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The Rise of Multipolarity, the Reshaping of Order: China in a Brave New World?*

Gerald Chan*

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Abstract

This paper explores China’s search for its place in the world, in the midst of global power transitions from the West to the East, from traditional powers to rising powers, and from the U.S. to China. In these relative power shifts, what are China’s challenges? What is its purpose? What is its vision? And what is its fate? The paper argues that, in an increasingly multipolar world where China begins to assert itself and to challenge the existing order, other countries have to cope with a rising China, just as China needs to live with a hegemonic U.S.

Keywords: China, U.S., world order, multipolarity

JEL classification: F5, F52, F59, N45

Nations must play by the same rules.¹

Tom Donilon
U.S. National Security Adviser
November 2011

First we have to know whose rules we are talking about.²

Pang Sen
Deputy Director-General
Ministry of Foreign Affairs, China
November 2011

1. Introduction

The present economic world has become more state-controlled and less neoliberal than before, a world brought about in the main by the financial crisis now engulfing Europe. Leading countries in the European Union such as France and Germany realize that the free-market system practised by
neoliberal authorities cannot save Europe from economic bankruptcy, only some sort of greater fiscal control can do so. Greater fiscal control means eurozone countries will have to satisfy stringent conditions set by Brussels on spending cuts and on the amount of borrowing, which means these countries will lose some of their sovereign power for the sake of the greater common good of Europe.

It is this kind of brave new world that we are going to examine China’s role therein. The study of the relations between China and the world is both new and old. It is old because China has a long history of coming into contact with the world. The history dates back to the country’s early trade with the outside. The Silk Road comes immediately to mind, in addition to the tributary system in which goods and gifts were exchanged between China and its neighbouring countries. The Silk Road includes both land and sea routes. The early Silk-Road trade through Central Asia goes back to China’s Han dynasty around 200 BCE. And the early Silk Road by sea goes back to the time of the famous sea voyages conducted by Admiral Zheng He 郑和 and his fleet in Ming 明 China in the early 1400s. These early trading contacts are the reasons why I say the study of the relationship between China and the world is old.

I also say that it is new, because we normally date our study of modern China from the 1840s onwards, as a result of the invasions by the industrial West led by Great Britain and others. They came to knock on China’s door on board warships carrying not only military personnel, but also merchants and missionaries. Newer still, we study contemporary China from 1949 onwards, since the People’s Republic of China came to power. The People’s Republic started off in the first thirty years of its existence largely in isolation. Since 1979, however, China has begun to open itself progressively to the outside world under a reform policy up to this day. The study of China and the world is new in the sense that never in its 4000 years of history has China been so active in participating in global activities, in politics, trade, and various forms of social contacts. And these activities are increasingly taking place in both directions between China and the world.

Here, I will concentrate on the latest developments in China and the world, as I am principally interested in contemporary Chinese international relations and foreign policy. My starting point is the economic crisis of 2008-09, when the American investment banker Lehman Brothers collapsed. This incidence, together with the dramatic fall of the housing property market in America, encapsulated the global financial impact that is still being felt around the world today, in particular in Europe, where Greece and Italy changed their governments and rearranged their finance, making deep cuts in public spending in order to secure financial bailouts from Europe’s central banks. Not too long before that, Iceland and Ireland suffered a similar kind of
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financial difficulty. After Greece and Italy, countries like Spain and Portugal, and perhaps France and the United Kingdom are likely to be affected, in one way or another, and in varying degrees. The most recent country in dire strait is Cyprus. Only Germany is in a surplus situation. Both Germany and China are growing economies led by export trade. Both are, however, not immune to the contagious effects of the economic downturn. The United States fares no better than Europe, but unlike Europe, it can afford to continue to print money (called euphemistically quantitative easing) while surplus countries are somehow left with little alternatives but to use their American dollar holdings to buy U.S. treasury bonds.

2. The Rise of Multipolarity?
The decline of the U.S. as the sole superpower relative to the rest of the world predates the current economic crisis. Observers have pointed out that the American decline actually started when the U.S. invaded Iraq and Afghanistan (or even earlier in the 1970s), overstretching its capability to cope with expensive military adventures overseas, as has been forewarned by Yale historian Paul Kennedy in his book on the rise and fall of great powers published in 1987. The U.S. completed its troop withdrawal from Iraq in December 2011, ahead of the U.S. presidential election in November 2012. Since its invasion of Iraq in 2003 until its pull out, it has been estimated that the U.S. has spent a total of $700 billion (low estimate) with a death toll of 4,500 (compared with 100,000 Iraqis).

The collapse of the Soviet Union and its communist allies in Eastern Europe around 1990 spelled the end of bipolarity, a global structure characterized by the competition between the two nuclear superpowers – the United States and the Union of Soviet Socialist Republics – during the Cold War era. Since the end of the Cold War, the global structure has changed to a system consisting of a unipolar in multipolarity, the single pole of superpower being the U.S. and the multipolarity consisting of Russia, the EU, China, and Japan. With the U.S. in relative decline since the turn of the millennium, the world is now changing towards a greater consolidation of a multipolar system, with the power of the unipole being dissipated gradually over time amidst the rise of emerging powers.

The Rise of Emerging Powers
The emerging powers, sometimes known as the BRICS, consist of Brazil, Russia, India, China, and South Africa. Other countries such as Indonesia and Turkey, and those belonging to the ASEAN (Association of Southeast Asian Nations) group, are either trading nations on the rise or countries endowed
with abundant natural resources or both. Of these, China has become the most prominent one because of its spectacular economic growth. It is now the second largest economy and the second largest trading nation on earth, with the largest amount of foreign exchange reserves (some US$3.24 trillion as of June 2012, about 30 per cent of global foreign reserves). It has accounted for more than 40 per cent of global economic growth since 2008, according to Bloomberg data. Various forecasts have put China surpassing the U.S. as the largest economy by around 2020. All these economic indicators add weight to China’s overall power base made up of various dimensions including its demographic size and its veto power in the UN Security Council. One can of course query the accuracy and reliability of these economic data and forecasts, but no one seems to doubt that China is catching up with the U.S. and surpassing the latter in increasing numbers of power measurements, including car sales and mobile phone sales, and in the use of steel and concrete. If perception “makes” reality, then China is being seen and its influence being felt almost everywhere.

