Title
Virtual Globalization and Outcomes for Membership: The Chinese Case

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In *Polarchy*, one of the most well-cited texts on contemporary democratic theory, Robert Dahl, a leading American political science specialist in this genre, emphasizes that, "the proportion of the population entitled to participate on a more or less equal plane"--what he terms the measure of a state's "inclusiveness"--is critical to democracy (Dahl 1971, 4-5) Granted, Dahl is concerned here with that portion of the people who take a part "in controlling and contesting the conduct of the government," those who "participate in public contestation." But I find his formulation open to easy adaptation for my own purposes here.

In the paper that follows I explore the linkages between "globalization," an essentially economic set of processes, and such political outcomes as inclusion and membership within the community (or what could be labeled participation rights, properties arguably as critical for democratic societies as is the ability to contribute to the determination of the leaders and policies of the state). It is a story of the political ramifications of an economic logic.

To delimit the topic further, I focus my inquiry upon a phenomenon I call "virtual globalization," a peculiar variant of the impact of worldwide economic forces upon a country such as China which, both from choice and also from the decisions of others, is in several senses only partially--or is indirectly--a partner in global processes. This incomplete association is also a function of post-1949 China's leaders' relatively recent submission of their economy to the powers of market forces, and the nation's ongoing grappling, even in the midst of rapid marketization, with the residue of its moribund socialist institutions.

Briefly, my argument is this: globalization has two crucial behavioral components:[(2)] ferocious competition (to promote exports, to attract investment) on an international scale, and a correlative search for *efficiency* among nations and firms. Workers experience this pursuit of advantage and supremacy quite forcefully, as their employing enterprises "downsize" and "cut back," and as "flexible" and "informal" forms of laboring restructure their working lives. Most starkly, increased *unemployment* and a reliance on *migrant labor* (and on types of labor typically filled by migrants) emerge as the twin answers to the corporate quest for ascendancy in the global marketplace. The persons who fill these roles--the jobless and the noncitizen worker--share a key characteristic: they are outsiders, the excluded, nonparticipants in the community. Their growing presence and mounting numbers in much of the world today deprives the societies they inhabit of one of the chief prerequisites true democracy demands: a fully participant population.

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Thus, as globalization's gathering colonization sweeps wider and wider swathes of the earth, it simultaneously delimits a narrower and narrower band of the included within each society in its wake, people dependent for membership upon the criteria its dictates set: the most efficient, the most competitive, and those who can adjust to change while still capturing gains, instead of being subjected to the drives of others for efficiency, competitive victory, and flexibility.

But globalization's reach is lengthier even than appears at first glance. For its nets ensnarl not just those places totally enmeshed within them. As myth of modernity, metaphor for success, threat of extinction, inducement to acceptance, and incentive to belong--globalization, along with its accompanying philosophy about the pathway to economic achievement, is also serving as a powerful idea enticing sites still on the periphery of the world marketplace to step deeper inside. But even before they do so, some places may fall victim to a sort of "virtual globalization." According to this logic, a domestic economy mimics the effects presented among the major participants, without succumbing full-scale to the selfsame material patterns of global economic membership.

In China, as we will see, unemployment and downsizing, corporate mergers and bankruptcy are the result not of foreign debts and domestic deficits at the national level so much as they are 1) due to public enterprise indebtedness to domestic banks and to other Chinese firms, and internal arrears at the plant level, 2) derived from competitive pressures and losses in state enterprises not so much from abroad as from non-state firms in China itself, and 3) migrant labor in the cities, who are not from foreign parts, but instead from the country's own countryside. And yet despite the relative lack of a direct influence of outside forces, a case can be made that the world economy and its fashions are implicated nonetheless.

This type of semi-involvement only appears to be relatively harmless when put into comparison with the situation in places already totally drawn in, places where politicians have blatantly perceived globalization, its perspectives and its imperatives as leaving no choice--as Ramesh Mishra has phrased it, something that

> appears as an *external* constraint--not a matter of political choice at all, but rather of economic necessity--so that nation-states can do little besides follow the dictates of footloose capital in a downward spiral of deregulation, lower social spending and lower taxes (especially corporate). (Mishra 1997, 317)

The seeming greater safety of "citizens" in a state like China is illusory, as the narrative below will specify. In short, this is the case because China remains saddled with certain institutional legacies of the socialist regimen which render its still somewhat inchoate flirtation with the market in some ways fraught with probably more jeopardy for labor than is the case elsewhere.

For instance, not only does China remain to some extent beyond the rules of the capitalist world economy as a vestige of the notorious (if popularly exaggerated) autarkic stance of Maoism (van Ness 1984, 113-142)--or just because the United States is making its accession in WTO membership difficult (Holliday 1997, 462). There are also important effects from some of the chief social edifices that sustained the Maoist state and continued to characterize its successor, Dengist one, after 1980.

The market has arrived and with it the humane features of socialism crumbled (and lately both of these with special force) well before the infrastructure of social citizenship has been constructed. For instance, since state-owned enterprises took full charge of the welfare of their employees until quite recently, there existed no finished, working and reliable national-scale social safety net for those who lose their posts or their livelihood. There is also just a rudimentary and unpredictable legal system in formation, not yet dependable for shoring up workers' rights in times of stress. And as Chinese-style socialism locked its peasants into their rural homelands, and drew on their labor on a regular basis for supplying grain at low state-set prices and in times of great economic push, as if on that of foreign migrants, it recreated the nation's ruralites as a subjected class apart.

So when, since the early 1980s, countryfolk received the right to move out into the cities (sucked away from the villages by the state, in a bid to make their cheaper, often underentitled labor more readily available for urban projects and to draw on their knack for personal service provision and marketing, as well as in response to the job opportunities for drudgework in export production in the newly-welcomed foreign investment along the coast), they soon became non-citizens within their own home country.

For just as before, when they were stuck in the countryside, they remained ineligible for the perquisites of urban living that accrued into the early 1990s to those born there and to their offspring (but thereafter quickly diminishing, if by degrees, for all Chinese alike, as migrants are held up by the state as a model) (Eckholm 1998).[(3)] When jobs become scarcer, they will be the outcasts, just as if they were from another country altogether. All of this adds up to a version of labor segmentation that is undergoing constant reconfiguration, with increasing numbers dropping into lower tiers, and becoming excluded, as time goes on.

As we will see, by a merely partial "opening to the world," China has subjected itself to the dynamic of globalization without the usual accouterments: foreign guestworkers, economic stagnation and serious national indebtedness, menacing external competition. But it also has done so in a way and at a juncture at which it is not prepared, either economically or politically, to produce a scaffolding to catch those who fail and fall down in the frenzy of the market, or to pronounce as equals the native-born but rural-registered human engines who drive much of its momentum.

