACFTU's secretariat – advanced a somewhat bold argument at a large conference organized by the ACFTU in July 1979 on the topic of workplace democracy:

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[230] Ibid.

[231] Pierre Bourdieu, *Pascalian Meditations*, Cambridge University Press, 2000, p.188.

[232] Historian Wang Zheng's analysis of the political role of the Women's Federation in Mao-era China demonstrates some parallel tendencies, even though she does not employ a Bourdieusian analytical framework. See Wang Zheng, *Finding Women in the State*.

> "Within a certain period, workers practiced 'centralized leadership' over their enterprises via their representatives – that is, cadres appointed by the state – and at the same time participated in democratic management by supervising their cadres in a bottom-up manner. This method was necessary over a particular historical period……However, in order to prevent cadres from morphing from servants for the people into masters over the people, it is not enough for workers to only have the power to supervise but no power to *elect and recall*."[233]

Framed in somewhat convoluted language, Guo Ying was in fact articulating a critique of how workplace democracy was conceptualized and practiced in the Mao era (that is, "in a particular historical period"): the Maoist framework of workplace democracy gave workers only the power to "supervise" enterprise leaders but not the power to actually determine who became leaders of their enterprises; it was therefore not effective in preventing leaders' abuse of power. The supervision-centered framework, according to Guo, was too limited to serve as the template for workplace democracy in the post-Mao era.

A pamphlet published by the Shanghai Federation of Trade Unions in 1980 put forward another related critique of how the Maoist framework of workplace democracy limited democracy only to supervision:

> "If workers were only allowed to speak up, to make suggestions and to air complaints but not allowed to actually manage their enterprises, to actually have the power to decide on the most important issues facing their enterprises, then the problem of how to ensure workers' status as masters of their enterprises remains unsolved. This kind of 'democratic management' is oftentimes also acceptable to managers of capitalistic enterprises in other countries."[234]

According to this pamphlet, therefore, the supervision-centered framework was not that different from the kind of workplace democracy capitalism could agree to offer. The real question for socialism, however, was how to enable workers to exercise *decision-making* power. It is likely that the unionists' critiques along these lines were also partly informed by the Yugoslav theory and practice: the ACFTU and its Shanghai functionary played an active role in facilitating the "craze for Yugoslavia" in 1979, as we have seen in the last chapter.

Therefore, at the same time as the official trade union system sought redress for its historical victimization, it also worked to advance measures of workplace democratization. The way it approached this advocacy was cautious and piecemeal, however: it based its activism on what the Party leadership had already approved of, and only endeavored to incrementally substantiate and expand it.

Between late 1978 and mid-1980, the ACFTU worked on two things in particular. First,

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[233] 上海市档案馆，C1-3-168，郭英《在全总召开企业民主管理座谈会结束时的发言》，1979 年 7 月 31 日。Shanghai Municipal Archive (SMA), C1-3-168, Guo Ying "Speech at the Conclusion of the ACFTU Symposium on Democratic Enterprise Management", July 31, 1979, emphasis added.

[234] 上海市档案馆，C1-4-233-1，上海市总工会《关于企业民主管理问题的讲话提纲》。Shanghai Municipal Archive (SMA), C1-4-233-1, The Shanghai Federation of Trade Unions, "Speech Outlines on Issues of Democratic Enterprise Management".

based on the Pary leadership's call for the universal restoration of SWCs in public industrial enterprises (with the enterprise-level union branches supposed to act as the SWCs' coordinating organs), the ACFTU worked to make sure as many actually functioning SWCs were put in place as possible (since official policy pronouncements, even those from the top leadership, would not automatically translate into reality). In November 1978, for example, a document drafted by the Beijing Federation of Trade Unions that outlined key areas of work for the upcoming months included an item on "summarizing and promoting experiences of how to run SWCs and make them functional"[235]. In early 1979, the ACFTU's national headquarters were busy with drafting stipulations on how to establish or restore the SWCs and circulating them[236]. The July 1979 conference on workplace democracy, where Guo Ying gave the aforementioned remarks, was also meant to produce a strong push for improving SWC work.

Second, in the Party leadership's call for the *restoration* of shopfloor elections of workshop heads, work section leaders and team crew leaders, the ACFTU cadres saw an opportunity to promote something a bit more radical: shopfloor elections of factory directors via SWCs, which had been but only very sporadically tried out in the Mao era. In other words, the ACFTU attempted to convince the Party leadership to agree to scale up shopfloor elections to include electing factory directors. In the ACFTU's reasoning, elections of factory directors via SWCs were not only supposed to significantly empower workers – something that Guo Ying's aforementioned remarks alluded to. These elections were also expected to give enterprise-level union branches, which were tasked to coordinate SWC affairs, a more prominent role to play in the running of public enterprises.

In February 1979, the ACFTU made a public gesture towards advocating shopfloor elections of factory directors, the first in a series of strategic and incrementally clarifying moves. A drafted document titled *The ACFTU's Suggestions on Establishing and Perfecting SWCs* argued that the SWCs should be empowered to "make recommendations on the appointment and removal of factory directors and deputy directors"[237] – a cautious phrasing that nevertheless pointed towards the possibility of elections. In October that year, the ACFTU came to advocate elections of factory directors in unmistakably explicit terms. In the work report prepared for a meeting of its executive council, the ACFTU stated that, whereas elections of "lower-level" enterprise leaders – referring to workshop heads, work section leaders and team crew leaders –

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[235] 北京市档案馆，201-3-171-119，北京市总工会《今冬明春工作重点》，1978 年 11 月 23 日。Beijing Municipal Archive (BMA), 201-3-171-119, The Beijing Federation of Trade Unions, "Key Areas of Work for This Winter and Next Spring", November 23, 1978.

[236] 《跟上伟大转变，做好工会工作——全总书记处向九届二次常委（扩大）会议的汇报提纲》，1979 年 2 月 20 日，载于《中华全国总工会文件选编（1978-1979）》第 101-107 页。"Keeping up with Great Transformations and Doing Good Union Work – Outline of the Report by the ACFTU Secretariat to the Second (Enlarged) Meeting of the Standing Committee of the Ninth ACFTU Congress", February 20, 1979, in *Selected Documents of the ACFTU (1978-1979)*, pp.101-107.《全总关于九届二次常委（扩大）会议情况的报告》，1979 年 3 月 3 日，载于《中华全国总工会文件选编（1978-1979）》第 100 页。"The ACFTU's Report on the Second (Enlarged) Meeting of the Standing Committee of the Ninth ACFTU Congress", March 3, 1979, in *Selected Documents of the ACFTU (1978-1979)*, p.100.

[237] 上海市档案馆，C1-3-168-43，《中华全国总工会关于建立和健全职代会制度的意见（征求意见稿）》。Shanghai Municipal Archive (SMA), C1-3-168-43, "The ACFTU's Suggestions on Establishing and Perfecting SWCs (Draft for Soliciting Opinions)".

are to be universally implemented in two or three years, each province "shall be advised to pick one or two enterprises to experiment with electing factory directors"[238]. This report was subsequently circulated, with the Party leadership's approval, to provincial leaders across the country. The ACFTU's advocacy during these months was notably effective: the State Council's Economic Commission, after "soliciting the opinions from relevant parties", offered a revised draft of the *Regulations on the Management of State-Managed Industrial Enterprises* in October 1979 which included a clause saying that "the SWCs' responsibilities include…electing enterprises' leading cadres when the conditions mature, subject to review and approval by the Party-state agencies overseeing the enterprises. For those enterprises where the conditions are immature or elections are not appropriate, experimentation with annual public approval votes on the enterprises' leading cadres shall be allowed"[239].

In the late 1970s, Deng Xiaoping was at least partially receptive to the idea of having elections play a greater role in the running of public enterprises. We have already seen from the last chapter that, when Deng publicly remarked on the Yugoslav model in September 1978, he believed that shopfloor elections were consistent with the spirit of "seeking truth from facts": elections would help place into leadership positions those cadres who were competent and capable of producing good economic results. One year later, in another public speech in November 1979, Deng again commented on the economic payoff of shopfloor elections:

> "Let me tell you about a new development. The experiments with elections of workshop heads and team crew leaders, which we have promoted, have yielded impressive results in some enterprises. An important outcome is the alignment between workers' personal interests and the betterment of enterprise performance. Workers elected only those cadres they believed to be capable of managing their enterprises well, because improved performance resulted in bonuses for workers and increased economic contributions to the state. Now we've only solved the issue of electing workshop heads and team crew leaders, and *it is worth researching in the future how to choose factory directors and managers*."[240]

Deng's logic was unambiguous: as a selection mechanism, shopfloor elections put into office leading cadres with greater competency, who in turn brought about better economic performance. Towards the end of this passage, Deng specifically said that "*it is worth researching in the future how to choose factory directors and managers*", meaning that shopfloor elections of factory

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[238] 《全总常委会向九届二次执委扩大会议的工作报告（摘要）》，1979 年 10 月 31 日，载于《中华全国总工会文件选编（1978-1979）》第 173-182 页。"The Work Report Prepared by the ACFTU Standing Committee to the Second Enlarged Meeting of the Ninth ACFTU Executive Council (Summary)", October 31, 1979, in *Selected Documents of the ACFTU (1978-1979)*, pp.173-182.

[239] 湖北省档案馆，SZ026-5-49-1，国家经委办公厅《对<国营工业企业管理工作条例（草案）>征求意见》，1979 年 10 月 22 日。Hubei Provincial Archive (HPA), SZ026-5-49-1, Administrative Office of the National Economic Commission, "Soliciting Opinions on the *Regulations on the Management of State-Managed Industrial Enterprises* (Draft)", October 22, 1979.

[240] 邓小平《高级干部要带头发扬党的优良传统》，1979 年 11 月 2 日，载于《邓小平文选（1975-1982）》第 187-202 页。Deng Xiaoping, "Senior Cadres Should Lead the Way in Promoting Our Party's Good Traditions", November 2, 1979, in *Selected Works of Deng Xiaoping (1975-1982)*, pp.187-202, emphasis added.

directors could be a possibility.

One lingering question is: how did Deng know that shopfloor elections of workshop heads and team crew leaders produced "impressive results"? It is very likely that Deng formed his impression based on the reports submitted by the ACFTU. Available evidence shows that in 1979, the ACFTU submitted to the Party leadership at least two reports that discussed the issue of shopfloor elections at length, one in June[241] and the other in September/October[242]. I have not been able to access these two reports, but I have seen documents that mentioned these reports. These latter documents made it clear that the two reports were written and submitted for the purpose of defending and promoting shopfloor elections. Even though there is no evidence suggesting whether Deng himself had read these reports, the reports did receive comments from other Party leaders to whom Deng was close at the time, such as Hu Yaobang and Li Xiannian. It is therefore reasonable to speculate that Deng's assessment was based on the material supplied by the ACFTU showing how experiments with shopfloor elections led to improved economic performance.

Furthermore, almost a year later, Deng's high-profile speech on August 18, 1980 – in which he outlined a sweeping agenda of political reform in order to eradicate the "feudalist" legacies remaining in the Party-state (we have already discussed part of this speech in the previous chapter) – included this sentence: "the SWCs shall be empowered to……gradually implement shopfloor elections of enterprise leaders at an appropriate scale and level"[243]. The phrasing here was very vague (probably deliberately made so): for example, who counts as "enterprise leaders at an appropriate scale and level"? On the one hand, shopfloor elections of factory directors and other leading personnel – beyond workshop heads, work section leaders and team crew leaders – were yet to receive explicit endorsement from the Party leadership. On the other hand, Deng's vague phrasing could also be interpreted inclusively: maybe he really was pointing towards a path where the category of "enterprise leaders at an appropriate scale and level" suitable for elections could be gradually broadened to include factory directors. To sum up, by August 1980, the ACFTU's efforts to advocate shopfloor elections of factory directors were somewhat but not entirely successful: the Party leadership seemed to have displayed some receptiveness, but an explicit approval was still nowhere to be seen. For the latter to be granted, something much more forceful than the ACFTU's advocacy was needed. It is this crucial element to which we now turn.

ACT I: The Yugoslav Inspiration, the Polish Solidarity, and Labor Unrest in China

While the ACFTU was endeavoring to reverse historical verdicts and push for incremental reforms to democratize the industrial shopfloor, restiveness was brewing among Chinese workers. To be sure, it was not only workers who were becoming restive (once again) in the late 1970s. In 1978, poster forums and underground journals sprang up in several major cities in China to

[241] 武汉市档案馆，XX000091-WS02-122-4，《胡耀邦同志对全国总工会关于<企业的民主选举搞得怎么样？>一文的批语》，1979 年 7 月 11 日。Wuhan Municipal Archive (WMA), XX000091-WS02-122-4, "Hu Yaobang's Comments on the Article Submitted by the ACFTU, 'How Did Democratic Elections in Enterprises Go?'," July 11, 1979.

[242] "Li Xiannian's Speech at the Second Enlarged Meeting of the Ninth ACFTU Executive Council (Summary)".

[243] Deng Xiaoping, "Reforming the Leadership System of the Party and the State.".

critically examine the political status quo and pose demands for democratization[244]. But the conceptions of what democracy should look like expressed in such outlets were quite diverse and sometimes confused. One of the most important sites where these grassroots democratic discussions took place was a wall near a construction site in Xidan, one of the busiest areas in Beijing. This wall was turned into a vibrant forum for big-character wall posters. Participants included students, workers, intellectuals, artists, former rebels, veteran political activists and others. Collectively dubbed the "Democracy Wall Movement", this set of diverse grassroots activities across China was first welcomed in late 1978 by Deng Xiaoping and the other "old revolutionaries" together with their junior associates (likely because of its usefulness in combatting the line of "Two Whatevers"). In early 1979, however, the movement seemed to have gone too far in the eyes of these Party leaders – posters directly criticizing Deng Xiaoping himself started to appear, for example. The Party leadership soon gravitated towards a repressive approach, launching a wave of arrests of leading activists and banning many poster forums. Meanwhile, Deng articulated the famous "Four Cardinal Principles" (*sixiang jiben yuanze*), which adamantly placed the Party rule beyond the realm of the questionable[245]. The 1979 crackdown failed to extinguish the entire movement, though, with some underground journals persisting for a few more years.

The Democracy Wall activists advanced a variety of political critiques and visions of democracy[246]. Some of them explicitly drew upon the Yugoslav model to demand something akin to workers' self-management. Wang Xizhe, who was already reputed for his participation in dissident democratic activism in the early and mid-1970s and became once again active in the late 1970s, was one of them[247]. On April 1, 1979, democratic activists in Guangdong Province organized a gathering with more than 150 attendees. There, Wang Xizhe delivered a speech titled "Strive for the Class Dictatorship of the Proletariat", which he subsequently published as an article in a journal called *The People's Voice* in September. In this article, Wang proposed the thesis that the dictatorship of the Communist Party must be transformed into the dictatorship of the proletariat as a whole. A couple of questions then followed:

> "But how is the road leading from Party dictatorship to a dictatorship of the proletariat by the organization of the entire proletarian class to be traversed? What, then, are the characteristics of the class dictatorship of the proletariat? Comrade Yu Guangyuan explained it very well: 'We can perhaps find some clue in socialist Yugoslavia.'"[248]

Wang's article proceeded to devote an entire section on "Yugoslavia's theory and practice" to

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[244] Kjeld Erik Brodsgaard, 1981, "The Democracy Movement in China, 1978-1979: Opposition Movements, Wall Poster Campaigns, and Underground Journals," *Asian Survey* 21(7): 747-774.

[245] Zhang Xianyang, "The Origins of the Four Cardinal Principles"; Yang Jisheng, *Political Struggle in China's Era of Reform*.

[246] Lauri Paltemaa, 2007, "The Democracy Wall Movement, Marxist Revisionism, and the Variations on Socialist Democracy," *Journal of Contemporary China* 16(53): 601-625.

[247] Wang Xizhe's historically significant political critiques, the evolution of these critiques over the decades as well as the multiple episodes of imprisonment because of his dissident activities deserve a serious biographic study.

[248] Wang Xizhe, "Strive for the Class Dictatorship of the Proletariat", translated by Ai Ping and Stanley Rosen, in *On Socialist Democracy and the Chinese Legal System: the Li Yizhe Debates*, edited by Anita Chan, Stanley Rosen and Jonathan Unger, M.E. Sharpe, 1985.

show that the Yugoslavians "have realized that in order to eliminate thoroughly the danger of the Party and state becoming masters of society and rulers of the people, they must systematically and firmly follow the guidance of Marx and Lenin and *unite the groups of workers directly with the means of production*"[249]. The section concluded with the following provocations:

> "Here I feel it necessary to refer to a report that Comrade Su Shaozhi made after his visit to Yugoslavia. He said that after he visited Yugoslavia, he and Comrade Li Yimin had the same observation: 'Thirty years ago, Yugoslavia was expelled from the Cominform; there have been all sorts of polemics. However, it is difficult to get at the truth from mere words; the only criterion to test truth is still practice. When we went to Yugoslavia for a look, we saw vitality and prosperity. It seems that the future there is very promising.' So, in emancipating our thinking and in our independent search for a socialist form and road of development, shouldn't we learn something from the comrades in Yugoslavia?"[250]

In other words, Wang Xizhe saw the Yugoslav model as a useful guide to set China on a path towards democratic socialism. It also provides clear evidence that the writings by Yu Guangyuan and Su Shaozhi – both of whom were members of the March 1978 delegation to Yugoslavia and active in promoting the Yugoslav model upon their return (see the previous chapter) – did make their way to reach grassroots democratic activists.

Some other participants in the Democracy Wall Movement echoed Wang Xizhe's admiration for the Yugoslav model. An essay titled "Democracy in Economic Management and Democracy in Politics" advanced the following argument:

> "The lack of democratic ways in economic management leads to a lack of democracy in politics. So if we want to have a system of democracy in politics, we must insist on a system of people's democracy in economic management. Yugoslavia has already achieved excellent results in testing such a system."[251]

The article first appeared in the journal *Beijing Spring* (*Beijing zhichun*) in January 1979. The author, Han Zhixiong, was said to be a worker in the Second Municipal Housing Repair Company. Another article that appeared in the same issue of the same journal was titled "Do Away with the Power of Administrative Leadership of Basic-Level Organizations, Factories, Mines and Other Enterprises". It contended that

> "Yugoslavia's experience deserves our attention. In conformity with the law of class struggle, they have abolished the power of the administrative and production leadership of party organizations at the grassroots units of factories and mines in the nick of time, and they have set up 'workers' committees' in their place……We should start from the grassroots units of factories, mines and other enterprises. The abolition of the power of the administrative leadership of basic-level Party organizations spells the withering of the Party. By letting 'workers' committees' – which are democratically elected by the

[249] Ibid, emphasis added.
[250] Ibid.
[251] Han Zhixiong, "Democracy in Economic Management" (Document 38), in *The Fifth Modernization: China's Human Rights Movement 1978-1979*, edited by James D. Seymour, New York: Human Rights Publishing Group, 1980.

> workers – exercise leadership in administration and production, outstanding workers and competent technicians can assume leading posts and give free rein to their initiative."[252]

To be clear, I am not arguing that the entire Democracy Wall Movement was enamored of the Yugoslav model. As already mentioned, the visions of democracy promulgated by the democratic activists were very diverse and sometimes inconsistent. What is clear, however, is that the Yugoslav model did exert an inspirational impact on some movement participants and shaped their articulation of a socialist vision of democracy.

Just as the Democracy Wall Movement was unfolding and tenuously surviving political repression in the late 1970s, a wide range of protest activities including petitioning, marching, sit-ins and other forms of "unrest" (*naoshi*) were staged across China by students, rusticated youth, veterans, workers, and those wrongly prosecuted over the previous decades to air a wide range of grievances. In one of the most dramatic incidents, in January 1979 some people hung a giant banner from the ninth floor of a tall building in Shanghai which read "the dictatorship of the proletariat is the source of all evils"[253]. Some workers partook in these protest activities, at times motivated by very specific material grievances. The Party committee of the Luoyang Bearing Factory recounted that in 1979, "workers' minds were active, some of them confused. Activities like the Xidan Democracy Wall and the 'old monks' posters' (in which some workers complained about married couples not being able to live together) spread to our factory"[254]. The local union in the Hangzhou branch of the Zhejiang Provincial Shipping Company similarly reported that in early 1979, "a minority of workers could not correctly process what was happening in society; they posted big-character posters and engaged in link-up activities, posed excessive demands regarding hard-to-solve problems such as vacation time, labor protection and welfare provisions, spread wrong discourses, and aired wholesale criticisms of the development of the shipping industry since the founding of our country"[255]. The Democracy Wall Movement and some of these more sporadic protest activities developed a reciprocal relationship. On the one hand, the concrete grievances aired by the protest activities supplied raw material for Democracy Wall activists' political critiques. On the other hand, the Democracy Wall Movement provided protestors with useful discourses and models of action. Some democratic activists even attempted to link up with a few protests to channel them into a more organized and politically conscious direction[256].

While the Democracy Wall Movement and sporadic protest activities in 1978-1979 did

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[252] Lu Min, "How to Run a Factory" (Document 39), in *The Fifth Modernization: China's Human Rights Movement 1978-1979*, edited by James D. Seymour, New York: Human Rights Publishing Group, 1980.

[253] Zhang Xianyang, "The Origins of the Four Cardinal Principles".

[254] 《洛阳轴承厂党委报告》，载于《全国企业民主管理座谈会有关文件汇编》第 213-223 页。"Report by the Party Committee of the Luoyang Bearing Factory", in *Compilation of Documents Relevant to the Nationwide Conference on Democratic Enterprise Management*, pp.213-223.

[255] 《中国海员工会浙江省船运公司杭州分公司委员会报告》，载于《全国企业民主管理座谈会有关文件汇编》第 326-331 页。"Report by the Union Committee of the Hangzhou Branch of the Zhejiang Provincial Shipping Company", in *Compilation of Documents Relevant to the Nationwide Conference on Democratic Enterprise Management*, pp.326-331.

[256] Jackie Sheehan, *Chinese Workers*, chapter 6.

encompass workers' participation, the center of gravity in China's grassroots activism decisively shifted to labor only after August 1980. This was when the news of a powerful strike at the Lenin Shipyard in Gdansk, Poland – which rapidly developed into a massive independent union movement – reached China. The last few months of 1980 and the first half of 1981 then saw an explosive wave of labor unrest sweep across China. The developments of and demands posed by the Polish Solidarity movement were extensively publicized in various Democracy Wall underground journals, and even covered in China's official news outlets including the Party's mouthpiece, *People's Daily*. The Polish Solidarity movement had an almost immediate emboldening effect on Chinese workers. The ACFTU Vice President Gu Dachun reported in early October 1980 that "since the Polish incident broke out, there have already been reverberations among workers. A comrade who recently traveled to Shanghai told me upon their return that some workers told their local union cadres that 'you should not be complacent; beware of the Polish incident!' We have been kept in the know. Some places saw a minority of workers go on hunger strike, and workers in a small number of work units launched strikes and work stoppages"[257]. The signs of a developing wave of labor unrest were so palpable that on October 27, the ACFTU's national leadership urged union functionaries across all levels to "pay close attention to and correctly handle the unrest among a small number of workers. Strikes among a small number of workers and class boycotts among students have taken place in some particular places, *with a tendency to develop further*. Based on the current situation, it looks like this unrest among a small number of workers was mostly due to severe bureaucratism on the part of the leading cadres"[258].

Various forms of labor unrest continued to gain momentum, with some workers explicitly evoking the example set by their Polish counterparts. On October 30, about 20 workers from Harbin's Second Tool Factory delivered a petition to the municipal government on grievances related to housing. When told that their demands could not be met, workers' reply was "do you know what we workers have been thinking since the Polish incident? We won't go home until you address our demands"[259]. In December, some young workers in Shanghai were reported to be saying "the Polish workers' strike is such good inspiration, as independent unions can actually speak for workers, address their needs and dare to struggle against those powerholders who do not care about workers' sufferings"[260]. When protesting unpopular wage policies, workers in one

[257] MAW, XX000091-WS02-134-17.

[258] 《深入下去调查研究，切实解决工会工作和职工中存在的问题，密切工会同群众的联系》，1980 年 10 月 27 日，载于《中华全国总工会文件选编（1980）》第 82-88 页。"Deepening Research, Concretely Addressing the Existing Problems with Union Work and among Workers, and Solidifying the Connections between the Union and the Masses", October 27, 1980, in *Selected Documents of the ACFTU (1980)*, pp.82-88, emphasis added.

[259] 《内部参考》第 97 期，《波兰事件后在哈尔滨等市出现的一些新动向》，引自蒋华杰，2021，《制度镜像——波兰团结工会事件与中国改革开放的变奏》，《二十一世纪》第 185 期第 91-110 页。"New Developments in Cities including Harbin since the Polish Incident", *Internal References* Issue 97, cited in Jiang Huajie, 2021, "Institutional Mirror: The Reverberation between the Polish Solidarity Incident and China's Reform and Opening," *The Twenty-First Century* 185: 91-110.

[260] 《内部参考》第 101 期，《上海一些工厂商店的职工对领导不关心群众疾苦不满爆发罢工事件》，引自蒋华杰《制度镜像》。"Workers in Some Factories and Stores in Shanghai Staged Strikes Due to Leaders' Inattention to the Masses' Sufferings", *Internal References* Issue 101, cited in Jiang Huajie, "Institutional Mirror".

particular Shanghai factory threatened to form an independent union, with some workers saying that "if our demands are still not met, a Polish incident will break out and we'll bomb the boiler room"[261]. In early January 1981, the ACFTU hosted a conference on local unions' grassroots work. The summary of the discussions that transpired at the conference again acknowledged that "currently, activities such as striking and petitioning have appeared among a small number of workers"[262]. Even though the ACFTU cadres and the documents they produced repeatedly claimed that only "a small number of workers" engaged in subversive activities, the number of these workers must not have been very small if the ACFTU found it necessary to keep such a close eye on them.

In the last few months of 1980 and early 1981, labor unrest in the form of strikes, petitioning, marching, independent organizing and even hunger strikes reportedly spanned a majority of China's provinces and became especially pronounced in major industrial hubs such as Shanghai, Wuhan, Shenyang, Anshan, Harbin, Beijing, Chengdu and Taiyuan. Its scope and impact were still limited compared to what happened in Poland (and compared to workers' rebel movements in the early years of the Cultural Revolution). But labor unrest in this period did stand out as particularly concerning, both because it formed something like a nationwide wave and thanks to the prominence of the demands for independent unions in it. As political scientist Jeanne Wilson documented, "specific cases of labor unrest were reported in both the foreign and the domestic regional press in the industrial cities of Wuhan and Taiyuan in which workers' grievances culminated in demands for the establishment of free trade unions…Coal miners, tool-and-die makers and workers in the chemical industry were further reported to have demanded unions independent of state and Party control"[263]. Chen-Chang Chiang documented how some Shanghai workers demanded Solidarity-style independent unions[264]. The Party's Central Propaganda Department similarly reported in December 1980 that "some individual workers and even union cadres openly proposed to abandon the current union system and found independent unions instead"[265].

Furthermore, in April 1981 the ACFTU's national leadership submitted a report to the Party leadership detailing various troubles encountered by the union system while trying to carry out its missions. The union leaders wrote in the report that "we think that, across society and within the ranks of workers, particularly among young workers, a very small number of people indeed form a tendency to try to get rid of the Party's authority and advocate for independent unions and

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[261] Ibid.

[262] 武汉市档案馆，XX000091-WS04-18-2，《全国工会基层工作座谈会记要》，1981 年 1 月 8 日；The Municipal Archive of Wuhan (MAW), XX000091-WS04-18-2 "Minutes of the ACFTU Symposium on Unions' Grassroots Work". January 8, 1981.

[263] Jeanne Wilson, 1990, "'The Polish Lesson': China and Poland 1980-1990," *Studies in Comparative Communism* 23(3/4): 259-279, p.263.

[264] Chen-Chang Chiang, 1990, "The Role of Trade Unions in Mainland China," *Issues and Studies* 26(2): 94–96.

[265] 河北省档案馆，1057-8-39，《正确对待少数人闹事的问题》，1980 年 12 月 5 日，引自蒋华杰《制度镜像》。Hebei Provincial Archive, 1057-8-39, "Correctly Addressing the Unrest by a Minority of People", December 5, 1980, cited in Jiang Huajie, "Institutional Mirror".

bourgeois liberalization, which deserves our great vigilance"[266]. Again, the ACFTU attributed this subversive tendency to only "a very small number of people". But the number of these restive workers must have been at least large enough to be noticeable. Moreover, this evidence further suggests that it was precisely the *unambiguously political* nature of workers' activism – particularly the demand for independent unions outside of the Party's control – that made the *perceived threat* posed by the labor unrest especially alarming. This threat far exceeded the actual size of the labor unrest measured by the number of participants.

Based on primary archival material, here I offer a few concrete examples that illustrate the dynamics of this wave of labor unrest. First, we have Shanghai's Xinfeng Yarn Dyeing Factory, an enterprise under nominal collective ownership[267] where a large portion of workers were made up of rusticated youth who had recently returned to the city. In late 1980, these new workers, deeply dissatisfied with the wage grades they were assigned to, began to organize their own congresses to formulate demands and strategies. More than five hundred of these workers elected 34 representatives as a preparatory step towards collectively negotiating with the enterprise leadership. At the self-organized congresses, some workers proclaimed that "the factory leaders were like candles; if we don't make some trouble, they will not address our demands"[268]. After one of the congress sessions, workers became so angry and restive that they took down the factory's signboard and proposed to take the petition all the way to the municipal government. The self-organizing endeavor failed to be pacified for more than a month[269]. In this incident, in order to address a concrete material grievance, workers recognized the need to develop some organizational mechanism to collectively deliberate and strategize. This recognition resulted in embryonic efforts to establish workers' own independent entity with elected representatives. The very process of independent self-organizing further solidified workers' collective resolve and radicalized their preferred course of action. This incident was not unique in Shanghai. A work report produced by the Shanghai Federation of Trade Unions in February 1981 revealed that "recently, a small number of collective work units have seen strikes and slowdowns, primarily driven by workers' grievances regarding wages, working conditions and bonuses, and exacerbated by cadres' inability to address them well, tactlessness and mishandling"[270].

Second, an investigative report produced by the Wuhan Federation of Trade Unions detailed a two-hour work stoppage in the Wuhan Towel Factory on June 20, 1981. Before that day, the

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[266] "The ACFTU Party Committee' Report to the Party's Central Secretariat on Some Problems Communicated by Local Unions".

[267] For a brief overview of China's two categories of public enterprises – those under "ownership by the entire people" and those under "collective ownership" – see the previous chapter.

[268] The metaphor of candles seems to refer to the fact that candles will not extinguish by themselves if one does not actually blow them out.

[269] 上海市档案馆，C1-3-337-56，《上海市纺织工业局党委书记王子明发言》，1981 年 11 月。Shanghai Municipal Archive (SMA), C1-3-337-5, "Speech by Wang Ziming, Party Secretary of the Shanghai Bureau of Textile Industry", November 1981. 上海市档案馆，C1-4-438-5，《工会简报》第 70 期，1981 年 8 月 26 日。Shanghai Municipal Archive (SMA), C1-4-438-5, Union Bulletin Issue 70, August 26, 1981.

[270] 上海市档案馆，C1-3-328-1，《在上总六届六次委员（扩大）会议上的工作报告（讨论稿)》，1981 年 2 月。Shanghai Municipal Archive (SMA), C1-3-328-1, "Work Report at the Sixth (Enlarged) Council Meeting of the Sixth Congress of the Shanghai Federation of Trade Unions (Draft for Discussion)", February 1981.

city of Wuhan had been hit by extreme heat for a few days, with temperatures shooting above 104 degrees. However, the factory management did not pay sufficient attention to cooling down the workplace: ventilation was bad, electric fans were not installed, the cotton curtains meant to keep the workshop warm during the winter were yet to be taken down, and workers were not supplied with enough drinking water. This situation eventually turned volcanic on the night shift in the weaving workshop on June 20. Whereas 104 workers showed up to work, they were supplied with only about 50 ice cubes. Workers then learned that the factory, employing 1,700 workers, had purchased a total of 2,000 ice cubes that day – more than enough to supply each worker with one cube – but mismanagement and misallocation resulted in workers on the night shift not being able to get what they needed. To make things worse, the worker in charge of boiling drinking water also happened to call in sick and the managers did not arrange a replacement, resulting in no drinking water at all. With no factory or workshop leaders on call at the time, the night-shifters felt the only way to get their discontent heard was to stop work. Production was shut down for almost two hours. Whereas the enterprise leadership did work to address the substance of workers' grievances after the fact, they were also eager to find out who led the work stoppage and dole out punishments. Again aggrieved, workers wrote a petition letter to Wuhan's municipal Party committee, which then triggered the investigation by the Wuhan Federation of Trade Unions[271].

Another report detailed a work stoppage taking place in Shanghai's First Standard Parts Material Factory on August 7, 1981, when the nationwide wave of labor unrest was already winding down. Over the months leading up to the work stoppage, the factory had repeatedly seen instances of workers physically beating the leading cadres: the secretary and deputy secretary of the factory-level Party committee as well as the factory director and deputy director had all been beaten up at some point. Yet, the factory authority was somehow unable to discipline the offenders. These incidents of beating, I argue, evidenced a general sense of workers' everyday unruliness unfolding on the shopfloor. The underlying resentment that motivated such beating was deep-rooted: workers in the factory had long complained about the extremely bad working conditions which they likened to convict labor, but neither the factory leaders nor the upper-level Party-state authority did anything to improve the conditions. It was probably such widespread frustration that made workers see beating as a justified way to vent anger and made discipline impracticable. Then, on August 7, workers of the first section heard a rumor that their above-quota bonuses were to be reduced. Leaders of the section dared not to confront the factory leaders about it. Therefore, the section's 57 workers went on strike. When the factory leadership tried to mobilize the leading personnel in the section to get workers back to work, the section leader said there was nothing they could do since workers were unwilling to return. No team crew leaders were willing to return to work either. The head of the wire-drawing team said, "if I were the first one to return to work, workers would keep scolding me to death." The factory

[271] 武汉市档案馆，XX000091-WS04-1-5，武汉市总工会党组《关于武汉毛巾厂织造车间甲班 6.20 日停工问题的调查报告》，1981 年 11 月 16 日；The Municipal Archive of Wuhan (MAW), XX000091-WS04-1-5, The Party Committee of the Wuhan Federation of Trade Unions, "Investigative Report on the Work Stoppage by the First Team of the Weaving Workshop in the Wuhan Towel Factory on June 20," November 16, 1981.

leader then attempted to block workers from leaving at the factory gate but was overpowered by the workers gushing out while singing aloud "We Workers Have the Power".[272]

The 1980-1981 wave of labor unrest did not only include overtly contentious activities such as striking, petitioning, marching, physical beating, independent organizing, and hunger strikes. A general atmosphere of labor restiveness made many more workers feel emboldened enough to air grievances and demands on the shopfloor in more creative and subtle ways. One interesting example was given by Xin Fu, the municipal Party secretary of Wuhan who delivered a speech at the Industrial Work Conference of Hubei Province in September 1981. Xin Fu recounted that, earlier that year,

> "When the Wuhan Boiler Factory was deliberating on the candidates for their SWC representatives, some workers publicly announced that they were to make 'campaign speeches', others wrote in 'Lech Walesa' on their ballots, and yet others advocated for 'workers' self-management' and for a 'factory management committee' to replace the Party committee."[273]

He then went on to applaud how the municipal Party committee intervened in time to help the enterprise-level Party committee demobilize such unruly voices. This example perfectly elucidates how *the Yugoslav and Polish sources of inspiration combined* to embolden workers to demand more democracy in their own workplaces. As this evidence shows, by early 1981 many grassroots workers were fairly familiar with the basic contour of the Yugoslav model of "workers' self-management" as well as recent developments in Poland. These workers deployed such Eastern European exemplars as frames of reference to assess their current conditions and model their own visions of workplace democracy on. The political significance of such a threatening act was clearly not lost on the Party-state officials, so much so that one of Wuhan's top political leaders cared to elaborate on this incident at a provincial conference.

It is also notable that, over the last few months of 1980, Zhao Ziyang's Yugoslav-style policy experiments with "the factory director responsibility system under the leadership of the SWC" similarly contributed to workers' increasing level of confidence to pose demands and stage actions. Even though the experiments were underway in only 44 enterprises across China, their impact was much more ubiquitous. Widely publicized in popular media and closely followed by many workers, these experiments were seen as indicative of the general direction guiding the enterprise reform in the future. They inspired some workers in *non-experimental* enterprises to demand more power for themselves. What happened in the First Automobile Factory, one of the most symbolically and strategically significant flagship industrial plants in China, is revealing. As the factory's Party committee reported,

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[272] 上海市档案馆，C1-4-438-144，《工会简报》第 58 期，1981 年 10 月 14 日。Shanghai Municipal Archive (SMA), C1-4-438-144, "Union Bulletin, Issue 58", October 14, 1981. "We Workers Have the Power" (*zanmen gongren you liliang*) is a famous Chinese song celebrating the working class.

[273] 湖北省档案馆，SZ001-8-579-1，辛甫《加强和改善党的领导，充分发挥职代会作用》（省委工业工作会议发言材料之一），1981 年 9 月 3 日。Hubei Provincial Archive (HPA), SZ001-8-579-1, Xin Fu, "Strengthening and Improving the Party's Leadership, Making the SWCs Fully Play Their Role" (Speech Material #1 for the Provincial Industrial Work Conference), September 3, 1981.

> "Last year [1980], there were reports in the newspapers on how some enterprises were experimenting with 'the factory director responsibility system under the leadership of the SWC'. At the time, cadres and *many workers* were becoming very restive in their thoughts, and brought forth the question: 'what should our factory do?' We had to address this question at an enlarged Party committee meeting, and unified cadres' thought along the following lines: on the one hand, our factory should still uphold the authority of the Party committee, based on our concrete realities; on the other hand, we would gradually expand the powers of the SWC, and create more channels for the SWC representatives to participate in decision-making processes on major issues. This would not only help perfect the current system, but also help the Party committee, the managerial personnel and SWC representatives accumulate more experiences and increase adaptiveness so as to create conditions for *the introduction of a new system of enterprise management in the future*."[274]

Even though no contentious activity such as striking or petitioning was reported in this factory, workers became "restive" upon reading about the Yugoslav-style experiments in the newspapers. They voiced questions about workplace democracy in such a forceful manner that the Party committee felt compelled to address them. Similar to how the Yugoslav model emboldened workers in the Wuhan Boiler Factory, the ongoing policy experiments with "putting the SWC in charge" motivated workers in the First Automobile Factory to be more insistent and audacious.

This emboldening effect was also hinted at in a speech delivered by Wang Daren, the Party secretary of Jilin Province where the First Automobile Factory was located:

> "Over the three or four months following last September [September 1980][275], there were some twists and turns. There was some turmoil (*dongdang*) in people's thoughts, and folks all had divergent opinions, because of the proposed policy that could be summarized as a number of 'waits': Party secretaries wait to be removed, factory directors wait to be elected, and political cadres wait to be transferred to other realms of work."[276]

The three "waits" referred to a popular – though incomplete and not entirely accurate – way of understanding what "the factory director responsibility system under the leadership of the SWC" was about: the enterprise-level Party committees would no longer have any substantive functions (thus resulting in the "removal" of Party secretaries) and factory directors were to be elected by and held accountable to the SWCs. The proposed policy currently under experimentation, according to Wang Daren, caused "turmoil in people's thoughts". Even though he didn't specify

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[274] 《一汽党委报告》，载于《全国企业民主管理座谈会有关文件汇编》第 168-180 页。"Report by the Party Committee of the First Automobile Factory," in *Compilation of Documents Relevant to the Nationwide Conference on Democratic Enterprise Management,* pp.168-180, emphases added.

[275] Recall that September 1980 was when Zhao Ziyang announced the proposal to promote "the factory director responsibility system under the leadership of the SWC" as a serious policy proposal.

[276] 《王大任在吉林省工业系统思想政治工作会议上的讲话（摘要）》，1981 年 6 月 17 日，载于《全国企业民主管理座谈会有关文件汇编》第 88-93 页。"Wang Daren's Speech at the Conference on Political and Thought Work of Jilin Province's Industrial Sector (Summary)," June 17, 1981, in *Compilation of Documents Relevant to the Nationwide Conference on Democratic Enterprise Management*, pp.88-93.

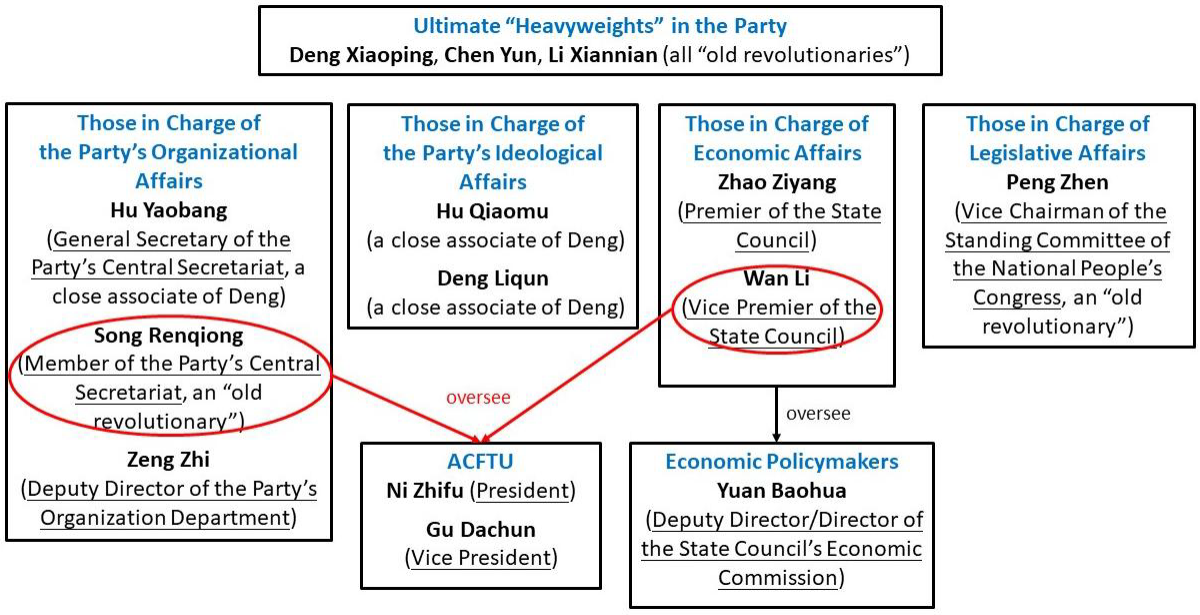
what such "turmoil" was, it is very likely that the "turmoil" referred to such instances of workers' restiveness as reported in the First Automobile Factory. Wang's speech seemed to suggest that such restiveness transpired on a broader scale across the province and left officials and cadres at various levels struggling to respond, thus creating "divergent opinions".

To make things even more threatening to the Party leadership, some workers in the midst of this wave of labor unrest reportedly expressed favorable opinions about some aspects of the Cultural Revolution. Such utterances were clearly at odds with the Party leadership's ongoing efforts to cast the entire Cultural Revolution as disastrous chaos[277]. As Song Renqiong, a member of the Party's Central Secretariat who oversaw ACFTU affairs, recounted in October 1981:

> "A minority among the youth still believe that the Cultural Revolution was not entirely wrong, but just a failed revolution. They recognize it as a revolution, a failed one, and therefore think that there could be a second, third one after the initial failure. This reflects confused thought among the youth and young workers."[278]

Later in his remarks, Song also acknowledged that "over the first half of this year [1981], unrest was recorded in a number of localities,"[279] providing further evidence that the wave of labor unrest maintained its momentum in the early months of 1981.

Figure 2: Heuristic Visualization of the Elite Political Field (mid-1980 to mid-1981)



[277] The Party's official verdict on the Cultural Revolution and other problematic aspects of its post-1949 history, *The Resolution on Certain Questions in the History of Our Party since the Founding of the People's Republic of China*, was ratified in the middle of 1981.

[278] 《宋任穷在全总九届三次执委（扩大）会议上的讲话》，1981 年 10 月 7 日，载于《中华全国总工会文件选编（1981）》第 35-40 页。"Song Renqiong's Speech at the Third Enlarged Meeting of the Ninth ACFTU Executive Council", October 7, 1981, in *Selected Documents of the ACFTU (1981)*, pp.35-40.

[279] Ibid.

ACT II: Evolving Responses to the Labor Unrest

As this section and the next will trace many complex interactions among actors located in the top echelon of China's Party-state, I first offer a visualization of the positions of various actors in the political field, roughly over the period between mid-1980 and mid-1981 (Figure 2 above). Two caveats are in order. First, this graphic includes only those actors who will appear in the narrative offered in the following pages of this chapter; it does not intend to capture all actors who occupied relevant leadership positions. Second, the relationships shown in this graphic are only a simplified approximation. In China's elite politics at the time, official titles, personal entanglements and *de facto* work responsibilities intersected with and complicated each other in numerous nuanced ways; an accurate depiction of those relationships is beyond the scope of this dissertation. Therefore, this figure should be read merely as a heuristic tool designed to help the reader keep track of the actors they will encounter in the narrative to come.

Existing evidence points to September 24, 1980 as the moment when some Party leaders began to seriously consider whether the Polish Solidarity movement could potentially cause domestic reverberations in China[280]. On that day, Hu Qiaomu, a leading Party ideologue, wrote a letter to Hu Yaobang, who was in charge of the Party's organizational affairs. In the letter Hu Qiaomu raised the possibility that the developments in Poland could inspire "a minority of dissidents and some aggrieved workers and masses" in China to fuse into "a tremendous force". He advised that the Party-state be ready to enact educational and repressive measures to deal with those groups inciting unrest. He also proposed that joint meetings be called between the Party's Central Secretariat and the State Council to specifically discuss and prepare for the repercussions of the Polish movement in China[281]. Hu Yaobang decided to circulate this letter via the central Party-state's internal bulletins. Many bureaus and agencies under the central Party-state held meetings to discuss the "Polish question" in late September and early October. Hu Yaobang further decided to heed Hu Qiaomu's advice and convene two joint meetings between the Party's Central Secretariat and the State Council on October 13 and 16, 1980[282].

What were the ACFTU's assessments in the leadup to these joint meetings? A long address delivered on October 10 by Gu Dachun, the aforementioned ACFTU Vice President, at an internal conference on union work in light industries was very revealing. It was in this address that Gu first mentioned examples of Chinese workers already looking to Poland and engaging in contentious activity, as discussed above. He gave an explicit assessment – at once cautiously optimistic and sobering – regarding the extent to which the Polish Solidarity movement could spill over to China:

"After the Polish incident broke out, [we assessed that] first, it might have some

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[280] For sure, Party leaders were following the developments in Poland since August. But over the first month or so, they mostly focused on the *geopolitical* implications of the Polish labor uprisings, not their potential impact on Chinese society. See Jiang Huajie, "Institutional Mirror".