Given China’s growing strength, can it shield itself from the negative impact of the so-called great financial crisis happening at the moment? Up till now it seems to be able to do so, but in this increasingly interdependent world, no country is an island, and sooner or later China will be visibly affected. A Bloomberg News poll of investors conducted in September 2011 found that most investors expect the 10 per cent growth rate that China has enjoyed for the past three decades will fall to just 5 per cent by 2016. This may not be all doom and gloom, as a growth rate of this magnitude may signal a moderate and more sustainable growth, by international standards. China’s exports in 2012 are expected to be significantly affected as a result of the economic slump in Europe and in the U.S.

The emerging powers have demonstrated their influence in recent times in at least two major global issues: one is the restructuring of the International Monetary Fund and the World Bank in which these countries call and strive for a greater representation in terms of quota allotments and voting rights. Another issue is the issue of climate change, in which these countries demonstrated their bargaining strength in the summit talks first in Copenhagen in 2009 and then in Cancun in 2010, in Durban in 2011, and in Rio in 2012. Also, these powers are beginning to give foreign aid. China published its first white paper on foreign aid in April 2011. India recently announced that the Indian Agency for Partnership in Development would oversee an aid budget of over US$11 billion over the next five to seven years. All the aid policies of these emerging economies share a similar aim of enhancing South-South cooperation. For example, Chinese aid aims to establish mutual help between developing countries; Brazil’s aid programme is framed by appeals to solidarity and cooperation among Latin-American countries and Portuguese-
speaking countries in Africa; Russia, known as a ‘re-emerging’ donor, says it is being a good neighbour by supporting low-income countries.\footnote{15}

3. The Changing World Order

The multipolar moment in international politics has come since the end of the Cold War; it has started as a result of the relative decline of the U.S. and the concomitant rise of emerging powers. One major consequence is that global governance has become on the whole more diverse, more democratic, more complex, and more competitive.

Despite its relative decline, the U.S. continues to shape in a significant way the development of multipolarity. It tries hard to arrest its fall and to maintain it superior position, viewing the rise of China as a challenge. From China’s perspective, the U.S. succumbs to taking actions to retard and disrupt the rise of China, consciously or subconsciously. The U.S. also maintains that China needs to be engaged, to be brought into the rules that govern international relations. President Barack Obama has said this, so has his former Secretary of State Hillary Clinton as well as their key advisers.

Obama’s speech made before the full house of the Australian Parliament in November 2011 sends a clear message in this regard. In stressing the return of the U.S. to Asia (apparently after the Vietnam War and its military campaigns in Afghanistan and Iraq), Obama openly said that the communist rule in China would fail. Coupled with the signing of a military agreement with Canberra to set up a military base in Darwin, the capital city of the Northern Territories of Australia, it seems that the U.S. is playing hard balls, trying to line up Australia and other allies in Asia, like Japan and South Korea as established ones and India and Indonesia as new ones, to “contain” China.\footnote{16} The Australian government, in statements expressed by its Prime Minister Julia Gillard and its then Foreign Minister Kevin Rudd, tosses the American line.

There are dissenting voices within Australia. Former Prime Minister Paul Keating, for one, sees things quite differently. While he welcomes the U.S. presence in the Asia-Pacific region and the rotational deployment of a small group of American marines in Darwin,\footnote{17} he obviously has doubts about the use of the Australian Parliament as a platform to voice a containment policy of China. He says that China is not the old Soviet Union and the return to a bipolar rivalry is non-conducive to peace. The world, as he sees it, is moving towards a concert of power, like a balance of power in a multipolar system. According to Keating, in a TV interview in Australia,\footnote{18} China has suffered two hundred years of retarded development and is now rising to get richer. The country should be welcomed by the rest of the international community, and a rising power demanding a greater say is a natural thing, and should be
accommodated unless it wants to dominate others. He says that he sees as yet no evidence of China dominating others, apart from some minor skirmishes with its neighbours over some small island groups in the South China Sea.

Keating’s analysis seems to make good sense. However, the Australian government obviously has other ideas. Although China is the number one importer of Australian goods, it belongs to a different system, the Other, and therefore a potential enemy. Australia, perhaps like many other states in the Asia-Pacific region, the Philippines being a good example, tries to play a balance of power, allying politically and militarily with the U.S. while developing trade and investments with China.

Hugh White, a professor of strategic studies in Australia, refers to this American containment policy as the Obama doctrine, a reference to the Truman doctrine of communist containment. He is adamant that this kind of policy carries a lot of risks for the U.S. as well as for China. He points out that the doctrine is a serious mistake, as ‘it commits America to a strategic confrontation [with China] which will cost it dearly, which it might not win and which it could quite possibly avoid without sacrificing its vital interests in Asia.’ He suggests that America should take a step back from the doctrine.

American is still the superpower, the champion of liberal-democratic values that underpin the dominant reign by the West. The American government is based on and survived by the ability to win the votes of its people. And the people are resentful of the Chinese for apparently taking away their jobs. Rejected by the 99 per cent that occupy Wall Street and other cities, the 1 per cent of the U.S.A. has to be seen to be doing something to ameliorate the anger of the 99 per cent, and China may come in handy as the scapegoat to take the blame for America’s economic ills, especially around the time of the presidential election in late 2012. A containment of sort, fuelled probably by ignorance or political convenience or both, a “Cold War” enemy is called for. Finger-pointing at Al Qaida or the Taleban has somehow lost its shine as the invasion of Afghanistan and Iraq has turned out to be looking increasingly like a Vietnamese style debacle.