Globalization and Membership

In order to differentiate the Chinese experience from the typical pattern of globalization which unfolded elsewhere (particularly in Western Europe, where the process had its origin), I take a detour here and brief outline the content, the dynamic and the logic that pattern has displayed in its most prototypical form. Most fundamentally, globalization entails a mix of tightly interlinked phenomena. These include international hyper-competitiveness among firms, nations, and regions; massive movements of capital and other factors of production; monetarist policies of deflationary management of the money supply, to cut inflation, boost exports, and attract investment; and pressures on national governments to deregulate and liberalize financial markets, and to engineer low-deficit, low-debt economies which win high credit ratings from financial institutions (Schmidt 1997; Panitch 1996; Boyer and Drache 1997; Mishra 1997).

At least two pivotal events set this chain of effects into motion: The first of these was the collapse of the Bretton Woods fixed exchange rate mechanism of the early 1970s, which restored competition to the setting of interest and exchange rates. This event installed floating rates which, in turn, promoted capital mobility and an expansion of financial markets. Relatedly, deregulation of financial markets followed within a decade, which, combined with deflationary measures to promote exports and cut inflation, ultimately produced massive speculation and an ever-present threat (and accelerating reality) of bankruptcy and takeover (Eatwell 1996; Boyer 1997).

The other pivotal event lies at the root of the inflation whose reduction became the preoccupation of macroeconomic policymakers in the 1970s, and even more so in the 1980s (Symes 1995, 4-5). This was the double set of oil price shocks in 1973 and 1979. These called into question the Keynesian approach to demand management, which had privileged the solution of unemployment over concern with price rises. These shocks brought in their wake crises for leading Western economies, quickly after which ensued recession, stagnation, and deficits. Elevated interest rates seemed the only antidote as remedy for inflation, which then went on to induce a reduction in investment, an increase in national indebtedness, and generalized fluctuations in demand. All of this summed up to the momentous replacement of Keynesianism with the policy of monetarism in the direction of national economies (Boyer 1997; Chorney 1997; Eatwell 1996).

Building upon and augmenting this approach to the conduct of domestic macro-management were the free trade agreements of the early 1990s--Maastricht and NAFTA. These protocols, along with the mantra of international monetary, trade and aid organizations, forced a dismantling of trade barriers, and demanded low internal deficits and foreign debt. All of this lent an even more hectic pace to capital mobility, as the owners of investment capital sought out an ever-more attractive environment for its (short-term) home (Boyer and Drache 1997, 19-20; Boyer 1997, 85).

And so a race developed, to balance budgets and cut back deficits. In the struggle to be at the forefront, governments drew upon the methods of monetarism to maintain low-inflation environments--the better to attract foreign investment and the better to push their own private sectors' exports abroad via competitive prices. And all of this called for creating and sustaining competitive, low-cost labor markets which, composed of "flexible" workers, would at the same time enable firms rapidly to adapt to the persistent economic uncertainty (Boyer and Drache 1997, 1, 7-9, 19; Drache 1997, 32, 42-43, 47-49; Symes 1995, 45-,21; Eatwell 1996, 4; Boyer 1997 87; Boyer 1988b, 21; Pitit 1988; Standing 1995, 153, 164).

Yet one other element, not directly a source of globalization, but one which complemented its effects for participation, was technological change. As higher technologies appeared and were applied to the workplace, service-sectoral employment increasingly replaced the labor-intensive, lower-skilled jobs of the past.[(4)] The overall result was a push for flexibility, efficiency, and as a corollary, a rebirth under high capitalism of the same sort of non-standard, part-time or temporary, fixed-term contract, low-paid, "downgraded," underentitled and unentitled, underprotected and unprotected work that marked its much earlier, lower-level version (Standing 1995, 153, 157, 163-68; Boyer and Drache 1997, 18; McFate 1995; Boyer 1988a, 25; Petit, 1988, 49; Boyer 1988b, 212).

In the age of rapid postwar growth, from the 1950s through the early 1970s, this low-tech niche had been supplied in large part by foreign migrant labor, the "guestworkers" from the poorer, developing areas to the east and south in Western Europe (see Hollified 1992; Gordon 1995, 525). But with the onset of stagnation in the early 1970s, though the initial migrant labor's offspring remained in place, native workers either joined them in this niche or simply lost their jobs. In the process, the pro-labor treatment of the preceding era, which had obtained benefits for native workers, and increasingly for outsiders as well in many countries (Jacobsen 1996; Soysal 1994; Hollifield 1992), appeared to be too costly, uncompetitive, and "rigid" by contrast. This process seemed too incapable of meeting the imperatives of the current juncture: to keep inflation down, credit ratings up, and investment flowing inwards (Standing 1995, 153; Betcherman 1997; Drache 1997, 31).

In this way, the economic processes generating mobile capital and aggravated international competitiveness as a package called "globalization" spelt an enactment of neoliberal theory for the working lives, rights, and benefits of wage-earners. In the words of Ramesh Mishra (1997, 316), "the ideology of neo-conservatism" took "a comfortable ride on the back of globalization," its advocates believing "in the necessity to subordinate the state to the requirements of capital accumulation," in the formulation of Leo Panitch (1996, 83).[(5)]

In this overall climate in most of Western Europe or Mexico, where the twin effects of global economic involvement and regional free trade zones have compounded these effects of globalization, the drive for *efficiency* has meant leaner firms with less costly operations, thus downsizing and a rise in *unemployment* (Standing 1995, 164; Symes 1995, 4-5; Boyer 1997, 91).[(6)] These processes have also eventuated in an expanding niche for migrant labor, which, with its powerlessness, is ideally suited for the vagaries of "*flexible*" employment (Sassen 1988, 39, 47). Furthermore, these two expanding categories, the unemployed and migrants, share a critical trait: they are both, if to varying degrees, the excluded, those outside the community, and those who cannot participate in it on anything approaching regular terms.[(7)]

Thus, if we understand citizenship in the broad, social sense of membership and participation in all the dominant institutions of a particular community--going beyond the purely political rights of voting or otherwise being eligible to determine the officeholders and decisional outputs of the polity, to entail whatever social, economic, and/or political powers and privileges full members receive from the state and from dominant social institutions--then only those who are fully members can be said to enjoy genuine citizenship or participation in the community.[(8)] Such participation must be the minimal foundation for democratic membership.

Using this conceptualization of citizenship as full membership--which is grounded in the work of such scholars as T.M. Marshall, Derek Heater, Bryan Turner, Rogers Brubaker, and J.M. Barbalet[(9)]--we can draw a direct connection between globalization, its practical incarnations, and the negative effects these practical embodiments have for citizenship, or membership in democratic communities. This view stands in sharp contrast to that of Yasemin Nuhoglu Soysal, Wayne A. Cornelius et al., and Daniel Jacobsen, who seem to believe that global interconnectedness has *enhanced* rather than having *diminished* participatory rights.