[281] 胡乔木《致胡耀邦》，1980 年 9 月 24 日，载于《胡乔木书信集》第 287-289 页，人民出版社，2002 年。Hu Qiaomu, "To Hu Yaobang", September 24, 1980, in *Collected Letters by Hu Qiaomu* pp.287-289, Beijing: People's Press, 2002.

[282] Jiang Huajie, "Institutional Mirror".

> influence in China; second, this influence would not be as great as to cause nationwide actions like those organized by Polish workers, because the spirit of the Party (*dangxing*) was still in Chinese workers; and third, we should be aware that if the situation is not dealt with properly, there might be some severe consequences. Even if just one out of ten thousand workers wanted to imitate Poland and instigate turmoil, there might be some problems. China has a total of one hundred million workers, so one out of ten thousand would still be a lot. Add on top of that agitation by certain dissidents. There are dissidents among young workers and intellectuals. Aren't there some Xidan Wall people among them?"[283]

In Gu's assessment, an independent union movement organized on a nationwide scale was unlikely to emerge in China, but sizable "turmoil" and dissident activities among workers were possible "if the situation is not dealt with properly".

What would it take to deal with the current situation "properly" and preempt such "turmoil"? Gu argued that the official union system should play a much more active role in representing workers' interests and fighting for both improvements in workers' living conditions and the strengthening of workers' democratic power in their SWCs:

> "If the unions cannot play a role in promoting democratic management, the masses will say the unions cannot represent workers, brush the unions aside, and establish independent unions in their stead. This is not impossible……We should and can be in deep touch with the masses and become the representatives of workers and masses; in that case, the masses will not brush us aside and launch independent unions. If the unions don't represent the masses and don't play a role in this, if the SWCs are not made truly democratic, then it's highly likely that some workers and masses want to found independent unions. The emergence of independent unions would be detrimental to us; we do not want to see workers and masses brush aside the Party's authority and organize independent unions. This represents the ACFTU's stance."[284]

Accordingly, Gu Dachun related that, at the upcoming October 13 joint meeting convened by the Party's Central Secretariat to discuss the "Polish question", the ACFTU leaders were going to make one important policy suggestion: in addition to the nascent experiments with "the factory director responsibility system under the leadership of the SWC", it is equally – if not more – crucial to universally strengthen the power of SWCs in the vast majority of non-experimental enterprises. According to Gu, it is this universal strengthening, rather than the Yugoslav-style experiments, that the ACFTU leadership focused on more.

All in all, Gu Dachun believed that if the ACFTU could adequately represent the interests of the working class and bring workers livelihood and democratic gains, the chances of tumultuous independent union movements raging across China would be significantly diminished:

> "If all this work is done diligently and well, then even when a dissident comes to fan the flames and tells workers 'the Polish workers are making trouble, why don't you follow

[283] MAW, XX000091-WS02-134-17.
[284] Ibid.

them', the workers themselves will respond that 'our leaders' styles and habits have changed, and even though our grievances cannot be completely addressed, they are being attended to. We should be understanding of our government's difficulties. Why are you fooling around; we will not do anything with you.' This kind of response is likely. But if we do not address these problems, then when a dissident comes in to tell workers 'the Polish workers are on strike, let's go on strike as well', maybe some workers will say 'okay, we will go with you'. Something like this may happen."[285]

The joint meetings on October 13 and 16 concluded that there were three structural causes to the Polish labor uprisings: the submission of the Polish Party-state to the supremacy of the Soviet Union, the adoption of a Soviet model of overcentralized, high-accumulation economic development, and bureaucratic corruption. Whereas the first cause did not have an analogue in China, the second and third causes pointed to similar problems besetting China as well. Therefore, the attendees of the two joint meetings agreed that economic rebalancing and the eradication of corruption would be crucial for China to ward off Polish-style labor uprisings[286]. The Party leaders attending the meetings did instruct the "mass organizations" including the ACFTU to better represent the masses' interests and actively help address the masses' livelihood needs. But it seems that the issues the ACFTU had been focusing on – the power and political autonomy of the official union system and the importance of deepening shopfloor democracy – were not yet regarded as high-priority by the Party leadership.

After the two joint meetings, the ACFTU leadership continued to insist that the detachment of the official union system from the masses would be a deadly factor contributing to the potential rise of independent union movements in China. On October 27, the ACFTU's secretariat declared that

> "Right now, union organizations at all levels – particularly their leaders – should feel an urgency in improving the relationship between the unions and the masses. Detachment from the masses has become the main danger facing our union organizations, and we should have the courage to face this reality. If this situation is not rapidly changed, we would be trapped in a vulnerable position if something happens……The duty of the union organizations is to resolutely defend workers' right to democracy and material interests and safeguard workers' masterly status."[287]

Gu Dachun similarly warned on November 1 that "we must admit that, due to historical, subjective and objective reasons, the union has a severe tendency to be detached from the masses. If this problem is not addressed well, workers will see us as yellow unions and might brush us aside." He further argued that "in some enterprises, the relationship between the Party and the masses has not been handled correctly. If unionists speak up on behalf of the masses, they get accused of trying to become independent from the Party. If these problems are not addressed well,

[285] Ibid.
[286] Jiang Huajie, "Institutional Mirror"; MAW, XX000091-WS02-134-19.
[287] "Deepening Research, Concretely Addressing the Existing Problems with Union Work and among Workers, and Solidifying the Connections between the Union and the Masses".

unrest can easily break out when there are straws in the wind"[288]. He also reiterated the ACFTU's demand to universally strengthen and improve SWCs' exercise of power outside of the experimental enterprises. The ACFTU's alarmist attitude in late October and early November of 1980 was surely shaped by the burgeoning wave of labor unrest on the ground. In the eyes of the union leaders, such unrest showcased the urgency of enacting immediate changes to make the official unions more capable of siding with workers as well as to enhance institutionalized channels of shopfloor democracy.

In the last two months of 1980, the ACFTU's urgent warnings were still yet to garner sufficient attention from the Party leadership, who were busy responding to the Polish movement and its Chinese reverberations in other ways. A massive program of economic rebalancing and retrenchment was being rolled out. The program was overseen by Zhao Ziyang but under the utmost stewardship by Chen Yun, an "old revolutionary" whose influence over economic policy was insurmountable at the time. Political tightening was in the works, too. When Deng Xiaoping delivered a speech at the Party's central work conference in mid-December, his tone was drastically different from that conveyed in the speech he gave just four months earlier. There was no longer a sense that a sweeping agenda of political reform was forthcoming[289]. In particular, he urged a harsh stance against the ongoing unrest, likening it to rebel activities during the Cultural Revolution. He advised that the repressive apparatuses of the Party-state be strengthened, that laws and regulations be enacted to make striking and protesting more difficult and to ban underground organizations and publications, and that martial law be imposed if unrest were to get severe[290]. Deng's speech was immediately circulated to lower-level Party-state organs. This suggests that, towards the end of 1980, a repressive approach dominated the thinking of the Party leadership regarding how to respond to the ongoing unrest.

Within this more chilling political environment, the prospect of "the factory director responsibility system under the leadership of the SWC" – which, it should be recalled, itself was contributing to workers' restiveness in many enterprises – turned gloomier. At the mid-December central work conference, Zhao Ziyang acknowledged that this Yugoslav-style reform proposal, popularly understood as "three waits", destabilized many cadres' thought and discouraged them[291]. Zhao's confidence seemed to be weakening regarding whether the experiments should further proceed. And when a meeting was convened on December 29, 1980 to discuss the embryonic effort to draft a Factory Law, Peng Zhen, Vice Chairman of the Standing Committee of the National People's Congress (China's nominal legislative body) and an "old revolutionary" in charge of legislative affairs, specifically demanded that "the factory director responsibility system under the leadership of the SWC" not be mentioned in the draft – even if the draft was

[288] MAW, XX000091-WS02-134-19.

[289] This about-face, of course, also had to do with the fact that by mid-December 1980 Hua Guofeng's dethronement had been secured.

[290] 邓小平《贯彻调整方针，保证安定团结》，1980 年 12 月 25 日，载于《邓小平文选（1975-1982）》第 313-333 页。Deng Xiaoping, "Implementing Readjustment and Ensuring Stability and Solidarity", December 25, 1980, in *Selected Works of Deng Xiaoping (1975-1982)*, pp. 313-333.

[291] *Marching through the Storms (1980)*, p.224.

meant to be merely preliminary and facilitate further discussion[292].

The repressive and scare tactics proposed by Deng Xiaoping in December 1980 failed to tame down the escalating labor unrest, which showed no sign of losing momentum going into 1981. Over the first few months of 1981, however, the ACFTU's national leadership had to face a new problem: whereas in late 1980 they had repeatedly urged local union cadres to do a better job representing workers' interests and speaking up for workers, local unionists' undertakings along these lines earned them accusations from local and enterprise-level leading cadres and Party committees that the local unions were themselves following the example of the Polish Solidarity to become independent unions. In one unnamed work unit, when the enterprise union branch refused the Party committee's random request to cover some unrelated expenses through the union fund, the Party committee accused it of "agitating for independence" and "being a Polish union". In another unnamed enterprise, the Party committee nullified the guidelines for housing distribution that had been approved by the SWC. When the chair of the enterprise union branch tried to defend the SWC's decision, he received the following heckling from the Party committee: "are you under the influence of the Polish independent unions, or are you following your higher-ups in the union hierarchy?" Some union cadres in Sichuan Province complained that "the old label of 'syndicalism' has yet to be completely removed, and now the new label of 'independent unionism' is pinned on us"[293].

It is deeply ironic that when local union cadres sought to more actively defend and advance workers' interests *in order to avert the emergence of independent unions*, they were themselves accused of independent unionism. This irony again calls to mind Bourdieu's argument about the structural correspondence between the interests of the dominated and those of the dominated-dominant. These demoralizing local incidents led the ACFTU's national leadership to petition the Party leadership to launch educational efforts in order to correct certain cadres' "biased understanding" in March 1981[294]. In April, it submited a more impassioned report in April to Song Renqiong and other Party leaders detailing the complaints above[295]. The implicit message there was clear: if no concentrated push were made to allow the official union system greater autonomy and power to represent and fight for workers' interests, the grassroots demand for independent unions would only grow further.

The structural correspondence between the position of the ACFTU and the position of grassroots workers within the society's overall field of power also meant that the longer the wave of labor unrest remained untamed, the more likely the Party leadership would begin to turn their

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[292] 《彭真年谱（1979-1997）》第 85 页，中央文献出版社，2012 年。*Chronology of Peng Zhen (1979-1997)*, p.85, Beijing: Central Literature Press, 2012.《袁宝华回忆录》第 393 页，中国人民大学出版社，2018 年。*The Memoir of Yuan Baohua*, p.393, The Renmin University of China Press, 2018.

[293] "The ACFTU Party Committee' Report to the Party's Central Secretariat on Some Problems Communicated by Local Unions".

[294] 《中华全国总工会党组关于学习中央一号、二号文件向中央的报告》，1981 年 3 月 25 日，载于《中华全国总工会文件选编（1981）》第 70-75 页。"Report by the ACFTU Party Committee to the Party's Center on Studying Central Documents No.1 and No.2", March 25, 1981, in *Selected Documents of the ACFTU (1981)*, pp.70-75.

[295] "The ACFTU Party Committee' Report to the Party's Central Secretariat on Some Problems Communicated by Local Unions".

attention to what the ACFTU had been proposing. In other words, sustained strength of grassroots labor activism could translate into increased political weight for the ACFTU. As other measures failed to demobilize the labor unrest, the Party leadership started to find increasing value in what the ACFTU had to say regarding what must be done to appease workers. That some Party leaders were changing their mind along these lines was on full display when Song Renqiong gave a speech on April 29, 1981 at an ACFTU-organized ceremony celebrating model workers (which Deng Xiaoping also attended). In the speech Song singled out two specific issues to discuss: first, the restiveness and "anarchism" of young workers – clearly alluding to the labor unrest still underway – which model workers were supposed to help mitigate by setting good examples for and educating their younger co-workers; and second, democratic management of enterprises, particularly via SWCs[296]. On the first issue, Song Renqiong specifically invoked an example of how, after more than seventy workers (out of a total of more than two hundred) in Shanghai's Daming Wool Sweater Factory went on strike, successful "thought work" by relevant authorities turned their attitudes around and brought them back to work[297].

It is very intriguing that Song's speech discussed these two issues in parallel to each other, especially given that the second issue, democratic management of enterprises, bore no obvious relationship to the occasion of celebrating model workers. The very appearance of these two issues alongside each other in Song's speech likely suggests that some Party higher-ups such as Song finally began to see these two issues as interconnected: strengthening institutions of shopfloor democracy could help pacify restive workers, which the ACFTU leaders had been arguing since at least October 1980. In this speech, Song also announced that a high-profile conference specifically devoted to the issues of democratic enterprise management and strengthening SWCs would be convened in late May, under the ACFTU's initiative and co-sponsored by the Party's Organization Department and the State Council's Economic Commission[298]. The ACFTU had already proposed to organize such a conference as early as in July 1980, before the 1980-1981 wave of labor unrest took off[299]. The fact that the ACFTU's request was finally granted by the Party leadership more than half a year later indicates strong pressure created by the sustained labor unrest that finally compelled the Party leadership to look to the ACFTU for solutions. This highly anticipated conference, in turn, signaled the formation of a passive-revolutionary political strategy.

ACT III: The Making of a Mini Passive Revolution

The nationwide conference on democratic enterprise management commenced on May 29

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[296] 《宋任穷在首都庆祝五一劳动模范座谈会上的讲话》，1981 年 4 月 29 日，载于《中华全国总工会文件选编（1981）》第 1-6 页。"Song Renqiong's Speech at the Symposium with Model Workers in Celebration of the May Day in Beijing", April 29, 1981, in *Selected Documents of the ACFTU (1981)*, pp.1-6.

[297] Ibid. This example left such a deep impression on Song that he invoked it again in another speech five months later. "Song Renqiong's Speech at the Third Enlarged Meeting of the Ninth ACFTU Executive Council".

[298] "Song Renqiong's Speech at the Symposium with Model Workers in Celebration of the May Day in Beijing".

[299] 《全总党组关于当前工会工作中若干问题的汇报提纲》，1980 年 7 月 26 日，载于《中华全国总工会文件选编（1980）》第 52-62 页。"Outline of the ACFTU Party Committee's Report on Several Issues in Current Union Work", July 26, 1980, in *Selected Documents of the ACFTU (1980)*, pp.52-62.

and ran until June 8, 1981. The ACFTU President Ni Zhifu later commented that never had a policy event specifically devoted to the topic of workplace democracy garnered such political profile and status[300]. Song Renqiong graced the opening ceremony and announced that the Party's Central Secretariat was "very much in support of" convening this conference[301]. Vice Premier Wan Li, who also oversaw union affairs together with Song, delivered a speech at the conference on June 6, insisting that "the powers delegated to enterprises must be put into the hands of workers" [302]. Wan's speech called on all officials and cadres to actively support SWCs. Zeng Zhi and Yuan Baohua, representing the Party's Organization Department and the State Council's Economic Commission (both of which co-sponsored this conference) respectively, also gave speeches. At this 11-day conference, 120 attendees from provincial and municipal union branches, Party committees and economic commissions as well as from organs and agencies under the State Council shared experiences with how to promote and strengthen enterprise-level SWCs[303]. The conference finalized a document entitled *Provisional Regulations on SWCs in State-Managed Industrial Enterprises*, which was meant to serve as the official blueprint on how to institute and run SWCs[304].

However, just like many other official events in China, public theatrics was rarely the site where policy directions were actually set. The most significant episode of this entire conference in fact took place on the back stage: on June 4, the Party's Central Secretariat met to hear and discuss Gu Dachun's report on how the conference was going as well as on how to tackle several key issues related to advancing democratic management of enterprises. The discussion at this meeting was extremely illuminating. Not only did Song Renqiong suggest that promoting the SWCs be listed as one of ACFTU's "key areas of work", but he also unequivocally made the following comment: "as long as there are functioning SWCs, incidents like what happened in Poland will not happen here. It can't be guaranteed that all unrest and strikes will be absolutely avoided, but there will be much fewer of them." Wan Li immediately concurred, saying "if the decisions are made by the SWCs, who would you [workers] protest against?"[305] In crystal-clear

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[300] 《倪志福在全总九届三次执委（扩大）会议上的工作报告》，1981 年 10 月 8 日，载于《中华全国总工会文件选编（1981）》第 339-360 页。"Ni Zhifu's Work Report at the Third Enlarged Meeting of the Ninth ACFTU Executive Council", October 8, 1981, in *Selected Documents of the ACFTU (1981)*, pp.339-360.

[301] 《宋任穷在全国企业民主管理座谈会上的讲话》，1981 年 5 月 29 日，载于《中华全国总工会文件选编（1981）》第 12-18 页。"Song Renqiong's Speech at the Nationwide Conference on Democratic Enterprise Management", May 29, 1981, in *Selected Documents of the ACFTU (1981)*, pp.12-18.

[302] 《万里在全国企业民主管理座谈会上的讲话》，1981 年 6 月 6 日，载于《中华全国总工会文件选编（1981）》第 12-18 页。Wan Li's Speech at the Nationwide Conference on Democratic Enterprise Management", June 6, 1981, in *Selected Documents of the ACFTU (1981)*, pp.7-11.

[303] 新华社《全国企业民主管理座谈会强调进一步推行和完善职工代表大会制度》，1981 年 6 月 9 日，载于《全国企业民主管理座谈会有关文件汇编》第 103-105 页。Xinhua News Agency, "The Nationwide Conference on Democratic Enterprise Management Emphasized Further Advancing and Perfecting the SWC System", June 9, 1981, in *Compilation of Documents Relevant to the Nationwide Conference on Democratic Enterprise Management*, pp.103-105.

[304] Ibid.

[305] 湖北省档案馆，SZ001-8-423-2，《中央书记处听取全国企业民主管理座谈会领导小组汇报讲话记录（根据记录整理）》，1981 年 6 月 13 日。Hubei Provincial Archive (HPA), SZ001-8-423-2, "Records of the Deliberations by the Party's Central Secretariat upon Hearing the Report by the Leadership Group of the Nationwide Conference on Democratic Enterprise Management (Compiled Based on Minutes)", June 13, 1981. This document is labeled "priority secret" (机密),

terms, these leaders opined that strengthening the institutions of workplace democracy, particularly the SWCs, could help pacify labor unrest, echoing what the ACFTU had been arguing for quite some time now. Song's comment on how the SWCs could help avert Polish-style labor uprisings was so significant that provincial and municipal leaders widely cited it when conveying the gist of this discussion to their colleagues[306]. Furthermore, it was also during this discussion that shopfloor elections of factory directors – something the ACFTU had been pushing for amidst ambiguous permissiveness since 1979 – received indisputable backing from the Party leaders. Wan Li stated that "I propose that in the future, factory directors shall be elected", to which no other attendees at this meeting objected. Hu Yaobang concurred that these elections would "help rectify the Party's behaviors and styles" and even complained that the memo attached to the draft of the *Provisional Regulations* put too many restrictions on when elections could be allowed[307].

More remarkably, to the draft of the *Provisional Regulations* finalized at this conference, the Party leadership even made several changes in the direction of further expanding SWCs' realm of power. They changed the definition of the nature of SWCs as "power organs where workers partake in management and supervise cadres" into "power organs where workers partake in *decision-making* and management and supervise cadres"[308]. The submitted draft stipulated that SWCs have five powers: 1) deliberate on and review factory directors' work reports, production plans, annual budgets, technological renovation plans and other important issues related to management; 2) make decisions on the uses of labor protection funds, welfare funds and bonus funds as well as on issues of immediate relevance to workers' personal interests such as rewards, penalties and housing distribution; 3) deliberate on and approve plans on enterprise reform, wage grade adjustments, training schemes and enterprise by-laws; 4) supervise enterprise leaders and cadres; and 5) hold elections of the leading personnel of the factory administration *at appropriate levels, under the leadership of the enterprise-level Party committees,* as arranged by the overseeing Party-state authority, and *in those enterprises with mature conditions*[309]. On the power of supervision, the Party leadership added a sentence to allow SWCs to "advise the overseeing Party-state authority to reprimand, discipline or remove those cadres who fail at their responsibilities." And more importantly, on the power of election, they deleted all the adverbial phrases italicized above and scrapped the memo, in keeping with Hu Yaobang's complaint during the June 4 discussion that too many restrictions were being put

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but I had no difficulty accessing it in the archive.

[306] 上海市档案馆，C1-3-337-17，《陆铁夫同志传达全国企业民主管理座谈会精神的讲话》，1981 年 11 月 6 日。Shanghai Municipal Archive (SMA), C1-3-337-17, "Lu Tiefu's Speech Conveying the Spirit of the Nationwide Conference on Democratic Enterprise Management", November 6, 1981. 湖北省档案馆，SZ001-8-577-3，《江长源在省委工业工作会议上的发言》，1981 年 9 月 8 日。Hubei Provincial Archive (HPA), SZ001-8-577-3, "Jiang Changyuan's Speech at the Provincial Industrial Work Conference", September 8, 1981.

[307] HPA, SZ001-8-423-2.

[308] HPA, SZ001-8-577-3, emphasis added.

[309] Ibid, emphasis added. The attached memo defined "mature conditions" as follows: a. "factionalism" has been overcome; b. the enterprise has sound management; and c. the enterprise has a sound leadership team.

on when to permit elections[310].

After these last-minute revisions, the *Provisional Regulations* was officially promulgated in a notice signed by both the Party's Central Committee and the State Council on July 13, 1981. It is striking that the official issuing of the *Provisional Regulations* on SWCs' work preceded the issuing of similar documents on the work of factory directors and enterprise-level Party committees, both of which had to wait until 1982. This curious timing suggests that, at this particular moment, workplace democracy was seen by the Party leadership as an urgent and high-priority policy issue. Previous scholarship by Jackie Sheehan[311] and Jeanne Wilson[312] argues that the *Provisional Regulations* was in fact a conservative document, endowing SWCs with only limited powers that followed the pre-Cultural Revolution format[313]. There is much truth to this claim. Most notably, both the nationwide conference on democratic enterprise management and the *Provisional Regulations* upheld the authority of enterprise-level Party committees over SWCs, meaning that SWCs would *not* serve as the utmost decision-making authority within public enterprises. However, the observation made by Sheehan and Wilson also missed the broader point that both the conference and the *Provisional Regulations* signaled a substantial amount of policy *attention* and *emphasis*. These policy gestures attested to the degree to which the Party leadership was acutely feeling the pressure to appear as actively highlighting and championing the advancement of shopfloor democracy.

Indeed, the promulgation of the *Provisional Regulations* in July 1981 was followed by painstaking and concerted efforts on a nationwide scale to make local official and cadres attend to the (re)establishment and strengthening of SWCs. On July 22, the Party's most authoritative mouthpiece *People's Daily* published an editorial titled "Enterprise-Level Party Committees Shall Uphold Workers' Masterly Status" to highlight the significance of the *Provisional Regulations*[314]. Over the second half of 1981, the ACFTU's national leadership consecutively submitted four reports to the Party leadership – on July 3, July 21, September 14 and November 26, respectively. These reports documented how different localities and branches of industry were making progress in carrying out the policy line set at the nationwide conference on democratic enterprise management[315]. The September 14 report chronicled that over the previous

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[310] Ibid.

[311] Jackie Sheehan, *Chinese Workers*, pp.176-177.

[312] Jeanne Wilson, "'The Polish Lesson'", p.266.

[313] For an opposite interpretation, see Martin Lockett, "Enterprise Management: Move towards Democracy?"

[314] 人民日报《企业党委要支持职工当家作主》，1981 年 7 月 22 日，载于《全国企业民主管理座谈会有关文件汇编》第 110-112 页。People's Daily, "Enterprise-Level Party Committees Shall Uphold Workers' Masterly Status", July 22, 1981, in *Compilation of Documents Relevant to the Nationwide Conference on Democratic Enterprise Management*, pp.110-112.

[315] 《中华全国总工会党组关于全国企业民主管理座谈会精神的初步贯彻情况向中央的报告》，1981 年 7 月 3 日，载于《中华全国总工会文件选编（1981）》第 99-102 页。"Report by the ACFTU Party Committee to the Party Center on the Preliminary Progress Made to Carry Out the Spirit of the Nationwide Conference on Democratic Enterprise Management", July 3, 1981, in *Selected Documents of the ACFTU (1981)*, pp.99-102.《中华全国总工会关于全国企业民主管理座谈会精神的初步贯彻情况的通报》，1981 年 7 月 21 日，载于《中华全国总工会文件选编（1981）》第 290-294 页。"ACFTU's Notice on the Preliminary Progress Made to Carry Out the Spirit of the Nationwide Conference on Democratic Enterprise Management", July 21, 1981, in *Selected Documents of the ACFTU (1981)*, pp.290-294.《中华全国总工会党组关于全国企业民主管理会议的情况向宋任穷同志的报告》，1981 年 9 月 14 日，载于《中华全国总工会文件选编（1981）》第

three months, nineteen provinces, provincial-level municipalities and autonomous regions had called joint work meetings to promulgate the main policy conclusions reached at the nationwide conference; at least seven provinces were planning to convene conferences specifically on the issue of democratic management of enterprises; and seventeen bureaus under the State Council had met to discuss or issued official instructions on how to advance democratic management in the industries they were responsible for[316].

The second half of 1981 indeed saw many provincial and municipal Party-state authorities gesturing towards putting an emphasis on SWC work. In Shanghai, for example, the municipal Party committee met on September 19 to discuss how to carry out SWC work and then convened a conference on a larger scale on November 6[317]. In Hubei Province, the provincial Party committee convened an industrial work conference in early September – which Chen Pixian, the provincial Party secretary, attended – to make arrangements to advance democratic management and implement the *Provisional Regulations*[318]. Such signs of top-down attention and emphasis created some pressure for local officials and enterprise leaders to actually hand over more power to SWCs. And they surely supplied additional legitimacy and rhetorical resources to which grassroots workers and union activists demanding more power for their SWCs could resort. The ACFTU's November 26 report even claimed that 1,360 enterprises in Liaoning Province had recently (re)established SWCs after the issuing of the *Provisional Regulations*, boosting SWCs' coverage by 19.3 percent points. It was also claimed that in Heilongjiang Province, 64 percent of the industrial enterprises had by then (re)established SWCs, compared to 46 percent at the end of June[319].

Promotion of shopfloor elections of factory directors also seemed to be gaining momentum. The ACFTU's November 26 report also mentioned that after the nationwide conference on democratic enterprise management concluded, Beijing's municipal Party committee decided to conduct elections of factory directors in 100 enterprises by the end of 1981 and in another 200 enterprises in 1982, which would account for one third of all industrial enterprises within the municipality's purview[320]. On January 2, 1982, the Party's Central Committee and the State

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129-132 页。"Report by the ACFTU Party Committee to Song Renqiong on the Situation Regarding the Nationwide Conference on Democratic Enterprise Management", September 14, 1981, in *Selected Documents of the ACFTU (1981)*, pp.129-132.《中华全国总工会党组关于贯彻中央、国务院（1981）24 号文件和全国企业民主管理座谈会情况向仲勋同志的报告》，1981 年 11 月 26 日，载于《中华全国总工会文件选编（1981）》第 154-158 页。"Report by the ACFTU Party Committee to Xi Zhongxun on Carrying out the *Provisional Regulations* and the Nationwide Conference on Democratic Enterprise Management", November 26, 1981, in *Selected Documents of the ACFTU (1981)*, pp.154-158.

[316] "Report by the ACFTU Party Committee to Song Renqiong on the Situation Regarding the Nationwide Conference on Democratic Enterprise Management".

[317] 上海市档案馆，B134-7-1364-52，《钟民同志在市委召开的贯彻中央二十四号文件干部会议上的讲话》，1981 年 11 月 6 日。Shanghai Municipal Archive (SMA), B134-7-1364-52, "Zhong Min's Speech at the Cadres' Conference on Carrying out the Party's Central Document No.24, Convened by the Municipal Party Committee", November 6, 1981.

[318] 湖北省档案馆，SZ001-8-574-1，《陈丕显在省委工业工作会议上的讲话》，1981 年 9 月 4 日。Hubei Provincial Archive (HPA), SZ001-8-574-1, "Chen Pixian's Speech at the Provincial Industrial Work Conference", September 4, 1981.

[319] "Report by the ACFTU Party Committee to Xi Zhongxun on Carrying out the *Provisional Regulations* and the Nationwide Conference on Democratic Enterprise Management".

[320] Ibid.

Council jointly issued a guideline on how to comprehensively rectify various areas of work in state-managed industrial enterprises. The guideline stipulated that "on the basis of the implementation of economic responsibility systems and the rectification of enterprises, conditions shall be proactively created for democratic elections of factory directors to be gradually implemented, unless it is necessary to resort to top-down appointments"[321]. The wording of this stipulation almost gave off an impression that in the future, elections of factory directors were going to be the norm whereas top-down appointments would be only exceptional. Almost identical wording was also used in the *Provisional Regulations on Factory Directors' Work in State-Managed Industrial Enterprises*, which the Party's Central Committee and the State Council jointly promulgated also on January 2, 1982[322]. In early 1982, therefore, expanding shopfloor elections of factory directors effectively became official policy. Martin Lockett and Craig Littler reported that by June 1982, 8,900 enterprises across the country had conducted elections of factory directors, whereas this number for 1981 was only 1,000 (it is questionable how many of these elections had genuinely democratic content, of course)[323].

Conspicuously absent in this coordinated frenzy of strengthening SWCs and promoting shopfloor elections of factory directors was any mention of further deepening or expanding the experiments with "the factory director responsibility system under the leadership of the SWC"[324]. As we have seen, these Yugoslav-style experiments contributed to a general atmosphere of labor restiveness in late 1980, and by December 1980 some politicians – including Zhao Ziyang himself – were already casting doubt on their viability or desirability. Whereas experiments were rolled out in 44 enterprises across the country over the last few months of 1980, in 1981 they did not further expand. Yuan Baohua, Director of the State Council's Economic Commission and a key policymaker in charge of enterprise affairs, even reported on June 4, 1981 (at the aforementioned internal meeting of the Party's Central Secretariat) that the number of enterprises where these experiments were still active had decreased from 44 to 30[325].

It was at this pivotal June 4 meeting that the fate of "the factory director responsibility system under the leadership of the SWC" was quietly sealed. There Yuan Baohua asked the Party leaders in attendance whether and how these experiments should continue. Notably, no one directly replied to Yuan's question. But even more remarkably, the four politicians speaking after Yuan – Song Renqiong, Hu Yaobang, Deng Liqun and Wan Li – all spoke in favor of upholding

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[321] 《中共中央、国务院关于国营工业企业进行全面整顿的决定》，1982 年 1 月 2 日，载于《建国以来中共中央关于工人运动文件选编（下册）》第 1358-1368 页。"Decision by the Party's Central Committee and the State Council on Comprehensively Rectifying State-Managed Industrial Enterprises", January 2, 1982, in *Selected Compilation of Documents about the Workers' Movement Issued by the CCP Central Committee after the Founding of the PRC* (Second Volume), pp.1358-1368.

[322] 《国营工业企业厂长工作暂行条例（已废止）》，1982 年 1 月 2 日，获取网址：fgcx.bjcourt.gov.cn:4601/law?fn=chl520s307.txt，2021 年 3 月 19 日获取。"Provisional Regulations on Factory Directors' Work in State-Managed Industrial Enterprises (nullfied)", January 2, 1982, accessed at fgcx.bjcourt.gov.cn:4601/law?fn=chl520s307.txt on March 19, 2021.

[323] Martin Lockett and Craig Littler, "Trends in Chinese Enterprise Management, 1978-1982".

[324] Martin Lockett observed that by 1981 these experiments had created a major controversy and some strong criticisms of them had likely been aired inside the Party. See "Enterprise Management: Move towards Democracy?"

[325] HPA, SZ001-8-423-2.

the fundamental premise of the leadership of the Party committees in enterprises, even though they had some disagreements about the exact wording. Wan Li put it best: "the Party's leadership shall not waver" [326]. Even though no one explicitly voiced objection to "the factory director responsibility system under the leadership of the SWC", the silence and the discussion's subsequent pivot to emphasizing the Party's leadership was immensely telling. For these Party leaders, SWCs' power could be strengthened and elections of factory directors promoted, but all of these had to happen under the unquestionable utmost authority of the enterprise-level Party committees.

In other words, a *de facto* opposition to the Yugoslav-style policy proposal to "put the SWC in charge" was being clarified. To be sure, there was never a policy pronouncement stating that the experiments with "the factory director responsibility system under the leadership of the SWC" should be terminated – to the contrary, the official notice promulgating the *Provisional Regulations on SWCs in State-Managed Industrial Enterprises* as well as some other policy documents did acknowledge the existence of these experiments. But what really mattered was that the active efforts to deepen and promote these experiments were no longer forthcoming, allowing them to quietly fall by the wayside. The extensive coverage and discussion of this reform initiative in the news, which had galvanized so much attention and caused "turmoil" over the last few months of 1980, also disappeared. Martin Lockett and Craig Littler, who went on a field trip to research China's enterprise management in 1982, reported that "there was little debate over the proposals" to put the SWC in charge that year and that "the general climate of opinion now does not favour" them[327].

Therefore, it could be argued that these policy maneuvers in the wake of the 1980-1981 wave of labor unrest constituted a subtle version of a "passive revolution". As Gramsci has laid out, a passive revolution is "the period of restoration-revolution" in the face of insurgent grassroots mobilizations, in which revolutionary demands from below "were satisfied by small doses, legally, in a reformist manner—in such a way that it was possible to preserve the political and economic position of the old" ruling elite "and, especially, to avoid the popular masses going through a period of" further radicalization[328]. In 1980-1981, an alarming wave of labor militancy, inspired by a combination of Polish and Yugoslav influences and prominently featuring demands for independent labor organization, confronted the Party leadership. The ruling elite eventually took heed of the ACFTU's suggestion to satisfy the grassroots demands "by small doses" and "in a reformist manner": democratic management of industrial enterprises suddenly became a high-priority policy issue, and much emphasis was now put on strengthening the institutions of shopfloor democracy (the SWCs and elections of factory directors). These policy undertakings were intended to prevent workers from expressing their grievances and demands in more disruptive and radical ways, as was made abundantly clear in Song Renqiong's comment that "as long as there are functioning SWCs, incidents like what happened in Poland will not happen

[326] Ibid.

[327] Martin Lockett and Craig Littler, "Trends in Chinese Enterprise Management, 1978-1982", p.75.

[328] Antonio Gramsci, *Selections from the Prison Notebooks*, p.119.

here".

Absorption of grassroots demands into institutionalized channels was a way to preserve the overall stability of the political status quo[329]. This was evidenced by the Party leadership's insistence that the empowerment of SWCs and elections of factory directors must take place within the parameters set by the fundamental premise of the Party committees' authority in enterprises. Conversely, the truly subversive policy proposal to "put the SWC in charge", the rollout of which was itself contributing to workers' restiveness in late 1980, was silently defanged. What resulted in 1981, in sum, was efforts at partial workplace democratization *within hardened boundaries* in order to accommodate and channel workers' rebellious energy into institutionalized, politically much less threatening arenas, while marginalizing the policy option that would have substantially disruptive implications.

This passive-revolutionary logic was again on display when China's Constitution was being revised in 1982. On the one hand, workers' right to strike was removed from the Constitution[330]. Throughout the revision process, Peng Zhen, who was in charge of China's legislative affairs, repeatedly signaled that this was non-negotiable[331]. The timing of this removal was clearly in response to the 1980-1981 wave of labor unrest. On the other hand, the status of the SWC as the main institutional channel of enterprise-level democratic management was enshrined in the revised Constitution. Even though detailed evidence is unavailable, it seems that the ACFTU's advocacy in August and September 1982 played an important role in securing this change and overriding what Peng Zhen explicitly acknowledged as "incongruent opinions" on this issue among different policy actors[332]. The twin modifications to the Constitution in 1982 demonstrated the same concern with staving off workers' contentious mobilizations through partial, institutionalized concessions.

Chapter Conclusion

The Gramscian concept of "passive revolution" enables us to analyze regime responses to grassroots insurrections beyond the conventional capitulation-repression binary. It captures those nuanced scenarios in which things change in order to stay the same: partial concessions are granted by the regime leadership to absorb certain grassroots elements and secure the overall stability of the status quo. However, the concept itself cannot help us understand *how* a passive-revolutionary episode is made. For one thing, a passive-revolutionary response always has to be brokered by concrete political actors. In Gramsci's analysis of the Italian Risorgimento, the key

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[329] Samuel Huntington has suggested this point in his classic *Political Order in Changing Societies* (Yale University Press, 1968). I thank Laura Enriquez for this observation.

[330] Of course, removal of the right to strike from the Constitution does not mean that workers in fact cannot strike. Numerous strikes have happened in China since 1982. This removal reveals more about whether the Party-state was willing to grant *symbolic acknowledgement* to workers' right to strike.

[331] *Chronology of Peng Zhen (1979-1997)*, p.124 and p.151.

[332] 《全总党组关于全总九届四次执委会议情况的报告》，1982 年 8 月 21 日，载于《中华全国总工会文件选编（1982）》第 101-103 页。"Report by the ACFTU Party Committee on the Fourth Meeting of the Ninth ACFTU Executive Council", August 21, 1982, in *Selected Documents of the ACFTU (1982)*, pp.101-103. Also see *Chronology of Peng Zhen (1979-1997)*, p.157.

political broker was Mazzini's Action Party. In Tugal's analysis of Turkey's neoliberal transformation, the broker of the passive-revolutionary strategy was an offshoot of the Islamist movement that eventually cohered into the AKP under Erdogan's leadership[333]. In my analysis of what transpired in the wake of China's 1980-1981 labor unrest, it was the ACFTU that played this brokerage role. An analysis of the making of a passive revolution that attends to concrete actors and processes, therefore, needs to explain why certain brokers come up with a passive-revolutionary strategy. It also has to explain how these brokers are able to exert a concrete impact on the regime's behavior.

It is for these reasons that an integration of Bourdieu's field-analytical tools into a Grasmcian study of passive revolution can be fruitful. For my analysis, it is particularly crucial to recognize that the ACFTU occupied what Bourdieu conceptualizes as the "dominated-dominant" position in the society's field of power. This peculiar position has two implications. First, a "structural correspondence" exists between the interests of the dominated classes and those of the dominated-dominant actors, which disposes the latter to see themselves as representatives of the former. Second, the very fact that the dominated-dominant actors are still part of the dominant classes means that they have a stake in securing the overall structure of domination. These two intersecting logics determined that, when labor unrest began to grow in China and demands for independent unions emerged, the ACFTU was disposed to propose a peculiar strategy of pacifying unrest and preempting independent unions. Such a strategy was centered on strengthening the ACFTU's own role in representing and advancing workers' interests and their democratic demands. As importantly, because of the structural correspondence between the ACFTU's and grassroots workers' positions in the society's field of power, sustained strength of workers' insubordination was likely to translate into increased political weight for the ACFTU vis-à-vis the Party leadership. This explains how the ACFTU managed to align the Party leadership behind its passive-revolutionary strategy more than half a year after the nationwide labor unrest erupted.

Precisely because it was the product of a passive-revolutionary response, the nature of this newfound (and temporary) policy emphasis on strengthening shopfloor democracy (while upholding the Party's utmost authority, of course) in 1981 was ambiguous and multivalent. For the Party leadership, it was a course of action they resignedly settled on to purchase industrial peace while sidelining more subversive policy options. For the ACFTU, it attested to how the union leaders were able to capitalize on a rare opportunity to strategically assert their political agency. For workers, it indeed seemed to be a small victory they inadvertently achieved through direct action. Nevertheless, the practical consequences of this temporary and partial democratic opening were as important as the political logics that shaped its making. What did expanded democracy on the shopfloor look like concretely in China's early 1980s? When SWCs were (re)established and strengthened in a more hospitable political environment, what exactly did they do for workers? These questions will motivate the narrative analysis in the next chapter.

[333] Cihan Tugal, *Passive Revolution*.

CHAPTER THREE

The Politics of Livelihood and Production: Shopfloor Dynamics and Dilemmas of Workplace Democracy in the Early 1980s

The previous two chapters traced the intellectual trends, political contestations and bureaucratic maneuverings that gave rise to policy processes in the late 1970s and early 1980s facilitating the (partial and uneven) advancement of workplace democracy. This chapter moves the narrative and analytical focus from the policy processes to shopfloor dynamics inside factories, and zooms in on the following question: when the SWCs were (re)established in a more empowering political environment in the early 1980s, what exactly did they do? In other words, what issues did workers address through their SWCs, and how? The first two sections of this chapter attempt a thick description of how workers utilized their SWCs to get things done, by carefully curating and analyzing a diversity of archival sources. Aspiring to accomplish what a good social historian should be expected to do, in these two sections I endeavor to present a rich, granular, nuanced and multi-faceted picture of grassroots dynamics. Two major takeaways result. First, workers primarily focused their SWC engagement on issues concerning distributive justice, and secondarily exercised power also on a wider range of issues related to welfare amenities, working conditions, cadre privileges and the economic survival of their enterprises. Second, the main reason why leaders of many enterprises allowed the SWCs to play a prominent role in handling distributional issues was not these leaders' benevolence, but the tremendous pressure workers exerted from the bottom up.

Following an analytical logic analogous to what Michael Burawoy has proposed in his "extended case method"[334], the third section of this chapter asks what macro-structural changes enabled the SWCs to function in the way described in the first two sections. The SWCs' enlarged and substantiated role in enterprise-level decision-making surely depended on a policy environment in which the promotion of workplace democracy and the partial strengthening of SWCs were temporarily elevated to be political priorities (which was a result of the political processes detailed in Chapters One and Two). Beyond that, however, the SWCs' actual functioning also critically hinged upon two changes in China's *political economy* in the late 1970s and early 1980s: the increasing autonomy of public enterprises from the Party-state, and a series of policy attempts to readjust the relationship between accumulation and consumption. The third section analyzes these two changes in detail. Lastly, the fourth section of this chapter identifies a crucial tension in the SWCs' functioning: even though it was now permissible for the SWCs to address "livelihood and welfare" issues – that is, material issues of immediate relevance to workers' personal and livelihood interests – many Party-state cadres and enterprise leaders still displayed a productivist bias. Such a bias regarded workers' attention to "livelihood and welfare" issues as politically inferior to a focus on "production-related" issues and something in need of top-down political education, persuasion and guidance. It therefore constrained the extent to which workers could actually exercise power through their SWCs.

Practicing Workplace Democracy in the Early 1980s: Distributive Justice

The single set of issues that workers cared the most about addressing through their SWCs was centered on distributive justice: how to distribute scarce resources and material perks among

[334] Michael Burawoy, 1998, "The Extended Case Method," *Sociological Theory* 16(1): 4-33.

workers in a fair (*gongping*) way. Echoing what Joel Andreas[335] has found in the oral history interviews he conducted, the archival material I have analyzed suggests that the distribution of housing was a particularly salient issue. In the late 1970s and early 1980s, as enterprises were allowed to retain more funds and dedicate a larger portion of those funds to addressing workers' livelihood needs, many enterprises prioritized the construction of new housing. The distribution of such housing occupied the center of workers' attention within enterprises[336]. Numerous sources, including both local reports on particular factories (or particular branches of industry) and summary statements made by political leaders and cadres, claimed that the fair distribution of housing was a priority for workers. Unsurprisingly, therefore, many argued that the SWCs should and could play a pivotal role in the distribution of housing. Wuhan's First Bricks Factory was an example. According to a report authored by its factory director,

> "Last June[337], even before the construction of our factory's second new apartment building was completed, the factory administration was already receiving dozens of workers each day applying for housing. As the situation became severe, the factory admin was afraid that even a little bias in this round of housing distribution could result in violent conflicts or even deaths. Then we decided to delegate the power to distribute the new housing to the SWC. Consequently, things went smoothly, and both leaders and the masses were satisfied. Later, while distributing the vacated old housing, the admin thought that it was no longer necessary to go all the way to involve the SWC representatives and only consulted the workshop directors. The result was chaos, and workers kept airing complaints to the deputy factory director in charge of livelihood affairs day by day, depriving him of any peace even during mealtime and sleep time."[338]

As this report suggests, housing distribution could become a hotly contested issue in an enterprise and any perceived injustice could result in potentially explosive or traumatic consequences ("violent conflicts or even deaths", according to the report). On the other hand, putting the SWCs in charge of housing distribution seemed more likely to achieve outcomes deemed by workers as fair and transparent.

Whereas the aforementioned report did not specify what exactly the SWC in Wuhan's First Bricks Factory did, reports from other factories provide more details on the concrete role of their SWCs in housing distribution. For example,

> "In Shanghai's First Reagent Factory, the SWC democratically elected a housing distribution committee. After extensive research and investigation, the committee selected the recipients of new housing and, in order to gather workers' feedback, publicized who the presumptive recipients were along with the selection criteria in a

[335] Joel Andreas, *Disenfranchised*, pp.173-178.

[336] The third section of this chapter will delve into how and why enterprises were allowed to retain more funds and dedicate a larger portion of those funds to addressing workers' livelihood needs in the late 1970s and early 1980s.

[337] "Last June" here refers to June 1980.

[338] 湖北省档案馆，SZ001-8-579-3，王家才《真心依靠群众 民主管理企业》——省委工业工作会议发言材料之十，1981 年 9 月。Hubei Provincial Archive (HPA), SZ001-8-579-3, Wang Jiacai "Truly Relying on the Masses to Democratically Manage the Enterprise" ——Speech Material No.10 for the Provincial Industrial Work Conference, September 1981.

wall poster, stipulating that the distribution plan become final if no complaints are heard in three days. A total of 635.8 square meters of housing was distributed that way in 1982, accommodating 44 households with particularly poor housing conditions. No complaints have been raised on any of those."[339]

The way new housing was distributed in Shanghai's First Reagent Factory in 1982 represented a broader trend in many localities and branches of industry. It was reported by the Shanghai Federation of Trade Unions in September 1981 that "the distribution of housing constructed by enterprises had been quite conflict-ridden in the past. Last year[340], however, an overwhelming majority [of Shanghai's enterprises that handled such distribution] had their SWCs elect or nominate a housing distribution committee comprised of people with a reputation of fairness whom the masses trusted, and things were generally handled well"[341].