The burgeoning containment policy is still in its infancy, more rhetoric than substance, as the policy has not been really institutionalized in any significant way. The stationing of a small force in Australia is more symbolic than anything else. It is, however, an extension of the concept and practice of burden-sharing of American military outreach from Europe, to Japan, and now to Australia. The establishment of the Trans-Pacific Partnership (TPP) with minor economies (apart from the U.S. and Japan) without China is small in trading terms, and its work is likely to overlap with those of other regional free trade initiatives, multilateral or bilateral, as well as with the work of the World Trade Organization, while unnecessarily antagonizing the world’s second largest economy. China being the largest trading partner
to all of the members of the TPP, it will be difficult for them to take actions to harm their trading relationships with China. All countries welcome the presence of the U.S. as a balancer to China, but they are pragmatic enough to see the need to avoid a possible Sino-U.S. military showdown that would damage their interests.23

4. China’s Search for Its Place in the World

Underpinning the current multipolar system is a balance of economics, overshadowing a balance of strategic-political power (in the traditional, classical realist sense based on military deterrence) and a balance of ideology (between liberal-democracy and communism). This balance of economics refers to the increasingly fierce competitions over trade, finance, and the system that governs the play in such competitions. Prominent in such governance are the rules of engagement which have been developed over a long period of time in modern Europe, but have become widespread around the world since the end of the Second World War. So what matters is whose rules are regulating these games.

The system of modern rule making, rule application, and rule adjudication is very much a Western invention based on the Westphalian system since 1648. These rules form the basis of governing inter-state relations and international organizations in Europe. The practice spread to the rest of the world over the course of some 360 years, buttressed by Western monitoring and sanctioning, especially since the founding of the United Nations and the gaining of independence by states in the developing world. Europe grew strong over these centuries through industrialization and colonization, becoming the dominating force in the current system of international relations we see today. Although imperial Qing 清 and the early Republic of China (before retreating to Taiwan) had had some diplomatic experiences mostly as an exploited or subservient junior member of the international community, it was the People’s Republic that has started to reach out to the outside world since its opening in 1978. As a major power today, China is still a latecomer to the world of diplomacy in general and to the world of international organizations, and thus multilateralism, in particular. China is still learning the rules of the game of international engagement. Most of these rules are designed and enforced by the West, in particular by the U.S. and some major European countries like the U.K., France, and Germany. The most obvious examples in the area of finance and trade are those rules that govern the working of the World Bank, the IMF and the WTO, which are products of the Bretton-Woods system, whose original purpose was to cater for the material interests of the U.S., the U.K. and a number of western European countries – the major victors of the Second World War.
As a latecomer and as a relatively weak power (apart from gross economic and military powers, even these are weak in per capita terms by international standards), China is lying low and learning to play the game that Western states have been playing for a much longer period of time, always cautious of protecting its interests in so doing. It knows full well that the existing rules are not always kind to it, as they protect in the main the interests of the rich and the powerful in the West, to the neglect and even the detriment of the developing world.

To tell China to play the universal rules of the game in international relations by U.S. top government officials from the President down is an indication of the importance of the role of rules played by the big powers in their competition over politico-economic influence and interests in the world. In a nine-day tour of the Asia-Pacific region in November 2011, which took President Barack Obama to Honolulu, Canberra, and Bali, he stressed the pivot or return of the U.S. to Asia. He warned that China must play by the rules of the international community in economic affairs, a reference to China’s slow political and financial reforms, the low value of the Chinese yuan against the U.S. dollar, and the Chinese violation of intellectual property rights. Obviously Obama was trying to promote American interests and values in the wake of the global economic slowdown and of the U.S. withdrawal from Iraq and Afghanistan. The Chinese were quick to respond. “If the rules are decided by one or several countries, China does not have the obligation to observe them,” said Pang Sen, a deputy director-general of China’s Foreign Ministry, at the Asia-Pacific Economic Cooperation summit in Honolulu. He stressed that China would play by the rules of international agreements that it had been party to the negotiation.

The divergent views of the U.S. and China over the latter’s rule observance bring to the fore two important aspects of contemporary international relations: one is the increasing role played by rules as a means to judge the behaviour of states in global affairs; the other is whether or not China is an outlier in rule observance and norm compliance. These two aspects figure not only prominently in the relations between the declining power and rising power, they also affect other global relations. The growing importance of rules in international affairs is a welcome development, as countries can debate and argue about standards of behaviour through legal means rather than the use of military force to settle disputes. This development ties in well with the diminishing utility of using military threat and deterrence as a way to settle international disputes and the increasing reliance on multilateral coordination as a way to resolve problems peacefully.

The second aspect, whether or not China is an outlier, deserves closer scrutiny, as the answer to this question will have a significant impact on the future shape of the world and on issues of war and peace. The question can
be usefully seen against the context of the development of the system of rules in world affairs, as I have discussed in brief earlier, which is very much tied in with the development of the European state system and the system of international organizations based on rules first played among states within the European theatre and then later on spread to the rest of the world. The relations between states and international organizations must also be taken into account, as strong states in Europe in the past had applied a “double standard” in rule application: those within the strong civilization influence of the West were governed by one set of standards: equality among them and no interference in each other’s internal affairs; but those outside such sphere of influence in the developing world had been treated by the West using a different standard, such as extraterritorial rule. Remnants of this kind of behaviour still linger on, although to a lesser degree and in a less apparent way, because of increasing political awareness and because of the rise of powers in the developing world. These rising powers cry foul and take actions to correct the discrepancies in the different standards of civilization applied by European countries to non-European countries. Of course the picture is more subtle and complex than this and there are different shades of standards even within the West and within the non-West, apart from between the West and the rest.