They have written that pervasive Western "rights-based liberalism" and internationally valid human rights codes have universalized the prerogatives of all residents of any given state, in the process erasing the distinctions between immigrants and indigenous populations in recent decades (Soysal 1994; Jacobsen 1996; Cornelius et al. 1995). Whereas they have all in one way or another advanced a notion of "international personhood," supposedly making everyone within a state eligible for all the benefits of natives, I would maintain that globalization, the outstanding feature of the contemporary era, creates outsiders, nonparticipants, and does not expand the numbers of members or citizens across the world.

The Chinese Case

A Limited Global Engagement

What can the Chinese case contribute to this discussion? Most crucially, China is a nation only partially a participant in the world economy. For my purposes here, it is precisely this limited engagement that is of interest. It demonstrates that the logic of globalization has become so enticing, and also so ineluctable, that a country not yet wholly subject to its actual dynamics still falls captive to its consequences.

After the Communist Party takeover of 1949, China's leaders shunned or were shunned by much of the Western world, and its chief economic foreign partners were the Soviet Union and other socialist economies for its first decade in power. With the split with the Soviets after 1960, China's principal ties were with the Third World, and with a few individual capitalist countries. Its isolation from the core of international economic activity in the early 1970s enabled it to escape the onslaught of globalization: it was uninvolved both in the breakdown of Bretton Woods and in the two oil price shocks of the decade.

By the end of 1978, when its own oil production reached a plateau, instead of suffering from the price rises affecting the rest of the world, China managed to convert its economic structure toward a higher concentration on light industrial output (Solinger 1991), which required less energy.[(10)] The leadership also suddenly discontinued a quite sizable contracted importation of large-scale foreign plant projects, mainly because of the huge amounts of energy they would demand (Ishikawa 1987). The peaking of oil production at home was an important factor in China's shift to a market strategy at the time, as the country then embarked upon the massive manufacture of light industrial goods for export (Cumings 1984, 242).

Despite the much publicized "opening up" of the Chinese economy, even today its currency is still nonconvertible on the capital account (the current account having become convertible in 1996). Its foreign debt--though by no means negligible--is quite manageable and so surely not *directly* a spur to revamping domestic economic arrangements. The latest World Bank report, in fact, speaks of China's "improved creditworthiness," which has made it "the main beneficiary of syndicated lending to developing countries." The report also notes that despite the steady increase in its external debt (about $130 billion at year's end 1996), the country's strong macro-economic performance affords it excellent debt indicators, at less than half the average among developing countries and, indeed, among the lowest in the entire region.[(11)]

Besides, its huge foreign exchange reserves, amounting to 139.9 billion US dollars at the end of 1997, and its favorable international balance of payments further secure it.[(12)]

Moreover, China's long-time low-cost domestic consumer economy and accompanying relatively stable, low-wage structure has meant that since the leadership invited in foreign firms in 1979 and until very recently, there has been negligible competition from cheap foreign labor or foreign consumer products priced below those available from China. Indeed, China has already taken over the labor-intensive market for manufactured exports from South Korea, Taiwan and Hong Kong (Perkins 1986, 35).

China has yet to become a member of the World Trade Organization (WTO) (in part because China retains some key features of a socialist economy, which include protection for state-owned enterprises, and in part because the U.S. in particular demands further reforms before it will admit China). Thus, China is relatively less subject than many other nations to the fully dismantled trade barriers that drive a good deal of international competition. Since there are still many niches for low-skill labor in this yet developing economy--as in simple construction, personal services, marketing, and assembly-line manufacture--workers should be able readily to find employment and there is not a need to attract guestworkers from abroad.

In general, for the above reasons, China's leaders ought to be under fewer constraints--as compared to nations where national debts are insurmountable, competition from abroad fierce, and the pressure from international and regional associations to cut deficits inescapable--to balance budgets, reduce deficits, fight against inflation, install low-cost, competitive labor markets, and do battle in the market for export promotion and for outside investment.

Yet, China has not escaped the brush of global involvement altogether. Three effects in particular stand out. First of all, China has absorbed much commercial and industrial technology and foreign exchange from the massive foreign investment it has attracted and from its exports (Morici 1997, 275). Since 1993, China has ranked first among developing nations in drawing in direct foreign investment, second only to the U.S. among all countries.[(13)]

As of 1997, it became the 10th largest trading nation in the world, its trade having grown at an annual average rate of 16 percent in recent years.[(14)] Between 1984 and 1995, the nominal value of its exports grew by 17 percent a year, with manufactured exports increasing by 22 percent annually (Naughton 1996, 273). Moreover, the dependence level of China's market on the international market jumped from 10 percent to around 40 percent between 1992 and 1997, according to Chinese sources.[(15)]

As for employment creation, between 1986 and 1991, foreign-funded firms generated nearly 900,000 jobs a year (Naughton 1996, 285), with jobs in foreign and joint-venture firms amounting to 3.4 million in 1993 (Lim and Sziraczki 1996, 48). All of these forms of engagement have had many positive outcomes for the Chinese economy.

The second and third kinds of effects are more indirect. The seemingly elusive promise of membership in the WTO--in part for the prestige and acceptance it would bring, in part for the market access it would afford Chinese textiles and apparel-- even without the actual substance of joining, has increasingly acted as an inducement to domestic change over the years even without the actual substance of joining (Morici 1997, 274-77; Holliday 1997). This is so despite China's continuing refusal to accede entirely to U.S. demands to bring its entire set of commercial practices into accord with

WTO standards--a move that would entail the total abandonment of state firms (which had developed in a time of near national autarky (Lardy 1996, 3)) and their workers to external competition.

The other indirect signal from the outside has been the fiscal crisis of Southeast and East Asia beginning in the second half of 1997. This potential danger, which could affect China as well, has alerted China's leadership to its own economic weaknesses, several of which resemble closely those in places where the crisis unfolded.[(16)] But none of the externalities of China's outward economic expansion can be held directly responsible--in the way that a full enmeshment would be--for the constriction of popular membership that has ensued. In what follows, I establish that although the symptoms of full involvement with the world economy are present, the causes--and the outcomes--are quite different, chiefly because of the continuing imprint incised on the Chinese political economy by socialist institutions.