While in many factories the SWCs elected a committee to actually do the distributing, other factories charged their SWCs with determining the guidelines according to which the factory administration would then proceed to distribute housing. The Wuchang Shipyard exemplified the latter way:

> "Before 1979, the Wuchang Shipyard intermittently built some housing, but every round of housing distribution incurred plenty of grievances from the masses, thereby affecting production and solidarity. In 1979, 10,000 square meters of dormitories were built. Afterwards, the factory handed the power of housing distribution over to its SWC. The SWC deliberated on and determined the criteria and principles for distribution and tasked the factory's housing office to come up with a distribution plan according to the principles. After the plan was discussed and approved by the SWC's supervisory committee on livelihood and welfare affairs, the housing office then went on to do the actual distributing."[342]

The sources discussing and recounting SWCs' role in housing distribution in this period are numerous. My concentrated reading of the relevant excerpts from these sources side by side with each other (which was similar to how interview-based researchers conduct concentrated reading on all data excerpts that fall under the same codes) has yielded the impression that the patterns described in the materials presented above are largely representative. Furthermore, the frequency and intensity in which housing distribution was discussed as an issue at the center of the SWCs' exercise of power surpassed any other issue.

The importance of the SWCs in housing distribution could also be demonstrated by what

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[339] 上海市档案馆，B76-5-677-1，上海市化工局工会《上海化工企业贯彻暂行条例的情况报告》，1983 年 3 月 23 日。Shanghai Municipal Archive (SMA), B76-5-677-1, The Union Committee of Shanghai's Bureau of Chemical Industry, "Report on the Enforcement of the *Provisional Regulations* among Shanghai's Chemical Enterprises", March 23, 1983.

[340] "Last year" here refers to 1980.

[341] 上海市档案馆，C1-4-397-71，《上海市推行职工代表大会制度情况和今后意见的汇报（草稿）》，1981 年 9 月 18 日。Shanghai Municipal Archive (SMA), C1-4-397-71, "Report on the Promotion and Implementation of the SWC System in Shanghai and Future Plans (Draft)", September 18, 1981.

[342] 武汉市档案馆，XX000091-WS04-4-2，《普遍推行党委领导下的职工代表大会制度的情况》，1981 年 5 月 25 日。Municipal Archive of Wuhan (MAW), XX000091-WS04-4-2, "Report on the Universal Promotion and Implementation of the SWC System under the Leadership of the Party Committee", May 25, 1981.

happened when their power was circumvented. In 1982, the Wuhan Federation of Trade Unions reported a quite dramatic incident:

> "Right now, particularly regarding issues relevant to workers' personal interests (such as housing distribution), factory leaders' attempts to circumvent the SWCs or disregard their resolutions result in occasional disputes and instances of production halt or semi-halt. The Wuhan Machine Tool Appliances Factory, for example, has distributed 84 newly built apartments this year. In January, the Party branches in the enterprise nominated 18 people to form a housing distribution working group, which then devised a distribution plan. Not only did the process not go through the SWC, but worse still, due to direct interference by the deputy Party secretary Wang Wuquan and the factory director Liu Xiangtao, the actual distribution even sidelined the housing distribution working group and deviated from its plan. According to preliminary investigation, among the total of 168 new and old apartments already distributed, 34 households should not have received the distributed housing, and half of these households were headed by mid-level managers or general cadres. In contrast, among the households which the housing distribution working group agreed to distribute housing to after multiple rounds of deliberation, 19 did not receive housing. Three days into the first round of housing distribution, physical fighting already appeared. The extremely unreasonable distribution of housing greatly irritated workers, resulting in a week of complete production halt and a month of semi-halt……What happened in this factory was by no means exceptional. As far as we know, factories including the Factory No.461, the Wuhan Asphalt Felt Factory, the Wuhan Gelatin Factory, the Second Semiconductor Factory, the Yangtze Carton Factory and the Jianshe Machine Repair Factory have all seen disputes about housing grabs or production halts and semi-halts because workers held no power over housing distribution, giving rise to cadre corruption and nepotism."[343]

At least in some cases, therefore, workers' grievances over their lack of power to rectify what was perceived to be unfair housing distribution could be so strong as to motivate workers to abandon their production posts and go on strike. With these scenarios in mind, it is no wonder that Party higher-ups in some provinces repeatedly urged enterprises to delegate the power to distribute housing to the SWCs. For example, Liu Jie, the Party secretary of Henan Province, made the following pronouncement in February 1981:

> "Housing distribution is the most difficult issue in any work unit……if you hand over the most difficult issue to the masses, it will for sure be dealt with well. It has been proven that any work unit that relies on mass deliberation does a good job distributing housing. The masses now do not make excessively high demands; they are just

[343] 武汉市档案馆，XX000091-WS04-41-8，武汉市总工会办公室编《工运情况》增刊第八期《当前职代会工作中值得注意的一些问题》，1982 年 6 月 29 日。Municipal Archive of Wuhan (MAW), XX000091-WS04-41-8, "Some Noteworthy Problems in Current SWC Work", *Briefs on the Workers' Movement* Special Additional Issue No.8, compiled by the Office of the Wuhan Federation of Trade Unions, June 29, 1982.

concerned with unfairness."[344]

Aside from housing distribution, hiring was another issue where workers' concern with distributive justice loomed large. In the late 1970s and early 1980s, youth unemployment – particularly unemployment among the youth who had recently returned to cities after rustication in the countryside over the previous decade – was a rampant problem. Tens of millions of young people were waiting for job assignments, according to both official and unofficial estimates. Workers in their forties and fifties usually wished that the enterprises they worked for would also hire their unemployed children. In general, public enterprises indeed preferred hiring children of existing workers. However, the number of new posts opened up in any given round of hiring in an enterprise was almost always significantly smaller than the number of workers' children in need of jobs. Thus, the allocation of job opportunities – i.e. whose children to hire – became a distributional issue of tremendous importance to workers. In many enterprises, therefore, workers relied on their SWCs to ensure the fairness of the process as well as of the outcome.

Again, the Wuchang Shipyard is an example:

> "Towards the end of 1979, the factory had more than 1,600 educated youth awaiting employment. But the quota for hiring under the 'entire people' (*quanmin*) status was only 103, and the hiring quota under the 'collective' (*jiti*) status was undetermined[345]. The entire factory paid great attention to the emplacement of these youth. The SWC's 'supervisory committee on placing educated youth' deliberated on the hiring principles first and tasked the factory's offices on youth placement and labor management to come up with a concrete plan. The plan was then discussed and approved by the SWC's supervisory committee, which then publicized it in a wall poster and stipulated that the list of new hires must be examined by the supervisory committee before the actual hiring was conducted. A cadre in the factory had a child sent down to the countryside who was therefore ineligible for this hiring round, but nevertheless got the child hired through nepotistic connections. The supervisory committee spotted the violation of hiring principles while examining the list of new hires and blocked this hiring."[346]

Wuhan's First Bricks Factory similarly entrusted the SWC with the power to make hiring decisions. Its factory director wrote that

> "Last October[347], our factory was assigned a hiring quota of two, specifically to hire among the thirteen family relatives of workers currently placed in state farms. We handed the decision-making power over to the SWC representatives, who decided after

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[344] 《刘杰在河南省工会工作会议上的讲话（摘要）》，1981 年 2 月 27 日，载于《全国企业民主管理座谈会有关文件汇编》第 71-72 页。"Liu Jie's Speech at Henan's Provincial Conference on Union Work (Summary)", February 27, 1981, in *Compilation of Documents Relevant to the Nationwide Conference on Democratic Enterprise Management,* pp.71-72.

[345] The Wuchang Shipyard was an enterprise under "ownership of the entire people", alternatively known as a "state-managed" enterprise. In addition to hiring new workers on their own payroll, many enterprises with this ownership designation also established subsidiary spin-off enterprises designated under "collective ownership" in order to create more employment. Hence the distinction between hiring under the "entire people" status versus under the "collective" status within the same enterprise.

[346] MAW, XX000091-WS04-4-2.

[347] "Last October" here refers to October 1980.

> deliberations to prioritize two workers with high seniority, difficult conditions as well as good work performance. The decision was universally supported by workers in the factory after publicized."[348]

That the SWCs played a vital role in ensuring the relatively fair distribution of housing and job opportunities was also confirmed by Hao Jianxiu, an alternate member of the Party's Central Secretariat specifically responsible for overseeing union affairs after 1982. In June 1983, Hao wrote a letter to Ni Zhifu, the ACFTU President, after completing an investigative tour in four provinces and autonomous regions in China's northwest. In the letter Hao concluded that "right now, the masses have strong reactions to corruption and nepotism in hiring and housing distribution. But in enterprises with established SWCs, the situation is much better"[349].

In some enterprises, the SWCs' decision-making reach regarding distributive justice also covered wages and bonuses. Addressing a decade of almost complete wage freeze until 1976, the post-Mao Party leadership instituted a series of wage upgrades in 1977 and 1979-1980 (as briefly mentioned in Chapter One)[350]. The question for enterprises to figure out internally was which workers were eligible to be adjusted upwards to which wage grade. There were reports showing that some enterprises empowered their SWCs to make decisions in this realm. For example, the Party committee of Wuhan's Chemical Raw Material Factory reported that

> "During the wage adjustment in 1980, we didn't follow what we had done during the wage adjustment in 1977. Instead, the wage adjustment plan was discussed and passed by the SWC. The SWC representatives then democratically elected a factory-wide wage adjustment evaluation committee and a similar committee for each workshop [to carry out the actual adjustment]. Even though the wage adjustment this time was more difficult than that in 1977, it went more smoothly, and the list of upgraded workers recommended by the evaluation committees was accurate."[351]

Here the 1980 wage adjustment was deemed more "difficult" than the adjustment in 1977 likely because it affected more workers and involved more wage grades. It was therefore more prone to trigger grievances and conflicts among workers. Given this, it is not surprising that the factory leaders were inclined to let the SWC, instead of themselves, handle a potential landmine.

In addition to instituting wage upgrades, the Party leadership also decided in 1977 to re-instate bonuses in the industrial sector, after "material incentives" were strongly criticized by the

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[348] HPA, SZ001-8-579-3.

[349] 《郝建秀同志关于工会工作的几个问题给倪志福同志并全总党组的信》，1983 年 6 月 2 日，载于《中华全国总工会文件选编（1983）》第 3-8 页。"Letter by Hao Jianxiu to Ni Zhifu alongside the ACFTU Party Committee on Several Issues in Union Work", June 2, 1983, in *Selected Documents of the ACFTU (1983)*, pp.3-8.

[350] Susan L Shirk, 1981, "Recent Chinese Labour Policies and the Transformation of Industrial Organization in China," *The China Quarterly* 88: 575-593.

[351] 湖北省档案馆，SZ001-8-579-2，中共武汉化工原料厂委员会《加强党的领导，发扬企业民主，不断完善职代会制度》——省委工业工作会议发言材料之四，1981 年 9 月。Hubei Provincial Archive (HPA), SZ001-8-579-2, The Party Committee of the Wuhan Chemical Raw Material Factory, "Strengthening the Party's Leadership, Promoting Enterprise Democracy, and Continuing to Perfect the SWC System" —— Speech Material No.4 for the Provincial Industrial Work Conference, September 1981.

Maoist radicals during the Cultural Revolution decade (as briefly mentioned in Chapter One)[352]. While workers largely welcomed the restoration of bonuses, the distribution of bonuses within enterprises was not a politically easy task and often became the subject of SWC deliberations. The report by the director of the Wuhan First Bricks Factory recounted an interesting incident:

> "This May[353], the cement workshop outperformed the monthly production plan by 75.86 percent. According to the factory's policy on above-quota piece-rate bonuses, workers in the cement workshop were expected to receive an average bonus of 39 *yuan* in May, more than double the average bonus among workers producing bricks. When the SWC deliberated on bonuses, Ye Maoshan, a SWC representative from the cement workshop, pointed out that as bricks had been our factory's main product and as the production of bricks had a long history [in our factory] and already featured high labor intensity, saturation had been reached [and it was therefore harder to outperform the production plan]; in contrast, cement was merely a supplementary product and its production had a short history with lots of unexhausted potential [and it was therefore easier to outperform the plan]. He then argued that if a few workers like us received excessively high bonuses and other workers' bonuses were too low, solidarity among workers would be compromised, as would the overall development of production; however much the money we could receive, we are unwilling to accept it if the 'big picture' is compromised. Ye then proposed to cut back the May bonuses for the cement workshop and said that if the masses in the workshop are unhappy, we the representatives will convince them. This sharp conflict concerning workers' personal interests was therefore properly addressed."[354]

The veracity of this account could not be ascertained. It was unclear whether Ye the SWC representative was indeed a rank-and-file worker. It was also unclear whether Ye really did proactively argue for the reduction of bonuses to be distributed to his workshop out of a spirit of fairness and solidarity with other workers (of course, it would be impressive if all of this was indeed the case). What is unambiguously clear, on the other hand, is that the leaders of this factory found it important to *frame* a potentially unpopular and conflict-triggering bonus decision as an outcome of SWC deliberations. This fact in itself attests to the importance of the SWCs in handling issues related to distributive justice.

In some cases, disputes regarding bonuses did trigger conflicts at the SWCs. The Party Committee of Wuhan's First Bureau of Light Industry reported such an incident at the Wooden Container Factory:

> "Last year[355], the factory leadership put forth a plan to link workers' bonuses to profits made by each workshop. The SWC representatives thought the plan was not workable and refused to pass it. It was approved for a trial after multiple rounds of back-and-forth. It was shown after two months that the plan was detrimental to production and the

[352] Susan L Shirk, "Recent Chinese Labour Policies and the Transformation of Industrial Organization in China."
[353] "This May" here refers to May 1981.
[354] HPA, SZ001-8-579-3.
[355] "Last year" here refers to 1980.

bonus system was reverted to a small-quota point-based system. This suggests that the SWC representatives' sense of masterly responsibility has grown stronger, and that they dare to resist what they see as incorrect."[356]

What is significant about this incident is three-fold. First, rather than merely serving as a rubber stamp for the enterprise leadership, the SWC representatives in this factory took their role seriously and resisted a bonus plan they thought to be flawed. Second, the report implicitly admitted that the enterprise leadership overrode the SWC's resistance, something official reports of this kind rarely did. Third, the report admitted that the bonus plan imposed by the enterprise leadership was indeed proven wrong, which is even more rarely seen in official reports of this kind. In just a few sentences, the report related a fascinating and tension-laden conflict around bonus distribution between the SWC and the enterprise leadership.

Many reports quoted above claim that the enterprise leadership (the Party committee and/or the factory director) willingly transferred the decision-making power over distributional issues to the SWC. It is important to point out, however, that such power transfer was mostly a result *not* of leadership benevolence but of the tremendous pressure workers exerted on the leadership, either loudly or quietly. We have already seen cases in which workers' distributional demands exceeded the capacity of factory leaders to handle them, "depriving [them] of any peace even during mealtime and sleep time" (as in Wuhan's First Bricks Factory). We have also seen cases in which workers went on strike because of perceived corruption in their leaders' handling of distributional issues (as in Wuhan's Machine Tool Appliances Factory).

Moreover, it was not at all rare for workers to display a strong resolve to defend their SWCs' decisions. Wuhan's Bureau of Mechanic Industry acknowledged in 1982 that "incidents in which factory directors arbitrarily vetoed or altered resolutions passed by the SWCs have happened in several work units; some of these cases even caused strong grievances among workers and *production halts*"[357]. In other words, mishandling of distributional issues on the part of the enterprise leadership entailed real risks. These risks included both significant nuisance in the leaders' personal lives and strikes and other forms of contentious activity that affected production. Therefore, in many enterprises the forceful sway workers exerted on their leadership incentivized the latter to democratize the handling of distributional issues. The enterprise leadership saw such democracy as more effective in ensuring industrial peace and relieving themselves of personal responsibility.

This logic was demonstrated clearly in a report written by the Party committee of the First Automobile Factory in the city of Changchun, Jilin Province. This factory, as already mentioned in the previous chapter, was one of China's most symbolically and strategically significant

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[356] 武汉市档案馆，XX000091-WS04-6-3，武汉市一轻局党委《采取具体措施 积极推行职代会制度》，载于《武汉工运》第三期。Municipal Archive of Wuhan (MAW), XX000091-WS04-6-3, The Party Committee of Wuhan's First Bureau of Light Industry, "Actively Promoting the SWC System through Concrete Measures", *Workers' Movement in Wuhan* Issue No.3.

[357] 武汉市档案馆，XX000053-WS03-24-3，武汉市机械工业局办公室《情况反映》第八期《关于全局推行职工代表大会制度的情况分析》，1982 年 4 月 21 日。Municipal Archive of Wuhan (MAW), XX000053-WS03-24-3, "Analysis of the Promotion of the SWC System in Factories across the Bureau", in *Briefs on Latest Situations* Issue 8, compiled by the Office of Wuhan's Bureau of Mechanic Industry, April 21, 1982, emphasis added.

flagship plants:

> "In our enterprise leadership's work, difficult issues are often encountered. Most of these pertain to workers' personal interests. Particularly, because of a backlog of livelihood issues left unaddressed for years and an imbalance in the relationship between the Party and the masses, issues often arise which could easily trigger *impulsive emotions* among workers and which workers deem urgent, such as the issues of housing and of job opportunities for workers' children. In the past, we often felt there were numerous conflicts and great difficulty when deliberating on how to address these issues, and the relevant offices were troubled as well. What usually happened was that despite our maximal efforts, the actual handling still caused *lots of complaints* [among workers]. After the SWC became functional, the Party committee and the leadership of the enterprise administration……transferred the issues the masses cared about the most to the SWC representatives, allowing them to collectively set rules and action plans and supervise the handling in accordance with the official policies……For example, we handed the issues that had traditionally been prone to trigger workers' complaints – such as housing distribution – over to the SWC representatives to decide and handle. Even though the pool of housing to be distributed remained constant, the masses were more satisfied with the outcome."[358]

The conception of workplace democracy as an effective way to preempt workers' grievances over the handling of distributional issues was also evident in a speech given in 1981 by Yu Yichuan, the Party secretary of Henan Province. Yu argued that "it is all the more important for issues among workers, such as distributional issues, to be discussed by the SWCs……these issues are not easy to handle without the SWCs." What would the consequences be if distributional issues were mishandled? Yu singled out work-to-rule, a peculiar form of work slowdown: "if democratic management is not practiced well……your enterprise could witness work slowdowns, with workers showing up to the posts without putting in the effort, letting the lathes merely make empty runs"[359].

In sum, the SWCs were empowered on a wide scale to handle distributional issues largely thanks to the degree of attention these issues often received from workers and the likelihood of their mishandling resulting in workers' complaints, grievances, unrest, and strikes. In some enterprises, the leadership even went as far as allowing the SWCs to play a role *only* in handling those thorny distributional issues prone to trigger conflict. Shi Ruilin, a union cadre at the Baoshan Steel, a large flagship steel mill in Shanghai, complained that "it is widely reported that the real power of the SWCs is limited only to those issues the leadership could not properly handle, such as distribution of housing and voluntary labor campaigns, which are handed over to us"[360].

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[358] "Report by the Party Committee of the First Automobile Factory," emphasis added.

[359] 《于一川在河南省企业民主管理座谈会上的讲话》，1981 年 7 月，载于《全国企业民主管理座谈会有关文件汇编》第 72-84 页。"Yu Yichuan's Speech at Henan's Provincial Symposium on Democratic Enterprise Management," July 1981, in *Compilation of Documents Relevant to the Nationwide Conference on Democratic Enterprise Management,* pp.72-84.

[360] 上海市档案馆，C1-3-329-55,《情况摘编》第 83 期《上总六届十次常委（扩大）会议讨论中的一些反映》，1981 年

Practicing Workplace Democracy in the Early 1980s: Other Issues

Whereas issues pertaining to distributive justice most often occupied the center of SWCs' attention, the SWCs' exercise of power sometimes went beyond these issues. The diverse range of issues workers sought to address through their SWCs in addition to the distributional ones largely fall into four categories: 1) welfare amenities, 2) working conditions, 3) cadre privileges and personnel issues, and 4) enterprises' economic survival in light of the cutbacks in the production orders handed down by the state. This section demonstrates, one by one, how these types of issues figured in SWC deliberations and decision-making.

As China's public enterprises often maintained a wide range of welfare amenities vital to workers' work and lives, workers sometimes utilized their SWCs as channels to push for their better maintenance and renovation. In vivid details, a report from Shanghai's 12th Cotton Mill (one of the factories selected to experiment with "the factory director responsibility system under the leadership of the SWC" in 1980, which was discussed Chapter One) recounted how its SWC pressured the factory administration to enlarge the women workers' bathhouse:

> "Our factory's bathhouse for women had been very crowded, with five or six workers squeezed under one shower during peak hours. And with bad ventilation, workers passed out in the bathhouse every now and then. The Party secretary and the factory director had been aware of this problem for years but failed to address it. The main reason was that the bathhouse neighbored the office of scientific research and refinement on the one side and the office of electronics examination and repair on the other, and neither office was willing to relocate. Respecting the convention of 'production first, livelihood afterwards', the enterprise leadership could not act on the situation. Later, the SWC made a proposal and passed a resolution specifically on this issue, and the heads of the two offices were called onto the stage to clarify their attitudes. Finally, the space occupied by the two offices was vacated and the women's bathhouse was enlarged, which was very well received by the factory's women workers."[361]

Other issues pertaining to welfare amenities that are often reported to have been addressed by the SWCs include canteens (in particular, their renovation or the quality and variety of the dishes served), nurseries, and sports facilities.

SWC representatives also raised issues that might seem trivial yet were of pivotal importance to the conditions under which workers worked. These issues directly affected the fundamentals of workers' personal safety, health and physical wellbeing. A concrete example was presented in a report delivered by the Party committee of the Wusong Coal Gas Factory:

> "Our factory's coal preparation workshop has a wet floor. As workers each had only one pair of work shoes, they had no shoes to change into when their only pair of shoes were being washed and dried. The SWC representatives proposed to replace the old policy,

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6 月 19 日。Shanghai Municipal Archive (SMA), C1-3-329-55, *Compilation of Situations* Issue 83, "Some Opinions Aired in the Discussion During the Tenth (Enlarged) Meeting of the Sixth Standing Committee of the Shanghai Federation of Trade Unions", June 19, 1981.

[361] SMA, G28-1-518.

according to which workers handed in their old pair of work shoes in exchange for a new pair every half a year, with a new policy, according to which workers would still retain their old pair of shoes for three months after receiving a new pair every six months. That way, costs associated with labor protection could be saved and workers could have an extra pair of shoes to change into. The SWC representatives uniformly agreed with this proposal after deliberations. And with the approval from the supervising company, the proposal was enshrined as a SWC resolution."[362]

Along similar lines, a union cadre from Shanghai's Bureau of Construction Industry reported that the SWCs there saw a great number of proposals regarding labor protection and safety equipment[363]. SWC representatives in Wuhan's Sheet Metal Factory raised issues with flawed equipment that could cause workers injuries, and proposed to change how work shifts were organized[364].

Thirdly, workers were often strongly motivated to raise issues regarding cadre privileges through their SWCs. In Wuhan's First Flour Factory, workers specifically demanded the convening of a SWC session to address what they saw as unfair privileges the enterprise leadership enjoyed:

> "The factory director, advised by the Party secretary, himself chose the location for and designed a residential house of more than a hundred square meters and planned to move in after the completion of construction (the plan later collapsed because the masses objected strongly and even appealed to higher-level authorities). Combined with other privileges enjoyed by the enterprise leadership – for example, the Party secretary and the deputy factory director rode in the factory's cars to go fishing on Sundays – the masses were seriously aggrieved and repeatedly demanded the convening of the SWC, but the factory director refused to convene it."[365]

In this specific case, whether to convene the SWC was itself the issue at the center of contestation between rank-and-file workers and the enterprise leadership. This was the case exactly because workers saw their SWC as a platform through which they could hold the leaders accountable.

In those factories where the SWCs were indeed called to convene, cadre privileges sometimes became an issue the SWC representatives focused on. In the Shanghai Electro-

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[362] 上海市档案馆，C1-3-337-63，《吴淞煤气厂党委报告》。Shanghai Municipal Archive (SMA), C1-3-337-63, "Report by the Party Committee of the Wusong Coal Gas Factory".

[363] 上海市档案馆，C1-3-329-58，《情况摘编》第 86 期《对工会的组织体制、经费使用等方面的一些意见》，1981 年 6 月 25 日。Shanghai Municipal Archive (SMA), C1-3-329-58, *Compilation of Situations* Issue 86, "Some Opinions Regarding the Union's Organization and Usage of Funds", June 25, 1981.

[364] 武汉市档案馆，XX000091-WS04-67-16，武汉市总工会办公室编《工运情况》第 64 期《武汉薄板厂是怎样处理职工代表提案的》，1983 年 12 月 21 日。Municipal Archive of Wuhan (MAW), XX000091-WS04-67-16, "How the Wuhan Sheet Metal Factory Handled Proposals from the SWC Representatives", *Briefs on the Workers' Movement* Issue 64, compiled by the Office of the Wuhan Federation of Trade Unions, December 21, 1983.

[365] 武汉市档案馆，XX000091-WS02-124-2，武汉市总工会陈玉玺《关于普遍推行和完善职工代表大会的几点意见》，1980 年 11 月 11 日。Municipal Archive of Wuhan (MAW), XX000091-WS02-124-2, Chen Yuxi from the Wuhan Federation of Trade Unions, "Several Suggestions on the Universal Promotion and Perfection of SWCs", November 11, 1980.

Chemical Factory,

> "When the SWC was deliberating on the factory-wide regulations on rewards and penalties, the original draft of which stipulated that workers who severely violate the factory's regulations be subject to demotion and wage reduction, the SWC representatives pointed out that the stipulation should not apply to workers only. They insisted that cadres who severely violate the factory's regulations also be similarly subject to demotion and wage reduction. The original draft stipulated that workers whose malpractice causes production loss be penalized. The SWC representatives pointed out that cadres who do not concentrate on their jobs and commit errors in their work should also be penalized……Suggestions for revisions like these totaled more than thirty and were all adopted."[366]

Here, the SWC representatives were quite adamant in upholding the principle of equality between workers and cadres. In a similar vein, in April 1982 the SWC representatives in Wuhan's Automobile Appliances Factory voiced strong objections against a housing distribution plan proposed by the factory administration. This plan included provisions favoring enterprise-level leaders and mid-level managers. The SWC representatives' resistance led to the nullification of these provisions[367].

Lastly, in enterprises facing serious crises of economic survival, the SWCs were often convened to discuss the imminent economic difficulties. As briefly mentioned in Chapter Two, the Party leadership adopted a drastic program of economic retrenchment in December 1980. The program significantly cut back the scale of industrial and infrastructural investments financed by the Party-state. A large number of proposed projects under construction were therefore abandoned, suspended, or downsized. A collateral consequence was that many enterprises – mostly in heavy industrial sectors – that produced materials and equipment for industrial and infrastructural construction now had to face a substantial reduction in the production orders they received from the state in the early 1980s. These enterprises had been used to producing the kinds and quantities of products exactly as the state instructed, with the state arranging how the raw materials should be procured and assigning where the products should be delivered. Now in the early 1980s, the state was instructing these enterprises to produce only a fraction of what they were capable of producing, resting much industrial capacity. These enterprises were thus often left to their own devices to figure out how to survive economically.

Susan Shirk has famously argued that the economic retrenchment during this period inadvertently pushed many enterprises towards the market: to make up for the trimmed production orders from the state, the enterprises had to figure out what else to produce by locating market demands and entering transactional relationships not mediated through the state[368]. In parallel with Shirk's argument, I find that the economic retrenchment in the early

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[366] SMA, B76-5-677-1.

[367] MAW, XX000053-WS03-24-3.

[368] Susan Shirk, *The Political Logic of Economic Reform in China*, Chapter 10.

1980s also inadvertently pushed leaders in many enterprises to be more willing to convene the SWCs. On the one hand, factory leaders felt a need to be much more transparent with their workers about the enterprises' economic difficulties, so as to build collective consent to belt-tightening and internal austerity policies. On the other hand, they also felt a need to seek workers' input on how to rejuvenate the enterprises and make alternative production plans, as many of them were desperately running out of ideas. The SWCs could appear to the enterprise leadership as useful in both of these senses.

For example, the director of the Hubei Instrument Fastener Factory reported that in 1980, the state ceased to issue production orders, which ultimately resulted in most workshops in the factory suspending operation and pushed the factory to the verge of collapse. The enterprise leadership felt so cornered that convening the SWC (for the first time ever!) to openly talk about the factory's difficulties became an obvious course of action[369]. Also in 1980, as the production orders issued by the state to the Wuchang Shipyard only covered 70 percent of the enterprise's production capacity, the enterprise Party committee decided to convene a SWC session to discuss ways to put the dormant production capacity to work[370]. It is similarly reported that some enterprises in Shanghai in economically dire situations relied on their SWCs to gather workers' input on how to devise alternative production and marketing plans[371]. Some reports painted a rosy picture in which workers' strong resolve and creative initiative effectively saved their enterprises from inactivity. Even though these might have been overstatements, the SWCs must have played *some* role in helping their enterprises chart a path of economic rejuvenation, or at the very least in making workers more willing to endure belt-tightening. Otherwise, we would not have heard political higher-ups – including provincial leaders such as Zhao Zengyi, a deputy Party secretary of Yunnan Province – explicitly urge enterprises to "rely on the masses" to solve economic difficulties induced by the retrenchment policy[372].

The Enabling Changes in China's Political Economy

The functioning of the SWCs across China's industrial enterprises in the early 1980s was uneven. There were plenty of reports documenting how the SWCs in some enterprises played merely an ornamental role or failed to exercise any real power; there were also enterprises where SWCs were not even established. Nevertheless, as the two sections above have shown, in a significant number of enterprises all over China, the SWCs did provide a channel for workers to

[369] 湖北省档案馆，SZ001-8-578-3，潘选鹤《我尝到了职工代表大会的甜头》——省委工业工作会议发言材料之六，1981 年 9 月。Hubei Provincial Archive (HPA), SZ001-8-578-3, Pan Xuanhe, "I've Enjoyed the Benefits of the SWC" —— Speech Material #6 for the Provincial Industrial Work Conference, September 1981.

[370] 武汉市档案馆，XX000091-WS04-4-1，《李梅芳在市工交会议上的讲话》，1981 年 5 月 6 日。Municipal Archive of Wuhan (MAW), XX000091-WS04-4-1, "Li Meifang's Speech at the Municipal Conference on Industrial and Transportation Work", May 6, 1981.

[371] SMA, C1-4-397-71.

[372] 《赵增益在云南省职工代表大会经验交流会上的讲话（摘要）》，1981 年 4 月 11 日，载于《全国企业民主管理座谈会有关文件汇编》第 84-87 页。"Zhao Zengyi's Speech at Yunnan's Provincial Symposium for Exchange of SWC Experiences (Summary)", April 11, 1981, in *Compilation of Documents Relevant to the Nationwide Conference on Democratic Enterprise Management,* pp.84-87.

meaningfully address and handle a wide range of issues of vital importance to their interests. The ACFTU Vice President Gu Dachun reported in June 1981 – *before* the top-down policy emphasis on strengthening the SWCs' role in enterprise management went into full swing – that in terms of SWCs' functioning, 25 percent of China's enterprises were good, 60 percent were mediocre, and 15 percent were bad[373]. One of the core findings of the first two sections of this chapter – that many SWCs played a substantial role in managing their enterprises' distributional issues such as housing – resonates with what sociologist Joel Andreas[374] and historian Li Huaiyin[375] have found in their oral history interviews with workers. Based on contemporaneous interviews with Chinese workers in the early 1980s, Martin Lockett also uncovered similar patterns[376]. The consistency between different researchers and different types of data (archival sources, retrospective oral-history interviews, and contemporaneous fieldwork) facilitates confidence in the extent to which the finding reveals a historical pattern that holds true on a wide scale.

This section probes what changes took place in China's political economy in the late 1970s and 1980s that provided the conditions conducive to the SWCs' meaningful – though still uneven and circumscribed – exercise of power. Obviously, the SWCs' enlarged role had a lot to do with the top-down pressures generated by a newfound political emphasis on strengthening workplace democracy in enterprise management. This political emphasis was an outcome of the multi-layered and complex policy processes documented in Chapters One and Two. Such top-down pressures worked in conjunction with the enormous political and shopfloor pressures workers themselves created. But at the same time, enterprises were by definition integral parts of the overall economy. This means that enterprise-level democracy critically hinged upon structural conditions in the political economy. This section argues that the *conditions of possibility* for the SWCs' meaningful exercise of power, in the ways detailed in the previous two sections, included two profound changes in China's political economy in the late 1970s and early 1980s: the increasing managerial autonomy of public enterprises from the Party-state, and a series of policy attempts to readjust the balance between accumulation and consumption.

First, the late 1970s and early 1980s witnessed an initial reform drive to make public enterprises more autonomous from the overseeing Party-state[377]. As discussed in Chapter One, the way socialist China had been managing its public enterprises up until the late 1970s essentially treated these enterprises as extensions of the Party-state. The enterprises had to abide by the orders and instructions imposed by the overseeing Party-state authorities regarding major issues such as production and investment plans. Moreover, even relatively trivial policy changes internal to the enterprises required review and approval by the Party-state organs. For a dramatic

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[373] 《顾大椿代表企业民主管理座谈会领导小组向中央书记处汇报的提纲》，1981 年 6 月 4 日，载于《全国企业民主管理座谈会有关文件汇编》第 42-49 页。"Outline of Gu Dachun's Report to the Party's Central Secretariat on Behalf of the Leadership Group of the Nationwide Conference on Democratic Enterprise Management", June 4, 1981, in *Compilation of Documents Relevant to the Nationwide Conference on Democratic Enterprise Management,* pp.42-49.

[374] Joel Andreas, *Disenfranchised*, pp.173-178.

[375] Li Huaiyin, *The Master in Bondage*, chapter 2.

[376] Martin Lockett, "Enterprise Management: Move towards Democracy?"

[377] Susan Shirk, *The Political Logic of Economic Reform in China*, chapter 10; Barry Naughton, *Growing Out of the Plan*, pp.98-108.

example, union cadres in Shanghai still complained in 1981 that "even when some enterprises attempted to give each worker a tiny subsidy of 0.05 *yuan* to purchase cold drinks in the hot summer, they could not because the fiscal bureau and the labor bureau blocked such proposals"[378].

Beginning in the late 1970s, this system of rigid state management became an object of reform. First in Sichuan Province over the last few months of 1978 (presided by no politician other than Zhao Ziyang as the Party secretary of the province) and then on a nationwide scale in 1979, enterprises were selected to experiment with enlarged autonomy from the Party-state. Such experimental enterprises were allowed to retain a portion of their earned profits (which previously had to be entirely handed over to the Party-state) and independently decide on the uses of these retained funds. These enterprises were additionally granted some decision-making powers in such realms as production planning, product marketing, experimentation with new products, internal organizational management and personnel management. By September 1980, it was reported that the number of enterprises under these "enlarged autonomy" experiments totaled more than 6,600, accounting for more than 70 percent of the profits earned by all public industrial enterprises in China (which means that the enterprises selected for these experiments tended to be the larger and economically more important ones); the State Council's Economic Commission called for a further expansion of these experiments and additional powers to be delegated to the experimental enterprises[379]. At the same time, enterprises not selected to undertake these experiments were also granted marginally greater powers to manage their own affairs – for example, they were given greater latitude in deciding on how to dispense their collective welfare and bonus funds, with the requirements to obtain state approval relaxed.

The SWCs' exercise of power hinged on this enlargement of enterprise autonomy. This was so for the simple reason that the SWCs could only meaningfully decide on things if there were things left for the enterprises to decide on. It was logically impossible for the SWCs to exercise managerial or decision-making power when the enterprises were managed closely within the orbit of state instruction. For instance, the opportunity emerged for the SWCs to make decisions on housing distribution and the improvement of welfare amenities only after the enterprises were themselves allowed to independently decide, without having to go through multiple layers of bureaucratic scrutiny, to spend their retained profits and welfare funds on the construction and renovation of housing and welfare facilities. Similarly, the SWCs could not have had any say in hiring if their enterprises still had no choice but to hire whoever was assigned to them by the overseeing Party-state organs[380].

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[378] SMA, C1-3-329-55.

[379] 《国务院批转国家经济委员会关于扩大企业自主权试点工作情况和今后意见的报告》，1980 年 9 月 2 日，载于《国务院公报》1980 年第十四号。"The Economic Commission's Report on the Experiments with Enlarging Enterprise Autonomy and Suggestions for Future Work, Approved by the State Council", September 2, 1980, in *The State Council's Public Pronouncements,* 1980 Issue 14.

[380] 湖北省档案馆，SZ026-5-49-8，省工交调查组《武汉市部分企业反映经济管理体制上存在的若干问题》，1979 年 9 月 20 日。Hubei Provincial Archive (HPA), SZ026-5-49-8, the Provincial Investigative Group on Industrial and Transportation Work, "Some Problems Reported by Certain Enterprises in Wuhan Regarding the System of Economic Management", September 20, 1979.

In fact, even in the early 1980s it was sometimes still reported that the resolutions passed by the SWCs could not go into effect due to objection from the higher Party-state authority. For example, a union cadre from Shanghai's Jiefang Plastic Factory complained that a resolution made by their factory's SWC to create a stipend for workers who had to suffer the toxic gas released during the production process could not be implemented because both the supervising company and the state labor bureau refused to approve it[381]. The Wusong Coal Gas Factory also reported in 1981 that a decision made by its SWC to create a bonus scheme to reward energy-saving was vetoed by its overseeing company[382]. These examples suggest that, at least to some extent, workplace democracy and tight control exercised by the Party-state were in conflict. In other words, a certain degree of enterprise autonomy constituted a necessary condition for the SWCs' meaningful exercise of power.

A report by the Sichuan No.1 Cotton Mill directly linked the vitality of its SWC to enlarged enterprise autonomy. When the SWC was convened for the first time in 1978, it was merely a staged procedure achieving no meaningful result. The reason, according to the report, was that "the enterprise did not have any powers yet workers demanded so many issues be addressed, and the enterprise could not address any of these. Therefore the SWC could be nothing more than a festive gathering." When the SWC was convened again in 1979, in contrast, its role became much more substantive. "As the enterprise had begun to experience enlarged autonomy and retain profits, it gained some economic latitude. Therefore, many issues ranging from the completion of production quotas to workers' welfare and livelihoods had to be collectively decided on." According to the report, workers displayed even stronger "masterly" initiative at the SWC session in 1980 after the enterprise's autonomy was further expanded[383].

The drastic before-and-after contrast depicted in this report might have been an overstatement. But the crucial conditioning effect of enterprise autonomy on the SWCs' power and influence was also confirmed by those complaining that the reform drive to enlarge enterprise autonomy had not gone far enough and advocating for its continual expansion. Such comments were most often heard from grassroots union cadres who were rather candidly assessing their SWCs' performance in internal discussions. According to one such cadre in Shanghai, Wan Zhiliang,

> "What matters is the further reform of the system of management. Many issues cannot be addressed if the system is not reformed……The SWCs must be able to address concrete issues; if not, *the masses will lose confidence in them*. Regarding certain issues, resolutions made by the SWCs have been rejected by the higher [Party-state authorities],

[381] 上海市档案馆，C1-3-329-60，《工会简报》第 45 期《上总六届十次常委（扩大）会议讨论中的一些反映》，1981 年 6 月 22 日。Shanghai Municipal Archive (SMA), C1-3-329-60, "Some Opinions Aired in the Discussion During the Tenth (Enlarged) Meeting of the Sixth Standing Committee of the Shanghai Federation of Trade Unions", *Union Bulletins* Issue 45, June 22, 1981.

[382] SMA, C1-3-337-63.

[383] 《川棉一厂情况介绍文章》，载于《国营工业企业职工代表大会暂行条例讲话》，第 76-81 页。"Report on the Situation in the Sichuan No.1 Cotton Mill", in *Speeches on the* Provisional Regulations on SWCs in State-Managed Industrial Enterprises, pp.76-81.

and this system must be reformed."[384]

Wan's sentiment was echoed by another Shanghai union cadre, Fu Aizhen, who pointed out that "even in enterprises that have been granted greater autonomy, their powers are still quite limited. Workers are not interested in their SWCs because they think no issues could be addressed there"[385]. At a provincial conference in September 1981, grassroots managerial cadres from Hubei Province expressed similar opinions. Zhao Shenghe and Bai Yunfeng argued that "as enterprises still enjoy limited powers right now, they cannot effectively address the many issues raised by the SWCs, resulting in the *masses' disappointment*"[386]. Others attending the same small-group discussion at this conference concurred, asserting that for the SWCs to function well, enterprises must be granted more substantial powers beyond mere profit retention[387].

Second, in the immediate post-Mao years (1977-1980) a series of policy attempts emerged to readjust the balance between accumulation and consumption. China's political economy in the Mao years has been widely characterized as high-accumulation and low-consumption: impressive capital accumulation, particularly in the heavy industrial sectors, was achieved at the expense of vastly suppressed consumption needs[388]. The official ideology valorized the prioritization of accumulation over consumption as a revolutionary ethic, with such heavily promoted slogans as "production first, livelihood afterwards". And with the radical Maoists taking charge of ideological affairs in the late 1960s and early 1970s, providing workers with "material incentives" was further denounced as "economistic" and politically reactionary. What ensued therefore was a period of revolutionary austerity in which China's urban workers experienced a decade of wage freeze and little improvement in living standards – with the only exception being that millions of temporary workers were granted permanent status in the early 1970s[389].

After the radical Maoists were ousted from power in 1976, China's post-Mao leadership almost immediately decided to reverse course, devoting more resources to addressing the population's consumption needs. In the countryside, the Party-state raised procurement prices for agricultural products, effectively raising peasants' income[390]. In cities, workers' take-home pay was increased as a series of large-scale wage upgrades were rolled out in 1977 and 1979-1980 and the bonus system was restored in 1978 (as already mentioned earlier in this chapter). This might have been at least in part because the post-Mao leadership tried to consolidate its power

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[384] SMA, C1-3-329-55, emphasis added.

[385] Ibid.

[386] 湖北省档案馆，SZ001-8-583-13，湖北省委工业工作会议简报第十三期，1981 年 9 月 8 日。Hubei Provincial Archive (HPA), SZ001-8-583-13, *Bulletins of Hubei's Provincial Industrial Work Conference* Issue 13, September 8, 1981, emphasis added. This document is labeled "priority secret"（机密）.

[387] Ibid.

[388] See, for example, Ho-fung Hung, *The China Boom*.

[389] Joel Andreas, *Disenfranchised*, pp.147-148.

[390] It is notable that the raises of agricultural procurement prices did not translate into significantly higher selling prices of agricultural products in cities, which meant that the Party-state effectively provided a sizable subsidy to the urban population. See Frederick Teiwes and Warren Sun, *Paradoxes of Post-Mao Rural Reform: Initial Steps Toward a New Chinese Countryside, 1976-1981*, Routledge, 2015.

and buy off the masses (see Chapter One). Nonetheless, the wage upgrades and the restoration of bonuses did (inadvertently) provide an anchor for many SWCs' exercise of power. As we have already seen, wage adjustments and the distribution of bonuses were among the key distributional issues that aroused workers' enthusiasm for participation in enterprise democracy.

In addition, public enterprises in this period were allowed to spend more money on making "livelihood and welfare" improvements. After the "enterprise fund system" was restored in 1978, an enterprise was endowed with a specifically designated and institutionally protected pool of funds to spend exclusively on collective welfare. These funds could not be reallocated for other uses and were protected from drying up[391]. Even though the usage of these collective welfare funds was still sometimes subject to strict scrutiny from the higher Party-state authorities[392], the funds nevertheless provided a more solid material foundation for enterprises to make "livelihood and welfare" improvements. Moreover, for those enterprises going through the experiments with enlarged autonomy and allowed to retain profits, they could independently decide on how to use these retained funds. They were often encouraged – or at the very least not disincentivized – to spend these on housing and collective welfare. The increased latitude for enterprises to invest in "livelihood and welfare" rendered a greater scope for the SWCs' exercise of power. The welfare-related issues that enterprises would not otherwise have had the material resources to address – with which workers were nevertheless deeply concerned – were now placed within the realm of the possible.

The policy adjustments of the balance between accumulation and consumption were also accompanied by some changes in the official discourse in the late 1970s and early 1980s. The relentless pushes for "production first, livelihood afterwards" and to resist "material incentives" were de-emphasized. Instead, the official discourse in this period – evidenced by numerous official speeches and policy documents across multiple levels of the Party-state – acknowledged that an extensive backlog of unaddressed living-standard issues had accumulated to a severe extent. It was also acknowledged that workers' grievances over these issues were mostly justified, even though the blame was often (inaccurately) put on the Cultural Revolution only. The new official discourse insisted that efforts be made now to accommodate the masses' demands on improving the standards of living to the degree feasible. Somewhat relatedly, a more intellectually inclined debate emerged in 1979 and 1980, in the form of written exchanges in official newspapers and officially sanctioned public conferences organized by such leading intellectuals as Yu Guangyuan[393]. This debate was centered on the following question: what ends should economic development ultimately serve – production for its own sake, or the betterment of the population's living standards? This debate – now remembered as the "production vs.

[391] The "enterprise fund system" established three pools of funds for each public enterprise: the production development fund, the collective welfare fund, and the bonus fund. Funds could not be transferred between the pools. The amount of funds allocated to each pool each year was calculated as a fixed percentage of an enterprise's total revenue or total wage bill. An enterprise no longer had access to these funds if it was placed in an "enlarged autonomy" experiment and allowed to retain profits.

[392] SMA, C1-3-329-58.

[393] 冯兰瑞，《关于社会主义生产目的的讨论》，载于《二十一世纪》网络版，2004 年 1 月 31 日。Feng Lanrui, "The Discussions on the Purpose of Socialist Production," in *The Twenty-First Century* Online Version, January 31, 2004.

livelihood" debate (*shengchan shenghuo dabianlun*) – made it clear that arguments in favor of prioritizing consumption needs were no longer politically taboo and instead were now permitted to be aired loudly in the public sphere[394].

These changes in the official discourse meant that there was no longer a strong discursive basis for enterprise leaders or their supervising Party-state authorities to blatantly shut down workers' material demands. It now became easier for workers to utilize their SWCs as the channel to get these demands addressed. The aforementioned incident concerning the renovation of the women workers' bathhouse in Shanghai's 12th Cotton Mill is a case in point. In the past, the ideology of "production first, livelihood afterwards" had provided a powerful excuse to sideline the issue of an overcrowded and badly ventilated bathhouse. But in 1979, the discursive shield was no longer as strong when the recently restored SWC demanded the issue be addressed, forcing the factory leadership and mid-level managers to cave in. It was precisely because of the SWCs' substantiated role in addressing these "livelihood and welfare" issues that many workers found such shopfloor democratic practices to be imminently meaningful, since the "livelihood and welfare" issues were the ones they felt most strongly about. As a grassroots cadre in Hubei Province reported during an internal discussion at the aforementioned provincial conference in 1981:

> "When the SWCs were convened in some enterprises, workers were quite energetic when discussing issues such as welfare and livelihood, bonuses and housing distribution, but rather uninterested in discussing the factory-wide production plans and cadre corruption. They believed that their opinions carried no weight on the latter issues. Some workers said, 'you could be corrupt all the way you want, and I'll just keep slacking'."[395]

A union cadre in Shanghai's Taikang Food Factory shared an observation that illustrated the same point from the opposite direction:

> "The SWC [in our enterprise] was staged in such a manner that much attention was devoted to addressing production-related issues but little space was allocated to addressing necessary 'livelihood and welfare' issues. After the SWC was convened in this way several times, the masses are no longer energetic about the SWC. This suggests that the functioning of the SWC is inseparable with the enlargement of enterprise autonomy."[396]

In this factory, workers failed to find the SWC to be a meaningful realm of democracy and lost interest in engaging in it. This was the case exactly because the SWC was ineffective in addressing the "livelihood and welfare" issues – that is, the material issues of most immediate relevance to workers' personal lives. This quoted union cadre further claimed that in this

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[394] Hou Li, *Building for Oil: Daqing and the Formation of the Chinese Socialist State*, Harvard University Asia Center, 2020, pp.197-198.