China is taking steps to counter this perceived American containment policy. One major counter action is to improve its somehow tarnished relationships with its neighbours mainly as a result of territorial disputes. In July 2011 China set out guidelines for implementing a “declaration on conduct” with Southeast Asian nations over the resolution of disputes in the South China Sea. In early November 2011 China announced it would join its south-western neighbours in combating piracy on the lower Mekong River.27 At the East Asia Summit held in Bali, Indonesia, in late November 2011, China proposed a three billion yuan maritime cooperation fund with ASEAN countries to counter moves by the U.S. and the Philippines to resolve disputed territories.28

The rise of multipolarity is not confined to the end of the Cold War and the rivalry between the superpowers, the U.S. and the former Soviet Union; nor is it limited to the relative decline of the U.S. and the relative rise of China and of other emerging powers like India and Brazil. It means more than that. The current financial crisis in Europe, and the inability of the major powers of the eurozone and the U.S. to overcome the crisis in the foreseeable future means that global economic power is being shifted to Asia and other emerging economies around the world, much quicker than we originally thought at the turn of the millennium. No one is immune to the effects of the eurozone crisis, but it would seem that Asia and the emerging economies are likely to weather better than others because of the greater ability of their macroeconomic
systems to cope, being based on export drives, private savings, and the accumulation of foreign currency reserves. The crisis also has the effect of pushing and shifting the pattern of trade and investments from the North-South axis to the South-South axis. In addition, new emerging economies like Indonesia, Mexico, and Turkey may be enticed to join the BRICS to form an economic coalition of convenience, raising the power profile of these countries in the world politico-economy. This power shift will lead to these countries to speak out louder in shaping the rules that govern global affairs. By default or design, China will be pushed to take on a greater leadership role to bring about a brave new world. Can China rise to the occasion?

In this Brave New World…

What is China’s Challenge? China, together with the Asian rich and the emerging economies, can help to address the imbalance in global development and the uneven distribution of global wealth. How will China and these countries face the challenge? The promotion of South-South cooperation has begun, and its role in international aid has been recognized by participants to the 4th High Level Forum on Aid Effectiveness held in Busan, South Korea, in November/December 2011. By providing finances, actual or pledged, to the IMF through quota subscriptions or purchases of IMF bonds as well as to burgeoning regional initiatives such as the Chiang Mai Initiative Multilateralisation, China is seen to be providing some international and regional public goods. Whether these provisions are enough or not and to what extent will they help to stabilize the global finance and economy are subject to debates and further scrutiny. In any case, China is poised to emerge as a relatively stronger player as a result of the current economic crisis and its leadership in the global political economy will be in greater demand, as evidenced by the increasing number of Chinese nationals taking up leadership roles in international organizations.

In its increasing engagement with the world, China learns from the outside, through adopting some norms, complying with them, and internalizing them. On the other hand, China rejects other norms and tries to change them or propose new ones to compete with or to replace them. China is most of the times a rule taker, but sometimes a rule breaker, and incrementally a rule maker. The outside world also learns from China about its way of doing things. A process of mutual socialization and legitimization is taking place, although the effects of interdependence may be uneven, depending on the issues involved and the power relationships.

What is China’s Purpose? When Mao Zedong declared in 1949 that China had stood up, he probably had in mind that the country had broken off the
China in a Brave New World

shackles of a century of humiliation under Western imperialists. China’s purpose since then has been to build a country strong in military power and rich in material wealth so that China can protect itself and prevent others from bullying it again, a country that will feel proud of its present and its glorious past and a country that will command the respects of others. The path to building such a nation is full of obstacles, both internally and externally, as China has found out through experiences in recent years and decades. The arduous task of state-building is still going on.31

When China becomes strong and wealthy, will it become a “hegemon”? Although Chinese leaders like Deng Xiaoping and his successors have emphatically stressed that China will not, outsiders are not so sure, as history has shown that great powers in the past have gone on to become one, witness the imperialist and colonizing experiences of Spain, Portugal, the Netherlands, France, Germany, Great Britain, Japan, the Soviet Union, and the United States of America. Those who see things differently will point out that China is different from these countries, which all belong to the “West”. China is a peaceful country on the rise. Its relations with the outside world in the past were to defend itself against “barbarians” rather than to invade them. Even if invasions did take place, they were short-lived and China would withdraw very quickly back to the confines of its own territories. Chinese mentality is in the main inward-looking rather than outward-looking. So far, it has not maintained any military base overseas, and its conflicts with its neighbours are mostly small in scale, intermittent in occurrence, and limited to territorial disputes over tiny islands and islets. Its relations with Taiwan are internal matters and they have turned calm and stable these days. In a way, China is unique, *sui generis*.

**What is China’s Vision?** Apart from building a country that is strong and rich, Chinese leaders do not seem to have spelt out a clear vision for the country’s future. Unlike other superpowers, China does not have a desire to spread its ideology as a universal value, to colonize others, or to convert them to its beliefs. China lies low, cultivates its economic field like a diligent farmer working away in the field in a traditional agrarian society. It minds its own business, not others, and it does not like others to interfere in its domestic affairs.

Although increasing number of countries are urging China to play a greater role in world affairs as a responsible member of the international community in commensuration with it power and status, China does not seem to be in any big hurry to do so. It would certainly like to be seen as a responsible member, but not a dominating leader. Its understanding of leadership in world affairs is not the kind of understanding that positions the leader at the very forefront of the group to mete out commands to others, but
a rule-abiding, responsible fellow member of the group. China would not be unhappy if other countries take the lead, as far as its interests are not tampered with, and it does what it can do best, to protect its national interests and then the interests of developing countries, in that order, while not entirely oblivious to the interests of the leaders in the system.

China’s vision of the world is a harmonious society in which there is no hegemonic politicking and in which members work together in a cordial manner within a just global structure, a society lying somewhere in between a hierarchical-stability system and a balance-of-power system in which dispute resolution is sought through peaceful means. This is not a harking back to the tianxia 天下 system in the tributary past, despite veiled suggestions by some recently published works in the field to that effect, but a vision of a harmonious society in contemporary international relations.

What is China’s Fate? China’s fate lies in its ability to meet the challenges coming from domestic demands for change and international pressure to conform. Domestically the demand for political change is paramount. Like other authoritarian states around the world, China is facing a popular demand for greater freedom and accountability, fuelled by the unprecedented speed with which these demands transmit through digital social networks. China is preoccupied with a host of well-known internal problems such as a widening wealth gap, worsening environmental degradation, and dysfunctional healthcare system to be able to pay full attention to addressing global problems.