Parallel Symptoms with Fully Globalized Places

In the first place, there is the selfsame search in China for flexible labor, competitive strategies, and efficiency. Remarkably, China's ex-Premier Li Peng, speaking to the Ninth National People's Congress in March 1998, picked up the global jargon without a flaw. In various segments, he stated that, "The government will encourage the establishment of large enterprise groups in order to increase their *competitiveness* in both domestic and foreign markets"; "We should continue to implement..preferential policies that support enterprises when they carry out mergers and bankruptcies and try to increase efficiency through reducing staff size"; and "We should make sure that..small enterprises..can adapt themselves to the market in a more *flexible* way" [emphasis added].[(17)]

Turning to *flexibility*, beginning with a 1986 Regulation on Labor Contracts, over a decade the Chinese employment system undertook a gradual shift away from the concept of permanent, full employment for urban workers that had existed since the 1950s toward greater flexibility. This was followed by a Regulation on the Employment of Staff and Workers, intended to reform the recruitment system from the long-term socialist one based upon administrative allocation of labor to arrangements that offered firms more freedom to find their own criteria for hiring. A Regulation on Discharging Employees gave enterprises the power to dismiss workers for the first time (Lim and Sziraczki, 1996). In July 1994 the Eighth Session of the Standing Committee of the Eighth National People's Congress passed a new Labor Law, which granted firms new freedom to fire: its Article 27 stated they could shed workers if near bankruptcy or in serious difficulty.[(18)]

Going on to *competition*, were China to become a member of the WTO, as one analyst commented, its producers would be exposed to international competition (Holliday 1997, 452, 467-68). But this is not yet the case. Yet the very climate enshrining market principles has infected Chinese policy makers, as Chinese firms of all types are taking a stiffer stance toward labor with a rising pressure for profits (Gallagher 1997, 12; Zhao and Nichols 1996, 1-21).

When the official domestic media proclaim that, "Market competition has forced state enterprises to discharge large numbers of workers,"[(19)] the principal causes are not coming from direct rivalry with firms abroad. Indeed, domestic firms were largely protected from international competition through the 1990s (Naughton 1996, 287).

Instead, the old state enterprises, which performed as comprehensive welfare communities as well as production entities (Walder 1986, 40-43, 56-68), have been forced since economic market reforms began in the early 1980s to face "collective," private, and foreign-invested firms within China which are much less or not at all encumbered by welfare responsibilities (Kernan 1997, 11; Haughton 1992; Broadman 1996, 405).

Another growing source of rivalry, for city workers at least, is with the rural migrant workers who received permission to walk off the land for the first time in over two decades after 1983. One of their chief destinations--but not the only one--has been the foreign firms set up in force in China since 1980. Once in the cities they garner lower wages and fewer if any benefits and in many cases labor under working conditions resembling those of early capitalism in the West.[(20)] With--in official reckoning--some one to two hundred millions of rural labor in surplus,[(21)] China has no need to call on hands from outside its borders.

Lastly, *efficiency* would also be a product of conforming to multilateral trade regimes, since external competition would compel more efficient operations (Holliday 1997, 452, 467-68). But the official commitment to "increase efficiency by downsizing staff" in order to prod firms to cut down on their losses is a reference to internal considerations. As we will see below, enterprise losses are almost entirely the result of state policy.[(22)]

This policy has inspired Guangdong province's Party secretary to call for putting "economic efficiency improvement in first place";[(23)] and has mandated that for the textile sector--chosen by the State Council as the breakthrough point in a campaign to "reform" the state-owned sector--slash 1.2 million jobs over the years 1998-2000 in the hopes of cutting losses and even generating profits.[(24)] In 1998, under the influence of this same impetus, Liaoning province decided to let 100 state firms go bankrupt or be merged, while another hundred reduced their staff.[(25)] The iron and steel sector pledged that by the year 2000 its workforce would be halved.[(26)]

In summary, the push for flexibility, competitiveness and efficiency has come chiefly from the decisions of domestic leaders to reshape their economy in accord with neoliberal strategies and in line with the neoliberal principles au courant among more fully globalized countries, and has been only tangentially the outcome of direct external pressures.

One consequence of this push has been a recent surge in enterprise bankruptcies.[(27)] But, given policies to minister to the needs of workers from bankrupt firms--after the costs of the proceedings are paid off, the workers and retirees of a firm have the first claim on any remnant assets of the firm (West 1997)--the actual numbers of bankrupt firms only tell a fraction of the story. For instance, because of this stipulation, two reporters have suggested that sometimes truly desperate firms are not even permitted to go bankrupt, because of the lack of resources to sustain their workforces (Forney and Yatsko 1997, 63).

More telling are the quite inconclusive figures on the unemployed and laid-off workers. Because of each firm's responsibility to see to the future of its own displaced workers, a range of disguised forms of unemployment have emerged, including early retirements and long "holidays." These provisions often entail drastic reductions in benefits and significant underpayment or non-payment of wages, but without calling the worker "unemployed" (Watson 1998; Kernen 1997, 9).

At any rate, as of the end of 1997 some 11 or 12 million urban workers were said to be laid-off,[(28)] which amounted to double the figure for the registered unemployed.[(29)] Far worse, not just in the shell-shocked rust-belt in the Northeast, but in prosperous Shanghai as well, there are estimates of a true unemployment rate of more than 20 percent.[(30)] Additionally, the State Economic and Trade Commission has estimated that as many as one-third of the currently employed workforce is really surplus labor.[(31)]

Because all of this is occurring in an era of rampant economic growth[(32)]--several phenomena parallel to the Western European case--where stagnation or very low-level growth has the been norm for two decades--must be only superficial. These parallels include most prominently a commitment to a full employment regime for over three decades (in Europe under Keynesian dictates from the late 1940s up to about 1980; in China under state socialism from the 1950s into the beginning of the 1990s) and its rather precipitous demise in both places thereafter; and programs of exceedingly generous welfare entitlements, whittled away in recent years.[(33)]

Secondly, and as a corollary, massive cutbacks in state responsibilities have positioned governmental leaders in Europe and China to promote privatization and self-employment to their respective populaces as alternative approaches (Standing 1995; Mishra 1997). In China, as of 1995, official policy started stressing private entrepreneurship training and preferential programs for those who turned to self-employment (Lim and Sziraczki 1996, 55).[(34)] Private sector employment, which had increased by about 3.5 million new jobs per year from 1986 to 1991, shot up to an average of 10.85 million annually in the following five years (Naughton 1996, 285). By the end of 1995, those working for state enterprises constituted just 65 percent of the known total urban workforce, down from 78 percent as of 1978. Of new employees assigned to urban jobs, only 36 percent were entering state firms, whereas twice that percentage had done so 17 years before (West 1997). A third similarity is the set of active labor market policies pursued in efforts to redress the swells in unemployment that neoliberal policies brought in their wake (Symes 1995, 14; Hausman and Friedman n.d., 26-29; Lim and Sziraczki 1996, 55-56). But in France as well as in China they fell far short of the mark.[(35)]

Different Roots, Different Results

Roots: Though Beijing has steadily lowered tariffs and removed non-tariff barriers over the years, in response to relentless urgings from the U.S. (Morici 1997, 276), this is far from being the predominant cause of changes in Chinese domestic economic policy. Rather, the chief sources are internal. Most fundamental was the program of economic reform, which began in the countryside in 1979, and only quite cautiously worked its way into the cities.