[395] 湖北省档案馆，SZ001-8-583-11，湖北省委工业工作会议简报第十一期，1981 年 9 月 7 日。Hubei Provincial Archive (HPA), SZ001-8-583-11, *Bulletins of Hubei's Provincial Industrial Work Conference* Issue 11, September 7, 1981. This document is labeled "priority secret"（机密）.

[396] SMA, C1-3-329-60.

particular factory, the SWC's ineffectiveness in addressing the "livelihood and welfare" issues had a lot to do with how the factory lagged behind in being granted managerial autonomy. This enterprise therefore did not have much latitude in handling the "livelihood and welfare" issues on its own, making only the "production-related issues" feasible for the SWC deliberations. What this "negative case" demonstrates is that the increase of enterprise autonomy (in conjunction with the political readjustment of the relationship between accumulation and consumption) constituted an "inseparable" pre-condition for the SWCs' actual capabilities in addressing workers' material needs. The SWCs' capabilities in this regard were in turn critical in determining how much workers took their SWCs seriously and how actively they participated – in other words, the vitality of workers' democracy.

Were "Livelihood and Welfare" Issues a "Distraction"?

Even though in the immediate post-Mao years China's Party leadership launched efforts to redress the longstanding neglect of the population's consumption needs, with corresponding changes in the official discourse, the overall productivist bias persisted. The dedication of resources to raising living standards was regarded as *necessary* but still *secondary* to production growth and capital accumulation. Policymakers, local cadres and enterprise leaders tolerated some accommodation of workers' material demands but did not want to allow it to go very far. In their thinking, a focus on "livelihood and welfare" issues should by no means trump or distract from what was always more important: the mobilization of the masses to improve production performance and achieve economic development. Therefore, reports of the working of the SWCs frequently complained that they focused too much on "livelihood and welfare" issues. This was often framed as a severe *problem* calling for forceful intervention and direction from the top down.

For example, the Party committee of the Wangting Power Plant reported in 1981 that

> "When the first meeting of the sixth SWC[397] was convened, the SWC representatives talked only about livelihood and welfare issues whenever deliberations ensued. Grievances and suggestions aired by rank-and-file workers who were not SWC representatives were similarly focused on livelihood and welfare. Among the 305 proposals put forth by the SWC representatives, 180 were about workers' livelihood. Even though the SWC also conducted evaluation of cadres, most representatives were not interested in it. This is because issues concerning workers' livelihood were so numerous that workers' enthusiasm for production was severely compromised. Facing this situation, we could only respect the masses' wishes and focus on addressing workers' livelihood and welfare issues first……so that we could later *direct and guide the SWC step-by-step to pay more attention to issues related to the management of production and operation*."[398]

[397] This was the first convening of the SWC after it was restored in this enterprise in the late 1970s. The first five Congresses all took place before the Cultural Revolution.

[398] 《望亭发电厂党委报告》，载于《全国企业民主管理座谈会有关文件汇编》，pp.233-246。"Report by the Party Committee of the Wangting Power Plant", in *Compilation of Documents Relevant to the Nationwide Conference on*

According to this Party committee, the SWC's overwhelming focus on livelihood and welfare issues was unfortunate but inevitable. Attempting to lead skillfully, the Party committee figured that it should meet the masses where they were, because "practice has shown that the masses cared much more about and placed a much greater premium on those issues of direct relevance to workers' interests, and they deliberated on those issues much more seriously"[399]. It was nevertheless very clear that the Party committee's ultimate goal was to gradually shift the SWC's attention towards production-related issues, to which livelihood and welfare issues were regarded as secondary.

This negative depiction of a SWC focused on livelihood issues was also evident in a report prepared by the Party committee of the Wuhan Chemical Raw Material Factory:

> "The central task of an enterprise is to develop production. Because of a decade of turmoil, unaddressed livelihood issues have piled up, and so have workers' grievances. Therefore, there were proposals about livelihood and welfare issues every time a SWC session was convened. Furthermore, some SWC representatives failed to correctly understand the relationship between production and the improvement of living conditions, and prioritized addressing livelihood issues. When these issues could not be addressed in a timely fashion, those representatives turned the SWC into a space to simply air grievances and vent their anger. *Had we not intervened in time, the positive role of the SWC would have been lost*."[400]

Strikingly, when a SWC prioritized livelihood issues and expressed frustrations with the failures to address them, this Party committee saw a *crisis* demanding its urgent intervention. For the Party committee, the SWC's actual working contradicted its supposed "positive role".

This way of thinking could even be detected in some documents produced by union cadres. In Wuhan's Sheet Metal Factory, workers' proposals gathered at the first SWC session were concerned overwhelmingly with livelihood and welfare issues. According to a report compiled by the enterprise's union branch, this fact reflected the "confused understanding" the SWC representatives held about the SWC's nature and objective, thereby necessitating political education by the union[401]! Because of this, some cadres went as far as questioning whether workplace democracy was at all desirable. Wang Ziming, the Party secretary of Shanghai's Bureau of Textile Industry claimed that

> "Some cadres thought that workers' consciousness was not advanced enough to identify themselves with the fate of their enterprises and to pay most attention to whatever urgent issues arose in production. Others even believed that the condition for workers' democracy was not mature yet, and a period of 'political tutelage' (*xunzheng*)[402] was

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Democratic Enterprise Management, pp.233-246, emphasis added.

[399] Ibid.

[400] HPA, SZ001-8-579-2, emphasis added.

[401] MAW, XX000091-WS04-67-16.

[402] In Chinese the term "political tutelage" (*xunzheng*) is famously associated with the dictatorial regime of Chiang Kai-shek's Nationalist Party in the late 1920s and 1930s. In the political discourse propagated by the Nationalist Party, the Party was supposed to provide political tutelage to the people so as to train the latter for the exercise of democratic

needed."[403]

Nevertheless, there were also plenty of reports claiming that the SWCs were capable of rising above a narrow focus on livelihood and welfare issues. The Party committee of Wuhan's First Bureau of Light Industry reported that, at the two recent SWC sessions convened in the Wooden Container Factory, "suggestions on production issues were raised more frequently than those on livelihood issues, showing that the SWC representatives *correctly understood* the relationship between long-term interests and immediate interests"[404]. The Infrastructural Construction Commission of Hubei Province reported that "[workers] still mainly cared about production and *big-picture* issues in their enterprises. Among the enterprises we have looked at, SWC proposals about improving enterprises' management and developing production accounted for about 50 percent of the total number of proposals submitted. Those about livelihood and welfare accounted for about 20 percent"[405]. Jiang Changyuan, Vice President of the Hubei Provincial Federation of Trade Unions, informed us that "among the more than 22,000 proposals put forth at the SWCs convened in 681 enterprises in late 1978 and early 1979, those pertaining to the fulfillment of production plans, further utilization of production potential, technological upgrade and renovation, and managerial improvement accounted for 60 percent, and those pertaining to livelihood and welfare accounted for a mere 19 percent……This shows that workers possess *advanced consciousness* (*juewu*) and are able to *correctly handle* the relationship between the interests of the state, the interests of the enterprise, and personal interests"[406].

What is recounted in these materials might or might not have been accurate. It might have been the case that in some enterprises, some localities and some branches of industry, the SWCs did primarily focus on issues concerning the further development of productive capacity – or it might not. What is more telling, however, is the *normative framework* deployed in these officially produced accounts to render *political judgment* on the SWCs and workers: workers and the SWC representatives focusing on production-related issues were "correct", far-sighted (capable of thinking about the "big picture"), and in possession of "advanced consciousness"; in contrast, those focusing on livelihood and welfare issues were implied to be either selfish or politically confused and backward. These reports, while challenging the impression that workers were only able to pay attention to livelihood issues, reinforced the condescending notions that livelihood and welfare issues were inferior to production-related ones, and that those workers

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power in the future.

[403] 上海市档案馆，C1-3-337-56，《上海市纺织工业局党委书记王子明发言》。Shanghai Municipal Archive (SMA), C1-3-337-56, "Speech by Wang Ziming, the Party Secretary of Shanghai's Bureau of Textile Industry".

[404] MAW, XX000091-WS04-6-3, emphasis added.

[405] 湖北省档案馆，SZ001-8-577-4，湖北省基本建设委员会《坚定不移地实行职代会制度》——省委工业工作会议发言材料之十四，1981 年 9 月 5 日。Hubei Provincial Archive (HPA), SZ001-8-577-4, The Infrastructural Construction Commission of Hubei Province, "Firmly and Decidedly Implementing the SWC System" ——Speech Material No.14 for the Provincial Industrial Work Conference, September 5, 1981, emphasis added.

[406] 湖北省档案馆，SZ001-8-577-3，《湖北省总工会副主席江长源在省委工业工作会议上的发言》，1981 年 9 月 8 日。Hubei Provincial Archive (HPA), SZ001-8-577-3, "Speech by Jiang Changyuan, Vice President of the Hubei Provincial Federation of Trade Unions, at the Provincial Industrial Work Conference", September 8, 1981, emphasis added.

inclined to care mostly about the former were in need of political education to raise their level of consciousness.

Indeed, there were reports that some enterprise leaders forcefully intervened to shift the SWCs' agenda away from what was deemed as "livelihood and welfare issues" to proper "production-related issues". A report on the functioning of the SWC in the city of Dalian's Non-Staple Food Company revealed the following: when the SWC was first convened in 1979, most of the SWC representatives' proposals were centered on issues directly related to workers' working and living conditions such as housing, long working hours, commuting, and job opportunities for workers' children; however, the agenda of the SWC's first convening was set by the enterprise leaders to focus not on any of those issues workers felt strongly about; instead, the imposed agenda gave priority to the question of how to fulfill the Company's marketing plan through the improvement of performance and thriftiness[407]. The Party committee of Beijing's Special Steel Factory reported that the SWC session convened in July 1981 had initially been planned to focus on housing. But because the Party committee thought that the fulfillment of profit quotas was a more imminent issue, it persuaded the SWC representatives to put the issue of housing aside and instead focus the SWC session on the disaggregation and assignment of profit quotas[408].

Interestingly, the reports quoted above presented these incidents as positive accomplishments demonstrating the Party committees' wise leadership and workers' good consciousness. But in reality, it seemed more likely that such undemocratic impositions could substantially compromise workers' engagement with their SWCs. For example, the Party committee of the Shanghai Company of Knitting Industry admitted – in a self-critical tone uncommon among reports of this kind – that the enterprise leadership thought "the SWC representatives could only complain about livelihood issues" and accused the SWC representatives of "only fighting for more welfare and not caring about production". The Party Committee therefore stipulated that breakout-group deliberations among the SWC representatives should delve into production first and touch upon livelihood issues only if there were time left. This constituted a serious barrier on what the SWC representatives would be able to talk about. The consequence, as the Party committee observed, was that many SWC representatives lost interest in the SWC procedure and rarely made meaningful interventions[409].

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[407] 《大连市副食品公司推行职工代表大会制的调查》，载于《全国企业民主管理座谈会有关文件汇编》，pp.316-325。"Research on the Implementation of the SWC System in Dalian City's Non-Staple Food Company", in *Compilation of Documents Relevant to the Nationwide Conference on Democratic Enterprise Management,* pp.316-325.

[408] 《全总党组向中央书记处报送北京建材局<民主选举厂长中着重解决的几个问题>和北京特殊钢厂<真心实意地支持职工当家作主>的两篇材料》，1982 年 1 月 20 日，载于《中华全国总工会文件选编（1982）》第 47-58 页。"Submission of Two Materials – 'Several Issues to be Handled with Care in the Democratic Elections of Factory Directors' by Beijing's Bureau of Construction Material and 'Truly Supporting Workers to Be Masters' by the Beijing Special Steel Factory – by the ACFTU Party Committee to the Party's Central Secretariat", January 20, 1982, in *Selected Documents of the ACFTU (1982)*, pp.47-58.

[409] 上海市档案馆，B200-4-466-26，《在整顿企业中加强企业的民主管理、进一步发挥职代会作用——中共上海市针织工业公司委员会在行业整顿企业工作经验交流会上的发言》，1981 年 11 月。Shanghai Municipal Archive (SMA), B200-4-466-26, "Strengthening Democratic Enterprise Management and Further Promoting the SWC's Role Amidst the Enterprise Rectification – Speech by the Party Committee of the Shanghai Company of Knitting Industry at the

Such dynamics revealed a structural tension with which practices of workplace democracy in this period were intertwined. On the one hand, changes in China's political economy (as analyzed above) did provide a greater space – in terms of both material resources and discursive justifications – for the SWCs to address those issues workers cared strongly about. On the other hand, a deep-rooted productivist bias displayed by many Party-state cadres and enterprise leaders alike constrained the functioning of such shopfloor democracy. These grassroots cadres and leaders made sense of the SWCs' exercise of power through a sharp conceptual binary between "production-related" issues and "livelihood and welfare" issues: a focus on the former demonstrated workers' advanced consciousness and correct understanding, whereas workers' focus on the latter was inevitable yet symptomatic of their short-sightedness and backward consciousness, constituting a *problem* to be solved.

In other words, while the SWCs were indeed granted some latitude to address workers' concerns with "livelihood and welfare" issues, this was often seen as a *necessary but suboptimal* state of affairs to temporarily bear with and gradually overcome. For these cadres and leaders, what was more important was that workers' tendency to care more about the "livelihood and welfare" issues evidenced a need for top-down political education, persuasion and guidance. Such tutelage was supposed to help workers eventually develop advanced consciousness and learn how to "correctly" exercise their democracy in accordance with their alleged long-term, fundamental interests. In short, the productivist bias had practically anti-democratic implications. This bias was structurally synonymous with an understanding (which began to gain traction within China's top policymaking circuits in 1983) that identified workers' material demands – and by extension, the lack of discipline over workers' demands and democracy – as a key contributor to the Party-state's persistent fiscal crisis. The rise of this understanding and how it powerfully motivated the policy turn in 1984 against advancing workplace democracy is the story to be told in the next chapter.

Symposium to Exchange Experiences with Enterprise Rectification within the Industry", November 1981.

CHAPTER FOUR

The Anti-Democratic Turn of 1984: The Fiscal Crisis of the Socialist State and a Hegemonic Approach to Workers' Disempowerment

The partial democratic opening that ensued in the wake of the "mini passive revolution" of 1981 lasted for only three years. In 1984, the Party leadership announced a policy to replace "the factory director responsibility system under the leadership of the Party committee", which had been heretofore upheld in public enterprises, with "the factory director responsibility system" (FDRS) without any attached clause. In other words, factory directors would from now on be able to exercise managerial authority under the leadership of no other enterprise-level entities. This reform initiative to "put the factory director in charge" at the expense of the power of both enterprise-level Party committees and the SWCs resulted in managerial despotism and much weakened workplace democracy. This is what existing literature has already extensively documented. This chapter's historiographical intervention focuses instead on the anti-democratic *intention* behind the launch of the FDRS. It documents how policymakers tied the imperative of launching the FDRS to an urge to impose explicit constraints on workplace democracy in their internal deliberations on how the FDRS should be designed and implemented.

The more interesting and puzzling question is: why? Why did the efforts to partially democratize China's public enterprises, which the Party leadership regarded in 1981 as a necessary concession to prevent Polish-style labor uprisings (see Chapter Two), suddenly become intolerable three years later? This chapter traces the anti-democratic turn in 1984 to a persistent fiscal crisis besetting the Party-state. When the fiscal crisis first emerged in the late 1970s, the Party-state sought to balance its budget by scaling back spending on productive and infrastructural investments. But these spending-side measures failed to relieve the fiscal crisis. It became clear in 1983 that the center of the problem had shifted from excessive spending to insufficient revenue. The imperative to find a revenue-side solution to the fiscal crisis motivated the leading politicians and policymakers to prioritize the curbing of workers' "consumption fund" (wages, bonuses and funds for collective welfare). This entailed constraining workers' material demands and democratic power on the shopfloor. Policymakers' arguments along these lines figured prominently in the leadup to the launch of the FDRS. And after the rollout of the FDRS began in mid-1984, an unexpected wave of bonus raises led Zhao Ziyang, China's Premier in charge of managing the economy, to double down on blaming workplace democracy. Zhao emphasized the need to insulate factory directors from workers' influence. These policy actions and pronouncements were undergirded by the same "productivist bias" as we have already seen in the previous chapter. I put these findings in conversation with James O'Connor's classic *The Fiscal Crisis of the State*[410] in order to shed light on several structural aspects of the Chinese socialist polity.

Another striking feature of this policy episode was that shopfloor elections of factory directors were given some space to continue alongside the launch of the FDRS. Remarkably, this was despite the explicitly negative sentiments that dominant policymakers expressed against these elections. This chapter shows that the ACFTU's advocacy played a key role in "saving" shopfloor elections of factory directors. But it did so by redefining these elections as a hegemonic tool serving the rollout of the FDRS: the discourse mobilized by the ACFTU leaders

[410] James O'Connor, *The Fiscal Crisis of the State*, Routledge, 1974.

emphasized how shopfloor elections of factory directors could help select the truly competent personnel to become factory directors and build workers' support for the consolidation of managerial power in their hands. On the one hand, this discourse hollowed out the democratic substance of these elections and further marginalized workplace democracy *per se* as a policy concern. On the other hand, the fact that this discursive strategy somehow managed to move the more dominant policymakers indicates how the Chinese Party-state still preferred a hegemonic approach to enterprise reform over a despotic one. Even when trying to disempower workers, the policymakers found some value in marshaling workers' consent to their own disempowerment.

This chapter proceeds in five sections. The first section provides an overview of the timeline of the FDRS' inception and rollout. It also offers ample evidence of the anti-democratic intention harbored by the Party leadership and policymakers behind this policy turn. The second section then documents how the changing nature of China's persistent fiscal crisis led policymakers to put emphasis on constraining the workers' consumption fund in 1983. This consideration exerted concrete influence on those policymakers tasked with figuring out how to design and implement the FDRS. This section further analyzes why the policymakers blamed the fiscal crisis on workers' income and influence: the particular nature of China's public ownership provided the objective possibility; the longstanding productivist bias induced policymakers to de-prioritize addressing the population's consumption needs in the long run; and the tension between accumulation and legitimation created a structural predicament in which a trade-off must be made. The third section then unpacks how, after the launch of the FDRS in mid-1984, an unanticipated wave of chaotic bonus payouts across China's enterprises that had recently adopted the FDRS deeply alarmed Zhao Ziyang. Zhao doubled down on blaming the adverse economic consequences on workplace democracy.

The fourth section subsequently turns the attention to how the ACFTU's advocacy in the face of formidable political opposition "saved" shopfloor elections of factory directors from being disallowed. The discursive strategy it used enabled these elections to be positioned as a central component of a hegemonic approach to legitimating the FDRS and mobilizing workers' consent to their disempowerment. Such elections continued to be held as a preparatory step inaugurating enterprises' transition to the FDRS, but lost relevance after the nationwide transition to the FDRS was completed. The fifth section narrates the story of an election of a factory director in Wuhan. Carefully steered from the top down to engineer a façade of democracy and popular will, the electoral procedure nevertheless emboldened some workers to later resist the factory director's despotic use of power. In other words, the hegemonic approach to workers' disempowerment backfired. Incidents like this exposed the troubled nature of the relationship between the Chinese Party-state and urban industrial workers in the era of market socialism.

The FDRS as an Anti-Democratic Turn

The Party leadership decisively gravitated towards the FDRS as the desired model of enterprise management in December 1983. Yuan Baohua from the State Council's Economic Commission recalled this fateful moment in his memoir: "In December 1983, Peng Zhen relayed to us Deng Xiaoping's opinion that it should be resolved that 'the Factory Director

Responsibility System under the Leadership of the Party Committee' be replaced by 'the Factory Director Responsibility System'. [Peng further told us that] Deng had discussed this matter with other top leaders including Hu Yaobang and Wan Li, who all agreed"[411]. Even though this source did not list Zhao Ziyang as someone who was also involved in the discussions with Deng, it is very likely that Zhao, as the chief overseer of the practicalities of China's economic policy, had also been consulted by Deng and given a confirmatory opinion.

Peng Zhen, as Chairman of the Standing Committee of the National People's Congress, was in charge of China's legislative affairs, as already mentioned in Chapter Two[412]. He was centrally involved in the deliberations on and the subsequent designing of the FDRS because one of his core tasks at the time was to oversee the drafting of a legislation on the management of China's state-managed enterprises – a legislation colloquially referred to as the "Enterprise Law" or the "Factory Law". Upon learning about the Party leadership's consolidated consensus around the FDRS, Peng proposed to organize a delegation of core economic and legislative policymakers for a research trip in the Yangtze River Delta region to gather input on how to design the FDRS. Peng headed the delegation, whereas Yuan Baohua and Gu Ming, director of the State Council's research center on economic regulations, were responsible for the specific arrangements of its activities. The delegation's research trip lasted for 19 days in February 1984: it stayed in Hangzhou between February 7 and 18 and then moved to Shanghai between February 19 and 25. Its primary research activities were a series of "open forums" at which local officials, factory directors, enterprise-level Party secretaries and chairs of local union branches were invited to speak their mind. In total, 12 local officials and 56 factory directors, enterprise-level Party secretaries and chairs of local union branches were consulted[413].

Upon the conclusion of the research trip, Peng Zhen sent a report to the other top Party leaders – including Deng Xiaoping, Chen Yun, Ye Jianying, Li Xiannian, Hu Yaobang and Zhao Ziyang. Peng's report summarized the opinions given by the attendees of the open forums as well as his own opinions expressed at both the open forums and internal deliberations with other members of the delegation. Deng Xiaoping gave a confirmatory response[414]. The Party's Central Secretariat also convened a meeting in late March to hear Yuan Baohua's report on the delegation's activities and suggestions for how to launch the FDRS. Following these reports, the Party's Central Committee and the State Council jointly promulgated an official notice on May 18, 1984, to reform the managerial arrangements of China's public industrial enterprises. This pronouncement prescribed experiments with the FDRS in all state-managed industrial enterprises[415] in the cities of Dalian and Changzhou as well as in select enterprises in Beijing,

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[411] *The Memoir of Yuan Baohua*, p.394. Also see *Chronology of Peng Zhen*, p.228.

[412] Peng Zhen was promoted from Vice Chairman to Chairman in June 1983. This change of his official title had little impact on his actual powers and duties, because the previous Chairman, Ye Jianying, had played a largely ceremonial role.

[413] 王梦奎，《回忆随彭真同志对国企的一次调研》，载于《北京日报》，2012 年 7 月 9 日。Wang Mengkui, "Remembrance of a Research Experience Led by Peng Zhen on State-Managed Enterprises", *Beijing Daily*, July 9, 2012.

[414] *Chronology of Peng Zhen*, pp.244-245.

[415] Recall that the phrases "enterprises owned by the entire people" (*quanmin suoyouzhi qiye*) and "state-managed enterprises" (*guoying qiye*) were used interchangeably in official policy discourse and colloquial settings.

Tianjin, Shanghai and Shenyang. A draft of the Factory Law put together by Peng's delegation was attached to the notice, meant to serve as the blueprint for these experiments[416]. In fact, the actual scope of the experiments was much larger than what the central leadership prescribed, since the central leaders' resolve to promote the FDRS as a general policy was already abundantly clear. Almost all major industrial cities across China launched the FDRS in a significant number of enterprises in mid-1984. By the end of 1985, the nationwide transition to the FDRS was almost complete, with an overwhelming majority of China's public industrial enterprises switched to the system.

The transition to the FDRS marked the termination of "the factory director responsibility system under the leadership of the Party committee" in China's public enterprises, something Deng had called for in his famous speech on August 18, 1980. Recall that Deng's 1980 formulation of what should replace the Party committee's utmost authority in enterprises was ambiguous, enabling Zhao Ziyang to launch experiments with "putting the SWC in charge" (see Chapter One). Then, in mid-1981, the Party leadership adamantly reaffirmed the "Party committee in charge" model and put any drastic reform of enterprise management on hold, in the wake of a nationwide wave of labor unrest (see Chapter Two). Now, three years later, the introduction of the FDRS conclusively ended the Party committees' reign in industrial enterprises and concentrated managerial power in the hands of factory directors[417]. This shift in the managerial arrangements transformed the nature of China's public enterprises by disposing them to "prioritize production and profit, rather than the political and social concerns that were the responsibility of the party committee"[418]. It could also be understood as a way to curb the Party's all-encompassing meddling power in the economic realm, something Deng's speech in August 1980 had vowed to eradicate as part of the "feudalist legacy".

On paper, the transition to the FDRS might have appeared to only adjust the power balance between factory directors (and the administrative chains of command they wielded) and Party committees in enterprises. Nevertheless, scholars have thoroughly documented how this policy turn ended up significantly undermining workers' democracy and power on the shopfloor. Jackie Sheehan, for example, quotes the ACFTU's official mouthpiece, *Workers' Daily*, as lamenting in 1989 that after the rollout of the FDRS, "the all-powerful role of the factory director had in practice been over-emphasized, while democratic management had been allowed to wither"[419]. Anita Chan argues that the FDRS both enabled and pressured factory directors to resort to such despotic measures as "tightening labour discipline, imposing heavy penalties, raising production norms, and restructuring the award system" in order to raise productivity[420]. Based on oral history interviews, Joel Andreas concludes that "many of the workers and cadres who had

[416] Wang Mengkui, "Remembrance of a Research Experience Led by Peng Zhen on State-Managed Enterprises."
[417] Heath B. Chamberlain, 1987, "Party-Management Relations in Chinese Industries: Some Political Dimensions of Economic Reform," *The China Quarterly* 112: 631-61.
[418] Joel Andreas, *Disenfranchised*, p.185.
[419] Jackie Sheehan, *Chinese Workers*, p.201.
[420] Anita Chan, 1993, "Revolution or Corporatism? Workers and Trade Unions in Post-Mao China," *Australian Journal of Chinese Affairs* 29:31–61.

portrayed the early years of the Reform era as the heyday of the SWC attributed its subsequent decline to the implementation of the FDRS"[421]. Factory directors' managerial power became so preponderant vis-à-vis not only the Party committees but also workers and the SWCs that some scholars even described the transition to the FDRS as a return to one-man management[422].

I will also document in the next chapter some of the anti-democratic effects of the FDRS on the shopfloor (and the unintended macro-economic consequences). But in this chapter, I argue that the transition to the FDRS in 1984 constituted an anti-democratic turn not only due to its *effects* but also because of its policy *intention*. In other words, I demonstrate here that the turn to the FDRS was motivated in part by policymakers' urge to impose explicit constraints on workplace democracy. This was evidenced in their internal deliberations *before* the FDRS was officially announced in May 1984. This demonstration constitutes an intervention into the historiography of the FDRS, commonly regarded by labor scholars as one of China's most significant policy reforms in the realm of industrial relations in the 1980s.

One of the earliest utterances of the anti-democratic intention behind the turn to the FDRS was given by Peng Zhen at an internal meeting in January 1984. This was the meeting where Peng proposed to convene the aforementioned research delegation. He said,

> "Some have proposed 'the factory director responsibility system under the leadership of the SWC', but that proposal brings forth a question: to whom shall the SWC be responsible? Enterprises owned by the entire people are different from enterprises under collective ownership. In collective enterprises, it's okay for the SWCs to elect factory directors. But state-managed enterprises were owned by the entire people, not by their workers, and therefore their directors should only be appointed by and responsible to the state. [Peng further said that he] recently talked to directors in some of Beijing's factories that had replaced top-down appointments with democratic elections, and these directors complained that they had to listen to both workers and state bureaus and dared to annoy neither. If they managed to annoy the workers, they would have to worry about the votes. They were caught between a rock and a hard place."[423]

Two things stand out in Peng's remarks. First, Peng was explicitly casting doubt on "the factory director responsibility system under the leadership of the SWC", by pointing to the ambiguities in what Party-state agencies could or should hold the SWCs accountable. Second, Peng was also making explicit arguments *against* workers' elections of factory directors. This formed a sharp contrast with how these elections were enthusiastically endorsed by Party leaders in 1981 (see Chapter Two). Peng's anti-election arguments were based on a distinction between enterprises under nominal "collective ownership" and those under "ownership by the entire people" (a.k.a. state-managed enterprises). According to him, because enterprises owned by the entire people were not owned by their workers, there was neither any legal nor logical ground for workers to elect factory directors. Therefore, the state should hold all the sway. Interestingly, this

[421] Joel Andreas, *Disenfranchised*, p.187.
[422] Jeanne Wilson, "The People's Republic of China," in *Trade Unions in Communist States*, edited by Alex Pravda and Blair Ruble, Allen and Unwin, 1986, p.233.
[423] *The Memoir of Yuan Baohua*, pp.394-395.

argument was diametrically opposed to what Zhao Ziyang was arguing in 1980: that ownership by the entire people should *not* be turned into *de facto* state ownership, and that what should differentiate the two was a high degree of workers' democracy in the former (see Chapter One). Peng Zhen further claimed that having to "listen to both workers and state bureaus" constituted a predicament for the elected factory directors. In his view, "workers" and "state bureaus" tended to somehow exert opposite pressures on the factory management, and a system in which factory directors had to navigate the tension between the two was not viable.

During the delegation's research trip in February 1984, Peng Zhen became even more unambiguous in his disapproval of the "putting the SWC in charge" model. A summary of his remarks argued,

> "In recent years, some enterprises (mostly small or medium-sized enterprises) have experimented with 'the factory director responsibility system under the leadership of the SWC'. It was beneficial for exploring how workers could participate in democratic management and supervise enterprise leaders. But it was also problematic. State-managed enterprises need an overseeing authority. If the SWC were to make the major decisions for a factory, what authority should oversee it? If the ACFTU were to be the overseeing authority, how could it come up with and hand out production plans, distribute funds and supplies, and determine the enterprises' major business decisions? If the State Council were to be the overseeing authority, wouldn't the SWCs then become subsidiaries of the State Council and mess up the responsibilities of the relevant government departments and bureaus? Hence actual experience has shown us this system does not work."[424]

Whereas the "putting the SWC in charge" model had already been quietly jettisoned in mid-1981, it was only now that the opposition to it became so articulate and vocalized. Consistent with what he privately said a month previously, Peng based his disapproval on the ground that putting the SWC in charge was *organizationally incompatible* with the planning apparatus of the Party-state. According to him, it did not make organizational sense to let any Party-state organs oversee the SWCs as the utmost decision-making authority in enterprises. In other words, there was no way to fit the radically empowered SWCs into the Party-state's administrative chain of command.

Unsurprisingly, Peng Zhen's opinion then became the majority opinion of the research delegation. Yuan Baohua's aforementioned report to the Party's Central Secretariat on the delegation's activities and suggestions, for example, echoed Peng Zhen's sentiments. The report stated that

> "Comrades were overwhelmingly against 'the factory director responsibility system under the leadership of the SWC'. They think that…… [this system] both contradicted state-managed enterprises' nature of being owned by the entire people and made it difficult to make correct decisions regarding major issues in production and

[424] 《关于草拟国营工厂法的问题》，见于《彭真文选》第 498 页。"On Drafting the State-Managed Factory Law", in *Selected Writings of Peng Zhen*, p.498.

administration. ”[425]

In other words, these “comrades” – according to this report – not only doubled down on the argument that something akin to workers’ self-management contradicted the principle of ownership by the entire people, but also questioned the SWCs’ ability to make “correct” decisions. Regarding shopfloor elections of factory directors, the report continued,

> “Most comrades did not support elections of factory directors in state-managed enterprises. The major reason is that factory directors in state-managed enterprises are supposed to represent the state, and therefore should be appointed by and held responsible to the upper-level state authority. In contrast, elected factory directors tend to one-sidedly emphasize the enterprises’ partial interests and only answer to the workers. Those who are excessively nice (*lao haoren*) are likely to be elected. Additionally, in large enterprises there are too many workers who do not know each other, making it hard for them to vote in an informed manner.”[426]

Undergirding all of these anti-democratic arguments was the stance that “ownership by the entire people” *should* be understood as state ownership; and directors of factories under such ownership *should only* act as representatives of the state. Again, the contrast with Zhao Ziyang’s argument four years prior was startling. These arguments also championed a rather antagonistic view of the relationship between the Party-state and workers. According to this view, the state, representing the general interest of the “entire people”, was in a structural conflict with the “partial” interests of workers. Factory directors must therefore be saved from the troublesome situation in which they had to “listen to both workers and state bureaus” and were “caught between a rock and a hard place”. Only then could factory directors effectively function as representatives of the state and avoid the pressure to “one-sidedly emphasize the enterprises’ partial interests and only answer to the workers”. The logical conclusion of this line of reasoning was that workers’ power on the shopfloor must be constrained. In 1984, Zhao Ziyang himself also embraced this line of reasoning. For example, when hearing reports on enterprise reform on May 4, Zhao asserted that “[the Yugoslavian] emphasis on workers’ self-management is something we cannot adopt”[427], repudiating his former self.

These anti-democratic sentiments were reflected in the draft of the Factory Law put together by Peng Zhen’s delegation and subsequently disseminated by the Party-state leadership to guide the FDRS’s rollout in May 1984. Compared to the *Provisional Regulations on SWCs in State-Managed Industrial Enterprises* promulgated in mid-1981 (see Chapter Two), the clause in this drafted Factory Law which defined the role and powers of the SWCs no longer contained the language that SWCs are “power organs where workers partake in *decision-making* and

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[425] 《关于国营工业企业法调查情况的汇报提纲》，1984 年 3 月 15 日，见于《袁宝华文集第二卷》第 438-439 页。“Outline of the Report on the Research for the State-Managed Industrial Enterprise Law”, March 15, 1984, in *The Collected Works of Yuan Baohua* Volume 2, pp.438-439.

[426] Ibid.

[427] 赵紫阳，《深化改革 搞活企业》，《赵紫阳文集》第二卷，第 376 页，香港中文大学出版社。Zhao Ziyang, “Deepening Reform and Invigorating Enterprises”, in *The Collected Works of Zhao Ziyang* Volume 2, p.376, The Chinese University of Hong Kong Press.

management and supervise cadres". Another notable change was that the SWCs' powers were reduced from five to four – the power of election was thrown out of the drafted law[428]. These changes were consistent with the arguments already aired by Peng Zhen and his delegation against both an expansive conception of the SWCs' power and shopfloor elections of factory directors.

Whereas the policymakers unequivocally conveyed anti-democratic sentiments in private internal deliberations, they were not yet ready to be so dismissive of workplace democracy in public. Peng Zhen, for example, publicly summarized his proposed framework of the FDRS as "three strengthenings" in enterprise management: strengthening the role of the factory director, strengthening the role of the Party committee, and strengthening the role of the SWC and the union branch[429]. This was surely a paradoxical formulation, as it was hard to see how the roles of these three parties could be simultaneously strengthened. The drafted Factory Law did anything but strengthen the role of the SWC. Zhao Ziyang, for his part, also publicly emphasized the importance of safeguarding some workplace democracy while the FDRS was being implemented. On the aforementioned occasion of May 4, he remarked that

> "After all, our socialist enterprises must reflect the nature of socialism and workers' masterly status. Otherwise, concentrating all powers onto the single person of the factory director would create problems…… [democratic management] should be considered together with the FDRS."[430]

In June, Zhao wrote the following comment on a report regarding enterprise reform submitted by Yuan Baohua: "the thing I care about the most is the FDRS and how to solve the issue of workers' masterly status. Therefore, attention shall be paid to this question when conducting research. The ACFTU should be more involved in this research"[431].

In sum, there was a gap between anti-democratic sentiments expressed in private deliberations and the substance of the policy design, on the one hand, and public pronouncements stressing the need to carve out some space for workplace democracy on the other. This gap illustrates how the Party-state was still constrained by the socialist ideology it claimed to be upholding. Publicly dismissing workplace democracy in a wholesale manner was ideologically off-limits. At the same time, this gap might also indicate that some politicians were genuinely hoping to pull off a *hegemonic* approach to enterprise reform: "hegemonic" in the

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[428] 《国营工业企业法（草稿）》，1984 年 4 月 18 日，载于《建国以来中共中央关于工人运动文件选编（下）》第 1520-1530 页。"The State-Managed Industrial Enterprise Law (Draft)", April 18, 1984, in *Selected Compilation of Documents about the Workers' Movement Issued by the CCP Central Committee after the Founding of the PRC* (Second Volume), pp. 1520-1530. This source dated the official issuance of this drafted law to April 18. This, it seems, is a mistake. The correct date should be May 18, 1984.

[429] 有林，《<国企改革指导意见>抛弃了赵紫阳的错误主张》，2015 年 9 月 29 日，载于"红色文化网"。You Lin, "*Suggestions on the Reform of State Enterprises* Abandoned Zhao Ziyang's Wrong Platform", September 29, 2015, published on *Red Culture Website*.

[430] Zhao Ziyang, "Deepening Reform and Invigorating Enterprises".

[431] 《尉健行在全总十届三次主席团会议结束时的讲话》，1984 年 6 月 28 日，载于《中华全国总工会文件选编（1984）》第 160-176 页。"Wei Jianxing's Speech at the Conclusion of the Third Meeting of the Presidium of the Tenth ACFTU Congress", June 28, 1984, in *Selected Documents of the ACFTU (1984)*, pp.160-176.

sense that these policymakers, by publicly endorsing the continued relevance of workplace democracy, sought to win urban workers over to this reform program of consolidating managerial power and to mobilize workers' consent to their own disempowerment. This preference for a hegemonic strategy, as we will see later in this chapter, had implications for how the policy framework of the FDRS continued to be contested in 1984 and 1985. In particular, it enabled the ACFTU to defend shopfloor elections of factory directors in the face of unequivocal opposition from the more powerful political actors.

So far, we have seen how, as policymakers began to figure out how to launch the FDRS, their deliberations were importantly shaped by an urge to restrict workplace democracy. The question of why, however, is puzzling. Why did these policymakers come to intensely articulate arguments against workplace democracy at this particular moment? Why did the policy proposals to advance workers' democracy in enterprise management, which had been openly endorsed (in the case of shopfloor elections of factory directors) or sidelined only quietly (in the case of the Yugoslav-style proposal to "put the SWC in charge") by the Party leadership in the preceding few years, suddenly come under rather fierce attack? The emergence of these palpable and rather blunt anti-democratic sentiments in China's central circuits of policymaking in early 1984 was striking. What caused such a rapid and diametrical shift in the dominant policy sentiment?

The Fiscal Crisis of the Socialist State, Blamed on Workers

In the late 1970s, the Chinese Party-state encountered a severe fiscal crisis, due to a configuration of factors. The reintroduction of workers' bonuses in the industrial sector and large-scale wage increases in 1977 and 1979-1980 (see Chapter Three) meant that a chunk of enterprises' revenue that could have gone to the state's pocket was forsaken. Since 1977 the Chinese state also increased procurement prices for agricultural products (in order to raise peasants' income) without correspondingly raising their selling prices in urban areas. The only way to accomplish this was to devote a significant portion of the state budget to price subsidies. The reform efforts to make public enterprises more autonomous from the Party-state allowed these enterprises to retain some of their profits (also see Chapter Three). This also constituted an intentional "transfer" of what would have been state revenue into the hands of enterprises[432]. All of these policy measures decreased the Party-state's revenue or increased its spending. But the mostly deadly blow was a haphazard, over-zealous and ill-considered wave of importations of foreign technology and equipment from the capitalist West in 1977 and 1978. In July 1977, the State Council's Planning Commission presented a plan that set the target for such importations to 6.5 billion U.S. dollars. Pressured by the top Party leaders' ambitious ardor – particularly Deng's – the target was ratcheted up to $15 billion in November, $18 billion in March 1978, and eventually to $80 billion[433]. Much of these reckless importations failed to generate immediate economic payoff, and a large increase in China's oil output, which the Party-state had hoped to

[432] Susan Shirk, *The Politic Logic of Economic Reform in China*, Chapter 10.

[433] Frederick Teiwes and Warren Sun, "China's New Economic Policy under Hua Guofeng."

export in order to pay for such importations, turned out to be not forthcoming.

By 1979, the Chinese Party-state suddenly found itself in serious fiscal trouble. Whereas an annual fiscal surplus of 3.1 billion *yuan* was recorded in 1977, the surplus decreased to 0.7 billion in 1978, and a projected fiscal *deficit* of 17 billion confronted the Chinese state in 1979[434]. Faced with this bleak reality and pressured by Chen Yun, an "old revolutionary" who wielded formidable power over China's economic policymaking, the Party-state began to enact readjustment policies in 1979. These policies sought to rein in the state's lavish overinvestments in infrastructural projects, technological upgrading and the expansion of productive capacities. However, these policies were met with resistance from the spending ministries in the central Party-state as well as provincial and local authorities[435]. Even more alarmed by the persistent fiscal deficits and the political crisis in Poland, Chen Yun resolutely and forcefully pushed for a much more comprehensive and rigorous program of economic retrenchment in late 1980, which became China's official policy at the December 1980 central work conference (as mentioned briefly in Chapter Two)[436]. This retrenchment program doubled down on cutting fiscal spending by scaling back state investments in infrastructural and industrial projects. At the December 1980 conference, Zhao Ziyang announced that the overall fiscal spending was projected to decrease by 14 billion *yuan* for the upcoming year, about half of which was to be achieved by shrinking infrastructural investments[437].

However, by 1983, China's economic policymakers realized that two years of heavy retrenchment failed to cure the Party-state's fiscal ills. More strikingly, whereas the readjustment efforts so far had focused on putting brakes on *spending*, now it appeared that a continuous decline in *revenue* was driving the Party-state's persistent deficits. The discovery that the fiscal deficits persisted despite draconian retrenchment, and that the problem shifted from the spending side to the revenue side, created among economic policymakers a sense of crisis and desperation. On March 15, 1983, the Party's Politburo Standing Committee held a meeting to discuss economic affairs. At the meeting, Zhao Ziyang outlined two acute problems paralyzing the Party-state's finances. First, "the situation in which our fiscal revenue is so limited cannot continue. In previous years, fiscal revenue usually accounted for more than 30 percent of the gross national income. But right now, it accounts for only 25 percent"[438]. Second, "within the total pot of fiscal revenue, the balance between the central and the local governments must change. Right now, too little revenue goes to the central government"[439]. Zhao went on to warn that "if this situation

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[434] 河北省档案馆，940-13-301，国家计委《1979 年国家预算收支指标》，1979 年 5 月 15 日，引自蒋华杰《制度镜像》。Hebei Provincial Archive, 940-13-301, The State Council's Planning Commission, "State Budgetary Revenue and Spending Targets of 1979", May 15, 1979, cited in Jiang Huajie, "Institutional Mirror".

[435] Frederick Teiwes and Warren Sun, "China's New Economic Policy under Hua Guofeng."

[436] Frederick Teiwes and Warren Sun, 2013, "China's Economic Reorientation After the Third Plenum: Conflict Surrounding 'Chen Yun's' Readjustment Program, 1979–80," *The China Journal* 70(1): 163-187.

[437] 赵紫阳，《关于调整国民经济的几个问题》，《赵紫阳文集》第一卷，第 132 页，香港中文大学出版社。Zhao Ziyang, "Several Issues on the Readjustment of National Economy", in *The Collected Works of Zhao Ziyang* Volume 1, p.132, The Chinese University of Hong Kong Press.

[438] *Marching through the Storms (1983)*, p.61.

[439] Ibid.

develops further, the political unity of the country will be affected, similar to what happened in Yugoslavia"[440]. These remarks conveyed a strong urge to increase the Party-state's – particularly the central Party-state's – fiscal revenue. It is particularly interesting to note that, whereas a few years earlier Yugoslavia appeared to Zhao Ziyang and many others as an inspiring model of democratic socialism, economic dynamism and genuine public ownership, now in 1983 Zhao invoked Yugoslavia primarily as an abject lesson of fiscal deterioration bringing a country to the brink of political collapse.

Throughout 1983, the top Party leaders and economic policymakers continued to display alarmist concerns with the problem of insufficient fiscal revenue. It was repeatedly and frantically discussed at high-level meetings on economic policy. A slew of statistics were drawn upon to depict the depth and urgency of the problem. On March 30, 1983, Zhao Ziyang shared with the political leaders from seven provinces that "last year, agricultural and industrial output grew by more than 7 percent, yet fiscal revenue grew only by more than 1 percent"[441]. In May, the following numbers were presented at a meeting convened by Zhao between the Party's leadership group on financial and economic affairs and the State Council's Planning Commission: "between 1979 and 1982, gross national income grew by more than 120 billion *yuan*……but the state's fiscal revenue decreased by 8 billion *yuan*. The ratio of fiscal revenue to the gross national income declined from 37.5 percent in 1978 to 25.5 percent in 1982"[442]. The meeting concluded that this ratio should be increased to somewhere between 28 and 30 percent. At another meeting of the Party's leadership group on financial and economic affairs in September 1983, the Planning Commission projected a fiscal deficit of 6-8 billion *yuan* for 1983 primarily due to these revenue-side problems[443]. Throughout these deliberations, addressing the Party-state's budget shortfall by increasing fiscal revenue emerged as an urgent priority. As Zhao Ziyang declared on March 15, "the situation cannot continue" – to which such political heavyweights as Chen Yun and Li Xiannian responded approvingly[444].