Externally, its poor human rights record, its marauding search for natural resources, and its neo-mercantilist trading practices have given rise to demands on it to conform to international norms and rules with which China is struggling to cope, with some major successes but still falling short of outside (read Western) expectations. There is a lot of work to be done, especially in how to project its positive image and soft power, to cultivate friendship and to win over the hearts and minds of its competitors. In addition, China has to bear the burden and consequences of misperceptions and suspicions harbour by others of its intentions and behaviour.

China’s domestic legitimacy lies in the continuing improvement of the living standard of its poor, coupled with a more relaxed political control. Its external legitimacy lies in working well with multilateral institutions to bring about a more peaceful world and a more equitable and fairer international society. In the midst of trying to enhance its domestic as well as its international legitimacy, China is groping for its own identity, an identity that will break away from its imperial past, its Middle (read Central) Kingdom mentality, to morph into one that posits China as a ‘normal’ state in a multipolar world. Just as China has to live with a U.S. hegemon, there seems to be a need for others to live with a rising China in its rough
transition from a Middle Kingdom to a normal state, while the centre of world power and development continues to shift from the West to the East. China can now afford to dream dreams, whereas in the recent past it has a lot of nightmares.

Notes
+ This paper is based on my keynote speech delivered in a China workshop held at Nanyang Technological University, Singapore, on 21st February 2012. I am grateful to Chair Professor LIU Hong and Associate Professor YAO Shuntian for their kind invitation and to the workshop participants for their constructive comments. I am also grateful to Dr Pak K Lee of the University of Kent, U.K., and Dr Lai-Ha Chan of the University of Technology, Sydney, Australia, for reading an earlier draft of this paper and offering valuable suggestions. Thanks are due to an anonymous reviewer of this journal for urging me to clarify some of the concepts used in the paper.

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3. It is not exactly the kind of world that Aldous Huxley envisioned in his Brave New World in 1932 or his Brave New World Revisited in 1958, but a world nonetheless changed from a strong belief in the West’s free-market neoliberalism to an acceptance of some robust state control.
4. Interestingly the revival of activities along the Silk Road through Central Asia in contemporary times is led by the rise of China, according to Rouben Azizian, in his public lecture on “Central Asia: Europe or Asia?” delivered at the University of Auckland, New Zealand, 1st March 2012.
5. For example, neoliberal institutionalists suggested that the decline started in the early 1970s when President Richard Nixon announced the end of the gold
standard system, followed by the oil crisis. These were the background for Robert Keohane’s *After Hegemony*, in which he argues that American staying power lies with the international institution the US has created after the Second World War.


8. This unipolar within multipolarity system ties in well with the Chinese conception of *yichao duoqiang* 一超多强 (one superpower, many powers) shortly after the end of the Cold War. See Gerald Chan, *Chinese Perspectives on International Relations* (London: Macmillan Press; New York: St. Martin’s Press, 1999), p. 111.


10. In fact, Bloomberg has pointed out that China surpassed the U.S. to become the world’s biggest trading nation in 2012, as measured by the sum of exports and imports, according to their respective customs figures: US$3.82 trillion in the U.S. and US$3.87 trillion in China. (*Taipei Times*, 11th February 2013, p. 6, http://www.taipeitimes.com/News/biz/archives/2013/02//2003554692, accessed 26th March 2013.)


14. The *Guardian Weekly*, 16th December 2011, p. 34.

15. *Ibid*. For a recent analysis of the aid policy and practice of the emerging economies, see a special issue on “Rising States, Donors, Brics and Beyond”, *Cambridge Review of International Affairs*, Vol. 25, No. 4 (December 2012).


20. Different observers use the term “Obama doctrine” to refer to different things. For example, Douglas Feith and Seth Cropsey define the doctrine as a constraint policy in global terms, meaning a policy of constraining the U.S. aggressive policy of the past. See their “Constrainment: The Obama Doctrine Defined”, *Commentary*, July/August 2011, pp. 11-18.


22. The U.S. has maintained military relationship with China’s neighbours, including Japan, South Korea, Taiwan, the Philippines, Australia, and India. The U.S. is improving its links with Vietnam, and with the latest push to break the ice with the military government in Myanmar (formerly Burma), the containment circle is more or less complete.

23. Interesting, a public opinion poll conducted in nine Asian countries and released by Gallup Inc. on 18th November 2011 revealed that 44 per cent of respondents supported U.S. leadership in Asia, while 30 per cent support Chinese leadership in the region. In Australia, the Philippines, and South Korea, the support for U.S. leadership was 29 percentage points higher than the support for China. See Lin Cheng-yi, “It Is Time To Pick Sides in the South China Sea”, *Taipei Times*, 29th November 2011 <http://www.taipeitimes.com/News/editorials/archives/2011/11/29/2003519466/1> (accessed 29th December 2011).


31. Muthiah Alagappa opines that the main security concern of Asian countries is state-building which should form the focus of the study of international relations (IR) of the Asia-Pacific region, despite the valuable contributions made by Western IR theories to understand this region. In Alagappa’s interview by Chris Laidlaw on Radio New Zealand, 5th December 2011.


33. For a detailed analysis, see Gerald Chan, Pak K. Lee and Lai-Ha Chan, China Engages Global Governance: A New World Order in the Making? (London and New York: Routledge, 2012), especially the Conclusion, pp. 174-84.

34. “Zhongguo” (中国) should be translated as “Central Kingdom”, indicating China’s long-standing belief that it was at the centre of the world or universe. “Middle” is more of a geographical or positional term, which does not carry the connotation of being at the core/centre of something.
China’s Rise and Environmental Degradation: The Way Out

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Abstract

China’s remarkable economic success is accompanied by environmental degradation. Without a doubt, some of the most profound environmental changes are under way in China, but China’s environmental problems are still severe. Nevertheless, scholars around the world have different perspectives on the major causes of China’s environmental degradation, the domestic and global implications of environmental degradation, and how China should cope with its environmental issues. This paper will re-assess China’s environmental problems and analyze its main causes in a global context, and argue that the current environmental degradation of China is actually an unavoidable result of China’s modernization during globalization. Coping with China’s environmental problems is a comprehensive project, and it may take a long time to accomplish the project’s goal. Either ignorance of environmental problems or unrealistic expectations could damage the battle fighting China’s environmental degradation.