In the course of reform the principal form of competition came not from the outside but from non-state firms of various sorts. As a result, over the years the state-owned sector's share of industrial output dropped from 80 percent in 1978 down to under 40 percent in 1992 according to Chinese statistics.[(36)] Another important factor in pressures for policy change derives from the persisting "soft-budget constraint,"[(37)] which allowed firms to distribute wage increases not commensurate with improvements in labor productivity (McGurk 1998). Indeed, the entire reform program, which was predicated on the notion that decentralizing management and financial authority to firms and local governments would spur economic growth, allowed enterprises to borrow from local bank branches with impunity, fueling a spree unstoppable for years of "over-consumption and over-investment" (Wing 1997, 165, 167).

Despite radical transformations in the countryside, the workforce in the urban sector was largely protected and cushioned from the impact of reform for many years. It was not, in fact, until well into the 1990s that the leadership actually ventured to allow the full intensity of the market forces it had set into motion a decade and a half earlier to drive powerful cracks into the "iron rice bowl" that state socialism had crafted for city labor. Indeed, the labor system instituted in the 1950s was one predicated upon a administrative assignment of entrants to firms, and permanent employment for them thereafter, enterprises having essentially no control over their own hires and no freedom to dismiss.

As of the 1990s, the legacies of this system continued to bind the enterprises. Workers' obsolete skills in the face of technological change, along with continuing obligations of firms to their workers, had produced vast labor surpluses. In addition, the new powers of firm managers (which they often utilized to set up projects in disregard of market demand), the looseness of loan capital (even when it could not be repaid), and ongoing concerns to absorb urban job applicants, had worked together to yield a huge redundant workforce in the cities.[(38)]

As noted above, a contract system was created for new entrants to the workforce in 1986 (Lardy 1996, 3), which called for limitations on benefits and finite--rather than lifetime--terms of service and entitlement. This system was in theory extended to the entire workforce as of January 1995. It was not employed with any rigor, even for new workers, until at least a decade after its promulgation (Feinerman 1996, 121, 123; Lim and Sziraczki 1996, 51,64). Indeed, up until about 1993 or even 1996, largely out of a concern with maintaining urban stability, the regime continued to enforce a gradualist approach to tampering with the entitlements and security of the hallowed state sector (Naughton 1996, 287, 289; Hausman and Friedman n.d., 43).

For the extended period from 1979 through the mid-1990s the policy was to keep on the original workers, via an array of disparate strategies over the years: first by retirements that permitted their own offspring to take their spots, then by the formation of "labor service companies" that provided job training and job creation, next by insisting that firms "redeploy" their redundant workers within their own firms by retraining them and/or by creating new affiliated enterprises (along with restrictions against dismissing workers, even if there was no work for them and little or no pay).[(39)] Eventually, in 1995, a national Reemployment Program offered tax and loan incentives for developing new avenues of work for surplus labor.[(40)]

But China did experience two harsh austerity programs that eventually set radical change in motion, both the product of leadership decisions on domestic political grounds. The first was installed under the more reform-shy, conservative, pro-planning faction in the wake of Tiananmen denouement of 1989, which these politicians understood as having been largely sparked by popular dissatisfaction with the inflation produced by a decade of market reforms (Naughton 1996).

The second was launched by then-Vice Premier (now Premier, since March 1998) Zhu Rongji in mid-1993. This time the cutbacks were undertaken in response to what was deemed to be runaway inflation. Inflation which had occurred at that point in reaction to a stepped-up regimen of reforming and economic growth given impetus by then-preeminent leader Deng Xiaoping in early 1992 (Naughton 1996, 294; Wing 1997 164-65; also Naughton 1995, 274-300). Because of the stiff curtailment of access to guaranteed credit for state firms on both occasions, losses in state enterprises rose significantly.

In 1989 and 1990, total losses doubled each year (Naughton 1995, 286-287). After a 1991 relaxation and followed by 1992's pro-growth prodding, the second program led to almost half the state firms showing operating losses in 1994 and 1995. By 1996, 45 percent of the state sector was operating at a loss. For the first time state firms collectively lost more money than they took in. Industrial operating losses in state-owned firms amounted then to 53 billion yuan,[(41)] up more than a third over the year before, with 12,000 enterprises the victim of long-standing deficits (West 1997, 6). At that point about one fifth of the business of banks consisted of uncollectible loans, the effect of the vulnerability of state bankers to continual requests by failing firms for operating capital (West 1997; Lo 1997, 17).

Unlike in Europe, intensified reliance on the market and affiliated flexibility in the use of labor were by no means just the product of losses. Along with the 1992 plans for enhanced production went a State Council document according more rights for firms in the state sector to recruit and release workers on their own (Naughton 1995, 294-97). In the years that followed, although not with great momentum until about 1996, lay-offs became significant. In the autumn of 1997, the Communist Party's Fifteenth Party Congress announced a sudden escalation of market reforms, portending much more massive numbers of bankruptcies and layoffs.[(42)]

Thus, except as incentive, ideology, or paradigm for modernity, globalization per se had little to do with China's major shifts. Instead, what it experienced is more rightly labeled "virtual globalization," a largely internally generated set of effects fashioned after, but not itself directly generated by, external patterns.

Results

Despite my arguments that China's leadership was able to isolate the country from the world economy, and that even when the regime became partially connected to this economy, the effects for China's own domestic economy as a whole remained negligible or benign, rather than threatening or destructive. However, this does not mean that the outcomes for the workforce have been salutary. Instead, in some ways it has been precisely China's late entry to the global market that itself signals trouble. This is because China's socialist values, alliances, and allegiances that in large part accounted for that tardiness are also responsible for today's impediments to workers' welfare under the new market regime.

For three of the central institutions that implemented the socialist system linger on, complicating the effects of China's imperfect global involvement and also severely limiting the rights of membership and participation for its citizens. These three institutions were a decimated legal system, only recently resuscitated but still quite unreliable; a workplace-cum-welfare "unit" system (the *danwei*) which housed and nurtured, and also closely monitored the urban workforce; and a household registration system that grossly privileged those born in cities and their own offspring (the *hukou*). Under the reign of Mao Zedong, from 1949 to 1976, law was considered to be a "bourgeois" construct, inapplicable--at least in its Western incarnation--to a socialist society (Cohen 1968). Nonetheless, China's often harsh socialist version was enshrined up until the Cultural Revolution, which began in 1966. With that movement, all legal institutions were dismantled for over a decade. Although with the onset of marketizing reforms new laws were written to suit an economy engaging in worldwide commercial relations (Potter 1994a; Potter 1994b), as of the late 1990s, the country continues to lack a legal system capable of governing a truly market-driven economy (Morici 1997, 275).