In the policymakers' diagnosis, a key step to increase fiscal revenue was to curb what they called the "consumption fund", particularly workers' wages, bonuses and the funds devoted to their collective welfare. After all, public enterprises' profits retained for these uses (instead of being remitted to the state) constituted a revenue loss for the state. Already on March 15, Zhao Ziyang complained that "the management and performance of enterprises have not seen much improvement, but things like bonuses have increased rapidly, whereas fiscal revenue has seen little growth"[445]. Zhao was worried that public enterprises had not generated a greater amount of total profits but were allowed to retain a greater share of the stagnant profits to pay workers' bonuses. Half a month later, Zhao again warned that "the fiscal situation in January and February was bad, as wages and bonuses grew. The state received a small share of the economic pie,

[440] Ibid.
[441] *Marching through the Storms (1983)*, p.69.
[442] *Marching through the Storms (1983)*, p.89.
[443] *Marching through the Storms (1983)*, p.116.
[444] *Marching through the Storms (1983)*, p.61.
[445] Ibid.

enterprises received a medium-sized share, and individual workers received the largest share – how could this situation go on!.....Wages and bonuses have grown by billions, but fiscal revenue hasn't grown – is this situation viable?"[446]

It is highly revealing that later in this same speech, Zhao Ziyang explicitly discussed the difficulty of *disciplining workers* in conjunction with the severity of the fiscal crisis. As he argued,

> "Unlike agriculture, industrial enterprises have to solve the problem of 'eating in a big pot' in the context of a big pot. It's not possible to completely abolish the big pot. In our country, it's easy to reward industriousness (industriousness can be faked, however) but much harder to punish laziness. After all, we cannot drive workers into a state of desperation that makes them want to commit suicide, like what happened in capitalist societies. The difficulty of imposing discipline as compared to the ease of handing out rewards (*jiangyi fanan*) has to be noted as a problem. We can easily have a situation in which those who do not perform well continue to eat in the big pot, whereas those who perform well eat in a separate and superior small pot. This would be difficult to deal with. Right now, enterprises have a total saving of 70 billion *yuan*, but the state's fiscal situation continues to be difficult."[447]

The image of the "big pot" Zhao conjured up here refers to a distributional arrangement in public enterprises where workers enjoyed a guaranteed level of income regardless of their productive performance. This was at least in part due to a strong spirit of egalitarianism displayed by workers in their exercise of democratic decision-making. As documented in Chapter Three as well as by Susan Shirk's contemporaneous interviews[448], when workers were empowered to decide on how to distribute bonuses, they demonstrated a clear tendency towards egalitarianism, delinking income from performance metrics.

According to these remarks by Zhao Ziyang, whereas it was relatively easy to reward industrious workers with extra bonuses (even though, as Zhao lamented, "industriousness can be faked"), thereby creating a separate and superior "small pot", it was difficult – or even impossible – to discipline workers with subpar performance by decreasing their guaranteed income. This was so because socialist societies "cannot drive workers into a state of desperation that makes them want to commit suicide." Here Zhao identified a certain *structural power* workers were entitled to in socialist societies and saw it as economically harmful. This structural power resulted from a combination of factors: the normative expectations that socialist societies could not deprive workers of a basic level of subsistence (regardless of workers' productive performance), workers' adherence to a culture of egalitarianism, as well as their shopfloor democratic power. From Zhao's perspective in 1983, not only did this power make it hard to economically incentivize hard work, but it also created enormous challenges for enterprises to keep the total amount of bonuses (and by extension, the total amount of retained profits) under

[446] *Marching through the Storms (1983)*, p.69.
[447] Ibid.
[448] Susan Shirk, "Recent Chinese Labour Policies and the Transformation of Industrial Organization in China.".

control. Workers' power therefore weakened the state's fiscal capacity. Indeed, Zhao concluded that "the problems discussed above are all connected, and what confronts the public finance and the enterprises is essentially the same problem. No matter what reforms we pursue, we must increase fiscal revenue; otherwise, the reforms would not be sustainable"[449].

Several months later, at a meeting in June 1983 where the state's fiscal crisis was again discussed as the central topic, Zhao Ziyang offered the following diagnosis and prescription:

> "We must resolutely stop and rectify the chaotic payout of bonuses and subsidies. During the first five months of the year, output in the state civilian industrial sector grew by 6 percent, realized profits decreased by 2.2 percent, profits remitted to the state decreased by 9.9 percent, yet expenditures on workers' bonuses grew by 17.2 percent! If this situation is not reversed, not only will we not be able to meet the fiscal revenue target this year, but the growth of the consumption fund will be out of control, creating challenges for market supplies and price stability."[450]

A couple of sentences later, Zhao again invoked Yugoslavia – without directly naming the country – to warn the meeting attendees of the danger of the consumption fund growing out of control. The repeated invocations of Yugoslavia as the negative reference point were significant. Even though Zhao Ziyang never explicitly argued that Yugoslavia's economic troubles were due to excessive workers' democracy, after all the Yugoslav model was widely understood in China as a model of workers' self-management (Zhao Ziyang himself was very familiar with this). The repeated warnings featuring Yugoslavia must have contributed to an implicit fear of workers' power as a major threat inflating the consumption fund and hurting the Party-state's fiscal health.

Then, at the aforementioned September meeting of the Party's leadership group on financial and economic affairs, the Planning Commission offered the following diagnosis together with its petrifying projection of a fiscal deficit of 6-8 billion *yuan* for 1983: "the fiscal deficit has multiple causes, but the major factor is the lack of effective control over the growth of the consumption fund, as the growth of both workers' bonuses and subsidies and peasants' income outpaces the growth of production output and labor productivity"[451]. Even though this report identified both workers' and peasants' income as eating away fiscal revenue, Zhao insisted elsewhere that a "cautious" attitude must be taken towards peasants' income growth[452]. Workers were thus left as the main target of discipline so as to solve the state's fiscal problems.

In a sense, China's economic policymakers in 1983 saw the Party-state and workers as engaged in a zero-sum struggle over how to divide the national income: workers' income growth was understood to come *at the expense of* fiscal revenue. In other words, as the Party-state's fiscal situation failed to improve, policymakers ended up articulating an understanding of the Party-state and urban workers as representing opposed interests directly engaged in distributional conflicts. Even though the above analysis of the policymakers' perceptions and sentiments has primarily drawn upon Zhao Ziyang's statements, the same understanding was by no means

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[449] Ibid.
[450] *Marching through the Storms (1983)*, p.104.
[451] *Marching through the Storms (1983)*, p.116.
[452] *Marching through the Storms (1983)*, p.96.

limited to him. It was rather widely shared within the Party's top policymaking circuits. In 1983, political heavyweights such as Deng Xiaoping and Chen Yun also articulated a distributional conflict between the Party-state versus workers (and secondarily, peasants) as well as an urgent need to curb workers' share of the national income[453]. Zhao's statements were chosen as exemplars for analysis exactly because they provided the most elaborate versions of a shared consensus.

This urge to tame workers' income growth in order to restore the Party-state's fiscal health loomed very large in the minds of those policymakers specifically tasked with legislating the FDRS. Here we have a precious piece of evidence in the form of an essay written in 2012 by Wang Mengkui[454], a member of the February 1984 delegation. According to Wang, when the delegation stayed in Hangzhou, Peng Zhen summoned the key members to his office for a half-day-long internal discussion. Wang recalled that two discussion items at this meeting were particularly memorable. The first of these concerned Yugoslavia:

> "First, when discussing enterprise reform and the question of ownership, we talked about the Yugoslav system of enterprise self-management and social ownership. You Lin[455] introduced the origins of the Yugoslav system and I made some supplementary remarks. The discussion then moved from enterprise management to the fiscal system, as Wu Bo[456] discussed the fiscal situation of the state and the declining share of the fiscal revenue going to the central government. Peng Zhen then said that great attention should be paid to this problem; initiatives at both the central and the local levels should be strengthened; we cannot have a situation in which the central government's fiscal capacity is too weak; the Yugoslav system is too decentralized, and the center has too little fiscal capacity and therefore political authority, this is not sustainable."[457]

As Yugoslavia was brought up in this conversation, what was interesting was how the focus of the discussion soon moved from the issue of enterprise management *per se* to the fiscal crisis. The "decentralized" Yugoslav system was then dismissed exactly because it was perceived to weaken the Party-state's fiscal capacity (particularly at the central level). Much of this reasoning had already been explicated by Zhao Ziyang again and again throughout 1983. Now echoed by Peng Zhen, it indicated how the ongoing fiscal problems led many top politicians to cast doubt on the entire Yugoslav model.

The second discussion item Wang Mengkui recalled as memorable was equally, if not more, striking:

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[453] *Marching through the Storms (1983)*, p.94 and p.118.

[454] In 1984, Wang Mengkui was the deputy director of the economics group of the Research Office of the Party's Central Secretariat. Back in 1980-1981, Wang wrote articles advocating for the "SWC in charge" model of enterprise management (as briefly mentioned in Chapter One).

[455] You Lin was the deputy general secretary of the Standing Committee of the National People's Congress, therefore a key policymaker responsible for legislative affairs under Peng Zhen.

[456] Wu Bo was the deputy director of the Financial and Economic Affairs Committee of the National People's Congress and specifically oversaw economic legislation. As the former Minister of Finance, Wu retained a particular sensitivity to fiscal issues.

[457] Wang Mengkui, "Remembrance of a Research Experience Led by Peng Zhen on State-Managed Enterprises".

> "The other item was that we talked about how, as enterprises began to gain managerial autonomy, the lack of effective constraint [on enterprises] produced unrestrained bonus payouts, which were in turn causing the expansion of the consumption fund and inflationary pressures. Peng Zhen then recalled the following incident: just after the Communist Party took over Beijing[458], workers in Beijing spontaneously staged struggles to pose excessive demands on wage raises and improvements of working conditions. Unaware of the Party's policies, capitalists unconditionally agreed to workers' demands, causing problems to economic recovery. [Peng then said that] the Party leadership sent me to address the situation in Beijing, and I asked Chairman Mao what to do. Mao instructed that we cannot easily agree to workers' wage demands. Peng explained that the official policy being enacted then was 'to the mutual benefit of labor and capital'(*laozi liangli*); as the economy was still undergoing recovery, it was not possible to raise wages and benefits too much."[459]

Wang then marveled that this anecdote left such a deep impression on him that he later recounted it to others on several occasions. It was indeed remarkable that, as these policymakers expressed concerns with the uncurbed growth of workers' monetary income – particularly in the form of bonuses – Peng Zhen invoked a historical analogue to convey the importance of suppressing workers' material demands! There was an anachronistic dimension to Peng Zhen's analogy. Back in 1949, the Party's official policy line was "New Democracy", not socialist transformation – therefore it had to heed the needs of private capitalists. But now in 1984, it was public enterprises, not private capitalists, that workers were laboring for. Despite these profound differences in the nature of China's political economy across the two eras, the shared imperative to suppress workers' income was so powerful as to make this analogy valid for Peng Zhen and so memorable for Wang Mengkui.

Together, these two particularly "memorable" discussion items suggested two things. First, the closely intertwined issues of the Party-state's fiscal weakness and workers' excessive share of the national income – the exact same set of issues policymakers like Zhao Ziyang obsessed themselves with back in 1983 – attracted a tremendous amount of attention from those who staffed the February 1984 delegation. Second, these policy concerns were articulated into an awareness that workers' demands and power should be held in check. This was evidenced by both the negative verdict on the Yugoslav model and Peng Zhen's historical analogy. Wang Mengkui's recollections allow us to see how an understanding of workers' material interests as antagonistic to the Party-state's (and therefore as something to be disciplined) was now shaping the policy approach to enterprise management and workplace democracy.

This episode of Party politicians blaming the fiscal crisis on workers is worth theoretically unpacking. It provides a window for us to analyze the nature of the Chinese socialist state and its class politics. In an orthodox "Soviet-style" state-socialist planned economy, public enterprises

[458] The city of Beijing was actually called Peking when the Communist Party conquered it in 1949. Here my translation retains the technical mistake in the original source.

[459] Wang, "Remembrance of a Research Experience Led by Peng Zhen on State-Managed Enterprises".

are treated as state property. Consequently, a public enterprise is fiscally equivalent to an organ of the state: all its revenues are remitted to the state and its expenditures provisioned by the state as well. This is the classic model of the socialist state being the surplus appropriator and distributor[460]. In this model, workers' wages and other funds for consumption appear in fiscal accounting as either the state's expenditure or its revenue forsaken. The relationship between the socialist state – as the *de facto* owner of public enterprises – and workers in the public sector, therefore, has a key fiscal dimension. Workers' material demands directly affect how much surplus the state can appropriate.

Over much of the two decades between the late 1950s and the late 1970s, this model was largely applicable to the management of China's enterprises "owned by the entire people" (a.k.a. "state-managed enterprises")[461]. The policy drive in the late 1970s and early 1980s to make public enterprises more autonomous from the Party-state was crucially centered on profit retention. Enterprises were allowed to retain some of their own profits for independent spending, usually with a significant portion allocated to workers' bonuses and welfare needs (as already discussed in Chapter Three). Strictly speaking, in this reform scheme the state was no longer the sole surplus distributor. Enterprises were empowered to distribute part of their own surplus, often with workers' participation and influence. However, how much profit a state-managed enterprise could retain (i.e. how much surplus it could independently distribute) always had to be negotiated between the enterprise and the Party-state, often on a case-by-case basis[462]. And any profit retained by the enterprise could be seen or even accounted for as revenue forsaken by the state. In this sense, the state was not the only *direct* distributor of all surplus, but it was still the *ultimate* distributor. It was this particular nature of public ownership, and its associated mode of fiscal accounting, that made it *objectively possible* for the politicians to see the Party-state and workers as engaged in something akin to a zero-sum distributional conflict.

The objective possibility, however, cannot explain why in 1983-1984 the policymakers became so insistent on suppressing the workers' consumption fund in order to raise fiscal revenue. Here a significant temporal change was evident. When the fiscal crisis first became severe in 1979-1981, the Party-state continued to dole out wage raises and subsidies and to expand enterprises' profit retention for bonuses and collective welfare. It instead sought to achieve fiscal balancing by cutting productive and infrastructural spending. But in 1983-1984, the focus shifted to reining in workers' consumption. In some sense, this shift seemed only "natural": the previous spending-side measures failed to effectively mitigate the fiscal deficits, and now the problem seemed to be driven more by the revenue side. But at the same time this

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[460] Stephen Resnick and Richard Wolff, 1994, "Between State and Private Capitalism: What was Soviet 'Socialism'?" *Rethinking Marxism* 7(1): 9-30. It must be pointed out that even though I find value in Resnick and Wolff's analysis of the state as the surplus appropriator, I do not agree with their use of the concept "state capitalism". I briefly explained why in the Introduction (pp.11-12).

[461] The fiscal relationship between urban enterprises under "collective ownership" and the Chinese Party-state was much more varied and complicated. Many of these enterprises resembled state-managed enterprises but others were placed on various mixed schemes of financial responsibility and autonomy.

[462] For how such convoluted and ad-hoc negotiation was conducted, see Susan Shirk, *The Political Logic of Economic Reform in China*, Chapters 10-12.

shift also revealed a more fundamental "productivist bias" – a concept I focused on in the previous chapter – that was internalized by the policymakers. In this understanding, addressing the population's consumption and livelihood needs could sometimes be necessary and temporarily prioritized, but such prioritization should not last long – because in the long run, the focus of the national economy should ultimately be on developing production.

This understanding was articulated eloquently by Zhao Ziyang at the aforementioned meeting on March 30, 1983:

> "In the past few years, raising wages, paying bonuses, raising the procurement prices of agricultural and sideline products, and improving people's livelihood and welfare have all been necessary. They corrected our long-accumulated deficits in these areas. Without this, the alliance between workers and peasants could not have been consolidated, and the initiative of the masses could not have been mobilized. But *there should be a limit*. Our country has a weak foundation, and it is not yet time to emphasize welfare. Our economy is still very backward, and a lot of infrastructural facilities need to be built. If we do not concentrate funds on key infrastructural and productive projects, will the peasants be able to continue to enrich themselves? Will the enterprises be able to sustain themselves after becoming rich for a while? Of course, we must also bear in mind the lessons of the past, and people's living standards must be gradually improved. However, *if this is overemphasized, it will not be appropriate for our national conditions*. I think that's a prominent issue at this moment."[463]

Later in the same speech, he further reiterated these points more forcefully:

> "It is necessary to carry out the construction of key infrastructural and productive projects, and for a certain period of time, people's consumption cannot be unaffected by it. Of course, it is not okay to always tighten your belt and fish with all your might. However, we should not just talk about enriching the people and neglect the key construction; we should not just talk about the short-term and neglect the long-term……People's living standards must be gradually raised, but if we do not engage in construction, living standards cannot keep growing after reaching a certain level, because they are like water without a source and a tree without roots."[464]

On the one hand, Zhao acknowledged the necessity of some tentative policy emphasis on raising the standards of living, given their long stagnation in the preceding decades ("our long-accumulated deficits in these areas"). But on the other hand, he argued that the policy emphasis must be reverted back to production and infrastructure after a few years, because the development of productive capacity was the country's ultimate long-term priority. This point of view was structurally synonymous with other versions of the productivist bias displayed by many lower-level officials and enterprise leaders, as documented in Chapter Three.

I do not agree with a cynical understanding that considers these arguments as mere justifications for the self-enriching motives of a bureaucratic class of surplus appropriators. It

[463] *Marching through the Storms (1983)*, p.69, emphasis added.
[464] Ibid.

was more likely that many policymakers did internalize the productivist bias and believe that they were positioned to reconcile the partial material interests of various popular sectors with the country's overall fundamental interests. After all, there is some validity to the point that the development of productive capacity was foundational to the improvement of living standards. In the previous chapter, we saw that a policy environment supplying some legitimacy to addressing workers' livelihood and welfare needs was one of the key macro-economic conditions that enabled the SWCs' vibrant functioning. Now, the persistent fiscal crisis on the revenue side led the policymakers to repivot to production over consumption. It was thus unsurprising that a reorientation of the national economy entailed suppressing workers' material demands and the democratic institutions that empowered them to push for these demands.

As mentioned in Chapters One and Three, the policy efforts between 1977 and 1980 to address the population's consumption demands more seriously were at least partly motivated by a need of the post-Mao Party leadership to secure popular support and legitimate themselves after the purge of Mao's radical followers. This short-lived episode and the subsequent repivot to production from 1983 onwards reveal a different version of the tension between accumulation and legitimation than that discussed in James O'Connor's *The Fiscal Crisis of the State*. In O'Connor's analysis, the capitalist state must involve itself in facilitating private capital accumulation. But in order to maintain an appearance of legitimacy, the state must simultaneously conceal its involvement in capital accumulation. Public spending on social consumption and welfare both subsidizes capital accumulation (by allowing capitalists to keep wages low and growing the domestic market) and disguises this subsidization. Therefore, for O'Connor, an emphasis on addressing consumption needs enables the capitalist state to alleviate the tension between accumulation and legitimation by serving both purposes at the same time, even though it contains the potential of creating fiscal crises.

In a late-developing socialist country, however, the state's role in the process of capital accumulation cannot be concealed. Its highly visible role as the surplus appropriator and distributor has to be legitimated by national economic development that at some point must result in concrete material benefits for the population. Therefore, large-scale public spending on popular consumption (which sometimes fiscally appears as revenue forsaken by the state) must be deployed at some point for the purpose of legitimation. But this spending does not directly aid capital accumulation and often appears to be diverting resources from it. Therefore, unlike the capitalist state analyzed by O'Connor, a socialist state does not have an easy fix to the tension between accumulation and legitimation – spending on consumption could only help with the latter, not both. Thus, the socialist state's more troubled relationship with popular consumption reveals a more explosive tension between accumulation and legitimation than under capitalism.

Another noteworthy aspect of this policy episode was that whereas the policymakers perceived both the workers' and the peasants' consumption funds to be growing excessively, politicians like Zhao Ziyang insisted that a more "cautious" approach be taken towards peasants. This calls for a serious comparative study of the relationship between the Chinese Party-state and workers on the one hand and that between the Party-state and peasants on the other, which is beyond the scope of this dissertation. The urge for more caution towards peasants seemed not to

have stemmed from a concern with their political subversiveness – after all, during the history of Chinese socialism it was the urban workers who consistently occupied the center stage of rebellious activity. Instead, this caution might have had more to do with the fact that peasants' rising income levels – due to both the increases in the state's procurement prices and the newly instituted flexibility for peasants to sell above-quota products on the market – helped stimulate notable growth of agricultural productivity in the early post-Mao years, which was depicted in official narratives as a great success story of the Reform era. It would be understandable why the policymakers might have been reluctant to undermine this success story. But this explanation is speculative and needs to be tested against more solid empirical evidence.

Who Shall Represent the State?

The rollout of the FDRS began in mid-1984. Contrary to the policymakers' intentions, however, the FDRS absolutely failed to halt the growth of workers' monetary income. In fact, its impact seemed to be in the exact opposite direction. Over the last few months of 1984, chaotic payouts of monetary bonuses and other benefits in kind to workers reached new heights in many factories which had recently implemented the FDRS. As Yuan Baohua summarized retrospectively in 1986, "trials with the FDRS in some places have experienced some twists and turns". Among these "twists and turns", the first one named was the "excessive and chaotic payouts of bonuses and other benefits in kind in some enterprises over the last quarter of 1984"[465]. This phenomenon was so prominent that it could even be detected in macro-economic statistics, as the next chapter will show.

The next chapter will also present my own explanation of why rampant and haphazard growth of workers' income followed the rollout of the FDRS almost immediately. For this chapter, my focus is on how the policymakers, particularly Zhao Ziyang, made sense of this seemingly puzzling development. Essentially, they doubled down on blaming workers' excessive power and influence inside factories. On January 23, 1985, an internal meeting was held between Deng Xiaoping, Zhao Ziyang and other key economic policymakers to discuss the state of the economy. The rapid and uncontrollable growth of workers' bonuses was a key issue discussed. In particular, the attendees of the meeting complained about how some factories inappropriately used their production funds to pay workers extra bonuses and then took out loans to cover the deficits[466]. Zhao Ziyang offered the following diagnosis:

> "State-managed enterprises are now supposed to be responsible for their own profits and losses, while their assets belong to the state. But their factory directors are elected with fixed terms. After the enlargement of enterprise autonomy, we still need to research the question of who shall represent the state's interests and primarily care for long-term production and construction. *The factory directors elected by workers tend to align themselves with workers' interests on the issue of bonuses*. We haven't solved the

[465] 《关于厂长负责制试点工作情况的报告》，1986 年 7 月，见于《袁宝华文集第三卷》第 279-282 页。"Report on the Trials of the FDRS", July 1986, in *Collected Works of Yuan Baohua* Volume 3, pp.279-282.

[466] *Marching through the Storms (1985)*, p.12.

question of who represents the state."[467]

According to Zhao, therefore, the root cause of the rapidly growing bonuses was the ability of workers to hold so much sway on their factory directors – primarily through the electoral mechanism – that factory directors no longer represented the interests of the state. Underlying this diagnosis, again, was a perceived conflict between the Party-state's interests and the interests of workers. The policymakers feared that workers' democracy was dragging factory directors towards one pole rather than the other. With Deng Xiaoping and the others concurring with Zhao's analysis, Zhao even proposed the idea of sending in some unspecified "representatives of the public" (*gongfang daibiao*) to supervise state-managed enterprises on behalf of the Party-state[468].

In fact, Zhao Ziyang had already aired similar concerns at a meeting two weeks previously. The meeting was specifically devoted to a discussion of the future of the FDRS. As Zhao argued there,

> "The issue I'm most unsure about is how to position factory directors……In many places, as factory directors were hired or elected, they are responsible to those who hired or elected them.[469] Then who is the organ of power in these factories? …… After the enlargement of enterprise autonomy, we still need to impose some constraints and must figure out the question of who represents the interests of the state. Representatives of the state do not necessarily have to be the same people who manage the enterprises. Some underperforming enterprises pay workers excessive bonuses and even spend production funds on bonus payouts, and who should be supervising this? Here is a question of how to impose constraints. Factory directors supposedly represent the state, but are they really representing the state or representing their own enterprises? Are they more aligned with the interests of the state, the interests of their enterprises, or somewhere in the middle? How to solve the problem of factory directors' representation of dual interests, and can we think of other ways to impose constraints – for example, sending in representatives of the state?"[470]

In these remarks Zhao again focused on factory directors' ambiguous representation of the state's interests versus the interests of their own enterprises. Here, the "interests of the enterprises" should be taken to mean "the interests of workers", given Zhao's overwhelming concern with the issue of workers' bonuses. The worry that factory directors were representing their workers' interests at the expense of the state's interests (because they were "responsible to those who hired or elected them") was so strong that Zhao reiterated the idea of "sending in representatives of the state" to factories.

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[467] Ibid, emphasis added.

[468] Ibid.

[469] Here Zhao Ziyang was referring to the cases of workers electing factory directors through their SWCs or collectively making decisions on the hiring of factory directors.

[470] 天津市档案馆，X044-C-000885-003,《胡耀邦、赵紫阳同志在书记处会议上听取国营工业企业法调查组汇报时的讲话要点（根据记录整理）》，1985 年 1 月 10 日。Tianjin Municipal Archive (TMA), X044-C-000885-003, "Key Points of Hu Yaobang's and Zhao Ziyang's Speeches at the Meeting of the Party Secretariat upon Hearing the Report by the Research Group on the State-Managed Industrial Enterprise Law (Compiled based on Minutes)", January 10, 1985.

Sending in state personnel to specifically oversee the management of public enterprises would defeat the purpose of enlarging enterprise autonomy, a reform initiative Zhao had enthusiastically championed all along since 1978. This rather whimsical proposal should be understood not as an attempt to tighten the Party-state's overall grip over public enterprises, but a desperate scheme to counterbalance what was perceived as workers' redoubtable sway over factory directors. At the aforementioned meeting on the future of the FDRS, Zhao concluded that "the relationship between the factory director and the state is a big problem and has yet to be specifically researched". For this reason, he suggested that the finalization of the Factory Law should take longer than previously thought[471]. Zhao Ziyang was so bothered by this "problem" that he discussed it even again in late April 1985: "who should represent the interests of the asset owner[472]? In the past, this representation was accomplished through the state's planning and financial control [over state-managed enterprises], but in the era of enlarged enterprise autonomy, who should be the representative? Otherwise, *the interests of workers will hold all the sway*, and factory managers can hardly resist"[473]. Eventually, Zhao Ziyang did not pursue his idea of sending in "representatives of the state" to supervise factories. Instead, he found the solution to this "big problem" of the relationship between the factory director and the state in another set of innovative arrangements. Under these arrangements, the state would essentially contract public enterprises out to individual factory directors. Such enterprise contracting was rolled out sporadically in 1986 and much more systematically in 1987 (more on this in the next chapter).

Saving Shopfloor Elections by Redefining Them as a Hegemonic Tool

In the official stipulation from 1984 onwards, the SWCs were never re-granted the status of "power organs" (*quanli jigou*) in state-managed enterprises. However, shopfloor elections of factory directors managed to reappear in these official stipulations, even though the language defining the realm of their applicability became more timid. Recall that in early 1985, Zhao Ziyang was anxiously concerned with how elections of factory directors supposedly gave workers immense power to push for higher bonuses. But in August, he conceded that "appointments and elections are both valid ways to select factory directors"[474]. The final version of the Factory Law ratified in 1988 also stated that factory directors might be elected by the SWCs if the overseeing Party-state agencies allowed[475]. This outcome was remarkable, given

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[471] Ibid.

[472] The phrase "asset owner" here referred to the state, as Zhao was discussing state-managed enterprises in this passage. The use of this rather capitalistic phrase betrayed Zhao Ziyang's evolving understanding of the nature of public ownership. I thank Cihan Tugal for this observation.

[473] *Marching through the Storms (1985)*, p.119, emphasis added.

[474] 《在<国营工业企业法（草案）>和三个条例修改工作座谈会上的总结讲话》，1985 年 8 月 7 日，见于《袁宝华文集第三卷》第 118-128 页。"Summary Speech at the Symposium to Discuss the Revisions of the Draft of the State-Managed Industrial Enterprise Law and the Three Regulations", August 7, 1985, in *Collected Works of Yuan Baohua* Volume 3, pp.118-128. 上海市档案馆，C1-3-756-9，《袁张度在市总七届五次委员（扩大）会议上的报告》，1985 年 8 月 23 日。Shanghai Municipal Archive (SMA), C1-3-756-9, "Yuan Zhangdu's Report at the Fifth (Enlarged) Meeting of the Seventh Council of the Shanghai Federation of Trade Unions," August 23, 1985.

[475] 《中华人民共和国全民所有制工业企业法》，1988 年 4 月 13 日，载于《中国工会四十年（1948-1988）资料选编》第 1207-1218 页。"The People's Republic of China's Law on Industrial Enterprises Owned by the Entire People", April 13,

that Zhao Ziyang, Peng Zhen, and the policymakers staffing Peng's research delegation had all voiced unequivocal opposition to shopfloor elections of factory directors. How did this policy turnabout happen?

Available evidence suggests that the ACFTU leaders and cadres, who constituted the sole voice in support of shopfloor elections of factory directors within the circuits of policy discussions on the FDRS, played a key role. For example, Yuan Baohua's aforementioned report on the activities of the February 1984 delegation documented that it was the ACFTU representatives on the delegation who expressed the lone dissent against the overwhelming majority opinion that viewed workers' elections of factory directors negatively[476]. Whereas the initial draft of the Factory Law promulgated in May 1984 to guide the FDRS's launch did not mention elections of factory directors at all, a subsequent draft revised in the summer stipulated that small enterprises *could* (note: not "must") elect factory directors through their SWCs[477]. But this change did not satisfy the ACFTU, which continued in late 1984 to stake out the position that state-managed enterprises' eligibility for holding elections of factory directors should not be conditional on their sizes[478]. This dissenting voice was so persistent that Gu Ming, who was responsible for the specifics of the FDRS affairs alongside Yuan Baohua, admitted at a nationwide FDRS symposium in November 1984 that "two different opinions still exist regarding the Factory Law's stipulation on elections of factory directors"[479]. Without the ACFTU's perseverance, Zhao Ziyang's decisive gesture of concession in August 1985 and the enshrinement of shopfloor elections of factory directors (without the clause specifying "small enterprises" only) in the final draft of the Factory Law would have been unthinkable.

In other words, voices in support of shopfloor elections of factory directors continued to be heard at the same time as the more powerful policymakers repeatedly and quite openly expressed distaste for such democratic mechanisms. This in itself is evidence that the dynamics of policymaking in China's 1980s possessed some degree of pluralism and openness. However, such openness was also limited. Those advocating for the continued relevance of shopfloor elections of factory directors had to redefine the meaning of such elections in a way that made them appear compatible with and valuable to the dominant policy agenda of advancing the FDRS. Put differently, the union leaders had to defend these elections by framing them as a useful pillar of – or an appendage to – the FDRS. Eclipsed in the ACFTU's rhetoric was any commitment to

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1988, in *Compilation of Selected Documents over Forty Years of China's Unions (1948-1988)*, pp.1207-1218.

[476] Yuan Baohua, "Outline of the Report on the Research for the State-Managed Industrial Enterprise Law".

[477] 《袁宝华谈有关企业改革问题》，1984 年 7 月，见于《袁宝华文集第八卷》第 16-18 页。"Yuan Baohua on Enterprise Reform", July 1984, in *Collected Works of Yuan Baohua* Volume 8, pp.16-18. 天津市档案馆，X044-C-000808-003，陈秉权《厂长负责制与职工民主管理》。Tianjin Municipal Archive (TMA), X044-C-000808-003, "The FDRS and Workers' Democratic Management" (a speech by Chen Bingquan in July 1984).

[478] 《全总十届二次执委会议决议》，1984 年 12 月 27 日，载于《中华全国总工会文件选编（1984）》第 77-94 页。"Resolution at the Second Meeting of the Executive Council of the Tenth ACFTU Congress", December 27, 1984 in *Selected Documents of the ACFTU (1984)*, pp.77-94.

[479] 天津市档案馆，X044-C-000808-005, 天津市总工会民主管理部《全国厂长负责制试点座谈会汇报提纲》，1984 年 12 月 1 日。Tianjin Municipal Archive (TMA), X044-C-000808-005, The Department of Democratic Management of the Tianjin Federation of Trade Unions, "Outline of the Report Regarding the Nationwide Symposium on the FDRS Trials," December 1, 1984.

workplace democracy itself.

For example, one line of the ACFTU's argument focused on how workers' elections could help ensure that the truly competent, educated and skilled managers are selected to become factory directors. This was arguably a necessary condition for the economic effectiveness of the FDRS. At a conference in November 1984, when summarizing the ACFTU's accomplishments in advancing democratic enterprise management, Zhang Fuyou of the ACFTU secretariat highlighted the advantages of workers' elections of factory directors by claiming that "workers had respect for knowledge and talent and selected those who were actually competent, electing to leadership posts a large cohort of pioneering cadres who met the requirements of 'four modernizations'"[480]. Zhang's claim was echoed in 1985 by ACFTU Vice President Gu Dachun, who offered the following rationale as the primary talking point against those who criticized workers' elections of factory directors: "facts have proved that the close combination of the bottom-up selection and supervision of cadres in the form of democratic election, recommendation and evaluation with the top-down organizational examination, selection, appointment and supervision is particularly beneficial for *accurately selecting the right people for enterprise leadership posts*"[481].

These arguments no longer framed workers' elections of factory directors primarily as a way for workers to exercise counter-power and control over factory directors. Instead, it was the functional advantages of such elections (compared to other selection mechanisms such as purely top-down appointments) for picking out the truly competent leaders that were being emphasized. In a way, these arguments paralleled Max Weber's understanding – articulated in *Politics as a Vocation*[482] – of the utility of parliamentary democracy: not as the political empowerment of the masses, but as an arena for training and selecting the committed and responsible political leaders. What transpired in these arguments was a significant redefinition of workplace democracy along much more instrumental lines.

Another way to present shopfloor elections of factory directors as instrumentally useful for the consolidation of the FDRS hinged upon the hypothetical potential of such elections to garner workers' support for the factory directors' power concentration. The underlying idea was that, if workers perceived their factory directors as chosen by themselves, they presumably should be more inclined to embrace – or at least acquiesce to – the subsequent concentration of managerial power in these factory directors' hands. This argument already appeared in the ACFTU's rhetoric in early 1984. Yuan Baohua's aforementioned report on the February 1984 delegation's activities documented not only the first instance of the ACFTU representatives' going against the "tide"

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[480] 张富有《在整顿工会基层组织、建设职工之家工作汇报会上的讲话》，1984 年 11 月 17 日，载于《中华全国总工会 1984 年文件选编》，第 368-380 页。Zhang Fuyou, "Speech at the Report Conference on Rectifying Grassroots Union Organizations and Building 'Workers' Homes'", November 17, 1984, in *Selected Documents of the ACFTU (1984)*, pp. 368-380. "The requirements of 'four modernizations'" mostly referred to age and education; the emphasis was put on promoting those managerial cadres that were young and received some post-secondary education.

[481] 顾大椿《切实保证劳动者在企业中的主人翁地位》，载于《企业民主管理的理论、历史和实践》，第 48-62 页。Gu Dachun, "Effectively Guaranteeing the Laborers' Masterly Status in Enterprises", in *The Theory, History and Practice of Enterprise Democratic Management*, pp.48-62, emphasis added.

[482] Max Weber, "Politics as a Vocation," in *From Max Weber: Essays in Sociology*, Oxford University Press, [1919]1958.

and defending shopfloor elections of factory directors, but also the reasoning they offered: "some union cadres thought that workers' elections of factory directors in those factories with the right set of conditions could not only promote workers' initiative as masters of their enterprises, but also *provide a popular foundation* (minyi jichu) *for factory directors' exercise of power*"[483]. Strikingly, workers' elections were depicted here not as a check on the factory directors' power, but a process facilitating workers' consent to its more expansive exercise under the FDRS!

This line of argument continued in a report submitted by the ACFTU leadership to the Party leadership in July 1984 on how to strengthen the unions' role in urban economic reform. Trying to show the Party leadership the advantages of shopfloor elections of factory directors, the report drew heavily on the exemplar of Wuhan, a municipality where workers' elections were being conducted on a wide scale with allegedly impressive results. In particular, the report claimed that "after workers' elections of factory directors, some factories organized campaigns mobilizing workers to provide advice and suggestions to their elected directors, under the slogan of 'supply factory directors with advice, not trouble', in order to help the directors carry out reforms"[484]. Here, shopfloor elections of factory directors were rendered essentially as part of a process to build popular support for the factory directors. The report highlighted this aspect of the elections as particularly positive, presumably because the ACFTU leadership thought this framing could make the elections appealing (to the Party leadership, which was the audience of the report).

The campaign slogan "supply factory directors with advice, not trouble" was especially notable. It clearly revealed that the purpose of the post-election campaigns was to convey an expectation for workers to not act in any way that might challenge factory directors' authority (a.k.a. "make trouble") now that the directors had been elected. In other words, the elections were supposed to provide a foundation for organizing workers' consent. It was irrelevant whether these campaigns were actually organized in Wuhan and whether workers actually participated in them. In fact, it was hard to imagine that workers would enthusiastically participate in those campaigns intended to discourage them from "making trouble". But what was indeed significant was the ACFTU's discursive strategy of presenting what happened in Wuhan in such a way. This strategy again illustrated how those defenders of shopfloor elections of factory directors ended up redefining the substantive meaning of such elections. The campaign to "supply factory directors with advice, not trouble" went on to become one of the union cadres' favorite examples. Merely a week after the July 1984 report was submitted to the Party leadership, Liu Shi of the ACFTU secretariat drew upon the example again in his speech given at a large-scale symposium on urban economic reform[485].

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[483] Yuan Baohua, "Outline of the Report on the Research for the State-Managed Industrial Enterprise Law," emphasis added.

[484] 《全总党组关于在城市经济体制改革中加强工会工作的情况报告》，1984 年 7 月 19 日，载于《中华全国总工会 1984 年文件选编》，第 69-74 页。"The ACFTU Party Committee's Report on Strengthening Union Work in Urban Economic Reform," July 19, 1984, in *Selected Documents of the ACFTU (1984)*, pp. 69-74.

[485] 《四位领导同志在全国城市经济改革思想教育工作座谈会上的讲话——刘实》，1984 年 7 月 25-31 日，载于《中华全国总工会 1984 年文件选编》，第 466 页。"Speeches by Four Leading Comrades at the Nationwide Symposium on Educational Thought Work during Urban Economic Reform – Liu Shi", July 25-31, 1984, in *Selected Documents of the ACFTU (1984)*, p.466.

The ACFTU's discursive strategy evinced a dilemma. To defend shopfloor elections of factory directors when the dominant policy sentiment was already turning against it, the ACFTU leaders affirmed the premises of the FDRS. They emphasized the instrumental usefulness of workers' elections for accurately selecting the truly competent managerial personnel. More importantly, they highlighted how workers' elections could help rally popular support for the post-election power centralization around the elected factory directors. Essentially, this discursive strategy rendered workers' elections of factory directors constitutive of a *hegemonic* pathway to facilitate the FDRS's managerial despotism – "hegemonic" in the classic Gramscian sense of mobilizing people's consent to their own disempowerment and oppression. On the one hand, this really did seem to be the most practical strategy for the ACFTU to defend something that was being actively disliked by the more powerful policymakers. After all, the ACFTU was a marginalized – or in Bourdieu's term, a "dominated-dominant" – actor in the field of political power (see Chapter Two). Its room for political maneuver was limited. In such a situation, policy advocacy likely necessitated appealing to, not rebelling against, the dominant policy agenda. On the other hand, the ACFTU's discursive strategy did hollow out the democratic substance of shopfloor elections. The result was that a concern with workers' democracy *per se* was further marginalized from the policy deliberations.

Nevertheless, the fact that the ACFTU's advocacy on this issue did achieve results at all was remarkable. It spoke volumes about the politics of class in China's era of market socialism. It should be recalled that Zhao Ziyang, despite his tremendous anxiety about how shopfloor elections pulled factory directors away from the Party-state's interests, did openly acknowledge in August 1985 that elections were permissible. And despite the February 1984 delegations' almost unanimous objection to these shopfloor elections (with the only exception being the ACFTU representatives), these elections were enshrined in the finalized Factory Law. There was no obvious reason why those more dominant policymakers had to concede on this issue, given that the ACFTU (in the absence of any grassroots unrest like what happened in 1980-1981) was a political lightweight. It was more likely that those policymakers were at least somewhat receptive to the ACFTU's instrumentalist arguments and found some value in a hegemonic approach to the centralization of managerial power inside China's factories. Even though the overall trajectory of China's enterprise reform in the 1980s ended up gradually disempowering workers, the policymakers did (to some extent) care about building a foundation of popular consent to these processes of disempowerment. For a variety of reasons – ideological, political, economic, etc. – the socialist Party-state in the 1980s still sought to maintain some consent among the urban working class. This forms a sharp contrast with China's approach to enterprise reform in the 1990s, which was determined to forcefully crush the urban working class without any concern with winning its consent.

The reframing of shopfloor elections of factory directors as a hegemonic tool in aid of the FDRS had significant implications for when and how such elections were held. In 1984 and after, these elections were usually conducted *before* enterprises transitioned to the FDRS. They were supposed to both facilitate the smooth replacement of existing factory leadership with managers deemed more "competent" (which usually meant "younger and more educated") and cultivate a

base of workers' support for these new managers' subsequent concentration of power. Correspondingly, the Party-state organs overseeing the enterprises tended to exert tight control over the electoral processes. Since these elections were regarded as a *pre-condition* for the successful rollout of the FDRS, they lost relevance after the nationwide consolidation of the FDRS was largely completed in 1986. From 1987 onwards, mentions of shopfloor elections of factory directors became increasingly rare in both policy documents and local reports[486]. Drawing upon the statistics compiled by China's National Statistics Bureau (the accuracy of these statistics was questionable, but they were nonetheless telling), Joel Andreas reported that "between 1985 and 1988, the number of factories nationwide that reported elections for factory administrative leaders fell from 79,941 to 57,300"[487].

However, the hegemonic strategy exemplified by workers' elections of factory directors in the context of the FDRS's rollout occasionally backfired. As Gramsci himself has observed, in order to mobilize the active consent from the popular classes to a political-economic regime, a hegemonic strategy must leave some space for these popular actors to exercise their agency. Such space could turn into interstices from where a counter-hegemonic project develops[488]. In China's mid-1980s, the Party-state authorities mostly intended the elections of factory directors to be mere theatrics in order to both cultivate and showcase popular support for the favored candidates. However, the very proceeding of these elections sometimes provided workers with the confidence, discourse, and basis of legitimacy to later resist the factory directors' despotic exercise of power. The next section provides a concrete example, which illustrates the tensions inherent in a hegemonic strategy.

Case Study: The Backfiring of a Hegemonic Attempt[489]

In late April 1984, the Wuhan Rubber Factory, a medium-sized state-managed enterprise with 1,234 employees, was set to have a shopfloor election of its factory director. The nomination process was heavily managed. Not only did the enterprise-level Party committee set stringent eligibility requirements and vet candidates, it also actively campaigned for its favored candidate (who went on to win the election) during the two rounds of factory-wide nomination votes. Nevertheless, as a nod to ritualistic democracy, the enterprise's Party committee did arrange a "campaign speech and Q&A" session with the final candidates before the SWC

[486] 例如《全面推行厂长负责制工作会议文件汇编》，1987 年 8 月。See, for example, *Compilation of Documents at the Work Conference on Comprehensively Implementing the FDRS*, August 1987.

[487] Joel Andreas, *Disenfranchised*, p.186.

[488] In capitalist societies, such interstitial space is usually located in the "civil society". For the "civil society" as both an arena for hegemony-building and a space brewing counter-hegemonic contestations, see Michael Burawoy, 2003, "For a Sociological Marxism: The Complementary Convergency of Antonio Gramsci and Karl Polanyi," *Politics and Society* 31(2): 193-261.

[489] The material presented in this section is drawn from a stand-alone, article-length manuscript I have drafted. Yueran Zhang, "Accidentally Emboldened: Wuhan Workers between Democracy and Tyranny on the Shop Floor, 1984-1985," working paper. Based on archival material gathered from the municipality of Wuhan, this article discusses several cases of shopfloor elections of factory directors.

representatives cast ballots in the final election[490]. The "campaign speech and Q&A" session was well-attended by workers but merely meant to be a festive and ceremonial event endowing the electoral outcome with democratic legitimacy. However, it turned out to nurture a sense among some workers that they, rather than the factory director, were supposed to be the masters of their enterprise and to hold the factory leadership accountable. The electoral procedure paved the way for unforeseen worker activism after the election.

Immediately after the election was concluded, the FDRS was rolled out in the Wuhan Rubber Factory in early June 1984. Managerial power was centralized in the hands of the elected factory director, Wang Tingquan. In Wang's own account, the FDRS made his managerial and decision-making approach much more despotic:

> "At the time, I narrowly understood the FDRS as 'the factory director deciding on everything'……In my opinion, it would have been against the spirit of reform and the FDRS if I still had to consult workers' opinions with those never-ending discussions. I thought the point of reform was to be bold and fast, and there was neither time nor need to consult the masses. Therefore, I forcefully pushed forward a series of reforms in the factory, driven by my own volition and after consultation with only the deputy directors and the Party secretary."[491]

Wang's drastic, undemocratically imposed reform measures targeted workers' healthcare benefits, the policy on sick leave, and subsidies on workers' vocational education. These triggered widespread discontent among workers.

The simmering grievances reached a volcanic point in August 1984, when a recently enacted and flawed contracting plan led to a wage decrease for workers in the inner tube workshop. The reason for the wage decrease was a worsening in product quality, but the workers in the workshop felt that it was not of their doing. Workers then pushed back strongly, according to Wang's account:

> "[The wage decrease] was highly resented by workers in the inner tube workshop, who complained that the 'big pot of rice' became a 'big pot of messy porridge'. Combined with the previous reform measures on labor protection, welfare, and benefits, it caused some workers to publicly advocate for a 'vote of no confidence' to recall me as the factory director. Workers also asked me to bring a tape recorder so that I could revisit the promises made during my pre-election campaign speech. The situation became a huge turmoil (*xuanran dabo*)."[492]

Given that this type of work report by factory directors usually downplayed workers' grievances

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[490] 武汉市档案馆，XX000056-WS05-98-2，罗延龄《解放思想，大胆探索，用改革的精神，认真抓好民主选举厂长过程中的思想政治工作》，1984 年 6 月 28 日。The Municipal Archive of Wuhan (MAW), XX000056-WS05-98-2, Luo Yanling, "Grasp the Thought and Political Work during the Democratic Election of the Factory Director with an Open Mind, Bold Initiative to Explore, and the Spirit of Reform," June 28, 1984.

[491] 武汉市档案馆，XX000091-WS03-99-5，王庭泉《真心实意依靠群众 正确行使厂长职权》，载于《武汉工运》第五期，1984 年 11 月 20 日。The Municipal Archive of Wuhan (MAW), XX000091-WS03-99-5, Wang Tingquan, "Sincerely Rely on the Masses and Correctly Exercise the Powers of the Factory Director," in *Wuhan's Labor Movement* Issue 5, November 20, 1984.

[492] Ibid.

and unrest, what this report specifically revealed was highly remarkable. Acknowledging that the situation was a "huge turmoil", Wang's report mentioned bold actions by the workers to challenge his authority. Not only did workers try to hold Wang accountable to his pre-election campaign speech, but they also explicitly brought up the idea of a recall vote. Both lines of action were necessarily inspired by the workers' experiences with the election itself: it is hard to imagine that the workers would have felt so angered at the factory director's betrayal of his campaign promises and felt justified to push for a recall vote if there had not been an election in the first place.