Keywords: China, Environment, Chinese Economy, Chinese Foreign Policy, China-US Relations

JEL classification: Q01, Q53, Q56, Q57

1. Introduction

China has achieved remarkable economic success in the post-Mao era and its economy has grown tenfold since 1978. However, China’s rise parallels environment degradation. Today, China faces looming environmental issues, as it is becoming one of the largest and most polluted countries in the world. According to the 2010 Environmental Performance Index released by Yale University and Columbia University at the World Economic Forum, China ranked 121 out of 163 countries on the list.1 The Chinese government
realized the serious consequences of the environmental degradation and has launched a campaign on environmental protection. Some of the most profound environmental changes are under way in China, but its environmental problems are still severe. The dominant viewpoint in Western societies suggests that China economic growth has damaged the distribution of the earth’s natural resources and energy and threatens the global economy and environment. They warn that the rest of the world cannot ignore China’s environmental degradation, because, ultimately, the whole world is affected by many of the devastating catastrophes originating in China. To push the Chinese government to do more in improving China’s environment, the U.S. Embassy in China has set up a monitoring point on the embassy roof in 2009 and posts hourly air-quality data on its popular Twitter feed. However, a senior Chinese official demanded in May 2012 that foreign embassies stop issuing air pollution readings, saying it was against the law and diplomatic conventions. This reflects the many differences between China and the Western societies on some critical issues: Do China’s environmental problems threaten the international society? Is it possible for China to avoid environmental degradation while it is on rise during globalization? What are the main causes of China’s environmental problems? Will China be able to solve its environmental problems in a short period of time? This paper will re-assess China’s environmental problems and analyze their main causes in a global context, and argue that the current environmental degradation in China is actually an unavoidable result of China’s modernization during globalization. Coping with China’s environmental problems is a comprehensive project, and it may take a long time to accomplish the project’s goal.

2. Environmental Degradation in China

Today, China is facing almost all of the world’s ecological challenges: climate change, desertification, deforestation, declining water resources, acid rain, soil erosion, air and water pollution, and biodiversity loss, etc. Pollution is the basic problem amid all other environmental problems. The pollutants are broadly divided into seven types, including contaminated water, polluted air, solid waste, radioactive substances, noise, soil pollution and others.

Polluted air is one of the most serious environmental problems affecting the daily life of the Chinese people. Polluted air is everywhere in China. It is especially severe in metropolitan areas. Sixteen of the world’s twenty most polluted cities are in China. According to a scientific report, “the air quality of nearly 70 per cent of urban areas [does] not meet the country’s national ambient air quality standards (NAAQS)” and “nearly 75 per cent of urban residents [are] regularly exposed to air considered unsuitable for inhabited areas.” Ordinary Chinese are starting to miss blue skies, clean rivers, green
Air pollution is grave in some heavily industrialized cities. Air pollution is “in every major northern city and many urban areas in the south are exposed to air pollution levels that are three to seven times higher than World Health Organization guidelines.”

China supports 22 per cent of the world’s population with only 8 per cent of the world’s water. Although China ranks fifth of all nations in water resources on a per capita basis, China’s water supply is 25 per cent below the global average, and it has only one-fifth as much water per capita as the United States. As south China is relatively wet, the water supply problem is most acute around big cities in northern China, where precipitation levels are lower than in the south. The shortage of water has resulted in a lack of drinking water, especially in metropolitan areas. According to a survey of more than 600 Chinese cities, two-thirds of them had inadequate water supplies, while one of every six experienced severe water shortages.

As incomes continue to increase and more Chinese people move from older housing into homes with modern plumbing, the amount of domestic wastewater has drastically increased.

Recent studies suggest industrial pollution contributes more to China’s water shortages than was previously assumed. More lakes suffer from sedimentation and diminishing water surfaces as a result of physical and human factors. About 70 per cent of China’s lakes and rivers were polluted to some degree. In a survey taken in 2004, it was found that 28 per cent of 412 monitored areas of seven major rivers in China were rated of no practical use. Between 2001 and 2005, about 5 per cent of Chinese wells contained more than 50 micrograms per liter of arsenic, which affected 582,769 people. Seventy-five per cent of surface water flowing through urban areas of China is not suitable for drinking, and 90 per cent of urban ground water is contaminated. Nearly 500 million people lack access to safe drinking water.

Chinese officials have acknowledged that 300 million people drink contaminated water on a daily basis, and of these, 190 million people drink water that is so contaminated, and it makes them sick. Water pollution is more serious in east China than in northwest China. The Yangtze River and Yellow River provide drinking water for tens of millions of Chinese people, but more than 10,500 chemical companies are located along their banks. Any single accident could lead to disastrous consequences. The harbours of the Yangtze River and the Yellow River are already listed as dead zones by the United Nations—low oxygenated areas and de-oxygenated zones in which fish and shrimp cannot survive, and even sea plants cannot grow.

China’s ocean has also become polluted. China’s coastline extends 18,400 kilometers and abuts four seas: the Bo Hai, the Yellow Sea, the East China Sea, and the South China Sea. In 2006, China’s seas generated $270 billion GDP, but the booming economy has increased the degradation of the ocean.
Untreated sewage is being dumped into surrounding estuaries, creating a surplus of red phytoplankton. Red tides are becoming a common occurrence in China, killing off marine life and adversely affecting the surrounding coastal communities. The ocean pollution comes from industries, agriculture, domestic sewage, oil and gas exploration, and fish farming. Consequently, polluted oceans make seafood unsafe to eat and damage the local ocean industry as well.