Indeed, an economist writing in 1997 judged that the "main [outstanding] issue" in the country's full integration into the world economy is "whether China will move toward a rule-based or law-based system" (Perkins 1997, 37). And a legal scholar evaluating the state of the nation's legal arrangements in the mid-1990s opined that, notwithstanding the numerous laws that had been written onto the books in the preceding decade and a half, "The effectuation of many of the legal rules is, to say the least, problematic" (Feinerman 1996, 119).

The *danwei* system was China's version of the socialist propensity to combine welfare with control (Walder 1986; Henderson and Cohen 1984; Lu and Perry 1997), or, as Janos Kornai has framed it, solicitude paired with surveillance (Kornai 1992, 315). State-owned enterprises in the cities were variously equipped with a range of entitlements, at a minimum housing, pensions and medical care, but at a maximum a wide array of extra-curricular privileges and facilities as well. Given this enterprise-based provision, no larger-scale system was ever designed.

Although an unemployment insurance system was established in 1986, it was meant for the new "contract" workers, the only urban workers at that time whose positions could conceivably be terminated. It was rarely put into use (since firms were enjoined to redeploy their workers if at all possible), even after it was extended to cover all urban workers in 1993. In 1994, 1.2 million workers were reported to have drawn benefits, a figure that labor organizer Han Dongfang estimated to amount to under a third even of the official registered figure of the unemployed as of that time (Friedman 1996, 157; Lim and Sziraczki 1996, 60; Han 1996, 167). But two years later the number had just risen to 1.5 million, despite the big increase in the numbers laid off by then (West 1997, 10).

Thus, even up to the present, China continues to do without what one analyst has termed a "free-standing `social safety net'" (Broadman 1996, 6). This means that while the 1994 Labor Law promises in its third article that workers possess the right to social insurance and welfare benefits,[(43)] a worker who leaves his/her job even in the late 1990s will also lose his/her housing, pension, medical and any other social security benefits once granted by the firm (Lim and Sziraczki 1996, 52). In the words of James Feinerman, "The futures of workers who are laid off have been held hostage to the resources of the enterprises that laid them off" (Feinerman 1996, 129).

Even official spokespersons have recognized and lamented the rudimentary level of succor available for workers in failing firms, especially those who have been laid off, whether temporarily or permanently. At a National Labor Work Conference held at the end of 1997, the Vice Premier for industry, Wu Bangguo, called for "gradually establishing a social insurance system covering pension, medical, unemployment..and other aspects of a social insurance system".[(44)] Two Western reporters estimated that it could well be over a decade before a generalized safety net could be put into place. The chief obstacle is securing the finances to cover it (Forney and Yatsko 1997, 63). The upshot is that millions of workers, made redundant by systemic forces and leadership decisions beyond their control, became non-participants in the community as China's neoliberal regime aped market practices also occurring in the globalized world.

The household registration system, or *hukou*, was initiated in the early 1950s, but did not begin serving as a nearly watertight barrier against peasant movement out of the countryside until about 1961.[(45)] The fully elaborated system granted steeply subsidized housing, dirt-cheap transportation, almost free medical care, rationed and underpriced food grains, water, and gas (along with many items of daily consumption), and gratis schooling to urban residents--all perquisites denied in whole or in large part to any rural people, even if they were (almost always only temporarily) summoned into the cities to meet crash production targets.

Regime leaders reasoned that the collectively-operated communes set up in the countryside in the late 1950s were charged with meeting peasants' needs (though they did so to a far more elementary degree). In any event, resources were to be garnered for the cities, where potential popular discontent was deemed much more serious, and where a hope of building a modernized industry and economy seemed within reach, if only the numbers of population there could be kept within strict bounds.

After 1983, the communes having been eliminated, peasants received the right to go into cities in search of work, but they did so on distinctly inferior terms. Even as tentative reforms of this system were discussed once the early 1990s arrived, and even though market reforms themselves did a great deal to undermine the underpinnings of the system, the prejudicial boundary markers around and discrimination against peasants in the cities yet persisted.

The aspect of this relevant to my purposes here is twofold. First of all, as noted above (Naughton 1996; Walder 1986), migrant rural labor makes up the great bulk of the workforce in foreign-invested firms, especially those along the coast. Their willingness to toil under often seemingly intolerable circumstances effectively places these workers outside a welfare regime of any kind. Secondly, as urban managers in Chinese state firms grew increasingly profit-conscious as the 1990s wore on, they more and more turned to the recruitment of peasants migrating into town, people who could safely be hired with lesser benefits and no particular security at all (Sun 1997, 211).

As the numbers of laid-off and idle urbanites mounted, city officials bent on quietude clashed with firm managers hungry for cost-cutting measures.. Officials demanded that local labor be privileged over peasants when hiring and firing occurred,[(46)] much as foreign migrant workers are currently to be pushed out of Southeast Asia in the midst of financial crisis (Lamb 1998; Cohen 1998). The manifestations of this bias are multifold. Peasants-in-cities were not encompassed within the rules of the contract system for city labor. A regulation that applied to them alone, which specified a three-to-five-year contract as the norm, was far from fully honored,[(47)] with many contracts lasting under a year (Lim and Sziraczki 1996, 64). Unemployment insurance is yet to apply to these workers (Lim and Sziraczki 1996, 61), nor does the Reemployment Program mentioned earlier (Watson 1998, 20; Feinerman 1996, 121, 123; Lim and Sziraczki 1996, 51, 64).

Beginning in 1995, major cities such as Beijing and Shanghai began publicly requiring that certain occupations be reserved for city people, though repetitions of these demands a few years later raises questions about the extent of compliance they commanded.[(48)] By 1997 even private entrepreneurs working in the cities were coming under pressure to employ former state workers who had been laid off, instead of taking on rural migrants (Kernen 1997, 11). But cases occurred, nonetheless, when migrant and city workers were forced to share the same shopfloors, and competition and resentments were fierce (Lee 1998, 30). Both groups--the original employees whose benefits had been reduced and the peasant migrants who had never had many in the cities anyway--felt the impending diminution and loss of rights of all kinds, as they came face to face in their own lives with "reforms" emulating the evisceration of social citizenship in the West.

Conclusion

At first thought, it would appear that workers in China might have a more auspicious prospect than those caught in more globalized economies, given that neither their economy nor their rulers have fallen subject to an inexorable dynamic of difficult demands from abroad. Compared with places where regional trade regimes have dismantled tariffs, thereby setting the conditions for threatening competition; where impending monetary unions have called for erasing deficits; or where international lending institutions have installed rigorous austerity programs to handle mammoth debts--all from the outside--those employed in the Chinese economy, where none of the above was present, ought to have been relatively privileged.