A report written by the enterprise-level union branch, separate from Wang's report, painted an even more alarming picture. It claimed that the workers' discontent was so strong that "there was a real possibility for production to halt"[493] – in other words, a strike was impending. Faced with this potentially explosive situation, Wang Tingquan quickly withdrew the contracting plan and the wage decrease, alongside some of the most resented reform measures regarding workers' welfare and benefits, therefore enabling the tension to deescalate. In the summer of 1984, workers' activism in the Wuhan Rubber Factory, in the form of a mobilization for impeachment combined with an impending strike, was able to beat back some of the reform initiatives imposed by the factory director and thus to effectively curb his power amid the nationwide FDRS drive to centralize managerial power. However managed the election in this factory was, the ceremonial upholding of the façade of democracy led some workers to themselves develop a sense of confidence and a real commitment to democracy. This façade of democracy also gave workers the rhetorical and procedural justifications to challenge the elected factory director's expansive exercise of power. In other words, at least in some cases the electoral processes inspired worker activism against the subsequent power centralization, not compliance with it.

Chapter Conclusion

The unfolding of this anti-democratic turn speaks to the paradoxical nature of the Chinese socialist polity. On the one hand, a period of tolerance and encouragement of the partial democratization of China's industrial workplaces turned out to be short-lived. The Party leadership foreclosed this episode once they perceived workers' demands and power to be endangering certain objectives that they deemed more fundamental. This episode repeated a pattern that had already become visible in the early years of the Cultural Revolution. In late 1966, Mao and his associates permitted and then fostered the emergence of workers' independent rebel organizations in and across workplaces. But they soon rushed to pacify and rein in such independent organizing in early 1967, by first calling for "power seizures" and then imposing

[493] 武汉市档案馆，XX000091-WS03-99-5，武汉市化学工业局工会《关于武汉橡胶厂工会在改革中创建"职工之家"的情况汇报》，载于《武汉工运》第五期，1984 年 11 月 20 日。The Municipal Archive of Wuhan (MAW), XX000091-WS03-99-5, The Union Committee of Wuhan's Bureau of Chemical Industry, "Report on the Efforts by the Union Committee in the Wuhan Rubber Factory to Create a 'Workers' Home' amidst Reform," in *Wuhan's Labor Movement* Issue 5, November 20, 1984.

military control[494]. For these political leaders, workers' "disorderly" organizing was paralyzing the economy, and their "economistic" demands were derailing the sublime objective of defending the socialist project against capitalistic roaders. Common to what transpired in both 1966-1967 and 1983-1985 was a deep worry, on the part of the top political leaders, that workers' localized and chaotic exercise of power was brewing "economism" and causing macro-economic and political damage.

On the other hand, despite the top policymakers' unambiguously anti-democratic sentiments, the ACFTU still managed to secure some space for shopfloor elections of factory directors. The ACFTU cadres accomplished this by emphasizing how such elections could help mobilize workers' consent to factory directors' power consolidation. The fact that the policymakers proved amenable to the ACFTU's argument suggested that they still desired a hegemonic approach to enterprise reform when possible. But a hegemonic approach could create ample opportunities to backfire. The process of and the discourses used in consent-building mobilization laid the groundwork for workers to stage counter-claims. This again paralleled developments in the early years of the Cultural Revolution. Mao's initial efforts to put the brakes on workers' independent organizing in 1967 sought to provide the mass rebel organizations with some symbolic recognition as well as the power to negotiate their places in the to-be-reconstituted political structures. But it was exactly such symbolic recognition and power that enabled many rebel organizations to continue with their rebel activities and defy the Party leadership's wish to restore political stability. Consequently, the Party leadership switched to a much bloodier approach in 1968, extinguishing all rebel activities by any means necessary[495]. A similar switch in the Party-state's approach to enterprise reform, from tension-laden hegemony to blatant despotism, occurred between the 1980s and the 1990s.

Lastly, beyond the tensions inherent in a hegemonic approach to workers' disempowerment, the very endeavor to take workplace democracy away from workers created an even more fateful unintended consequence over the second half of the 1980s. Whereas the policymakers intended the empowerment of factory directors vis-à-vis workers to help tame the growth of the workers' consumption fund (particularly bonuses), the rollout of the FDRS almost immediately began to produce the exact opposite effect. In an environment in which a significant number of workers were still largely insulated from the risk of job termination and public enterprises gained even more financial autonomy, incessantly issuing across-the-board pay raises and other benefits became the most convenient way for factory directors to deal with or preempt workers' discontent with managerial despotism. The rampant growth of workers' income fed into vicious cycles of inflation over the second half of the 1980s, with crucial implications for the making of the pro-democracy movements in 1989. The next chapter details how this happened.

[494] Yiching Wu, *The Cultural Revolution at the Margins*, chapter 4.
[495] Andrew Walder, *Agents of Disorder* and *Civil War in Guangxi*.

CHAPTER FIVE

More Money Instead of Democracy: Managerial Despotism and the Derailment of China's Market Socialism, 1984-1989

In the FDRS era, managerial despotism became much more pronounced in China's urban public enterprise. Shopfloor tensions were greatly intensified. However, rather than telling a simple story of "everything gets worse", this chapter presents a much more complicated and somewhat counterintuitive narrative. The post-1984 decline of workplace democracy unleased unintended consequences and profoundly shaped China's political economy on the eve of 1989. Managerial despotism created widespread discontent among workers, which was expressed in sporadic strikes, numerous forms of non-compliance, and minute acts of everyday resistance. Unable to freely hire and fire workers, factory directors were compelled to find some way to ease shopfloor tensions and cultivate workers' consent – or at least acquiescence – to managerial despotism. Re-democratization of enterprise management or more fair and transparent handling of distributional issues were unappealing options, as factory directors were reluctant to sacrifice their own power and privileges. Instead, as public enterprises continued to gain increasing autonomy to manage their finances – particularly their retained profits – factory directors resorted to incessantly issuing across-the-board pay raises to workers as a politically convenient way to maintain a basic level of industrial peace and obscure thorny questions about the favoritism in distribution. As a result, the FDRS's rollout was followed by years of continuous rampant growth of workers' aggregate income, something the top policymakers tried but failed to diagnose or remedy.

A managerial strategy that relied on endless pay raises to purchase industrial peace had serious implications that drove up inflation. Factory directors overspent their enterprises' retained funds on cash and non-cash payouts to workers. They had to instead take out a significant amount of bank loans to cover their investment needs. Pressured by enterprises' unabating hunger for loans, the total amount of loans issued by the banking system greatly exceeded the total amount of deposits, thereby injecting excess cash into the economy. Enterprise managers also took advantage of the opportunities offered by the partial price liberalization to engage in price manipulation, in quest of higher profitability and greater volumes of retained profits for bonus payouts. At the same time, workers deposited most of their increased pay, and the accumulated savings enabled panic buying. Through these mechanisms, workers' rampant income growth over the second half of the 1980s fed into vicious cycles of inflation. This inflation has been commonly identified as the single most formidable challenge confronting the Chinese economy in the late 1980s and one of the major triggers of the explosive pro-democracy movements of 1989.

In other words, this chapter offers a two-pronged causal argument. First, the decline of workplace democracy led to a managerial strategy that ceaselessly and haphazardly boosted workers' take-home pay, given such conditions as factory directors' inability to freely hire and fire and enterprises' enlarged financial autonomy. Second, this managerial strategy was one of the key factors driving the inflationary cycles over the second half of the 1980s, given such conditions as a banking system inclined to cater to enterprises' hunger for loans and the partial price liberalization. Put together, the two legs of my argument establish a causal link between the decline of workplace democracy and inflation. Here I must acknowledge that this argument is indebted to Lao Tian, a Maoist scholar in China who is unaffiliated with any academic

institutions. He has observed – in his public writings[496] as well as in a conversation with me – that the lack of workplace democracy rendered factory directors more reliant on pay raises as a means to manage workers in the 1980s. I refine and extend this argument in two significant ways. First, I clarify that the income-boosting managerial strategy did not characterize the entire 1980s but became pronounced only in the FDRS era. I back up this argument by evidence on the temporal trends in macroeconomic statistics. Second, I connect this argument with a body of existing research conducted by economists in the late 1980s and early 1990s on the relationship between workers' rapidly growing income and inflation. I therefore establish an overarching causal link connecting micro-level shopfloor dynamics (weakened workplace democracy and intensifying management-labor tensions) to macro-economic phenomena (vicious cycles of inflation) and further to the explosive political movements of 1989. The arc of my argument thus opens up a unique lens for us to appreciate how the decline of workplace democracy was quite fateful for the overall trajectory of China's political economy in the post-Mao era.

My argument that the decline of workplace democracy contributed to inflation might appear to contradict conventional wisdom on the relationship between workers' political and institutional power and inflation. This conventional understanding posits that these two things tend to go together. For example, in the context of advanced capitalism, Ho-fung Hung and Daniel Thompson have shown that in the industrial West, "inflation in the 1970s originated from a strong working class", and the neoliberal maneuverings in the early 1980s to tame inflation were essentially about taming labor[497]. In the context of socialism, scholars of workers' self-management in Yugoslavia such as Ellen Comisso have argued that workers' councils produced a "consumption bias" driving up enterprises' expenditures on workers' income and benefits, with inflationary implications[498]. Given these findings, my argument might seem an anomaly. But it should be noted that in China's 1980s, the decline of workplace democracy contributed to inflation under very specific and peculiar conditions. One of the most crucial conditions was that a significant number of workers in China's public enterprises were still largely insulated from the risk of job termination[499]. Workers could not be coerced into submission to the management simply by the whip of the labor market, and factory directors had to find some way to cultivate consent. In other words, these workers were what Joel Andreas referred to as "industrial citizens"[500]. They still possessed some power embedded in the very institutions of the socialist

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[496] For a collection of Lao Tian's public writings, see his profile page on the Chinese website *Wuyouzhixiang (Utopia)*: http://www.wyzxwk.com/author/c3/110.html.

[497] Ho-fung Hung and Daniel Thompson, 2016, "Money Supply, Class Power, and Inflation: Monetarism Reassessed," *American Sociological Review* 81(3): 447-466.

[498] Ellen Comisso, *Workers' Control Under Plan and Market*.

[499] The norm of employment security in state-managed enterprises began to be undermined in 1986 with the introduction of a new labor contract system. But the scope of this new system was limited (only new hires were supposedly covered by this system) and its implementation on the ground was obstructed by multiple barriers. As a result, a large number of industrial workers still faced little employment insecurity in the late 1980s. Gordon White, 1987, "The Politics of Economic Reform in Chinese Industry: The Introduction of the Labour Contract System," *The China Quarterly* 111: 365-389.

[500] Joel Andreas, *Disenfranchised*, pp.10-13.

workplaces, even after workplace democracy degenerated. It was this particular configuration of workers' power in the FDRS era that conditioned managers' strategy (also see Table 1 in the Introduction). Another crucial condition was the enlargement of public enterprises' financial autonomy, which made the income-boosting managerial strategy possible. The general lesson illuminated by my argument should be that the relationship between workplace democracy and inflation is context-specific.

In addition, this chapter reveals that these turbulent years of income growth and inflation produced a far-reaching side effect. While trying to figure out why public enterprises incessantly issued across-the-board pay raises to workers and how to rein in such "myopic" behavior, China's economic policymakers such as Zhao Ziyang began to articulate policy ideas that treated public enterprises more and more as private property. Under a justifying discourse that advocated the separation of ownership rights from management rights, they launched a reform in 1986 to contract out public enterprises to individual managers. In 1987, Zhao Ziyang further proposed to radicalize and substantiate enterprise managers' rights to the extent that factory contractor-directors should enjoy well-defined and enduring powers to use, retain and dispose of public property *as if* it were their own. These gestures towards the partial privatization of public property paved the way for the actual privatizations *en masse* in the following decade.

This chapter proceeds in four sections. The first section documents how the FDRS's rollout indeed led to weakened workplace democracy, blatant managerial despotism, intensifying tensions on the shopfloor, and a need for a new managerial strategy to ease or preempt such tensions. The second section then elaborates on my argument that in the FDRS era factory directors primarily resorted to incessantly issuing across-the-board pay raises – particularly bonuses – to pacify the shopfloor. This section demonstrates how this argument is supported by both qualitative archival evidence and aggregate income statistics. The third section unpacks how the managerial strategy to purchase industrial peace through pay raises fed into macro-economic inflation. It completes the central analytical arc that causally links the decline of workplace democracy to unruly inflation over the second half of the 1980s. The fourth section traces how, while seeking to correct enterprises' "myopic" behavior that constantly boosted workers' income, the policymakers ended up making partial and intermediate moves towards the privatization of public property.

Intensifying Shopfloor Tensions in the FDRS Era

As mentioned in the previous chapter, existing scholarship has already documented extensively how the FDRS's rollout indeed caused managerial despotism and workers' disempowerment on the shopfloor[501]. My own archival analysis not only confirms this, but also reveals that the FDRS's anti-democratic effect manifested *immediately*. In the example of the Wuhan Rubber Factory presented in the last chapter, we have seen how the factory director monopolized decision-making power and imposed highly unpopular reforms in a mere couple of months after the enterprise transitioned to the FDRS. Although workers in this particular factory

[501] Also see Li Huaiyin, *The Master in Bondage*, chapter 6.

successfully mobilized to force the factory director to rescind some of the most resented policies, cases like this were rare. In most factories, directors managed to establish a despotic regime whereas workplace democratic institutions such as the SWCs were left to decay.

In late 1984, the Tianjin Federation of Trade Unions conducted research on the functioning of workplace democracy in thirty enterprises that had recently transitioned to the FDRS. Its report summarizing the research findings concluded that the FDRS caused "notable strengthening of the factory administration and weakening of democratic management"[502]. According to this report, managerial cadres at one section of the Tianjin Port[503] stipulated that, instead of the power to make decisions on collective welfare, the SWC now only have the power to "ratify" motions on collective welfare brought forward by the management. In the Tianjin Welder Factory, upon the transition to the FDRS the director drafted a plan to allot "supplementary stipends" to the leading and mid-level managerial personnel. The factory director convened a SWC session in haste to formally ratify the plan, without sufficiently consulting public opinion. This provoked much ire among workers. The new by-laws of the Tianjin Computer Factory weakened the power of its SWC by defining its powers in a purposefully vague manner. The by-laws stipulated that the SWC only have the power to supervise over "those issues on which the factory director oversteps their realm of power"[504].

Local reports indicating similar trends could be found in other parts of the country as well. When the Shanghai Federation of Trade Unions held a meeting in December 1984, grassroots union cadres in attendance reported some very concerning developments over the few months after the launch of the FDRS. According to a record of these internal deliberations:

> "As reported by some comrades, after the FDRS's rollout, that 'the factory administration gained power and workers lost power' became a commonly expressed observation……Some other comrades said that there were few factory directors who were in possession of a democratic spirit. In a small number of enterprises, factory directors became autocratic upon gaining power, even causing workers to commit suicides and leading to work stoppages."[505]

In 1985, the ACFTU's national headquarters sent a research delegation to three provinces in inland China: Hunan, Hubei and Anhui. The delegation's report provided a disturbing conclusion: "some comrades have understood the FDRS as equivalent to factory directors' personal reign over decision-making and therefore over-emphasized the role of the individual figure of the factory director in decision-making. Consequently, some people have assumed command over all

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[502] 天津市档案馆，X044-C-000809-002，天津市总工会民主管理部《关于三十个试点企业民主管理工作的调查报告》，1984 年 12 月。Tianjin Municipal Archive (TMA), X044-C-000809-002, The Department of Democratic Management of the Tianjin Federation of Trade Unions, "Report on the Research on Democratic Management in Thirty Enterprises with Ongoing Experiments", December 1984. Curiously, this phrasing showed up only in a preliminary draft of the report but not in the final, official version.

[503] The Tianjin Port was one of the most important seaports in northern China.

[504] TMA, X044-C-000809-002.

[505] 上海市档案馆，C1-2-606-204，《工会简报》第 116 期《市总七届四次委员（扩大）会议情况》，1984 年 12 月 28 日。Shanghai Municipal Archive (SMA), C1-2-606-204, "Report on the Fourth (Enlarged) Council Meeting of the Seventh Congress of the Shanghai Federation of Trade Unions", *Union Bulletins* Issue 116, December 28, 1984.

issues big and small and developed a habit of autocracy"[506]. Even though this report blamed the FDRS's anti-democratic effect on local actors' misunderstanding, this effect was in reality consistent with both the motive behind and the design of the FDRS.

In 1986, another citywide survey conducted by the Tianjin Federation of Trade Unions discovered that the FDRS emboldened factory directors to override the SWCs more blatantly on a wide scale:

> "Some [enterprise leaders] saw the FDRS as inaugurating one-man rule by factory directors; others said: what powers would be left to factory directors if the SWCs continued to discuss this and supervise that? These opinions affected how the SWCs exercised power. For example, some SWC representatives received demotion and bonus deduction after questioning the factory director at the SWC presidium meeting. In some other enterprises, after the SWCs' committees on housing distribution expressed disagreements with the factory directors, the latter moved to dissolve the committees."[507]

As factory directors were emboldened to become despotic rulers, the Party-state authorities overseeing the enterprises were reluctant to intervene since such interventions could be construed as violating the FDRS. Therefore, workers' only remaining *institutional* recourse in the face of the escalating managerial infringement on their democratic power was grassroots union cadres within their enterprises. However, it was exactly these union cadres on whom the FDRS had the most chilling effect. Union cadres in Shanghai reported that, after the FDRS's rollout, it was quite typical for those union cadres who dared to speak up for workers and challenge factory directors' decisions to be subsequently moved to other posts[508]. Union cadres in Wuhan found themselves in a similarly challenging environment after the FDRS's rollout:

> "Some union cadres……saw that the enactment of the FDRS effectively brought about one-man rule by factory directors and the sidelining of Party secretaries, with enterprise-level union branches left with no standing and workers expected to display nothing but obedience. They believed that for union work, a cold spell was now returning after a short, warm spring and all they could do was to timidly wait for the situation to get better."[509]

The scale on which grassroots union cadres shared these pessimistic sentiments about the FDRS was so alarmingly wide that the ACFTU Vice President Chen Bingquan felt the need to repeatedly dispel such pessimism and encourage union cadres to adopt a more positive outlook.

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[506] 《全总赴湘鄂皖调查报告》，载于《企业民主管理的理论、历史和实践》，第 160-173 页。"Report on the ACFTU's Research Trip to Hunan, Hubei and Anhui Provinces", in *The Theory, History and Practice of Democratic Enterprise Management*, pp.160-173.

[507] 天津市档案馆，X044-C-000984-001，《关于全市开展职代会工作检查情况和今后意见的报告》，1986 年 5 月 3 日。Tianjin Municipal Archive (TMA), X044-C-000984-001, "Report on the Citywide Survey on the SWCs' Functioning and Suggestions for Future Work", May 3, 1986.

[508] SMA, C1-2-606-204.

[509] 武汉市档案馆，XX000091-WS04-104-5，武汉市总工会《在改革中努力开创企业民主管理的新局面》，1985 年 7 月 19 日。The Municipal Archive of Wuhan (MAW), XX000091-WS04-104-5, The Wuhan Federation of Trade Unions, "Creating a New Landscape for Democratic Enterprise Management amidst Reform", July 19, 1985.

He did so in a series of speeches delivered in 1985[510]. Of course, grassroots union cadres were unlikely to adopt a more cheerful outlook simply because their national leadership offered verbal encouragement and assurance. Their pessimism was rooted in their concrete experiences with how the power dynamics on the shopfloor shifted in the FDRS era.

In addition to emboldening factory directors and intimidating union cadres, the FDRS's very setup also created new institutional barriers for workers' exercise of shopfloor democracy. The drastic change regarding shopfloor elections of enterprises' mid-level managers – workshop heads, work section leaders and team crew heads – was a case in point. Whereas the Party leadership called for the restoration of these elections as part of workers' democratic right in 1978 (see Chapter Two), the FDRS effectively terminated these elections. It instead empowered factory directors to freely *appoint* mid-level managers (supposedly with democratic input). Whereas local reports of shopfloor elections of mid-level managers were abundant in the late 1970s and early 1980s, such reports became scarce after 1984. Even though in some enterprises workers continued to evaluate mid-level managers by rating or voting on them, such procedure carried little weight and was now merely meant to "inform" factory directors' appointment decisions. Furthermore, after the switch to the FDRS, many factory directors singlehandedly set up wage and bonus schemes that linked each worker's income to their individual production performance or the total output of their respective workshop. These schemes contained little consideration for how workers' time spent on SWC activities should be compensated. Therefore, workers increasingly saw the SWC engagement as a burden holding back their production performance and therefore income. Those SWC representatives who were rank-and-file workers were less and less willing to seriously participate in the SWCs. The aforementioned report by the Tianjin Federation of Trade Unions in late 1984 used the example of the North China Oxygen Factory to illustrate this dynamic. The report lamented that the managerial reform "deprived, in disguised form, workers of their right to participate in democratic management"[511].

The weakening of workplace democracy – particularly the degeneration of the SWCs – as a general trend was confirmed in a large-scale nationwide survey (including both questionnaires and in-depth interviews) conducted by the ACFTU on China's working class in 1986. 24 percent of the 647,112 workers, staff members and enterprise cadres surveyed believed that their SWCs played a role only occasionally, and 45 percent claimed that their SWCs played no role at all and were only "instruments of formality". Compared to these survey results, in-depth interviews with more than 10,000 workers yielded even more negative assessments on the SWCs' functioning.

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[510] 天津市档案馆，X044-C-000886-004，陈秉权《企业领导制度改革探讨：谈厂长负责制与职工民主管理》，1985 年 3 月 11 日。Tianjin Municipal Archive (TMA), X044-C-000886-004, Chen Bingquan, "Reflections on the Reform of the Enterprise Leadership System: On the FDRS and Workers' Democratic Management", March 11, 1985.《陈秉权在中国工运学院第一次工会领导干部进修班和师资班学员会上的讲话（摘要）》，1985 年 6 月 15 日，载于《中华全国总工会文件选编（1985）》第 322-340 页。"Chen Bingquan's Speech at the First Training Camp for Union Leaders and Cadres Held at the Workers' Movement College (Summary)", June 15, 1985, in *Selected Documents of the ACFTU (1985)*, pp.322-340.《陈秉权在全总十届六次主席团扩大会议上的讲话》，1985 年 7 月 11 日，载于《中华全国总工会文件选编（1985）》第 318-328 页。"Chen Bingquan's Speech at the Sixth Enlarged Presidium Meeting of the Tenth ACFTU Congress", July 11, 1985, in *Selected Documents of the ACFTU (1985)*, pp.318-328.

[511] TMA, X044-C-000809-002.

Overall, the ACFTU researchers found these negative sentiments to be "sharper" than what was observed in a similar nationwide survey in 1982. Authors of the research report admitted that such overwhelmingly negative sentiments defied their expectations. Why did so many workers find their SWCs' functioning to be unsatisfactory? The research report concluded in no uncertain terms:

> "The main reason was the lack of correct understanding *among enterprise leaders* on the SWCs' and workers' exercise of democratic power. They thought that, now that the FDRS ruled the day, factory directors should hold comprehensive powers to decide on everything and that a continuing emphasis on democratic management would weaken factory directors' administrative command, cramping their style and bringing them unnecessary troubles. Therefore, some factory directors and administrators made big decisions without consulting their SWCs or even nullified the SWCs' motions and resolutions at will."[512]

Unsurprisingly, managerial despotism led to more acute tensions between the management and workers on the shopfloor. One of the most direct indications of such intensifying conflicts was a resurgence of labor militancy. Whereas Chinese workers had been more or less pacified for a few years after the 1980-1981 unrest, strikes and labor protests again became commonplace in late 1984 and then over the second half of the 1980s[513]. It should be clarified that labor unrest in the post-1984 years (that is, until the pro-democracy movements in 1989) posed much less of a political threat to the Party leadership than the 1980-1981 wave. The post-1984 labor unrest did not surge in frequency or intensity in a wave-like manner over a short period of time, did not prominently feature political demands or independent organizing, and did not develop in resonance with momentous labor uprisings overseas. Nevertheless, the ACFTU cadres repeatedly noted the labor unrest in the FDRS era as something that deserved attention. For example, Luo Gan, one of the ACFTU Vice Presidents, acknowledged in July 1985 that "recently, [enterprise] leaders engaged in misconduct and infringed upon workers' rights, resulting in work slowdowns and even stoppages"[514]. Even though Luo Gan claimed that this labor unrest broke out only "in a small number of enterprises" – we have already encountered similar phrasings used in the official discourse during the 1980-1981 strike wave – this "small" number was at least big enough for the ACFTU leadership to take note.

In January 1986, the ACFTU Vice President Chen Bingquan provided some statistics on the ongoing labor unrest. At the symposium that kicked off the aforementioned large-scale nationwide survey project, Chen intimated that

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[512] 中华全国总工会《中国职工队伍状况调查 1986》，第 17 页，工人出版社，1987 年 1 月。The ACFTU, *The 1986 Survey on Chinese Workers' Circumstances*, p.17, Beijing; Workers' Press, January 1987, emphasis added.

[513] Of course, this is not to say that there were no strikes or labor protests between 1981 and 1984. Strikes and labor protests did happen in the intervening years, as we have seen in Chapter Three. But the overall scope, frequency and intensity of these occurrences seemed to be considerably more limited than what was witnessed in 1980-1981 and over the second half of the 1980s, based on my assessments of the available archival evidence.

[514] 《罗干在全总十届六次主席团扩大会议上的讲话》，1985 年 7 月 14 日，载于《中华全国总工会文件选编（1985）》第 299-317 页。"Luo Gan's Speech at the Sixth Enlarged Presidium Meeting of the Tenth ACFTU Congress", July 14, 1985, in *Selected Documents of the ACFTU (1985)*, pp.299-317.

> "According to statistics compiled by union branches in 18 provinces and cities, during the fourth quarter of last year[515] 120 incidents of strikes, work stoppages and collective petitioning took place, with participants numbering nine thousand[516]. 70 to 80 percent of these incidents were motivated by wage-related grievances……Some places were quite unstable before or after the Spring Festival this year. Passive slowdowns and idling on the job were even more widespread among workers."[517]

These ongoing developments were indeed taken note of by the Party leadership, even though they did not trigger as much political anxiety as the 1980-1981 unrest. In February 1986, for example, the Party's Central Committee and the State Council jointly promulgated a guideline on "political thought work" regarding wage- and bonus-related issues in enterprises. The pronouncement specifically quoted the labor unrest as what motivated the issuing of this policy document[518].

Nevertheless, strikes and other contentious actions continued to be staged with consistent regularity. Luo Gan again reported in August 1986 that

> "Among the more than 100 incidents of work stoppages, collective petitioning and marching that happened in various places between January and April this year, there were three kinds of motivating factors. The first category was flaws in policies or mistakes in the policies' implementation. The second category was the bureaucratism of factory leaders who disregarded workers' democratic rights and infringed upon their interests (such as haphazardly enacting plans of wage reforms without democratic deliberations and imposing excessive fines and penalties on workers) or who failed to address those issues immediately relevant to workers' personal interests that should have been addressed long ago (such as improving working conditions, canteens and single dormitories). The third category was workers' inability to correctly understand reform policies or to correctly handle the relationship between the interests of the state, the enterprise and the individual worker, leadingly to workers' excessively high demands – yet these incidents were usually *trigged by factory leaders' lack of democracy, enjoyment of special privileges or abuse of power for personal benefit*."[519]

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[515] "The fourth quarter of last year" here referred to October-December 1985.

[516] Chen noted elsewhere that this was definitely an underestimation. 《陈秉权在办公室主任会议上的讲话》，1986 年 3 月 12 日，载于《中华全国总工会文件选编（1986）》第 174-180 页。"Chen Bingquan's Speech at the Meeting of Union Office Directors", March 12, 1986, in *Selected Documents of the ACFTU (1986)*, pp.174-180.

[517] 《陈秉权在职工队伍状况调查工作座谈会上的讲话》，1986 年 1 月 18 日，载于《中华全国总工会文件选编（1986）》第 62-70 页。"Chen Bingquan's Speech at the Symposium on Surveying Workers' Circumstances", January 18, 1986, in *Selected Documents of the ACFTU (1986)*, pp.62-70.

[518] 《中共中央办公厅、国务院办公厅关于加强企业工资、奖励工作中思想政治工作的通知》，1986 年 2 月 3 日，载于《建国以来中共中央关于工人运动文件选编（下册）》第 1533-1538 页。"Notice on Strengthening Political Thought Work in Enterprises' Wage and Bonus Work, by the Office of the Party's Central Committee and the Office of the State Council", February 3, 1986, in *Selected Compilation of Documents about the Workers' Movement Issued by the CCP Central Committee after the Founding of the PRC* (Second Volume), pp.1533-1538.

[519] 《罗干在职工思想政治工作会议上的讲话》，1986 年 8 月 3 日，载于《中国工会十大以来重要文件选编》第 404-413 页。"Luo Gan's Speech at the Conference on Political Thought Work for Workers", August 3, 1986, in *Selected Compilation of Important Documents of Chinese Unions since the Tenth ACFTU Congress*, pp.404-413, emphasis added.

Whereas the information relayed by the ACFTU's national leadership allowed for a birds-eye view of the labor unrest's developments, a speech by Yuan Zhangdu, president of the Shanghai Federation of Trade Unions, related more vivid details of specific incidents in Shanghai. Yuan's speech, delivered in August 1985, recounted that "in one enterprise, the leaders convened a SWC session as a mere formality to ratify the plan of internal economic contracting, despite issues and disagreements raised by SWC representatives. A collective work stoppage resulted the day right after the SWC was forced to ratify the plan"[520]. Later in the speech, Yuan further revealed that

> "Since the beginning of this year, there have been some incidents in which factory leaders' corrupt behavior and inappropriate distribution of wages and bonuses led to workers' grievances, slowdowns, and work stoppages. Workers accused their factory leadership of enjoying a full package of promotions, wage raises, bonuses, and job-specific stipends and grabbing too much. In some enterprises, fines were imposed on workers too frequently, causing workers to complain that 'cadres' income keeps growing in all sorts of ways, yet workers' income keeps diminishing because of fines and penalties.' Even though in Shanghai the enterprises which have witnessed overt slowdowns and collective stoppages are still a small minority, passive and covert slowdowns are quite common."[521]

The outbursts of labor unrest did not subside in any meaningful sense in 1987 and 1988. Drawing upon contemporaneous news coverage, Jeanne Wilson reported that "by 1987 strikes and industrial go-slows were on the increase in China. According to figures provided by the ACFTU, 97 strikes took place in China in 1987 and over 100 in 1988, the largest involving 1,500 workers in a textile mill in Zhejiang province and the longest a three month walkout by 1,100 workers in a medical appliance factory in the north-west of China"[522]. One caveat should be noted in Wilson's account: her claim that strikes were "on the increase" by 1987 likely reflected how she had missed the traces of similar occurrences in 1985 and 1986. In fact, the statistics she cited did not seem to show a notable increase of strikes and labor protests from 1985-1986 to 1987-1988. It is more accurate to conclude that labor unrest maintained a consistently notable – though far from explosive – presence over a period of more than four years leading up to 1989. In 1988, union researcher Chang Kai conducted a study specifically on incidents of strikes and labor protests. He found many of them to be motivated by managerial despotism and misconduct: in one factory, workers took to the street to protest the factory leadership's nepotistic distribution of wage raises; in another, the factory director arbitrarily raised the fine on tardiness from 1 *yuan* to 30 *yuan*, delivered a secret bonus of 800 *yuan* to each workshop head, and removed legitimately elected SWC representatives, and workers went on strike after the factory director ignored their inquiries about these issues; in yet another factory, workers went on strike for two

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[520] 上海市档案馆，C1-3-756-9，《袁张度在市总七届五次委员（扩大）会议上的报告》，1985 年 8 月 23 日。Shanghai Municipal Archive (SMA), C1-3-756-9, "Yuan Zhangdu's Report at the Fifth (Enlarged) Council Meeting of the Seventh Congress of the Shanghai Federation of Trade Unions", August 23, 1985.

[521] Ibid.

[522] Jeanne Wilson, "'The Polish Lesson'", p.270.

days after the factory director favored themself during housing distribution[523].

Similar to what we have seen in Chapters Two and Three, labor unrest in China's 1980s encompassed not only openly defiant acts like striking and protesting, but also many quotidian and subtle forms of resistance such as slacking, absenteeism, tardiness, excessive carelessness on the job, wasteful uses of materials, as well as verbal and physical harassment of factory managers. The aforementioned speeches by both Chen Bingquan and Yuan Zhangdu claimed that frequent "passive and covert slowdowns" and "idling" – that is, workers' refusal to put in their best efforts at work – were a serious problem. The scale of this problem could not be accurately ascertained but was apparently vast. One factory manager interviewed by sociologist Andrew Walder in 1986 admitted that, due to workers' resentment at what they perceived to be unfair housing distribution, "he avoided the canteen for fear of running into habitual supplicants, and one disgruntled worker had even piled up the family's furniture at his office door to dramatize their plight"[524]. Jackie Sheehan documented that the increasingly real possibility of being harassed or attacked by workers in the late 1980s led to "the trend among top managers to hire bodyguards for themselves, apparently not out of a general fear of increasing violent crimes in cities, but rather specifically to protect themselves from the wrath and violent retribution" of workers[525].

Therefore, how to maintain labor discipline and secure a reasonable amount of workers' effort in a context of rising discontent became a persistent challenge most factory directors had to wrestle with in the FDRS era. One popular solution was to impose a variety of penalties and fines so that – hopefully – workers were coerced into submission. A couple of quotes above have already mentioned this. In addition to monetary fines, factory directors also utilized their newly gained despotic power over job assignments and punished "those who fail to perform, or who challenge their authority, by transferring them to lower-paying jobs inside and even outside the factory[526]", according to Andrew Walder[527]. In fact, "governing by punishing" (*yifa zhichang*) became a frequently used phrase over the second half of the 1980s to describe a common style of management adopted by factory directors.

However, punishment could only go so far. Not only did it prove to be futile when it came to ensuring labor discipline, but it became a new target of workers' resentment. In colorful details, the aforementioned report of the ACFTU's nationwide survey project in 1986 conveyed the consequences of such resentment at excessive punitiveness:

"A young worker in an enterprise in Zhengzhou drank DDVP on May 7, 1985, trying to

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[523] 常凯《工潮问题的调查与分析》,《当代工会》第 1 辑，第 51-59 页，1988 年 9 月。Chang Kai, "Investigation and Analysis of Labor Unrest," *Contemporary Unions* Volume 1, pp.51-59, September 1988.

[524] Andrew G. Walder, 1989, "Factory and Manager in an Era of Reform," *The China Quarterly* 118: 242-264, p.251.

[525] Jackie Sheehan, *Chinese Workers*, p.209.

[526] In this quote, "transferring workers outside the factory" should not be understood as firing workers. In the late 1980s it was still generally difficult for factory directors to fire employees who had gained formal and permanent status. "Transferring workers outside the factory" usually happened through re-assigning workers to lower-status subsidiary service or sales facilities run by the factory.

[527] Andrew G. Walder, 1991, "Workers, Managers and the State: The Reform Era and the Political Crisis of 1989," *The China Quarterly* 127: 467-492, p.473.

commit suicide in order to express resistance to the penalties imposed by cadres (the worker was saved after timely rescue). Some workers peed and pooed in the offices of their workshops as a way of protesting."[528]

The report went on:

> "Some workers said: 'You can penalize us the way you want, but we have the right to be passive and go slow and to waste things even though we have no other rights.' 'You fine us for five *yuan*, I'll make you compensate by causing economic losses ten times or a hundred times greater.' 'I'll work with care if you show up to supervise, but I won't care that much when you're absent.' As a result, they worked hard only when the managers were physically present and went idle when they were not……In a mine in Yangquan, Shanxi Province, attendance and production performance used to be very good. But since penalties became excessive, attendance declined, accidents increased, and production output dropped. Over the first half of 1985, machine accidents caused the mine 4,242 hours of production and 16.5 tons of output."[529]

This evidence not only shows how managerial punitiveness substantially amplified workers' discontent. More importantly, it also shows how workers were able to express such discontent and cause trouble to their enterprise leadership in numerous ways, sometimes through everyday minute acts. Several other pieces of evidence presented above have also shown that managerial punitiveness regularly came up as a major factor motivating workers to go on strike and stage protests. This pattern was similarly confirmed by Andrew Walder who, focusing on the punitive use of job transfers, pointed out that "the issue of job tenure and punishments has become a new source of tension. In such an atmosphere, management-labour antagonisms have sharpened over the past decade, enmeshing many factories in endless rounds of slowdowns, concessions, and lingering animosities"[530]. Therefore, factory directors would sooner or later realize that coercion alone could not bring about labor discipline; some measures to cultivate workers' consent were needed. The question of how to cultivate consent and ease shopfloor tensions – in the context of widespread managerial despotism – turned out to be one of the thorniest questions in Chinese industry in the FDRS era. It would go on to produce fateful consequences for China's political economy.

The Purchase of Industrial Peace

As the previous section has documented, the intensification of shopfloor tensions was caused by power concentration, managerial despotism and what many workers perceived to be factory directors' abuse of power in their handling of distributional issues. However, factory directors were not inclined to address this root cause as a way to maintain workers' consent. Shopfloor tensions might have been eased by restoring workers' democracy in enterprise management so as to make workers feel authentically heard and empowered. But factory

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[528] *The 1986 Survey on Chinese Workers' Circumstances*, p.167.

[529] Ibid.

[530] Andrew Walder, "Workers, Managers and the State," p.473.

directors were generally unwilling to forgo their newly concentrated power. After all, managerial resistance to workplace democracy had always been strong since the late 1970s and early 1980s[531]. Now, in the FDRS era when a policy emphasis on workplace democracy was no longer present, it was only reasonable to expect such resistance to become even more unrestrained. In the early 1980s, bottom-up pressures exerted by grassroots workers and top-down policy pressures affirming the importance of workplace democracy *worked in tandem* to overcome managerial resistance and enable the SWCs' exercise of power to carry real weight (see Chapter Three). After 1984, with top-down pressures no longer forthcoming, bottom-up pressures from workers alone were not sufficient to compel factory directors to forsake power. After all, the FDRS was perceived exactly as a strong political mandate to establish managerial despotism. For sure, there were cases in which factory directors rescinded some of the most resented measures they had imposed after workers' anger exploded (the Wuhan Rubber Factory was one example, as shown in Chapter Four). But these *post hoc* rescissions, however effective they might have been in momentarily cooling down workers' outrage and resolving strikes, were unlikely to help with securing *sustained* consent and effort from workers.

Alternatively, factory leadership could have resolved to deal with distributional issues – about which workers tended to be most anxious – in more transparent and fair ways. But this was equally unrealistic. After all, factory managers were personally profiting from all of the favoritism, nepotism and special privileges enabled by handling distributional issues in opaque and exclusive ways[532]. In addition to creating opportunities for personal and familial enrichment, opaque dealings over distributional issues also helped factory directors further consolidate their personal power. Such dealings allowed them to build patronage networks among mid-level managerial staff and some frontline workers. For example, Andrew Walder documented in 1987 that "corrupt managers……build small empires on illegal payments, using them for unofficial benefits for both staff and workers"[533]. This is likely why, after the FDRS was ushered in, secretly handing workshop heads extra cash stipends became a popular practice among factory directors. Therefore, more transparent distribution could have jeopardized this whole web of patronage interests and irritated mid-level managerial personnel whose consent factory directors also critically depended upon.

For these reasons, incessantly issuing across-the-board pay raises – particularly bonuses – to workers was almost the only appealing option for factory directors to consistently maintain a basic level of consent. Such material inducements were politically convenient. They did not require factory directors to sacrifice their own power and privileges; nor did they require them to make hard decisions to adjust the power and distributional arrangements inside factories. By "lifting all boats" to some extent, factory directors increased workers' level of tolerance and

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[531] Based on contemporaneous fieldwork, Martin Lockett has convincingly documented such cadre resistance. See Martin Lockett, "Enterprise Management: Move towards Democracy?" One and a half decades later, Lockett's findings were confirmed by historian Jackie Sheehan's research based on news reports. See Jackie Sheehan, *Chinese Workers*, chapter 6.

[532] For how factory managers sought personal privilege in distribution despite tremendous resentment from workers in the late 1980s, see Andrew Walder, "Workers, Managers and the State."

[533] Andrew G. Walder, 1987, "Wage Reform and the Web of Factory Interests," *The China Quarterly* 109: 22-41, p.37.

acquiescence to the despotic exercise of power, managerial misconduct and distribution of special perks and privileges. Workers were made to feel that their power and masterly status were forsaken in exchange for something. In other words, factory directors were incentivized to resort to literally "buying" workers' consent and industrial peace. The underlying dynamic here had parallels in many different settings. For example, Ching Kwan Lee and Yonghong Zhang conceptualize China's political regime in the early 21st century as "bargained authoritarianism". Under this regime, popular protests were depoliticized and pacified as local governments answered to whatever demands posed by the protesters through cash concessions[534]. Greta Krippner finds that American politicians in the postwar era avoided making hard decisions on distributional conflicts by easing the total supply of credit as well as maintaining a growing level of fiscal deficits. These were convenient ways to address various popular sectors' demands and keep all sides of the distributional conflicts happy[535]. What factory directors in China's FDRS era, local government officials in China's early 2000s and American politicians in the postwar era had in common was an urge to circumvent the need to directly confront pressing political and distributional issues by doling out easily attainable, short-term economic dividends. In this specific sense, these could all be conceptualized as cases of "depoliticization".

One critical condition that enabled factory directors to purchase industrial peace through pay raises and bonuses was the increasing autonomy of public enterprises in the 1980s to manage their own finances. After all, if wage grades and bonus payments had to be set by the Party-state and every dime of enterprises' expenditures had to be approved and monitored by their overseeing Party-state authorities, it would not have been possible for factory directors to unilaterally increase their workers' income. But over the 1980s, as part of the continuous effort to make public enterprises more autonomous from the Party-state, enterprises were allowed to retain a growing share of their own profits. Decisions on how to spend these funds could be made independently within the enterprises. In 1979, the total amount of profits retained by state-managed enterprises was 9.6 billion *yuan*, accounting for 12.3 percent of all realized profits. Between 1980 and 1985, this annual amount grew to 14 billion, 16 billion, 21 billion, 29 billion, 35 billion and 46.2 billion (39 percent of all realized profits in 1985), respectively[536].

In the early 1980s, many SWCs meaningfully participated in decision-making over the uses of such retained profits, as shown in Chapter Three. After the transition to the FDRS, the power to make these decisions was concentrated in the hands of factory directors. These retained funds enabled factory directors to arbitrarily issue across-the-board pay raises to all workers and, on top of these, selectively and secretively dole out supplementary stipends for patronage purposes. Therefore, factory directors had reason both to bargain with the Party-state for profit-sharing schemes that allowed for maximal profit retention and to spend a significant share of the retained profits on pay raises. A research article published in 1988 by two economists reported that, over

[534] Ching Kwan Lee and Yonghong Zhang, 2013, "The Power of Instability: Unraveling the Microfoundations of Bargained Authoritarianism in China," *American Journal of Sociology* 118(6): 1475-1508.
[535] Greta Krippner, *Capitalizing on Crisis: The Political Origins of the Rise of Finance*, Harvard University Press, 2011.
[536] 项怀诚，《在改革中前进的中国财政》，载于《财政研究》1987 年第 2 期，第 1-9 页。Xiang Huaicheng, 1987, "China's Public Finance: Progress amidst Reform," *Research on Public Finance* Issue 2: 1-9.

the preceding few years, on average 80 percent of enterprises' retained profits had been spent on bonuses, subsidies and other benefits[537].

The first sign of how factory directors were using pay raises to purchase workers' consent was observed in late 1984. As mentioned in the previous chapter, the last quarter of 1984 witnessed a wave of "excessive and chaotic payouts of bonuses and other benefits in kind" across many factories where the FDRS had been recently implemented. Whereas the policymakers blamed this phenomenon on *too much* democratic power available to workers (see Chapter Four), my explanation of this phenomenon points in the opposite direction: rampant pay raises were in fact caused by a sharp *decline* in workplace democracy. Some municipal Party-state officials took note of this in early 1985. Sun Wenying, director of the Wuhan municipal Party committee's department of economic work, commented in March 1985 that "right now we must correct the wrong tendency among some factory directors who, *in order to win the support of a segment of workers*, excessively upgraded equipment[538] and *recklessly handed out payments in cash or in kind* until exhausting the factories' financial reserves"[539]. By August that year, the phenomenon had become so pronounced that a couplet was invented to specifically describe it. The saying, which the chairwoman of the Wuhan Federation of Trade Unions Li Meifang cited at an ACFTU meeting, was "leaders governed by money, workers labored for money (*lingdao kaoqian guan, gongren kaoqian gan*)"[540]. Four year later, one of China's Deputy Ministers of Finance Liu Zhongli conducted a research tour in Henan, Hebei and Hunan Provinces. He discovered that generous income raises still remained the primary means for factory directors to make workers work. According to Liu's report, some factory directors bluntly admitted that "the only way to manage workers was to 'pay them wages as long as they show up to work and reward them with bonuses for any actual work they do'"[541].

Throughout the second half of the 1980s, Zhao Ziyang – alongside other policymakers, many Chinese economists as well as foreign researchers like Andrew Walder – repeatedly complained about a "pressure" inside factories to raise workers' pay. They thought that this pressure was rooted in workers' desire to *panbi*, a word with roughly the same meaning as the American idiom "keep up with the Joneses". As they understood it, workers tended to look to those enterprises in their respective industries and localities with the highest income (as well as the burgeoning sectors of private businesses). Workers then allegedly pushed their own

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[537] 戴园晨、黎汉明，《工资侵蚀利润——中国经济体制改革中的潜在危险》，载于《经济研究》1988 年第 6 期，第 3-11 页。Dai Yuanchen and Hon-ming Li, 1988, "Wages Eating into Profits: A Potential Danger in China's Economic System Reform," *Economic Research* Issue 6: 3-11.

[538] Excessive upgrade of equipment was effectively another way to raise workers' income because it artificially boosted productivity and therefore productivity-linked wage and bonus payments.

[539] 武汉市档案馆，XX000005-WS01-29-5，孙文英《在全市经济工作会议上的讲话》，1985 年 3 月 25 日。Municipal Archive of Wuhan (MAW), XX000005-WS01-29-5, Sun Wenying, "Speech at the Municipal Economic Work Conference," March 25, 1985, emphasis added.