Lands in China are also polluted. About 1.03 million square kilometers of land are degraded by soil erosion. Land erosion in certain areas, such as the Yunnan, Guizhou, Jiangxi and Hubei provinces, has ranged between 40 per cent and 70 per cent of the cultivated area. China has one of the most serious soil erosion problems in the world, and this immediately raises food security concerns. Land erosion directly results in arable land shrinking. China has 22 per cent of the global population, but just 7 per cent of the world’s arable land. China loses up to 5 billion tons of soil due to erosion every year. The nutrients lost are the equivalent of 40 million tons of fertilizer, which in turn equals the amount of chemical fertilizer used annually by Chinese agriculture. About 40 million mu of cultivated land has been destroyed by erosion since 1949. This clearly represents a huge loss to Chinese agriculture. The Ministry of Land and Resources predicts that grain-producing land will decline by 0.18 per cent annually. China will have to import 300 million tons of grain by 2030. However, there will be only 200 million tons of commercial grain available by that time.

China’s forest is diminishing while desertification is expanding. Official Chinese statistics indicate that in 2003, China’s forest covered 18.21 per cent of the country’s total area. Today, forests only cover 14 per cent of China’s land. In recent years, they have decreased at an annual rate of 5,000 square kilometres. Desertification has already swept over 30 per cent of China’s land. In Inner Mongolia, residents have been forced to abandon their villages because the desertification is so severe. Although the desertification has been curbed in some areas, it is still expanding at a rate of more than 3,000 square kilometres every year.

China’s environmental problems are severe but it does not necessarily threaten the international society. There is a theory that China’s rise inevitably damages the distributions of international resources, energy, and economy, and imposes a serious threat to global economy, energy, resources, and environment. It is true that more than half of world’s population has entered industrial society and it has seriously impacted on the system of global resources and ecology. As a result, it comes out an issue of the distributions of the rights to global environmental development and the responsibilities to global environmental governance. The theory of China’s environmental threat reflects that Western countries are worrisome to the current pattern of the
global natural resources and hope to maintain its dominant position through
global environmental governance in order to contain China. Thus, China faces
great challenges to theories of its sovereignty, the principles of its diplomacy,
and its responsibilities to the international society.

China is the world’s biggest energy consumer and greenhouse gas
emission because of its large population and economy. In 2008, China
surpassed the United States as the largest global emitter of greenhouse gases
by volume. However, China’s carbon dioxide pollution is largely caused by the
manufacturing of goods for developed countries.\textsuperscript{18} It is not China, but the
U.S. is the biggest country which consumes energy and produces greenhouse
gas emission in terms its per capita. Since the 1990s, American people have
largely consumed goods produced overseas, mainly in China and other Asian
countries. Thus, it cannot be justified that China’s environment threatens the
international society. Instead, the U.S. and other developed countries should
take major responsibility in global environmental governance, because they
have created the current environmental problems. In addition, environmental
degradation is a by-product of industrialization. No country can avoid a certain
level of environmental degradation during the process of modernization. It is
not surprising that China’s environmental degradation has become severe since
the Chinese economy took off in early 1980s, as environmental problems were
even more severe in some European countries during the Industrial Revolution
between the seventeenth and nineteenth centuries.

3. The Consequences of China’s Environmental Degradation

Poverty, disease and environmental problems are the three greatest challenges
nations face in the twenty-first century. The three problems are interrelated,
but the environmental problem is the most serious and costly one. China’s
environmental problems have a negative impact on China’s domestic
development and the global community.

China’s environmental degradation hinders the development of Chinese
economy and bites into economic growth. For example, China has a big
acid pollution problem, which falls on over 30 per cent of the country.\textsuperscript{19}
Acid rain is estimated to cause more than $4 billion a year in crop damage,
as well as close to $1 billion in material damage. In September 2006, the
State Environmental Protection Administration of China (SEPA) and the
National Bureau of Statistics of China (NBS) jointly released the first green
GDP report that indicated that environmental pollution cost China 511.8
billion yuan (USD64 billion) in economic losses in 2004, accounting for
3.05 per cent of the country’s GDP.\textsuperscript{20} The World Bank estimated that China’s
economic losses due to environmental degradation amounted to eight per
cent of the country’s GDP. In recent years, in fact, overall costs to China’s
China’s environmental problems have directly damaged Chinese people’s health. Air pollution affects respiratory systems and the visibility of the atmosphere. Much of the indoor air pollution in China is caused by the use of solid fuels in simple household stoves. Although China has been experiencing great urbanization, more than 65 per cent of the population is still rural, most of which still uses biomass and coal fuels that produce substantial pollution. Coal and biomass are difficult to burn in simple household devices without emitting pollutants. There is great difficulty in premixing the solid fuels and air before burning. Thus, the burning of these solid fuels poses a great health risk to those cooking with the materials. With this inability to premix, anywhere from 10-38 per cent of what is being burned off become dangerous pollutants that harm those who inhale them.

Pollution has made cancer China’s leading cause of death. Air pollution is a major cause of lung cancer, as harmful particles enter the lungs and cannot be discharged. Particle pollution from the burning of coal causes approximately 50,000 deaths per year in China. Air pollution is estimated to be the main cause of nearly 50 per cent of all respiratory ailments. The number of pollution-related deaths has already reached 750,000 per year. Keith Florig notes that: “Today, diseases linked to air pollution are among the largest threats to public health in China, ranking with smoking as the most frequent cause of death.” Pollution is also responsible for between 380,000 and 500,000 premature deaths annually, and that number will likely reach 550,000 in 2020. An additional 90,000 die each year due to water contamination.

China’s environmental problems have intensified the conflicts between the government and society, which triggers social protests and undermines social stability. About ten per cent of China’s social protests are related to pollution. Official Chinese data demonstrates that unrest began rising rapidly between 1993 and 1995. The government admits to a nationwide increase of 268 per cent in mass incidents from 8,700 in 1993 to 32,000 in 1999. From 58,000 incidents in 2003 to 87,000 in 2005. In 2010, the number of protests in China was alarmingly high, reaching a total of about 180,000. Consequently, the budget for the government to maintain social stability is increasing and has exceeded its military budget. China is entering a peak period for mass incidents and in the next several years may face even more conflicts that will greatly test the governing abilities of all levels of the CPC. Although China has become unprecedentedly prosperous, social unrest could continue to contribute to internal strife, economic downturn, and uneven growth.