China did escape the externalities of global involvement altogether for a number of decades. Once it embraced the world economy, it came in as a welcome guest, with its vast and untapped market, its hunger for foreign technology, its preferential policies for foreign investors, and its cut-rate workforce.

But the process of "globalization" contains more than a set of necessary material practices. It is also an ideology; one might even say a culture, a metaphor for modernity and membership, but only at the level of the nation as a whole. Among the workforce worldwide, whether its members be in places pulled into the nets of the global economy willy-nilly or whether they live in locations where leaders can exercise more choice, once-member citizens everywhere are seeing their participatory privileges shattered, as more and more of them find themselves among either the unemployed or else migrants, but either way, excluded from the community.

In the case of China, virtual globalization presents even more perils for the people than the real thing does for many of those living in countries which have not been isolated in the past and that are not heirs to a legacy of socialist institutions. Ironically, in their heyday socialist systems provided a firm foundation for most citizens, so long as they operated within the rules of the game, and remained where they were registered. For this virtual globalization has come prematurely, before China has established a new institutional infrastructure commensurate to the social requirements of a humane market society: a working legal system, a dependable welfare system (at the very least for those who do have jobs), and citizenship rights for its own nationals, no matter where within the country they were born.

In the absence of these institutions, the aping of globalistic economic forms has reduced--and will continue to reduce--the proportion of participants to overall residents within the Chinese nation. In the words of a laid-off Chinese worker, "Workers today suffer under both socialism and capitalism" (Kernen 1997, 10).

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Endnotes

1. This paper was prepared for the conference on "Democracy, Community, and Social Justice in an Era of Globalization," Graduate School of International Studies, University of Denver, Denver, Colorado, April 23-25, 1998.
2. Globalization will soon be specified more fully, but just for now the intensified connection between national economies issuing from massive and accelerating resource, capital, and labor flows among them in the late twentieth century, and an attendant neoliberal economic ideology with the deregulation and privatization that ideology dictates.
3. I develop this argument at length in my forthcoming book, Solinger (forthcoming 1999).
4. Sassen 1988, 22-27) shows how the development of production for export in the Third World by way of foreign investment expanded the supply and the reliance upon low-wage labor from abroad, along with creating the niche such labor filled up. Also see Standing (1995, 164), Symes (1995, 7), Klrugman (1996, 166) on related developments in the advanced industrial West
5. I am loosely using "neoconservatism" and "neoliberalism" as fungible terms.
6. By 1994, the numbers of the unemployed in OECD countries had risen from just over 10 million in 1974 to 35 million in 1994, according to Chorney (1997, 373). By 1994 it could be said that unemployment with European Union member nations had risen "more or less continuously" for 15 years (Symes 1995, 1).
7. McFate (1995, 14) speaks of the minorities forced into informal or illegal sectors of the economy by poor market conditions and discrimination as being "viewed as outside the

boundaries of the political/moral community." Gordon (1995, 521, 525) notes a "Continuing perception that particular ethnic groups [in particular, the descendants of postwar labor migrants, who are seen as 'outsiders'] do not 'belong' and may appropriately be treated differently." Craig Whitney (1998) states that "many of the longterm unemployed feel 'excluded,' a word that in French means being outside normal society and carries the connotation of alienation and poverty." See also Thomas Faist and Hartmut Häußermann (1996) on the denial of welfare rights to migrants in Western Europe and North America since the mid 1970s.
8. I develop this idea in my forthcoming book (Solinger forthcoming).
9. In his essay, "Citizenship and Social Class," T.H. Marshall (1963, 87) calls citizenship "a status bestowed on those who are full members of a community." In his formulation of citizenship as it evolved in Western Europe over the last two centuries, what is now termed "social citizenship" was the last of three components of the concept to develop, following political and civic rights. Turner (1993, 2) defines "the modern question of citizenship" as being "structured by two issues": the nature of social membership and problems of the efficient and equal allocation of resources. See also Heater (1990), Turner (1986) Brubaker (1992) and Barbalet (1988).
10. Several analysts have pointed to the running down of domestic oil deposits in China in the late 1970s, but in the words of Dwight H. Perkins (1986, 50-51) "The immediate solution to this growing energy shortage was to shift emphasis to sectors that made less use of energy, notably consumer goods."
11. As a Chinese source explained, contrasting China's debts with those in Southeast Asia, "China's debts are domestic loans..and its foreign debts are mainly long-term loans granted by international financial institutes, including the World Bank." This is in Summary of World Broadcasts (hereafter SWB) FE/3170 (March 9, 1998), S1/3, from *Sing Tao Jih Pao* (hereafter STJP) (Hong Kong), March 7, 1998, A3.
12. SWB FE/3168 (March 6, 1998), S2/1, from XH, March 4, 1998.
13. SWB FE/3143 (February 5, 1998), S1/8, from *Jingji ribao* [Economic Daily] (Beijing), January 20, 1998, 1-2.
14. Xinhua (New China News Agency) (hereafter XH), February 8, 1998, in SWB FE/3147, (February 9, 1998), S1/1; Holliday (1997, 453).
15. SWB FE/3172 (March 11, 1998), S2/4, from XH, March 4, 1998.
16. Examples are the poor returns of its accustomed mode of extensive, as opposed to intensive growth; the enormous size of state banks' bad assets; and what an official account called the "relatively high risk of economic operations." See SWB FE/3117 (January 6, 1998), S1/3, from *Wen Wei Po* [Cultural News] (Hong Kong), January 3, 1998). One could add the inseparable bonds between state firms and the state-owned banks, which extend loans principally on political grounds.
17. SWB FE/3168 (March 6, 1998), S1/9, from XH, March 5, 1998.
18. Translated in U.S Foreign Broadcast Information Service (hereafter FBIS), July 19, 1994, 18-26, from XH, July 5, 1994. See also Feinerman (1996, 119-34).
19. SWB FE/3136 (January 28, 1998) (from Liaowang [Outlook], January 5, 1998), S1/2.
20. On migrant Chinese labor in foreign-funded firms, see Solinger (1995).
21. At the Fifteenth Party Congress, held in September 1997, Minister of Labor Li Boyong referred to "approximately 130 million peasants who had "become idle in the rural areas" and who "may compete with urbanites for jobs." This speech is in SWB FE/3024 (September 15, 1997), S2/18, from XH September 14, 1997.
22. For instance, SWB FE/3104 (December 14, 1997), S1/1, from *Renmin ribao* [People's Daily] (Beijing), December 14, 1997.
23. SWB FE/3139 (January 31, 1998), from Zhongguo tongxunshe [Chinese Communications Service], January 24, 1998, S1/4.
24. SWB FE/3135 (January 27, 1998), S1/3, from XH, January 23, 1998; and SWB FE/3111, December 29, 1997, S1/3, from XH, December 26, 1997.