[540] 武汉市档案馆，XX000091-WS03-124-4，李梅芳《围绕城市改革 主动参政议政》，全总十届三次执委会议材料，《武汉工运》第四期，1985 年 10 月。Municipal Archive of Wuhan (MAW), XX000091-WS03-124-4, Li Meifang, "Actively Participating in Political Consultation with a Focus on Urban Reform", speech material for the Third Executive Council Meeting of the Tenth ACFTU Congress, reprinted in *Wuhan's Workers' Movement* Issue 4, October 1985.

[541] *Marching through the Storms (1989)*, p.114.

enterprises to raise pay to comparable levels, creating a race to the top. In the post-1984 years, it was increasingly common to hear of cases in which public enterprises increased workers' pay beyond what their financial capabilities could afford. The puzzle left unexplained in such observations, however, was what made factory directors so susceptible to such "pressure" to raise income. After all, the pressure for income growth could not automatically translate into actual income growth, especially because China did not yet have a proper "labor market" governed by supply and demand. The link missed by policymakers like Zhao was that, *in a context of weakened workplace democracy and increasing managerial despotism*, factory directors began to overwhelmingly rely on pay raises to ease shopfloor tensions and sustain workers' consent. This was the case whether or not workers themselves actively asked for these raises.

Let me add two clarifications to my argument. First, I am not arguing that over the second half of the 1980s workers kept pressuring their factory managers to raise pay. My argument instead is that factory directors incessantly issued across-the-board pay raises to mitigate a wide range of manifestations of workers' discontent. This discontent was rooted in managerial despotism and might have otherwise been resolved through more democratic management and transparent distribution. In other words, factory directors resorted to pay raises to superficially shore up their authority in a context where worsening management-labor relations created a landmine of potential resentment. Some factory directors, in anticipation of the likely intensification of shopfloor tensions after managerial despotism was fully established, resorted to pay raises as a preemptive measure before the actual deterioration of management-labor relations. In many of these cases, pay raises became a means to please workers so that a transition to managerial despotism was made more bearable. This was partly why in 1984 rampant and chaotic bonus payouts (the scope of which deeply perturbed such top policymakers as Zhao Ziyang) followed the launch of the FDRS almost immediately. In sum, my argument in this section centers a managerial strategy, not workers' demands. Over the last couple of years of the 1980s, as it became clear to workers that pay raises were the only thing the management was willing to concede and as inflation escalated to unbearable levels, workers in many enterprises might have explicitly demanded more pay raises. But such demands were an *outcome* of the managerial strategy factory directors had already been deploying, not its cause.

Second, my analysis both speaks to and challenges an argument in the existing scholarship, most famously associated with Andrew Walder. This argument is that China's factory managers and workers formed a "tacit alliance" throughout the 1980s seeking to attain across-the-board pay raises for entire workplace communities[542]. According to Walder, because workers in China's public enterprises could not be easily fired and factory directors depended upon their effort and cooperation, "management tri[ed] to encourage worker cooperation by maximizing the

[542] This argument has been articulated in a series of articles by Andrew Walder: "Wage Reform and the Web of Factory Interests," "Factory and Manager in an Era of Reform," and "Workers, Managers and the State." It is still being circulated in recent scholarship. See, for example, Hao Qi, 2018, "'Distribution according to Work': An Historical Analysis of the Incentive System in China's State-Owned Sector," *Review of Radical Political Economics* 50(2): 409-426.

bonuses and other benefits distributed to workers"[543]. But Walder's argument overlooks two facts: first, the likelihood of workers' uncooperativeness was not a constant; and second, income growth was not the only possible way out there to secure worker cooperation. Relatively vibrant institutions of workplace democracy could both increase the overall level of worker cooperation (by making workers feel like genuine "masters" of their workplaces) and address a wide range of grievances – particularly those over thorny distributional issues – that motivated uncooperativeness. This is not to say that, with vibrant institutions of workplace democracy, the factory management displayed absolutely no tendency to dole out pay raises in exchange for labor discipline. My argument is rather that the *prominence* of this tendency and the "tacit alliance" between managers and workers was *inversely conditional* on the vibrancy of workplace democracy.

Existing evidence is more consistent with my argument than with Walder's. A close examination of the sources (mostly in the form of firsthand interviews, news reports and articles by Chinese social scientists) used across Walder's three papers advancing the "tacit alliance" argument reveals that the overwhelming majority of these sources described situations either before mid-1981 or after 1984. In other words, very little evidence was provided to show that the tacit management-labor alliance pressuring for pay raises was prevalent between 1981 and 1984. This was exactly the period when institutions of workplace democracy received most emphasis in the Party's political agenda and attained the highest level of functionality in the post-Mao era. Actually, Walder's 1987 paper acknowledged in a footnote that "the height of the problem [the issuing of excessive bonuses by enterprises] had apparently passed" by 1982[544]. Yet he neglected to look into why that was the case, thereby missing the chance to discover the conditioning effect of workplace democracy.

Stronger evidence in support of my argument over Walder's comes in the form of aggregate income statistics, presented in Table 2 below. Our analytical focus should be on per capita annual income (i.e. workers' average annual income) in state-managed enterprises (columns A and B). This is nominal income, unadjusted for inflation, which reflects the total amount of cash payments workers received from their enterprises. Its annual growth rate shows significant temporal variation between the late 1970s and the late 1980s. Workers' income saw accelerating growth between 1978 and 1980, but such growth slowed down to quite modest levels between 1981 and 1983. In 1984, however, workers' income growth shot up again. For four years out of the six-year period between 1984 and 1989, the growth rate stayed well above what was witnessed between 1978 and 1980. In 1987 and 1989, the growth rate contracted somewhat but still remained on par with the 1978-1980 levels. Overall, workers' average income growth in this period could be divided into three stages: moderately high growth in 1978-1980, low growth in 1981-1983, and sustained and exorbitantly high growth in 1984-1989. Urban residents' per capita disposable income is listed in Table 2 for comparison. Discrepancies between this statistic and per capita annual income in state-managed enterprises are due to the fact that the former also

[543] Andrew Walder, "Wage Reform and the Web of Factory Interests", p.32.
[544] Andrew Walder, "Wage Reform and the Web of Factory Interests," pp.34-35, footnote 49.

takes into account other categories of urban residents in addition to workers in state-managed enterprises: workers in collective enterprises, small business owners, Party-state cadres, employees in state-sponsored institutions (such as teachers), family dependents without income, and so on. Unsurprisingly, the absolute values of this statistic are always notably smaller than those of the per capita annual income in state-managed enterprises. But the growth rates display the same general trend: moderately high growth in 1978-1980, low growth in 1981-1983, and sustained and exorbitantly high growth in 1984-1989.

Table 2: Aggregate Income Statistics in Urban China, 1978-1989[545]

	Per Capita Income in State-Managed Enterprises		Urban Residents' Per Capita Disposable Income		
	Column A Nominal Annual Income (*yuan*)	*Column B* Nominal Growth Rate	*Column C* Nominal Annual Income (*yuan*)	*Column D* Nominal Growth Rate	*Column E* Real Growth Rate (adjusted for inflation)
1977	602	/	/	/	/
1978	644	7.0%	343.4	/	/
1979	705	9.5%	387.0	12.7%	12.7%
1980	803	13.9%	477.6	23.4%	12.7%
1981	812	1.1%	491.9	2.9%	0.5%
1982	836	3.0%	526.6	7.1%	4.9%
1983	865	3.5%	564.0	7.1%	5.0%
1984	1,034	19.5%	651.2	15.4%	12.4%
1985	1,213	17.3%	739.1	13.5%	1.5%
1986	1,414	16.6%	899.6	21.7%	13.8%
1987	1,546	9.3%	1,002.2	11.4%	2.4%
1988	1,853	19.9%	1,181.4	17.9%	-2.4%
1989	2,055	10.9%	1,375.7	16.4%	0.2%

What do we make of this three-stage variation? The high growth in 1978-1980 was partly due to the nationwide policy to adjust workers' wage grades upwards in 1977 and 1979 (see Chapter Three for a brief discussion). Also, in the first few years after bonuses were restored and many enterprises were allowed to retain profits, some factory directors were indeed resorting to across-the-board pay raises to secure worker cooperation. This was the managerial behavior documented by Andrew Walder, which surely contributed to high income growth in this period as well. But this growth soon subsided in 1981. The slowdown coincided with a slew of policy gestures that emphasized workplace democracy as a high-priority political subject (see Chapter Two). For the next couple of years, as many workers meaningfully exercised democratic power through their SWCs (see Chapter Three), the forces that drove the rapid growth of their income

[545] Data on the per capita income in state-managed enterprises are drawn from various volumes of *China Statistics Yearbook*; data on the urban residents' per capita disposable income are drawn from *Marching through the Storms* (1989), p.251.

were held in check.

In 1984, however, workers' income growth reached an unprecedented level. Why? Another round of nationwide wage adjustments in 1983-1984 had something to do with it, but could explain only a part of this 169-*yuan* leap. According to the official stipulations, the total amount of upward wage adjustments issued by an enterprise could not exceed 84 *yuan* per worker times the total number of workers employed by the end of 1978[546]. The average wage adjustments actually received by workers should therefore be way below 84 *yuan* per person, since the total number of workers employed in all state-managed enterprises grew by 17.7 percent between 1978 and 1983[547]. Even if some enterprises had issued wage adjustments that exceeded what was officially stipulated, it was still unlikely that these wage adjustments could have accounted for more than half of the 169-*yuan* jump of workers' per capita income in 1984. This was because the wage adjustments were phased in gradually over a two-year period in 1983-1984. It is therefore reasonable to conclude that a significant portion of the sudden leap in 1984 was explained by pay raises – particularly bonuses – issued by factory directors above and beyond the official wage adjustments. Factory directors used these pay raises to ease or preempt shopfloor tensions as enterprises transitioned to the FDRS. Again, it should be recalled that the last quarter of 1984 witnessed a wave of "excessive and chaotic payouts of bonuses and other benefits in kind".

Table 3: Workplace Democracy versus Workers' Income Growth, 1978-1989

	1978-1980	1981-1983	1984-1989
Vibrancy of Workplace Democracy	Uneven	High	Low
Workers' Income Growth	Moderately High	Low	Exorbitantly High

After 1984, the Party-state never stipulated another round of nationwide wage adjustments. Instead, it encouraged the establishment of mechanisms to index the amount of profits retained by an enterprise for bonus payouts to the enterprise's economic performance. A minority of enterprises, covering about 15 percent of all workers employed in state-managed enterprises, were made to index their total wage bills to economic performance[548]. As factory directors continued to feel the need to resort to pay raises to manage shopfloor tensions, they were inclined to bargain with the overseeing Party-state agencies to maximize the amount of funds carved out for wage and bonus payouts. Over the second half of the 1980s, the "tacit alliance" observed by Andrew Walder, in which factory directors exchanged pay raises for worker cooperation, was indeed prevalent. It was in fact more prevalent than ever before. In sum, the

[546] 劳动人事部《关于一九八三年企业调整工资和改革工资制度问题的报告》，1983 年 4 月 4 日，载于《中华全国总工会文件选编（1983）》第 218-222 页。Ministry of Labor and Personnel Affairs, "Report on the Enterprises' Wage Adjustments and Wage Reform in 1983", April 4, 1983, in *Selected Documents of the ACFTU (1983)*, pp.218-222.

[547] *China Statistics Yearbook*, various volumes.

[548] Dai Yuanchen and Hon-ming Li, "Wages Eating into Profits."

temporal trend in the income statistics supports an interpretation that sees workplace democracy and pay raises as two competing alternative mechanisms to maintain industrial peace. This analysis is encapsulated in Table 3.

Indeed, over the second half of the 1980s numerous statistics were cited by Chinese policymakers to warn that the workers' consumption fund – particularly bonuses – was growing out of control. Vice Premier Yao Yilin revealed at an internal meeting in 1987 that "in January and February, wages, bonuses and supplementary stipends paid out by banks[549] to workers in enterprises under ownership by the entire people or collective ownership grew by 20 percent compared to the same period last year, after consecutive large increases *already recorded last year and the year before*; among these, total bonus payments grew by 36.4 percent. In particular, during the Spring Festival season, a tendency to hand out benefits in kind was very notable, ranging from central-state agencies to local governments to enterprises"[550]. This trend did not at all abate throughout the year. According to a research report produced towards the end of 1987 by the State Council's Center for Development Research, "by the end of October, the total amount of income payments nationwide……grew by 12.5 percent over the same period last year; among these, bonus payments grew by 40 percent"[551].

Things did not get better in 1988. The *People's Daily* reported that "since the beginning of this year [1988], it has been quite common across the country for work units to single-handedly increase bonuses and stipends and excessively hand out payments in cash or in kind. By the end of the third quarter [September], the total amount of income payments to workers nationwide grew by 20.1 percent over the same period last year; among these, bonus payments grew by 46.6 percent. It could be further calculated that workers' monetary income in addition to wages and bonuses[552] grew by 27.5 percent over the same period last year"[553]. In sum, after the first wave of dramatic income growth in late 1984, the period between 1985 and 1988 witnessed consistently and alarmingly rapid growth of urban workers' compensation. Even in 1989, Premier Li Peng admitted that the total consumption fund was projected to grow by 20 percent that year[554]. Here lies one of the greatest ironies of China's economic policymaking in the 1980s. The anti-democratic turn inaugurated by the FDRS conveyed an urge to remedy the Party-state's fiscal crisis by curbing workers' monetary income (see the previous chapter). But it was exactly the FDRS era that saw workers' take-home pay soar to previously unimaginable levels. The actual effect of the FDRS sharply contradicted the policy intention behind it.

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[549] Urban enterprises usually took out funds from their bank accounts to pay their employees. Banks – which were essentially all state banks at the time – were responsible for registering, and sometimes monitoring, the amounts of money enterprises spent on wages, bonuses, and other payments to workers. This is what Yao was referring to when he said here that it was the banks that were paying workers.

[550] *Marching through the Storms (1987)*, p.134, emphasis added.

[551] *Marching through the Storms (1987)*, p.361.

[552] In addition to wages and bonuses, workers' take-home pay also included various subsidies and supplementary stipends, also paid by their enterprises.

[553] *Marching through the Storms (1988)*, p.225.

[554] *Marching through the Storms (1989)*, p.127.

The Inflationary Effect of the Purchase of Industrial Peace

China's second half of the 1980s was beset by waves of runaway inflation. One way to gauge the extent of this inflation is to compare the nominal (column D) and the real (column E) growth rates of urban residents' per capita disposable income in Table 2. Between 1979 and 1984, inflation was generally mild, with 1980 being the only exception. But every year between 1985 and 1989 saw severe inflation, leading to a decrease in urban residents' real income towards the end of the decade. Inflation could also be assessed through a variety of price indexes, presented in Table 4 below. Trends shown in Table 4 are consistent with what we have observed by comparing the columns D and E in Table 2. Between 1979 and 1984, inflation was not much of a problem, except for a temporary spike in 1980 as registered in workers' cost of living and total retail price indexes[555]. In contrast, the second half of the 1980s – with 1985 as the key turning point – was a period of consistently rampant inflation, which culminated in well-known developments in 1988: after several years of severe inflation, the announcement by the Party leadership of forthcoming price reforms in the summer of 1988 triggered extensive panic buying, driving price increases to astronomical levels[556].

Table 4: Price Indexes, 1979-1988[557]

	Workers' Cost of Living Index	Consumer Goods' Market Trading Price Index	Total Retail Price Index
1979	1.9	-4.5	2.0
1980	7.5	1.9	6.0
1981	2.5	5.8	2.4
1982	2.0	3.3	1.9
1983	2.0	4.2	1.5
1984	2.7	-0.04	2.8
1985	11.9	17.2	8.8
1986	7.0	8.1	6.0
1987	8.8	16.3	7.3
1988 (Jan-Sept)	17.7	33.2	16.0

Over the last few years of the 1980s, inflation outpaced many workers' income growth and caused their standards of living to decline. The aforementioned report authored by the State Council's Center for Development Research in 1987 warned that "according to research done by relevant agencies, the proportion of urban workers experiencing a decline in their real standards of living will greatly exceed 20 percent, which was the case last year"[558]. The situation might actually be worse than what this report warned, according to economist Liu Guoguang. Liu noted

[555] Coincidentally, 1980 was also the year when momentous labor unrest broke out in China (see Chapter Two). Surges in prices and costs of living that year might have played a role in brewing workers' grievances and moving them to act.
[556] For a recent retelling of this dramatic episode, see Isabella Weber, *How China Escaped Shock Therapy*, chapter 8.
[557] 刘鸿儒，《中国通货膨胀的成因分析》，载于《金融科学》1989 年第 1 期，第 21-29 页。Liu Hongru, 1989, "An Analysis of the Causes of China's Inflation," *Financial Science* Issue 1: 21-29.
[558] *Marching through the Storms (1987)*, p.361.

at a meeting of the Party's Central Committee that the decline of workers' standards of living was particularly pronounced in some provinces:

> "[in 1987] we heard bad news that had not been heard over the past few years. According to internal bulletins compiled by the Xinhua News Agency, the average living standards in cities in Heilongjiang Province dropped by 4 percent in 1987, the first decline ever recorded after an average annual improvement of 7.3 percent between 1979 and 1986. 49.9 percent of all urban residents in the province experienced a decline in living standards. In Jiangsu Province, the average living standards of urban residents similarly recorded the first decline in nine years; in more than half of the urban households there, income increases lagged behind price increases."[559]

The information related by Liu Guoguang was especially concerning, given that the two provinces cited here – Heilongjiang and Jiangsu – were in vastly different geographic regions and possessed disparate economic profiles. This suggested that the scale of the problem was wider than a particular geographic or industrial cluster. Andrew Walder similarly concluded that "there were impressive increases in purchasing power, but these increases mainly took place before 1986. After that year, real wages began to decline under the impact of inflation, and workers found it progressively more difficult to sustain the patterns of consumption they enjoyed in the middle of the decade"[560].

Inflation also caused political anxieties to accumulate. In 1987 and 1988, the Party-state leadership noted several times that runaway inflation could brew serious political trouble. These anxieties led to a remarkable comment made by Zhao Ziyang in 1988 that an emergency measure in the style of Poland's martial law declared in the wake of the Solidarity movement should be prepared to deal with any potential turmoil. At an internal meeting in May 1988 with members of the Standing Committee of the Party Politburo, Zhao gave a speech on how to plan the price and wage reforms. In it he said:

> "We need to prepare for the scenario in which something comes up. We must preclude any aberration and keep the situation stable. We need to come up with an emergency security law to guarantee a stable order for the reform, a law to endow the State Council with special powers when the need arises. Recall that it was once declared in Poland that no strike or street protest would be allowed to occur for half a year. There are so many tensions right now and it would be impossible to see no protest."[561]

How prescient Zhao was, given what happened a year later!

What, then, caused such runaway inflation over the second half of the 1980s? Inflation was almost always conjunctural and multi-causal, and it is impossible to pinpoint one single factor as the root cause. I would, nevertheless, argue that rapid increases in workers' nominal income – or more precisely, the managerial strategy relying on incessant pay raises to purchase industrial peace – was one of the key factors driving the inflationary cycles. Economic policymakers at the

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[559] *Marching through the Storms (1988)*, p.111.

[560] Andrew Walder, "Workers, Managers and the State," pp.472-473

[561] *Marching through the Storms (1988)*, p.151.

time were themselves aware that workers' income growth was part of the problem. The line of analysis frequently invoked in the policy discourse attributed inflation to the fact that "total demand exceeds total supply", with the gap between the two driving up money supply. In this macroeconomic analysis, "total demand" referred to the sum of 1) "investment demand", captured by the total amount of funds spent on infrastructural and fixed asset investments, and 2) "consumption demand", represented by the total size of the consumption fund of which workers' income constituted a significant component. A report prepared in December 1986 by the office of the Party's leadership group on financial and economic affairs (under Vice Premier Yao Yilin's supervision) was one of the numerous examples of this kind of analysis. The report contended that

> "But [this year] total societal demand still exceeds total supply, which is primarily reflected in the fact that the growth of fixed asset investments and of the consumption fund still substantially exceeds the growth of the total national income, which is 7 percent. Therefore, a bit too much currency has been issued, which is one of the important reasons why prices have been somewhat unstable."[562]

Several pages later, the report reiterated that "over the past few years, both the demand for productive construction and the demand for livelihood consumption have, overall, greatly exceeded what the existing productive capacity could supply"[563].

Similarly, a report prepared by the State Council's Planning Commission around the same time identified the major ill of China's economy to be that "the contradiction of total societal demand exceeding total supply has not been fundamentally solved, which manifests itself as an excessively large volume of fixed asset investments, irrationalities in the structure of investments and too rapid increases in workers' compensation compared to the growth of the total national income"[564]. This line of analysis thus identified at least three major causes to inflation: 1) excessive demand for fixed asset investments; 2) excessive growth of the consumption fund, most visibly evidenced by the rapid increases in workers' take-home pay; and 3) stagnation of productive capacity. In other words, workers' income growth was named as one major component of a configuration of causes that produced inflation.

However, this macroeconomic analysis of total demand and total supply stayed at too high a level of abstraction. It did not allow us to see how exactly the excessive issuing of pay raises to workers contributed to inflation. Based on contemporaneous research by economists published in Chinese-language academic journals, here I elucidate several concrete mechanisms linking workers' pay to inflation. First, as factory directors spent most of their enterprises' retained profits on bonus payouts and additional benefits (which were estimated to account for an average of 80 percent of the total profits retained), they did not have sufficient funds to finance their enterprises' investment needs. For investment-related spending – such as the construction of additional productive capacity, equipment renewal, and technological upgrading – enterprises

[562] *Marching through the Storms (1986)*, p.169.
[563] *Marching through the Storms (1986)*, pp.171-172.
[564] *Marching through the Storms (1986)*, p.189.

increasingly relied on taking out bank loans[565]. Since China's banks in the 1980s were not yet independent financial institutions responsible for their own profits and losses, they did not have any incentive to screen enterprises' loan applications too strictly. This was the case particularly if local governments pressured the banks to be more accommodating.

As a result, factory directors' haphazard issuing of pay raises, by draining up their enterprises' retained funds, caused a rapid expansion of bank loans. In 1985, within the entire pool of the fixed asset investments nationwide, 20.1 percent of the financing came from bank loans. The total amount of bank loans issued that year grew by 97.4 percent over the previous year (for comparison, in the previous year this yearly growth rate was merely 34.5 percent)[566]. With such rapid growth, the total amount of loans issued by the banking system soon exceeded the total amount of bank deposits, and the gap between the two widened quickly. In fact, in 1986 alone, the total amount of bank loans surpassed the total amount of deposits by 48.3 billion *yuan* (for comparison, over the five-year period between 1981 and 1985 this difference added up to 64.2 billion *yuan*); it was further estimated that 68 percent of the gap amassed in 1986 was accounted for by the loans issued to finance fixed asset investments[567]. As money-creating institutions, when banks were making more loans than the amount of money deposited in them, they were artificially inflating the amount of cash being circulated outside the banking system. With such excess money supply came severe inflationary pressures.

Second, in order to increase the amount of profits retained within their enterprises (which could then be spent primarily on the pay raises), factory directors sought to improve their enterprises' profitability by manipulating the partially liberalized price system. Economists Dai Yuanchen and Hon-ming Li documented how factory directors managed to raise the prices of their enterprises' products in numerous ways:

> "In those enterprises where a dual-track pricing system[568] is applied……enterprises have turned those products that are supposed to be procured by the state's planning system at mandated prices into products to be sold at market prices; since new products can be priced at different [higher] levels, enterprises make slight changes to their old products, claim they are new products, and raise the prices greatly; enterprises even petition the state to approve price increases for their old products."[569]

Economist Song Yunzhao added that, in order to boost profit retention and bonus payments,

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[565] Dai Yuanchen and Hon-ming Li, "Wages Eating into Profits."

[566] 宋运肇,《中国通货膨胀成因的分析》,载于《复旦学报(社会科学版)》1989 年第二期,第 1-6 页。Song Yunzhao, 1989, "An Analysis of the Causes of China's Inflation," *Journal of Fudan University (Social Sciences)* Issue 2: 1-6.

[567] Ibid.

[568] Over the 1980s, an increasing number of products were placed under a "dual-track" pricing system. Under this system, quotas were assigned to enterprises in terms of the amount of products that must be supplied to the state's planning apparatus, which procured and distributed these products according to prices mandated by the state. Any products the enterprises produced above the quotas could be freely sold at floating market prices. Quotas were usually up for negotiation between the enterprises and the overseeing Party-state authorities, and the market prices tended to be significantly higher than the state-mandated prices for the same products. An enterprise trying to maximize profits therefore had an incentive to keep the quotas as low as possible, so that a greater share of its products could be sold on the market.

[569] Dai Yuanchen and Hon-ming Li, "Wages Eating into Profits," p.10.

many enterprises abused their recently gained price-setting powers in ways that could be construed as price manipulation[570]. Unsurprisingly, frenzied price increases among even a small number of enterprises could set off chains of reactions that ended up substantially elevating the general price levels.

Third, even though urban workers generally did not spend as much as they earned, the accumulated savings enabled panic buying. Over the 1980s, Chinese people deposited a large share of their growing income. Whereas the total amount of household savings accumulated between 1949 and 1979 was 28.1 billion *yuan*, between 1980 and 1987 this amount grew each year by 11.8 billion, 12.4 billion, 15.1 billion, 21.7 billion, 32.2 billion, 40.8 billion, 61.4 billion and 83.8 billion, respectively[571]. In 1986, whereas the total amount of urban workers' compensation increased by 18.1 billion *yuan*, the yearly increment of bank savings from urban households grew by 13.5 billion *yuan*. Roughly speaking, workers deposited more than 70 percent of their pay raises that year. High saving rates suppressed urban households' actual levels of consumption and made inflation milder than what it otherwise might have been. But a gigantic reservoir of funds could be suddenly drawn out to finance panic buying. In mid-1988, after several years of unruly inflation had already created widespread anxieties, an official announcement of upcoming price reforms was (rightly or wrongly) perceived by the Chinese population as a forewarning of even more dramatic price increases to come. Anxieties turned instantly into panic. People hastily drew out their savings to purchase whatever they could lay their hands on. As a result, prices that had been growing substantially now soared exponentially, making 1988 the year with the most painful inflation (see Table 4). 1988 was also the first year in the post-Mao era that saw a decrease in the total amount of household savings[572].

To sum up, the previous and current sections together offer a two-fold causal argument. First, the decline of workplace democracy ushered in by the FDRS led to a managerial strategy in which factory directors primarily resorted to across-the-board pay raises to maintain industrial peace. Second, this managerial strategy was one of the important drivers of rampant inflation over the second half of the 1980s. In a roundabout sense, therefore, the single most formidable challenge besetting China's political economy in the leadup to the pro-democracy movements of 1989 could be traced in part to the decline of workplace democracy. Even though it does not seem econometrically possible to precisely tease out how much of the 1985-1988 inflation could be explained by the decline of workplace democracy, the close temporal association (see Tables 2 and 4) was immensely telling. Workers' income started to increase dramatically in 1984, the same year as the launch of the FDRS, and rampant inflation soon followed the next year. Such a high degree of temporal correspondence dovetails with a causal interpretation.

I should acknowledge that a causal interpretation of this temporal association is complicated by confounding factors, because the FDRS was not the only significant policy change that took

[570] Song Yunzhao, "An Analysis of the Causes of China's Inflation."

[571] Dai Yuanchen and Hon-ming Li, "Wages Eating into Profits."

[572] 殷孟波、冯用富，《对<中国转型经济中的通货膨胀和货币控制>一文中某些观点的讨论》，载于《金融研究》1995 年第 5 期，第 57-62 页。Yin Mengbo and Feng Yongfu, 1995, "Comments on 'Inflation and Monetary Control in China's Transitional Economy'," *Financial Research* Issue 5: 57-62.

place in 1984-1985. In early 1985, the State Council expanded the dual-track pricing system[573] to cover basic industrial inputs such as steel, wood, and cement. This policy essentially allowed the dual-track system to operate throughout the entire industrial economy[574]. Prices on the market track tended to be substantially higher than prices on the state-mandated track. Such price differentials created ample opportunities for manipulation, which drove up the overall price levels. It is not feasible to quantitatively disentangle the impact of this pricing policy on inflation versus that of the FDRS. The reason is that, as we have already discussed, one of the mechanisms through which the decline of workplace democracy contributed to inflation was precisely through pricing. Many enterprises fervently capitalized on the new opportunities for price manipulation that were offered by the expanded dual-track system, exactly because they sought to fatten their retained profits for the issuing of incessant pay raises. In statistical terms, there was an "interaction" effect between the expanded dual-track system and the decline of workplace democracy. In the absence of the FDRS, the inflation caused by the expanded dual-track system alone would likely have been substantially milder.

Lastly, I should clarify that both legs of my causal argument depend on key enabling and disposing conditions. It was only under certain conditions that the decline of workplace democracy led to incessant pay raises and that a managerial strategy centered on such pay raises fed into inflation. The first causal link critically depends on two conditions: first, factory managers in public enterprises could not freely hire and fire workers, thereby necessitating some means to cultivate workers' consent; and second, the enlarged autonomy of public enterprises to manage their own finances made the incessant and arbitrary issuing of across-the-board pay raises materially possible. The second causal link similarly hinges upon a few conditions, including 1) a seemingly bizarre banking system in which banks could make loans in excess of the total pool of their deposits yet were relieved of responsibility over their own profits and losses, as well as 2) the partial price liberalization embodied by the dual-track pricing system. In this sense, my argument connecting the decline of workplace democracy to inflation helps expose some of the most peculiar characteristics of a socialist economy in transition. This argument should thus not be understood as a statement of the general relationship between workplace democracy and inflation.

In Search of Policy Solutions

Over the second half of the 1980s Chinese policymakers sought to rein in workers' rapid income growth, but to no avail. This was unsurprising, given that they never correctly diagnosed the true cause of this riotous growth. Some of their analyses even headed in the exact opposite direction. We have already seen in the previous chapter that, following the launch of the FDRS in 1984, Zhao Ziyang and others analyzed the chaotic bonus payouts as a result of workers wielding *too much* democratic power over factory directors. For these politicians, the key challenge became how to ensure that factory directors were accountable to "the state's interests", rather

[573] For a brief explanation of what the dual-track pricing system was, see footnote 568.
[574] Isabella Weber, *How China Escaped Shock Therapy*, p.182.

than to "workers' interests". For a while in early 1985, Zhao Ziyang even played with the idea of sending "representatives of the state" into factories to monitor enterprise managers. This, of course, would have defeated the purpose of enlarging enterprise autonomy, and the policymakers did not end up pursuing it.

By 1986, Chinese policymakers settled on another reform initiative that was believed to be able to both deepen enterprise autonomy and enhance the accountability of factory directors to the state: the enterprise contracting system (the official name of the reform policy was "the responsibility system for the contracting of enterprise management", or *qiye chengbao jingying zerenzhi*). As the name suggested, it was a system under which public enterprises were contracted out for a certain period of time – usually three years – with the possibility of renewal. Those to whom an enterprise was contracted out were to sign a contracting lease with the state. The lease would specify the amount or proportion of the profits and taxes the enterprise would be expected to remit to the state each year, along with a set of other requirements the enterprise must meet (such as workplace safety and technological upgrading). During the life of the lease, the contractors assumed the role of factory directors. They were entitled to wide latitude to make their own managerial decisions over the said enterprises as long as the requirements stipulated in the leases were fulfilled. Any profits earned above the remission quota were to stay within the enterprises; conversely, the contractors were expected to shoulder any losses incurred after paying the pre-specified profits and taxes to the state.

On the one hand, it was easy to see how this contracting system further enlarged the autonomy of public enterprises from the Party-state. This system was meant to minimize the Party-state's interference with and monitoring over the enterprises' everyday operation and business decisions. The managerial power was now fully in the hands of the factory contractor-directors. This system built upon and popularized the various contracting arrangements that had been sporadically tried out over the early 1980s. On the other hand, this system was thought to increase the accountability of factory directors to the state's interests. The enterprises' economic obligations to the Party-state were now specified in formal, non-renegotiable fixed-term contracts. And the Party-state was no longer responsible for shouldering the enterprises' losses.

Accompanying this system of enterprise contracting was a new justifying discourse on how the very nature of those enterprises owned by the entire people should be rethought. This discourse was often referred to as the "separation of two rights" (*liangquan fenli*). It advanced that the nominal owner of these enterprises – both the "entire people" and the Party-state as the representative of the "entire people" – should step aside and not interfere with those actually exercising the managerial powers in these enterprises. In other words, ownership rights should be separated from management rights. This discourse of the "separation of two rights" in the context of socialist public ownership displayed some interesting parallels with the theory of the "separation of ownership and control" in the context of monopoly capitalism[575]. An internal memo outlining the rationale for enterprise contracting, which was discussed at a State Council meeting chaired by Zhao Ziyang in November 1986 and then finalized as a public

[575] Adolf Berle and Gardiner Means, *The Modern Corporation and Private Property*, Routledge, 1932.

pronouncement in December that year, explained that

> "……with the ownership of enterprises staying the same, the managerial powers within these enterprises must be opened up so that the *managers* (*jingying zhe*) have access to adequate managerial autonomy, with the corresponding rights, responsibilities, and economic returns truly matched. Under the managerial responsibility system, taxes, products, and the distribution of profits could all be specified in contracts, and the state should no longer interfere with the enterprises' internal affairs."[576]

It is worth noting that this discourse of the "separation of two rights" was singularly concerned with the relationship between the owner of the public enterprise (understood to be the state, essentially) and the manager of the enterprise. The question of whether workers could or should have any managerial rights was now sidelined. This discourse was vastly different from the conception of socialist public ownership Zhao Ziyang had articulated in 1980 (which might now feel like a century ago). Back then, Zhao forcefully argued that ownership by the entire people should not be understood as state ownership and that workers' democracy constituted the qualitative difference between the two (see Chapter One). The startling contrast between the two visions betrayed how far the mode of reasoning that underlay China's economic policymaking had evolved over the 1980s.

The rollout of enterprise contracting in 1986 and 1987 failed to tame urban workers' income growth. Even though the increases in workers' compensation slowed down somewhat in 1987, their momentum was fully revived in 1988 (see Table 2). From the analytical perspective of this chapter, this was not at all puzzling. The enterprise contracting did not address the root cause of workers' rapid pay raises, which was the decline of workplace democracy. Factory contractor-directors continued to rely on pay raises to purchase workers' acquiescence. Despite the contracting leases they had signed with the state, factory directors were still able to increase workers' compensation through such tactics as boosting their enterprises' profitability via price manipulation, overspending the retained profits, and accounting tricks that "concealed" profits from the Party-state. What Andrew Walder described as the "tacit alliance" in pursuit of ever-growing pay persisted strongly in the last couple of years of the 1980s.

These developments, however, did appear puzzling to the policymakers, who remained clueless about the actual dynamic driving the expansion of the workers' consumption fund. To make sense of this "puzzle", the policymakers were compelled to update their analysis. Zhao Ziyang ended up arguing that factory contractor-directors' "myopic" behavior – that is, their pursuit of workers' short-term income growth at the expense of their enterprises' long-term economic vitality – was a result of the "separation of two rights" not going far enough. During an internal deliberation on enterprise reform in November 1987, Zhao articulated his own intervention into the ongoing debate on the enterprises' "myopic" behavior. What Zhao said there was so illuminating that it is worth quoting at length:

> "A theory has been put forth which argues that enterprises are inclined to engage in myopic behavior after they are contracted out. This theory is incorrect. It gives the false

[576] *Marching through the Storms (1986)*, pp.142-143, emphasis added.

> impression that there was no myopic behavior before the contracting-out, and that the myopic behavior has emerged only afterwards. What is actually the case is that the more adequate the enterprises' management rights are, the less myopic behavior there is; the more limited the enterprises' management rights are, the less workers see their enterprises as their own, and the more severe the myopic behavior becomes. Enterprise contracting as practiced right now cannot fully resolve the enterprises' lack of attention to long-term behavior, and addressing this issue thus necessitates perfecting the enterprise contracting system. Whether enterprises' behavior is myopic or long-term crucially depends on whether contracting is temporary or lasting. If the policy is for the long haul, enterprises will plan for the long term; if contracting is seen only as a tentative ad-hoc measure subject to frequent policy modifications, enterprises surely will engage in myopic behavior. Addressing the issue of how enterprises handle long-term versus myopic behavior requires us to clarify that enterprise contracting, as a policy line, is to be affirmed for a long time and further perfected and developed..... Without the enterprise contracting system, there would not have emerged any *entrepreneurs* (*qiyejia*). It is only possible for a sizable cohort of entrepreneurs to emerge after the further perfection of the enterprise contracting system, and the enterprises' behavior would get better only then."[577]

This long quote deserves careful unpacking. Zhao Ziyang first rejected another popular argument – that enterprises engaged in myopic behavior because contracting made it difficult for the state to exercise the owner's supervisory powers. Zhao's analysis argued the opposite: the problem was the insufficient strengthening of management rights, not the weakening of ownership rights. Specifically, Zhao posited that enterprises engaged in myopic behavior because 1) their rights to independently manage their own affairs were still not "adequate" under the current contracting arrangements, and 2) the contracting arrangements were not assured to be stable and long-lasting. Conversely, Zhao's theory suggested that the myopic behavior would be largely eradicated – and the workers' consumption fund would be finally held in check – if long-term arrangements empowered public enterprises to become genuinely autonomous entities. These entities would be allowed to exercise full and unchecked discretion over the uses and allocation of their means of production *as if* it were their own.

Even though what Zhao said here did not explicitly question the *ownership* arrangements of public enterprises, his theory offered a logic that was strikingly similar to the neoclassical theory of property rights. The latter argues that economic actors would be incentivized to utilize property wisely and efficiently to the extent that their right to the said property is well-defined, exclusive, stable, and secure. The essence of Zhao's theory echoed this: the ultimate cure to enterprises' myopic behavior could come only in the form of more "adequate" contracting arrangements endowing enterprises with something as close to that property right as possible. In the late 1980s, the privatization of public enterprises *en masse* was not yet seen as politically viable. In another part of the November 1987 speech quoted above, Zhao himself rejected

[577] *Marching through the Storms (1987)*, pp.339-340, emphasis added.

massive privatization because of its potentially disastrous implications for wealth inequality and social tension[578]. A policy researcher working in the late 1980s at the Research Institute on Reforming the Economic System, a semi-official think tank closely associated with Zhao Ziyang, confirmed this. According to him, Zhao and his deputies expressively shot down the think tank's proposals to bring the question of ownership into the limelight[579]. Nevertheless, the practical need to reckon with enterprises' "myopic behavior" led Zhao to articulate an analysis implying that the contracting arrangements should resemble private property as much as possible.

Zhao's speech above also raised the thorny question of who in the contracted enterprises should be endowed with "adequate" management rights. On the one hand, in the middle of the quoted excerpt Zhao argued that "the more limited the enterprises' management rights are, the less *workers* see their enterprises as their own, and the more severe the myopic behavior becomes". This sentence could be understood to mean that it is the workers that were supposed to exercise the strengthened management rights. On the other hand, towards the end of the excerpt Zhao made it clear that enterprise contracting was supposed to cultivate "entrepreneurs" – a group of competent and visionary managers assuming the posts of the factory contractor-directors. It was this latter valorization of the role of the factory contractor-directors that was consistent with what Zhao had repeatedly emphasized on other occasions. It was also aligned with how enterprise contracting was actually practiced.

Technically speaking, an enterprise's workers as a whole could act as the collective contractor of the enterprise (this was called "collective contracting" – *jiti chengbao* or *quanmin chengbao*). But Zhao Ziyang made it unmistakably clear in another speech in 1987 that in collective contracting, factory directors should sign the contracting leases and exercise managerial powers *on behalf of* the "collective contractors"[580]. In the more common case in which an enterprise was contracted out to an individual manager, this factory contractor-director was expected to command comprehensive managerial powers and responsibilities (*quanmian fuze*) over the said enterprise. Zhao Ziyang clarified during a convening of all provincial leaders in early 1987 that the enterprise contracting system was first and foremost meant to incentivize contractor-directors by more fully concentrating managerial powers, responsibilities, and economic returns in their hands[581]. In another speech later the same year, Zhao claimed that a major positive difference the rollout of enterprise contracting had made so far was that "now, whatever the factory director says, workers comply with it." He then went on to assert that what needed to be done to make enterprise contracting really work was to "change the viewpoint that the manager is embedded in the workers" and instead to "erect the authority of the manager in the enterprise"[582]. Nevertheless, it was interesting that the figure of the workers still loomed uneasily in Zhao's November 1987 speech. The socialist ideology upholding the workers' masterly status could not be publicly disowned yet. At the same time, a quasi-neoclassical

[578] *Marching through the Storms (1987)*, p.337.
[579] Conversation conducted on October 28, 2021.
[580] *Marching through the Storms (1987)*, p.172.
[581] *Marching through the Storms (1987)*, pp.47-48.
[582] *Marching through the Storms (1987)*, p.172.

framework of property right now began to ambiguously and surreptitiously make its way to policy.

In December 1987, Zhao Ziyang seized another occasion to further explicate his evolving thinking on the "separation of two rights". In the "perfected" version of enterprise contracting Zhao now envisioned, the management rights to be granted to factory contractor-directors did resemble the right over private property much more closely:

> "In an enterprise owned by the entire people, the property of the enterprise is owned by the state, and the managerial powers of the representative of the enterprise – a.k.a. the factory director – shall include the rights to use (*shiyong*), retain (*zhanyou*), command (*zhipei*) that property, plus the right to dispose of it."[583]

What Zhao outlined here as the package of the management rights over public property to be bestowed on factory contractor-directors was still not equivalent to private property rights. Missing here were several substantively important dimensions such as the right to inherit property and the right to sell it on the market[584]. As is now well-known, the actual large-scale privatizations of China's public enterprises would entail much more tempestuous processes over the 1990s and early 2000s. What we are witnessing in the second half of the 1980s, instead, was the intellectual and political seeds being sown. While policymakers like Zhao Ziyang were not yet emboldened enough to put privatization on the agenda, they articulated policy ideas that bore increasing resemblance to the privatization of public property and moved these ideas to the center of political deliberations. In other words, what transpired in the late 1980s was an important episode of "midwifery" in the history of how China ended up embarking on the massive privatizations of public enterprises. As part of the evolving policy project to tame workers' income growth and correct factory directors' "myopic" behavior, the discourse of the "separation of two rights" and Zhao's subsequent radicalizations of it foreshadowed and set the stage for what were to eventually come in the 1990s.

Chapter Conclusion

In a sense, this entire dissertation is a pre-history of the thunderous political movements of 1989. This chapter has made the connection clear. The FDRS definitively ushered in an era of managerial despotism, shopfloor tensions, and the reliance on across-the-board pay raises to purchase industrial peace. This fed into vicious cycles of inflation over the second half of the 1980s. Runaway inflation was one of the key factors (alongside cadre corruption and official profiteering) that brewed widespread and intense discontent across various urban sectors – workers, students, intellectuals, lower-level Party-state staffers, small business owners, etc. – and eventually motivated their impassioned participation in the movements of 1989. The sidelining of workplace democracy in the mid-1980s would come to haunt the Party leadership like a boomerang. In a roundabout sense, it helped produce some of the most explosive and tragic movements for democracy Chinese history has ever seen. That is, the specter of democracy, once

[583] *Marching through the Storms (1987)*, p.356.
[584] I thank Cihan Tugal for raising this point.

expelled from China's factories, more vehemently reemerged in a few years' time on the streets, in public squares, and inside and across numerous workplaces.

The story told in this chapter helps us rethink the relationship between the political and the economic in workers' historical agency. Chinese workers exercised their agency and posed profound challenges to the Party-state not only through the waves of contentious political organizing (as in the dramatic episodes of 1956-1957, 1966-1967, 1980-1981 and then 1989) but also through the macroeconomic consequences produced by their quotidian and minute actions on the shopfloor. More importantly, the manifestations of workers' agency switched fluidly between the political and economic realms. In the FDRS era, even though the institutional channels for workers to get their voices heard in their workplaces were restricted, workers continued to exert tremendous pressure on the management by occasionally striking, shirking, slacking, wasting, gossiping, piling up furniture at the factory director's door, and peeing and pooing in workshop offices. They did not win back their democracy or more equal and fair workplaces, but they did "win" incessant increases in pay as a consolation prize. From this perspective, the 1980-1981 wave of labor unrest and the runaway inflation over the second half of the 1980s both evidenced workers' momentous agency, even though they appeared to be phenomena of very different nature. And in 1989, the macro-economic manifestation of workers' agency gave rise to another, more volcanic iteration of its political manifestation.

Lastly, this chapter has identified a "side effect" of the rampant growth of workers' income in the post-1984 years. This effect might have appeared inconsequential at the time but turned out to have profound historical consequences. Trying to figure out why factory directors engaged in "myopic" behavior, policymakers such as Zhao Ziyang articulated new understandings of the nature of public enterprises that resembled the neoclassical theory of property rights. They first proposed the "separation of two rights" in enterprises owned by the entire people. And they later radicalized their understanding of the "management rights", emphasizing factory managers' well-defined and enduring powers to use, retain, and dispose of public property *as if* it were their own. Even though the large-scale privatization of public ownership was still politically taboo, it seemed only one step of logical extension from what Zhao Ziyang and others were already advancing in the late 1980s. Much of the political and intellectual foundation for the waves of massive privatizations to come in the next decade was being built in these few years.

CONCLUSION

"Real Utopias" under Actually Existing Socialism

The previous chapters have shown how the political contestations and policy maneuvers on the issue of workplace democracy "transmitted", in a domino-like fashion, the crisis of the late 1970s all the way to the late 1980s. A profound political crisis in the late 1970s necessitated searching for alternative ideological discourses to justify the post-Mao political order. Some of these discourses and the related policy experiments soon helped inspire an explosive wave of labor unrest in late 1980 and early 1981, which presented an even more urgent political crisis. This led to passive-revolutionary policy concessions to partially strengthen the shopfloor institutions of workplace democracy. But in the context of the incipient market reform, these institutions brewed workers' "economistic" practices, which the Party leadership soon lost tolerance for when confronted with a persistent fiscal crisis. The anti-democratic turn of 1984 was the result, and the decided weakening of workplace democracy unexpectedly contributed to a severe economic crisis in the form of intensifying cycles of inflation over the second half of the 1980s. Widespread grievances and discontent with this runaway inflation loomed large as China entered the tumultuous year of 1989.

This conclusion proceeds in three steps. It first provides the last missing piece – an "epilogue" – to the historical narrative presented in the previous chapters. Specifically, it zooms in on the pro-democracy movements of 1989 and their impact on the trajectory of China's political economy. It then discusses the broader implications of this dissertation for a comparative inquiry of socialism. It lastly explores the implications of this dissertation for anti-capitalist strategy in the 21st century and beyond.