25. SWB FE/3143 (February 5, 1998), G/3, from STJP, February 4, 1998.
26. From the current 1.3 million down to 600,000. See SWB FE/3165 (March 3, 1998), S1/4, from XH, February 25, 1998.
27. Into the 1990s only a scant number of bankruptcies were permitted to occur (see Hausman and Friedman n.d., 36). As of the end of 1995, 18 experimental cities had laid off some 100's of 1,000's of workers, but this had only made a small dent in the more than 100,000 state-owned firms. A sharp increase in numbers took place in 1996 and 1997, with over nine thousand firms reportedly applying for bankruptcy in the one month of September 1997, when the Communist Party's Fifteenth Congress announced an intensification and acceleration of reforms in state firms. See Cheng (1997, 29-30) and Lo (1997, 17). An official source claims that a total of 675 state enterprises were declared bankrupt and closed in China in 1997 (SWB FE/3168 (March 6, 1998), S2/1, from XH, March 4, 1998).
28. According to *Ming Pao* [Bright Daily] (hereafter MP) (Hong Kong), December 20, 1997, A11 (in SWB FE/3109, December 23, 1997, S1/1), the State Statistical Bureau offered a figure of about 11 million; *Liaowang*, January 5, 1998 (in SWB FE/3136, January 28, 1998, S1/2) states 13 million laid-off workers and staff as of the end of 1997, and the *Ping Kuo Jih Pao* [Apple Daily] (Hong Kong), January 29, 198, A15, in SWB FE/3141, February 3, 1998, G/8 gives what it calls an "official figure" of 12 million. Chinese Academy of Social Science scholar Hu Angang claimed that the "actual urban jobless" numbered from 11 to 13 million, and that the actual unemployment rate was therefore about seven percent, over twice the usual reported rate of around three percent. Hu's remarks are in MP, February 18, 1998, A13, reprinted in SWB FE/3155, February 19, 1998, G/13.
29. Lim and Sziraczki (1996, 49) explain that only workers with an urban household registration who are not on forced leave are counted as registered.
30. On Harbin and Shenyang in the Northeast, see Eckholm (1998, A1); on Shanghai, according to its mayor in an internal paper, in Roberts and Jinsheng (1997).
31. Lim and Sziraczki (1996, 49). This would mean upwards of 30 million redundant workers, all susceptible to job loss in coming years. On this, see West (1997, 9); Eckholm (1998) citing the Harbin sociologist Li Debin; and Forney and Yatsko (1997, 62).
32. Between 1984 and 1995, China's real gross domestic product grew by 10.2 percent annually, and in 1993 by 13.4 percent (with industry increasing at a rate of over 20 percent according to official Chinese statistics (Naughton 1996, 285, 273; Naughton 1995, 297).
33. On China, see Naughton (1996, 284), Hausman and Friedman (n.d.), Forney and Yatsko (1997, 62), and Lim and Sziraczki (1996, 52). On Western Europe, see McFate (1995, 1-2), Standing (1995, 153, 155, 168, 177), Boyer and Drache (1997, 2), Drache (1997, 32, 34, 43-45), Mishra (1997, 317), and Eatwell (1996, 3).
34. For just one of many examples of official injunctions, see SWB FE/3162 (February 27, 1998), G/5, from XH, February 20, 1998.
35. According to Schmidt (1997, 19) "France's efforts to reduce unemployment, while expensive (early retirement and other job support schemes have cost 27.7 billion per year" as of 1996, "have [also] not been especially successful (given that the rate more than doubled between 1981 and 1994 and remains at over 12% in 1996"). Watson (1998, 22) estimates that only about one third of those to be redeployed find jobs. Whether they retain their new jobs and for how long, and how regular--as opposed to non-standard--the forms of employment obtained, is something about which he does not give data. Lim and Sziraczki (1996, 71), estimate that fewer than one quarter were placed. See also West (1997, 11). The Vice Minister of Labor in China admitted in early 1998 that there are significant problems impeding the reemployment of laid-off workers (SWB FE/3162, G/5 (February 27, 1998), from XH, February 20, 1998).
36. Holliday (1997, 457); Morici (1997, 275) provides figures of 80 down to 47 percent from 1980 to 1995.
37. This term was coined by Kornai (1992).

38. Lim and Sziraczki (1996, 66); Hu Angang in SWB FE/3155 (February 19, 1998), G/13, from MP, February 18, A13; and then-Vice Premier (Premier, as of March 1998) Zhu Rongji in SWB FE/3161 (February 26, 1998), S1/4, from XH, February 15, 1998.
39. According to the *South China Morning Post*, March 9, 1997, the Ministry of Labor admitted at the annual session of the National People's Congress that about 10 million state firm workers had not been paid or were being underpaid. But one delegate countered this figure, putting the total at 25 million, including 19 million who were surviving on a low income. Kernen (1997, 9) states that as of 1997 in the northeastern city of Shenyang only five percent of the firms were paying workers' salaries on a regular basis! Also see, Binyan (1997) and Eckholm (1998).
40. This is detailed in Hausman and Friedman (n.d.), Friedman (1996), Watson (1998), Broadman (1996), Lim and Sziraczki (1996), West (1997), Feinerman (1996), Josephs (1996, 25), and Wong, Heady and Woo 1995, 14).
41. A Chinese *yuan* is equal to about $.12 U.S.
42. For coverage and official statements, see SWB FE/3023 (September 13, 1997), S1/1, from Chinese Central Television, September 12, and SWB FE/3024 (September 15, 1997), S2/l8, from XH, September 14, 1997. The second source contains warnings from the Minister of Labor of what is to come.
43. FBIS, July 19, 1994, 19.
44. SWB FE/3111 (December 17, 1997), S1/4, from XH, December 17, 1997.
45. There are a number of works detailing the history and the operation of this system, cited and summarized in Solinger (Forthcoming, ch. 2).
46. (Cao 1997, 8; Lim and Sziraczki 1996, 53). And SWB FE/3162 (February 27, 1998), G/5 (from XH, February 20, 1998), for an official source.
47. Provisions on Employing Contract Workers from Among the Peasants by State-Owned Enterprises," in *Zhonghua renmin gongheguo guowuyuan gongbao* [Bulletin of the State Council of the Chinese People's Republic] (Beijing) 28 (667) (October 18, 1991), 1001-16.
48. On the earlier rules, see FBIS, February 23, 1995, 68; March 16, 1995, 33; April 10, 1995, 46; April 14, 1995, 15; and June 28, 1995, 81. See also West (1997).