Epilogue: 1989 and Its Aftermath

It has been widely established in scholarly and popular accounts that rampant inflation was one of the major sources of grievances supplying the fuel for the pro-democracy movements of 1989. In the last chapter, we saw that in 1988, Zhao Ziyang was already warning that inflation might cause social turmoil and necessitate emergency measures comparable to what was deployed in Poland in 1981 by Wojciech Jaruzelski. In fact, the feeling that China was on the verge of political turmoil – with the inflation being the major destabilizing factor – was widespread within the policymaking circuits in the year leading up to the outbreak of the protests. This was recounted by Wu Wei, at the time the deputy director of the Party's Research Office on Political Reform[585]. Since 1989, the inflation has stayed in the center of attention as observers tried to make sense of the socioeconomic roots of the explosive movements. Andrew Walder, for example, remarked in 1991 that in the explanations of why workers massively participated in the movements, "the post-1986 inflation is commonly singled out, and this certainly was among the grievances mentioned first and most often by workers during the movement. Such inflation is often asserted either to have led to a rapid rise in the level of worker dissatisfaction or, more generally, to have led to a frustration of material expectations stoked by a decade of material

[585] 吴伟，《"社会突发事件研究"预警 89 学潮》，载于纽约时报中文网，2014 年 11 月 10 日。Wu Wei, "'Research on Sudden Incidents in Society' Forecast the Student Protests of 1989," *New York Times (the Chinese Site)*, November 10, 2014. Accessed at https://cn.nytimes.com/china/20141110/cc10wuwei36.

progress"[586]. Economist Michael Martin's analysis in 1992 identified inflation, rising prices and declining or stagnant real incomes as the common set of factors affecting all of the sectors that constituted the most active participants in the 1989 movements[587]. Thirty years later, in a recently published account of the 1989 movements, historian Jeremy Brown similarly emphasized that "rampant inflation in 1988 and early 1989 added to citizens' grievances" when discussing the social, economic and political backgrounds of the movements[588]. As for public-facing media accounts, the *Initium Media*, a Hong Kong-based[589] influential independent Chinese-language media platform, published a series of articles commemorating the thirtieth anniversary of the movements in 2019. One of the articles there was entirely devoted to a discussion of the runaway inflation as a critical motivating factor[590].

Drawing upon existing scholarship[591], published sources as well as interviews I conducted, my previous popular and academic writings[592] have provided a revisionist understanding of the ways in which workers participated in the pro-democracy movements of 1989, which were conventionally remembered as "student-led movements". In mid-April of 1989, elite college students across China initiated the first wave of demonstrations commemorating Hu Yaobang, the recently deceased, well-liked former General Secretary of the Party. The students subsequently escalated their actions into enormous protests demanding more comprehensive political reform in late April. In-mid May, some radical students in Beijing launched a hunger strike to reenergize the plateauing movements. At that point, out of sympathy with the students on hunger strike, workers and working-class residents in Beijing and China's other major cities began to massively participate – in the hundreds of thousands – in the movements. But during the second half of May, workers soon developed modes of action and discourses that exceeded the orbit of the student movements.

Workers led the charge to defy the martial law imposed on May 19, by spontaneously taking to the streets in Beijing's outskirts to confront the military trucks and to convince soldiers to stop marching into the city. They not only participated in marches and demonstrations but also

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[586] Andrew Walder, "Workers, Managers and the State," p.467.

[587] Michael Martin, 1992, "Urban Incomes, Workers' Democracy and the Spring Uprising," *Review of Radical Political Economics* 24(3/4): 136-165.

[588] Jeremy Brown, *June Fourth: The Tiananmen Protests and Beijing Massacre of 1989*, Cambridge University Press, 2021, p.27.

[589] The *Initium Media*'s headquarters moved to Singapore in 2021, following the enactment of the National Security Law and the draconian crackdown on the media sector in Hong Kong.

[590] 杨路，《通胀中的六四：失败的改革如何引爆革命》，载于端传媒，2019 年 5 月 31 日。Yang Lu, "The June Fourth in Inflation: How the Failed Reform Inflamed a Revolution," *The Initium Media*, May 31, 2019. Accessed at https://theinitium.com/zh-Hans/article/20190531-opinion-economyproblem-june4

[591] Two articles are particularly important: Andrew G. Walder and Gong Xiaoxia, 1993, "Workers in the Tiananmen Protests: The Politics of the Beijing Workers' Autonomous Federation," *The Australian Journal of Chinese Affairs* 29:1-29; Shaoguang Wang, 1992, "Deng Xiaoping's Reform and the Chinese Workers' Participation in the Protest Movement of 1989," *Research in Political Economy* 13: 163-197.

[592] Yueran Zhang, "The Forgotten Socialists of Tiananmen Square," *Jacobin*, June 4, 2019, accessed at https://jacobin.com/2019/06/tiananmen-square-worker-organization-socialist-democracy; "1989: Workers on Tiananmen Square," pp. 496-504 in *Proletarian China: A Century of Chinese Labour*, edited by Ivan Franceschini and Christian Sorace, Verso, 2022.

launched strikes and slowdowns in their workplaces, established cross-workplace connections, called for general strikes, and organized "picket corps" and "brigades" to maintain public order in their neighborhoods and communities as well as to monitor the whereabouts of the military. As public services collapsed in these few weeks, self-organizing among workers and urban residents filled the void. They also started to form independent organizations and produce handbills that put forward their own visions of democracy. These visions were usually centered first and foremost on democracy on the shopfloor and over the production processes – quite distinct from the more "liberal" visions of democracy articulated by the leaders of the student movements. In early June, workers' movements were becoming ever more organized and militant by the hour, whereas the student movements were getting increasingly disorganized and disoriented, something that appeared easier and easier to just wait out. It might be reasonable to speculate – I acknowledge that there is no available evidence supporting this conjecture – that the Party leadership's fear of the workers' ever-growing militancy might have played an important role in shaping its final decision to forcefully crush the movements by any bloody means necessary.

To be clear, I am not arguing that the rampant inflation motivated only workers' participation in the 1989 movements. Instead, it is more accurate to maintain – following Michael Martin – that the inflation created widespread grievances across diverse segments of the Chinese population – workers, college students, intellectuals, lower-rank cadres of the Party-state, self-employed petty businessmen, and urban residents in general. These grievances paved the way for a wave of society-wide movements, of which workers' actions constituted a particularly powerful part. Through a mechanism mediated by inflation, the efforts by the Party leadership to discipline and demobilize workers' democracy on the shopfloor backfired. The decline of workplace democracy contributed to a way more tumultuous and threatening wave of pro-democracy movements, in which various social strata intermingled and aired diversely subversive demands for democracy. In this way, the specter of workers' democracy haunted China's ruling elite throughout the 1980s.

Many scholars have argued that 1989 constituted a watershed moment in China's post-Mao history[593]. This dissertation provides a new perspective on why this was the case. For China's ruling elite, what transpired in 1989 threw into sharp relief that market socialism could not work in China. In China's particular context, the tension between the incipient and deepening market reform and the persistence of socialist public ownership (with its associated form of industrial citizenship) proved to be unresolvable and ever prone to incubate explosive crises. Even though the Party leadership remained largely clueless about why this was the case (in contrast, this dissertation has argued throughout that the key cause of the implosion of China's market socialism was the particular modes and patterns of interaction between the urban working class and the Party-state), 1989 did make it quite clear to them that market socialism seemed not viable anymore, with or without workplace democracy. The choice they faced now was a stark one: either to continue with the market reform and do away with socialist public ownership (effectively inaugurating capitalism), or to uphold socialist public ownership and reverse the

[593] For a recent elaboration, see Julian Gewirtz, *Never Turn Back*.

market reform (effectively returning to a more orthodox model of state-socialist planned economy). A side must be picked; there was no middle road.

In the three years after the 1989 movements, the rather fierce political battles between the "conservative" and "reformer" factions of the Party leadership, which have been widely remarked upon[594], were essentially over this choice. At first, the conservatives headed by Chen Yun seemed to have the upper hand. They launched powerful ideological attacks on the program of market reform, rolled back many of its elements, and stressed the importance of safeguarding orthodox socialist values. Backed into a corner, Deng Xiaoping, the champion of the "reformer" faction, embarked on a spectacular tour in Southern China in early 1992. On this tour, Deng deployed all the political capital he could have accessed to resolutely promote a policy program to advance the market reform. Deng's "gamble of a lifetime"[595] succeeded, and the relatively young generation of the Party's new leaders quickly fell in line. Over the following years, the market reform radicalized. Private capital accumulation thrived in ways that far exceeded what the 1980s China had witnessed. China's authoritarian capitalism was taking shape.

Integral to the making of this authoritarian capitalism in the 1990s was the fateful dismantling of the urban industrial workers in China's public enterprises *as a class*. The dynamic we have seen over China's "long 1980s", in which workers' historical agency fluidly switched between the political and economic realms, hinged upon one critical institutional condition: workers' industrial citizenship associated with the mode of socialist public ownership. Up until the late 1980s and early 1990s, a significant portion of China's industrial workers continued to be industrial citizens of their workplaces: they were barely fire-able, expected to access a wide range of welfare services provisioned by their enterprises, and identified more as rightful members of their workplace communities than as mere hired hands. Beginning in the mid-1990s, things changed dramatically. A sweeping wave of restructuring and privatizations of public enterprises was rolled out across China, resulting in massive layoffs, terminations of job security, and drastic cutbacks in welfare entitlements. The era of industrial citizenship was now over. Many of those industrial workers who continued to work in public enterprises were placed on various schemes of precarious employment that increasingly resembled Marx's satanic mills. The specter of workers' democracy, which proved to be so hard for the politicians and policymakers to wrestle with over China's "long 1980s", was finally displaced by destroying the very conditions of possibility for the existence of the socialist worker.

Implications for Comparative Socialism Studies

A central puzzle animating this dissertation originates from the classic thesis proposed by Burawoy and Lukacs in *The Radiant Past* on the inspirational effect of state socialism, already

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[594] Yang Su, *Deadly Decision in Beijing: Succession Politics, Protest Repression, and the 1989 Tiananmen Massacre*, Cambridge University Press, 2023, pp.233-236. Also see Yang Jisheng, *Political Struggle in China's Era of Reform*, chapter 7; and Julian Girwitz, *Never Turn Back*, chapter 15. The Chinese-language volume *Witnessing Significant Reform Decision-Making: Oral Histories of Reform Participants* also contains many relevant recollections by the policymakers themselves about these political battles.

[595] Yang Su, *Deadly Decision in Beijing*, p.239.

presented in this dissertation's Introduction. The puzzle is this: if Burawoy and Lukacs are correct that the *structural attributes* of state-socialist political economy enabled and inspired workers' grassroots activism to demand the democratization of socialism, why is it the case that workers in all state-socialist societies universally failed to bring the democratic ideals of socialism to fruition? In many cases, workers' activism even ended up contributing to the transitions from state socialism to capitalism of quasi-liberal, illiberal, or authoritarian varieties. Burawoy and Lukacs' thesis was developed through their examination of the Eastern European – particularly Hungarian – socialist experience. Deploying the case of China to engage with this puzzle, this dissertation thereby seeks to advance an agenda of comparative socialism studies.

One way to resolve this puzzle is to simply claim that Burawoy and Lukacs' thesis is wrong: workers under state socialism did not actually want democratic socialism, or any version of socialism at all. Indeed, in a conversation with me over dinner, Michael Burawoy contemplated that his thesis was probably wrong and his optimism in workers under state socialism was naïve. He realized in retrospect that by 1989, the Hungarian workers he was studying had overwhelmingly lost faith in socialism. David Ost has made a similar observation regarding Polish workers: the economic, political and ideological experiences under Polish socialism disposed many workers (at least in the 1980s) to desire a restoration of capitalism, even though they had only a vague idea of what capitalism was[596]. These observations might have spoken to some of the historical experiences with socialism in Eastern Europe, but it is hard to claim that the Chinese experience falsifies Burawoy and Lukacs' original thesis. Over China's "long 1980s", urban industrial workers repeatedly demanded more democracy and power on the shopfloor. These democratic demands were posed *within* the orbit of (workers' subversive re-readings of) the fundamental premises of the socialist ideology. As shown in Chapter Two, Chinese workers in 1980-1981 drew inspiration from their counterparts in Yugoslavia and Poland, articulated revolutionary reconstructions of the Cultural Revolution, and sought to actualize their masterly status nominally granted by the socialist ideology. As late as in 1989, there was still no evidence suggesting that the workers participating in the pro-democracy movements preferred a liberal-capitalistic vision of democracy. When the few workers' organizations did articulate their own discourses of democracy, these discourses were usually coupled with a rejection of the deepening of the market reform and a strong critique of "bureaucratic capitalists"[597].

My dissertation approaches this puzzle by shifting our attention away from workers' preferences alone. It instead emphasizes the patterns and modes of interaction between workers and the Party-state. Three analytical arguments this dissertation has made are crucial. First, I have highlighted how the political-economic and ideological features of state socialism structured the kinds of democratic demands workers were inclined to air. Specifically, state socialism disposed workers, as employees of the Party-state, to demand workplace democracy and independent organizing. But these workers were rendered unlikely to identify themselves as collective owners of a massive amount of public property and demand democratic participation

[596] David Ost, *The Defeat of Solidarity*, chapter 5.
[597] Andrew Walder and Gong Xiaoxia, "Workers in the Tiananmen Protests," pp.18-21.

in economy-wide planning. Second, I have demonstrated that state-socialist regimes did often grant concessions to workers' democratic demands, but these concessions tended to focus narrowly on democracy in the workplace. Workers' demands for more democracy on the shopfloor were relatively easy for the state-socialist regimes to absorb and institutionalize. As importantly, the policy measures to democratize the shopfloor sometimes proceeded hand in hand with incipient marketization, particularly in the form of enlarging the managerial autonomy of public enterprises from the Party-state. This coupling usually facilitated workers' meaningful exercise of shopfloor democracy. The logic here is straightforward: for workers to have some meaningful say in decision-making over their enterprise's affairs, it is necessary for their enterprise to have some autonomy in managing its own affairs without the Party-state's interference. And without democracy in economy-wide planning, enlarged enterprise autonomy necessarily entailed an expansion of market mechanisms to coordinate the myriad relationships between these more autonomous enterprises. This was the case for the Yugoslav model of "workers' self-management", in which substantial workplace democracy within enterprises was coupled with quite powerful market mechanisms operating across enterprises. This was also the case for China's late 1970s and early 1980s ("Market Socialism Phase I" in Table 1), when the policy efforts to partially strengthen the institutions of workplace democracy accompanied the reform measures to enlarge enterprise autonomy[598].

However, this configuration of workplace democratization, embryonic market reform and the absence of democracy in economy-wide planning was problematic and potentially dangerous. This is the third of the three analytical pieces that constitute my answer to the puzzle outlined above. Micro-level democracy on the shopfloor was inherently fragile without macro-level democracy in economic planning[599]. The absence of society-wide democratic planning disenabled workers to develop a concrete sense of connection with the overall economy and the socialist project. Instead, workers were inclined to utilize their intra-enterprise democratic power to address those material needs that were most immediately relevant to their livelihoods. This often resulted in workers' pursuits of short-term and particularistic interests for their enterprises. These practices were usually condemned as "economism" in the official socialist discourse. Also due to the lack of democracy in economy-wide planning, workers were generally unaware of the macro-economic consequences of their micro-level shopfloor actions. The expanded market mechanisms had the effect of exacerbating the economic manifestations of these problems, aggregating short-term and particularistic decision-making inside numerous enterprises into overall economic chaos.

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[598] Note that I am not arguing that China's reform measures to enlarge enterprise autonomy in this period were *intended* to facilitate workplace democracy. Instead, I am simply claiming that the temporal coincidence between the partial democratization of public enterprises and the embryonic wave of market reform to enlarge enterprise autonomy enabled many workers to exercise shopfloor democracy in ways that felt more meaningful to them, as documented in Chapter Three.

[599] Here it is useful to recall Michael Burawoy's formulation in *The Politics of Production*: "Collective self-management which invokes collective participation at the level of production as well as at the level of the state requires the transformation of both sets of apparatuses along with their interrelations." Michael Burawoy, *The Politics of Production: Factory Regimes under Capitalism and Socialism*, Verso, 1985, p.112.

Two strategies could be identified through which state-socialist regimes have attempted to manage this dangerous configuration of workplace democratization, embryonic market reform and the absence of democracy in economy-wide planning. The Yugoslavian socialist leaders responded to the adverse economic effects of this configuration by further strengthening and consolidating it. They progressively ushered in more and more workplace democracy, enterprise autonomy and market mechanisms over the decades. The Yugoslavian configuration was able to last for a relatively long period of time, but its tendency to brew particularistic decision-making inside the self-managed enterprises chronically produced severe economic imbalances: unemployment, overinvestment in some sectors and underinvestment in others, and widening economic inequalities between enterprises, sectors and regions (the regional inequalities were particularly damaging since they contradicted the socialist principle of egalitarianism and mapped onto the ethnic divisions in Yugoslavia)[600]. These structural ills were not enough to sink the economy on their own, but they made Yugoslavia extremely vulnerable to the external economic shocks of the 1980s. The country thus entered a phase of severe economic crisis, which produced widespread cynicism and disillusionment towards the socialist project.

In contrast, the Chinese leaders demonstrated a striking degree of alertness. They resolved to sideline workplace democratization in a mere few years after the concessions were granted. At the time, the economic fragilities of the vulnerable configuration had not made themselves fully apparent yet. What moved the Party leadership and policymakers to act so quickly was a persistent fiscal crisis they were struggling to find ways to address, as well as their deeply internalized contempt for workers' "economism". In addition, the economic crisis underway in Yugoslavia provided urgent warnings, which the Chinese leaders repeatedly cited in the leadup to the anti-democratic turn of 1984 (see Chapter Four). However, this anti-democratic turn produced an even more problematic configuration of the degeneration of workplace democracy, deepening market reform, and workers' remaining institutional power ("Market Socialism Phase II" in Table 1). Under this new configuration, managerial despotism immediately triggered shopfloor tensions that counterintuitively resulted in chaotic wage growth and runaway inflation. The unruly inflation importantly motivated the political movements of 1989, and the way in which the Party-state relentlessly suppressed the movements foreclosed any remaining hopes for socialist democracy and paved the way for authoritarian capitalism. In sum, both the Yugoslavian and the Chinese strategies failed to ease the underlying tensions. They instead sowed the seeds for the transitions to capitalism[601].

Ultimately, this dissertation offers a class-based sociological explanation of the transition from state socialism to capitalism. In parallel with the analytic tradition of "political Marxism" that explains the transition from feudalism to capitalism in terms of the dynamics of class

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[600] Susan L. Woodward, *Socialist Unemployment*; Pat Devine, *Democracy and Economic Planning*.

[601] A timely re-reading of Monica Prasad's *The Land of Too Much: American Abundance and the Paradox of Poverty* (Harvard University Press, 2012) inspired me to conceptualize the Yugoslavian and the Chinese experiences as two distinct strategies to manage the same problematic configuration of market socialism. Even though the subject matter of *The Land of Too Much* is unrelated to this dissertation, the logic of its comparative argument provides a generative analytic model. I would like to acknowledge this intellectual debt.

struggle[602], my explanation of the transition from state socialism to capitalism foregrounds the causal import of the dynamics of class relations. In particular, it centers the patterns and modes of interaction between urban industrial workers and the Party-state. Contrary to the existing perspectives on the transition from state socialism to capitalism that underscore the crucial role of intra-elite struggles[603], my explanation calls attention to how the interaction between urban industrial workers and the Party-state set off a chain of crises. Inaugurating capitalism eventually emerged as the most viable or desirable solution to these crises. The broad contour of my analytic logic could be generalized to other cases of the transitions from socialism to capitalism. I am not arguing that all transitions from socialism to capitalism followed the same path; on the contrary, these transitions traversed highly diverse paths[604]. I am nevertheless arguing that analyses centered on the patterns and modes of interaction between workers and the Party-state hold the potential to develop more powerful and convincing causal explanations of these divergent paths of transition[605]. It is this contention that stands as this dissertation's main contribution to the field of comparative socialism studies.

Implications for Anti-capitalist Strategy, Present and Future

If this dissertation has one key takeaway for the various social and political movements exploring political-economic alternatives beyond capitalism today, it is the pivotal indispensability of advancing democracy in economy-wide planning for any post-capitalist project in the future. This democracy is indispensable not only because it is normatively desirable, but also because without advancing democratic planning, any post-capitalist project remains fundamentally fragile and vulnerable to a backslide to capitalism. My argument here speaks to a classic debate from the 1960s to the 1980s on how to reform state socialism: the debate between "market socialism"[606] and "democratic planning"[607].

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[602] Robert Brenner, 1976, "Agrarian Class Structure and Economic Development in Pre-Industrial Europe," *Past and Present* 70(1): 30-75; Ellen Meiksins Wood, *The Origin of Capitalism*; Mark Cohen, 2015, "Historical Sociology's Puzzle of the Missing Transitions: A Case Study of Early Modern Japan," *American Sociological Review* 80(3): 603-625.

[603] Gil Eyal, *The Origins of Post-Communist Elites: From the Prague Spring to the Break-up of Czechoslovakia*, University of Minnesota Press, 2003; Lawrence King and Ivan Szelenyi, *Theories of the New Class*. For a similar perspective that emphasizes how intra-elite struggles shaped the rise and fall of the different phases of capitalism, see Richard Lachman, *Capitalists in Spite of Themselves: Elite Conflict and Economic Transitions in Early Modern Europe*, Oxford University Press, 2000; *First-Class Passengers on a Sinking Ship: Elite Politics and the Decline of Great Powers*, Verso, 2020.

[604] Gil Eyal, Iván Szelényi and Eleanor R. Townsley, *Making Capitalism without Capitalists: The New Ruling Elites in Eastern Europe*, Verso, 2000.

[605] This contention is inspired by my reading of the literature on the comparative studies of the transitions to neoliberalism in the capitalist world. There, many scholars have argued that different countries experienced diverse paths of transition to neoliberalism, but these divergent paths could nevertheless be explained by a common set of factors. See, for example, Marion Fourcade-Gourinchas and Sarah Babb, 2002, "The Rebirth of the Liberal Creed: Paths to Neoliberalism in Four Countries," *American Journal of Sociology* 108(3): 533-579; Monica Prasad, *The Politics of Free Markets: The Rise of Neoliberal Economic Policies in Britain, France, Germany and the United States*, University of Chicago Press, 2005; Malcolm Fairbrother, *Free Traders: Elites, Democracy and the Rise of Globalization in North America*, Oxford University Press, 2019.

[606] Wlodzimierz Brus and Kazimierz Laski, *From Marx to the Market*; Alec Nove, *The Economics of Feasible Socialism Revisited*, Routledge, 1991.

Proponents of market socialism see the introduction of market mechanisms as the antidote to the authoritarianism of an all-powerful Party-state bureaucracy under state socialism. Ivan Szelenyi, for example, has famously argued that in socialist societies dominated by Party-state bureaucracies, it was the market that seemed to mitigate both the inequalities and the lack of individual freedom which were generated and maintained by the bureaucratic command over production and redistribution[608]. This argument could be traced back to Nikolai Bukharin's defense of the NEP in the 1920s[609]. As Alec Nove eloquently puts it,

> "……it is not only logical but in the spirit of Marxist analysis to see in the diminution of the vertically exercised economic functions of the political-economic hierarchy a necessary precondition of political and social democratisation (necessary but *not* sufficient, needless to say). The only alternative to vertical subordination is horizontal links. But horizontal links, that is, between producers, and between them and consumers (either directly or via wholesaling agencies), equal production for exchange which (again!) is some species of market."[610]

Proponents of democratic planning, on the other hand, see market socialism as a dead end: not only was it unable to tame the power of the bureaucratic class (which found new ways to exercise its power on the market) but it was also likely to create new structures of interests that would propel socialist projects to somewhere dangerously close to capitalism. This argument, as this dissertation confirms, is largely prescient. These proponents contend that the true antidote to the lack of democracy under state socialism is not a replacement of planning by the market, but a thorough democratization of planning itself. A leading proponent Pat Devine champions

> "a model of democratic planning based on negotiated coordination. It is democratic, which distinguishes it from the command planning of the statist countries. It is planning, which distinguishes it from the instability and lack of conscious social purpose characteristic of capitalist countries. It is based on negotiated coordination, which distinguishes it from market socialism, the only reasonably worked-out alternative model of a third way that has so far been proposed."[611]

This dissertation sides with these proponents of democratic planning. It emphasizes the pivotal indispensability of such arrangements for a post-capitalist project to be robust.

My emphasis on democracy in economy-wide planning also has implications for understanding democracy under contemporary capitalism. One commonly heard "immanent critique" of the democratic promise offered by liberal-democratic capitalism is that this democratic promise does not go far enough. Some democratic participation in the political arena could well be tolerated under capitalism. But the power of the market and private ownership means that ordinary people are generally barred from participating in decision-making over the

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[607] Pat Devine, *Democracy and Economic Planning*.

[608] Ivan Szelenyi, "Social Inequalities in State Socialist Redistributive Economies."

[609] Stephen F. Cohen, *Bukharin and the Bolshevik Revolution: A Political Biography, 1888-1938*, Oxford University Press, 1980.

[610] Alec Nove, *The Economics of Feasible Socialism Revisited*, pp.171-172.

[611] Pat Devine, *Democracy and Economic Planning*, p.3.

most important *economic* affairs that affect their lives. Thanks to the counter-movements against such economic despotism, the history of capitalism has witnessed a plethora of efforts to introduce and practice economic democracy on a local scale. These efforts have been well documented by the research on worker-recuperated enterprises[612], municipal participatory budgeting[613], and the democratization of finance[614], for example. But the findings from this body of scholarship also imply that without democracy in economy-wide planning, these local and marginal practices of economic democracy constantly face the danger of ossification and decay, and the scales of their application remain highly constrained. In other words, the long-term viability of these interstitial instances of economic democracy hinges upon democracy in economy-wide planning, the realization of which necessitates transcending capitalism.

The discussion above provides a new way for us to make sense of the strategic debates surrounding Erik Olin Wright's work on "real utopias". Wright proposes that those endeavoring to envision and build anti-capitalist projects under today's capitalism pay close attention to "real utopias" – local instances of real-world collective organizing and practices that embody embryonic anti-capitalist "utopian" ideals and emerge from the "interstices" of capitalism. According to Wright, capitalism as a societal system is not entirely all-encompassing; fragmented and uneven, it always leaves "niches and margins" here and there where post-capitalist alternatives could be experimented with. He urges scholars and activists to examine these actual and concrete practices not only in their current forms but in their potentiality for scaling up to transform societies beyond capitalism. Utilizing these "real utopias" to inform anti-capitalist strategy, Wright teaches us, "embraces this tension between dreams and practice: 'utopia' implies developing visions of alternatives to existing institutions that embody our deepest aspirations for a world in which all people have access to the conditions to live flourishing lives; 'real' means taking seriously the problem of the viability of the institutions that could move us in the direction of that world"[615].

Various critics have cast doubt on Wright's strategy. Marion Fourcade, for example, observes that the real utopias identified by Wright and his collaborators in the interstices of capitalism have little to say about whether and how "macroeconomic organization or financial regulation" could be re-envisioned at all. According to Fourcade, the challenge for Wright's strategy is that "those aspects of modern capitalism that are most likely to affect people's lives through these channels are especially difficult to align with emancipatory goals precisely because their highly technical nature makes them particularly vulnerable to expert monopolies"[616], with financial and monetary regulations being one example. One way to understand Fourcade's critique is precisely through the lens of economy-wide democratic planning: the localized

[612] Katherine Sobering, *The People's Hotel: Working for Justice in Argentina*, Duke University Press, 2022.
[613] Gianpaolo Baiocchi, *Militants and Citizens: Local Democracy on a Global Stage in Porto Alegre*, Stanford University Press, 2005.
[614] Greta Krippner, "Democracy of Credit"; Michael McCarthy, 2019, "The Politics of Democratizing Finance: A Radical View," *Politics and Society* 47(4): 611-633.
[615] Erik Olin Wright, 2013, "Real Utopias: Introduction to the Special Issue," *Politics and Society* 41(2): 167-169, p.167.
[616] Marion Fourcade, 2012, "The Socialization of Capitalism or the Neoliberalization of Socialism?" *Socio-Economic Review* 10(2): 369-375, p.374.

experiments and innovations cherished by Wright cannot inform how to envision and put in place the mechanisms of democratic planning that are so indispensable to a post-capitalist project. On the other hand, Dylan Riley questions whether these "real utopias" at the interstices of capitalism provide any anti- or post-capitalist alternatives at all. He argues that the essential character of these interstitial practices could only be "determined by their relationship to the whole of which they are a part. It can only be determined by putting them in the context of capitalist society, and asking whether they serve to reproduce that society or not"[617]. Whichever anti-capitalist ideals and principles these "real utopias" seem to embody, their actual existence in a totality of capitalistic social relations means that they form part of this capitalistic whole. Riley then suggests that an anti-capitalist strategy could benefit more from examining the totalities of non-capitalist societies, including the 20th-century state-socialist societies.

Building upon both Fourcade's and Riley's critiques, I argue that the historical experiences of socialist projects in the past can provide crucial lessons informing how to practice economy-wide democratic planning which I contend is so indispensable. Anti-capitalists today should engage with these historical experiences seriously. Here I agree with Fourcade that interstitial "real utopias" in capitalist societies provide few such lessons. Whereas some have suggested that technological advancements under contemporary capitalism have provided the necessary technical tools for the practice of large-scale democratic planning[618], democratic planning is ultimately a *political* practice. The challenges involved cannot be reduced to technicality. Anti-capitalists need to develop a much better sense of the kinds of political trials and tribulations that democratic planning would likely entail. This could only be done by looking at those rare yet rich moments when large-scale democratic planning was actually attempted in incipient forms. These moments are hard to find over the history of capitalism, but could be located sporadically in the history of socialism: during momentous and contested transitions from capitalism to socialism (such as in Soviet Russia in 1917-1927), during attempted but defeated social revolutions (such as in the Spanish Civil War in 1936-1939), and during those brief ruptures under state socialism (such as in Shanghai in late 1966) when subaltern rebellions paralyzed bureaucratic planning apparatuses, compelling workers and citizens to swiftly develop their own democratic mechanisms to organize production and distribution in a rather complex economy.

To be sure, none of these cases succeeded in building lasting and workable institutions of economy-wide democratic planning. Incipient practices of democratic planning generally remained fragile and messy. Their existence depended on windows of opportunity that were usually foreclosed before long. However, it is exactly the *potentiality* of these fragile, momentary, and embryonic practices that matters. If we seriously heed Wright's call to look at not only the actual but also the possible, a close comparative examination of these historical episodes could be immensely fruitful. In other words, I similarly propose that we take "real utopias" seriously, but do not locate these "real utopias" in the world of capitalism; nor do I see the totalities of

[617] Dylan Riley, 2020, "Real Utopia or Abstract Empiricism? Comment on Burawoy and Wright," *New Left Review* 121: 101.
[618] See, for example, Leigh Phillips and Michal Rozworski, *The People's Republic of Walmart: How the World's Biggest Corporations Are Laying the Foundation for Socialism*, Verso, 2019.

"actually existing" socialist societies as "real utopias". Instead, I urge that we look for "real utopias" *within* the history of actually existing socialism: those precious moments when inchoate projects of economy-wide democratic planning were concretely pursued but eventually aborted, exhausted, quashed, or abandoned.

This last point has implications for the broader question of how anti-capitalists today should position themselves vis-à-vis the tormented history of actually existing socialism. On the one hand, some anti-capitalists like to emphasize the positive accomplishments of the socialist projects in the past. The way in which they do so often borders on romanticization. Their objective is to demonstrate that another, better world beyond capitalism used to be possible, so as to convince people that such a world can well be possible again. This is what Friedrich Nietzsche calls "monumental history"[619], in which history is rendered as heroic narratives the purpose of which is to inspire, often at the expense of historiographical accuracy[620]. On the other hand, other anti-capitalists see the history of actually existing socialism as liabilities. For them, contemporary anti-capitalistic endeavors must be unshackled and distanced from these historical liabilities, in order to start with a clean slate. This stance manifests itself in many forms, such as the varied claims that the history of actually existing socialism is irrelevant to anti-capitalist projects today, that this history holds only negative lessons on how *not* to fight capitalism, and that actually existing socialist projects in the past were actually capitalist[621]. In contrast to both of these standpoints, I suggest that we treat the history of actually existing socialism as a history of unrealized potentiality. On the one hand, it is important to recognize that the rich potentiality of human emancipation that initially animated many of these socialist projects remained, after all, unrealized. On the other hand, it is equally important to recognize that the history of actually existing socialism offers numerous examples of how people tried very hard to realize this potentiality, how they put this potentiality into inchoate practice, and how their endeavors ultimately unraveled due to both internal contradictions and external pressures. These processes hold invaluable lessons – both sobering and inspiring – for today's anti-capitalists.

[619] Friedrich Wilhelm Nietzsche, *Untimely Meditations*, edited by Daniel Breazeale and translated by R. J. Hollingdale, Cambridge University Press, 1997, pp.57-123.

[620] For a recent critique of some of the tendencies of "monumental history" in leftist political discourse, see Simon Sihang Luo, 2024, "Reawakening a Revolutionary Party: The Ancient and Modern Princes in Wang Hui's Political Theory," *American Political Science Review* OnlineFirst.

[621] For a well-known and widely influential exemplar of this last claim, see Tony Cliff, *State Capitalism in Russia*, Pluto Press, [1955]1974.

METHODOLOGICAL APPENDIX

This methodological appendix is divided into two sections. The first section describes the types of source materials on which this dissertation is based, as well as the process of collecting them. The second section delves into how the sources are used, focusing on two methodological challenges in particular.

Source Materials and Their Collection

This dissertation is based on historical sources. Given the increasingly tightened access to state archives across China over recent years, historical researchers must come up with creative and diverse ways to gather the materials needed. This dissertation draws upon four types of sources. The first type is comprised of the documents accessed at state archives. Over the course of seven months, I visited six archives: the National Archive, the Beijing Municipal Archive, the Tianjin Municipal Archive, the Shanghai Municipal Archive, the Hubei Provincial Archive, and the Municipal Archive of Wuhan[622]. I will explain below how I decided on these archives to visit. Since the amount and accessibility of relevant archival documents housed in these archives were vastly uneven, I ended up visiting some archives for only a few days whereas staying in others for weeks or months. Most of these archives have stringent regulations regarding the photocopying of documents. Thus, the overwhelming majority of the archival documents "collected" for this study had to be typed up on my computer, if not to be written down in a notebook by hand. While perusing thousands of documents, I had to quickly evaluate whether and which part of a document was relevant, and frantically type up (or write down) the relevant part of the said document (always indexed by its file number). To err on the side of caution, my definition of "relevance" was always broad. In total, these archival visits resulted in more than 500 hand-typed, single-spaced pages of word (.docx) files of transcribed archival documents and 20 pages of transcribed documents handwritten in a notebook, plus about 80 pages of the photocopies of documents in their original form (some with extra pages of my annotations).

Second, I collected more than 40 volumes of compilations of documents, collections of writings (*wenji*), chronologies (*nianpu*) of select politicians, and memoirs. What distinguishes these sources as a distinct type is the fact that their compilation – or in the case of memoirs, their very writing – took place in recent decades, well *after* the historical period being studied. Many of these volumes were compiled and edited by officially sanctioned Party historians and published inside mainland China. Some volumes – most notably Zhao Ziyang's memoir and the collections of his writings – were compiled and edited by independent researchers and published in Hong Kong or Taiwan. Other volumes – such as a 12-volume series of collections of policy documents, speeches, and politicians' meeting minutes entitled *Marching through the Storms* (*zai fenglang zhong qianjin*) and compiled by Fang Weizhong (formerly a Deputy Director of the State Council's Planning Commission), which turned out to be crucial for this dissertation – were never published but have been informally circulated. In addition to these volume-length sources,

[622] I also visited one additional archive, the Xiamen Municipal Archive, but its collection of post-1949 documents was completely closed off to visitors.

what should also be included in this type is the dozens of article-length memoir essays I have consulted. In these essays the authors recounted some of their own experiences in the 1970s and the 1980s that I found to be relevant. These memoir essays were collected from a wide range of magazines, journals, newspapers and digital blogs.

The third type of sources is comprised of those I obtained on the flea markets online and offline. In recent decades, the flea markets have become an increasingly crucial avenue of data collection for the historians of modern China, especially given the tightened access to state archives[623]. This is what some historians informally call "garbology", meaning finding source materials in the "garbage" – the paper trails that people threw away and ended up in the hands of flea-market sellers. From these sellers – many of them locatable on *kongfuzi.com*, an online flea market intended for the sale of second-hand books – I purchased compilations of policy documents, research reports, training manuals, books, pamphlets, magazines and newspapers. For example, between 1979 and 1986 the ACFTU headquarters published a volume of collected policy documents each year, intended for "internal circulation". I was able to collect the entire 8-volume series from 6 different sellers. What distinguishes this source type from the second type is that the materials in this type were compiled, published, and circulated *during* the historical period of my study. Sources in the second type, in contrast, were written, compiled, and/or published *retrospectively* in recent decades.

Lastly, between 2020 and 2022 I was able to connect with 8 informants who, because of where they had been placed in the various policymaking and intellectual circuits in the 1970s and the 1980s, possessed first-hand knowledge of the historical processes I was interested in. I had in-depth conversations with them in either formal or informal settings, sometimes more than once. Some of them shared with me documents or other materials they had kept to this day, either giving me the original copies or allowing me to make photocopies. These sources, which were obtained from personal private collections, constitute the fourth type.

It is important to note that there was no temporal separation between "data collection" and "data analysis" in this research project. The collection and analysis of the source materials has been a deeply iterative process. As I carefully examined the already collected materials, my conjectures about the historical processes in question were constantly reconstructed. The reformulated conjectures subsequently directed me to new questions and focused my attention on new aspects of the historical processes that had remained overlooked. Correspondingly, these evolving conjectures and research directions determined what materials to collect next.

Broadly speaking, my on-site fieldwork in China could be divided into three stages. The first stage ran from November 2020 to February 2021. In this stage, I first discussed my preliminary research ideas with a few informants, who in turn provided suggestions on the key historical actors to look into, the policy episodes to pay attention to, as well as some writings and historical texts to familiarize myself with. Following these cues, I embarked on a first round of material gathering. After going through these materials, I developed more focused – and

[623] Jeremy Brown, "Finding and Using Grassroots Historical Sources from the Mao Era," *Dissertation Reviews*, December 15, 2010.

sometimes quite specific – ideas about what aspects of the historical processes to take a deeper look at and what sources would enable me to do it. Equipped with these refined ideas, I entered the second stage of fieldwork (between March and November 2021) and kept collecting and examining source materials (types 2 and 3) in a manner that was at once more expansive and more targeted. More conversations with the informants were interlaced throughout this stage of research.

By the end of this stage, I identified a set of local-level policy trials, initiatives and episodes of shopfloor events that were mentioned either repeatedly or at critical junctures in the source materials I had already examined. I suspected that these local-level incidents were particularly important for the national-level policymaking processes. Based on this information, I compiled a list of municipal and provincial archives to visit and decided on which ones to prioritize. I henceforth entered the third stage of fieldwork (between December 2021 and June 2022), a period of focused and intensive visits to the state archives already enumerated earlier. I should note that the archives I ended up visiting were jointly determined by both my priority list and feasibility considerations, since this period coincided with the incessant waves of omicron outbreaks in China. Haphazard lockdown policies and travel restrictions greatly complicated my archival trips. This was a period when travel became very hard to arrange and navigate, and some archives I would have liked to visit were outright closed. Nevertheless, this period of archival research proved to be immensely fruitful. Granted, outcomes of the archival visits were always unpredictable – one would have never known in advance whether they would really be able to find the materials they were looking for. There were many disappointing moments when I could not find any material related to the issues and events that initially motivated me to visit an archive. But each of these disappointments was compensated for by many more happy surprises. I ended up collecting a large quantity of extremely valuable documents that I had no idea were there waiting for my perusal. These archival adventures were some of the most memorable moments in my fieldwork.

Challenges in the Use of Source Materials

There are two major methodological challenges that must be dealt with when using the source materials to construct a historical narrative. First, how to go about using the sources to unpack the inherently obscure "black box" of policymaking processes and political deliberations, which involved some of China's top politicians of that era? Second, how to use the sources, which were overwhelmingly produced by those occupying some positions of power in the Party-state apparatus, to shed light on the voices and agency of grassroots workers?

Addressing the first challenge necessarily requires the researcher to operate like a detective. Indeed, some Chinese historians have pointed out that historical research in many cases does resemble a detective mode of work: utilizing the various pieces of source materials as clues and evidence to uncover what actually happened[624]. Whereas those scholars following the cultural

[624] Shen Zhihua and Wennan Liu, 2015, "'Historical Research is like Retrying an Old Case': An Interview with Shen Zhihua," *Journal of Modern Chinese History* 9(2): 244-258.

and post-modernist turns have cast doubt on the notion of the historical "truth", this concern is less relevant for a historical study on specific policymaking processes. These policymaking processes are actual sequences of historical events that the researcher has to reconstruct.

I have found three research tasks to be particularly crucial for such a detective mode of historical research. The first task is the close and critical reading of each piece of source material. To read a source closely and critically means that the researcher is not only reading the literal meaning of the text but also reading between the lines: paying attention to the subtext, to the underlying assumptions and modalities of thinking which the producers of the source unintentionally betrayed, to the seemingly trivial details buried in the text which could actually turn out to be of great significance (for example, the discrepancies between multiple drafts of the same document), and to the context with which the source was dialoguing[625]. It is important to take note of not only what acts or speeches were documented in a source, but also what can be learned from the timing and sequencing of these acts and speeches, as well as what acts were *not* documented and what was *not* said. It is also important to scrutinize the processes through which a source was produced. This scrutiny raises questions about what perspectives and positionalities were embedded in a source and what objectives the producers of a source sought to achieve by producing it.

The second crucial task is the triangulation between multiple sources. Triangulation is not just a practice of cross-checking to ensure the accuracy of key facts; it is about putting sources in dialogue with each other. It is crucial to see how a series of historical events were represented differently – for example, what was recounted, elaborated on, and highlighted – in different sources, with particular perspectives and positionalities embedded in each of these sources. In this way, I have examined how sources shedding light on the same or related historical events could fill the narrative gaps and silences in each other, constructing a picture fuller and more textured than what any single source was able to provide. I have also paid close attention to where multiple sources contradicted each other, considering what these contradictions could tell us about the complex nature of the events in question. Regarding each of the policymaking processes detailed in this dissertation, I find the historical account I end up constructing to be satisfactory only if it can incorporate all the relevant sources – "incorporating" meaning that the account either achieves consistency with a source or can explain why a certain part of a certain source that is inconsistent with this account should be rejected.

Thirdly, some guesswork and speculation are unavoidable in historical research. The limitations of the source materials often mean that a researcher does not have the evidence shedding light on all aspects of the historical events in question. Some "educated guesses" are needed to fill the remaining gaps. The issue, therefore, is not whether we engage in guessing but how reasonable and rigorous the guessing is – whether it is closely informed by the evidence at hand, whether it is sufficiently cognizant of key contextual factors, and whether it is compatible

[625] For a recent good example of such close and critical reading of the sources in the field of modern Chinese history which informed my own research practice, see Sigrid Schmalzer, 2021, "Beyond Bias: Critical Analysis and Layered Reading of Mao-Era Sources," *positions: asia critique* 29(4): 759-82.

with our existing knowledge of the historical actors in question. Most importantly, these moments of guesswork and speculation – and the evidence and reasoning on which they are based – must be made transparent in the historical narrative, so that the reader can judge for themself whether the guessing is reasonable. This is what I have endeavored to do throughout the empirical chapters.

This dissertation not only traces policymaking processes and political deliberations, but also demonstrates how workers' actions on the ground shaped these processes as well as the impact of policy decisions on shopfloor dynamics. This latter objective begets the second major methodological challenge. Workers' actions and voices are essential parts of the historical narrative, but the source materials I have relied on to excavate these actions and voices were not produced by workers themselves. Instead, the source materials were overwhelmingly produced by those occupying some positions of power in the Party-state apparatus. Therefore, the challenge concerns how we can develop an understanding of the agency of grassroots workers when what we have are, strictly speaking, merely official representations of grassroots workers through the gaze of the Party-state.

I am not alone in having to deal with this problem. Those working within the "subaltern studies" school in South Asian history, for example, have for more than four decades dealt with similar challenges: how to uncover the actions and experiences of the subaltern populations when there are only source materials *about* these populations produced by colonial officials[626]. Following these "subaltern studies" scholars, I contend that it is indeed possible to use the official sources produced by the powerful to reveal the actions, voices and experiences of grassroots actors, but accomplishing this goal requires the careful reading of these sources against the grain. What this has meant concretely in my research is that I had to first develop a thorough familiarity with the *conventional* discourses through which these official sources *usually* talked about the grassroots workers. Of course, what these conventional discourses revealed was the "Party-state speak" which the officials producing the sources were expected to conform to, rather than the actual voices and actions of workers. But what this deep familiarity with the conventional discourses has enabled me to do is precisely detect those moments when the sources *deviated* from the conventional discourses: when the sources' rendering of the workers' actions and voices did not follow the conventional representations, or when the sources provided excessive details about the workers' actions and voices beyond what was usually expected in the conventional representations.

These moments of transgression are methodologically pivotal, exactly because the producers of the official sources found it impossible to contain what workers were actually saying and doing within the confines of the conventional representations. This impasse necessitated candor or other improvised ways of representation. In other words, these were the moments when the grassroots workers' actions and voices defied the Party-state speak. It is

[626] For an excellent example of how scholars within the "subaltern studies" school have addressed these challenges, see Ranajit Guha, "The Prose of Counter-Insurgency," pp.1-42 in *Subaltern Studies II*, edited by Ranajit Guha, Oxford University Press, 1983.

therefore crucial to closely examine how the workers' actions and voices were described in these sources at those revealing moments. It is equally crucial to carefully consider what grassroots realities could possibly compel the producers of the official sources to resort to non-conventional ways of representation. It is the triangulation between these two dimensions that helps us yield a picture of the true extent of workers' agency on the ground.

Even more powerful than these instances of transgression are those (relatively rare) moments when the sources admitted – openly or subtly – that workers did not behave in ways the officials had expected them to, or that workers' actions were creating troubles for the officials to wrestle with. When the sources revealed how their official producers were struggling to make sense of and devise responses to workers' actions, they constituted direct evidence that these very actions by the workers indeed shaped political deliberations and policymaking processes. Granted, the official perceptions of the troubles posed by workers' actions were sometimes disproportionate to the actual extent and magnitude of workers' actions. But such disproportion in itself is also evidence of workers' historical potency. For these reasons, my critical reading of the sources placed a special emphasis on looking for those instances in which the official descriptions of the workers' actions and voices betrayed a sense of encountering the unexpected, being caught off guard, or simply panic.

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