The growing environmental problems have damaged China’s image in the international society, and have become the world’s problems too. Sulfur
dioxide and nitrogen oxides spewed by China’s coal-fired power plants fall as acid rain on Seoul and Tokyo. According to the *Journal of Geophysical Research*, much of the particulate pollution over Los Angeles originates in China. The environmental issue is one of the hottest topics between China and the United States because it applies to all other issues. For example, why is the cost of Chinese products so low? Not only do Chinese enterprises use cheap labour but they also save on the cost of environmental protection. Under the Obama administration, the U.S. government has paid more attention to climate changes and makes climate change a national priority. If the Chinese government does not handle the environmental issue well, it will seriously hurt their relations with other countries.

4. Will China be Able to Solve the Problems in a Short Period?

A high percentage of Chinese people are pessimistic in response to this question, because they simply believe it is very difficult to deal with such a complex project. First of all, China’s environmental degradation is a common issue in a global context. During the industrial revolution European countries experienced the same environmental problems that China is currently facing, but for them the peak of pollution is over. There are many environmental issues in the global community today, including biodiversity protection, desertification control, nuclear safety, protection of the ozone layer, marine pollution by dumping wastes, the trans-boundary movements of hazardous wastes, global climate change, conservation of wetland ecosystems, and the international trade of endangered wildlife. Under this circumstance, it is almost impossible for China to tackle their problems alone without close international cooperation, in order to effectively battle global environmental degradation. Since China reopened its door to the rest of the world, the country has signed 17 international environmental treaties, which are related to 11 global environmental issues, such as biodiversity protection, desertification control, nuclear safety, protection of the ozone layer, marine pollution by dumping of wastes, global climate change, conservation of wetlands, and prior informed consent procedure. The Chinese government made an announcement before the Copenhagen Climate Conference that the government would pledge to cut the amount of carbon dioxide emitted for each unit of national income 40 to 45 per cent by 2020. According to the Xinhua Agency, this is a voluntary action taken by the Chinese government based on its own national conditions and is a major contribution to the global effort in tackling climate change. However, words do not necessarily reflect deeds. It takes time for members of treaties to implement the international treaties.

Government’s involvements play critical roles in battling environmental problems. However, there are so many domestic problems in China. Among
all the domestic problems China faces, the environmental problems rank neither on the top nor at the bottom. Some scholars suggest that “the limited capacity of the political system, combined with the plethora and scope of environmental problems, mean that not all problems receive the same level of policy attention.” The Chinese government is able to invest only limited efforts in improving its environmental degradation. The environmental protection battle involves many aspects of government affairs such as public health, business, labour, and trade. Thus, the central government is required to consult with various departments at the national level in order to set an effective proposal for solving environmental problems.

China environmental problems are derived from multiple sources that are not easily eradicable in a short period of time. It should be noted that a country’s level of environmental degradation is unrelated to the level of economic development and the nature of the political system. At present, environmental problems are critical in Asia, especially in developing countries, such as India, Vietnam, and China. In comparison, Africa is an undeveloped region, but environmental problems in Africa are worse than people thought. Conversely, India is a democratic system, but environmental problems are severe. Singapore is an authoritarian regime, but the country is as clean as a beautiful park. The nature of the Chinese political system does not necessarily negatively affect China’s environmental problems. Instead, the highly centralized administrative system makes it even easier to create laws and put them into practices.

To be sure, industries are major polluters. Since the foundation of the PRC in 1949, their ultimate goal has been to industrialize China. In 1950, Mao Zedong made it clear that his plan was to build factories with smokestacks all around China. In the early years of the post-Mao era, Chinese leaders embraced the principle of “growth first,” which was best reflected by a famous slogan of Deng Xiaoping: “no matter if it is a white cat or a black cat; as long as it can catch mice, it is a good cat.” Since the reform movement, China has not just become the world’s factory, but also its smokestack.

China’s pollution comes directly from domestic sewage, chemical fertilizers and pesticides, motorized boat oil, human and animal wastes, and industrial batteries. Air pollution is directly derived from industrialization. For example, 80 per cent of air pollution in Hong Kong came from Guangdong’s factories and power plants. Noise pollution is mainly the result of excessive traffic and construction noise. Industrial waste directly contributes to the shortage of good water quality in China. The industries that contribute the most to pollution in China are chemical, electric power, waste recycling and disposal, non-ferrous metals, petroleum and coking, ferrous metals, non-metallic mineral products, food, coal mining and washing, paper products, plastic textile, and leather industries. They produce an annual 820
million tons of solid waste, with an integrated utilization rate of 46 per cent. Chinese cities dump 140 million tons of domestic waste annually, of which only 10 per cent is disposed of in a safe way. Industry waste, on the other hand, has dramatically increased from 13.1 billion tons in 1995 to 22.1 billion tons in 2000.38

Chinese factories are still using old technology and many manufacturers lack measures to protect the environment. Some 2000 tons of mercury from more than 2 billion tons of coal burned every year enter the soil and pose threats to agricultural production and human health. Air-borne pollution particles have cut rainfall in many regions of China, particularly in the northeast and northwest. China’s emissions increase is 2-4 times greater than expected. China’s CO$_2$ emissions reached 19.95 million tons, more than any other country.39 Experts estimate that CO$_2$ emissions must be reduced by at least 40 per cent if they are to meet the environmental capacity of China’s atmosphere. The International Energy Agency predicted that China’s carbon emissions would not reach those of the United States until 2020. These factors suggest the old production technologies produce more polluters, but environmental degradation cannot be solved by modern technology itself.

Rapid population growth also contributes to China’s environmental problems.40 China’s population will continue to grow and reach its peak at 1.6 billion in the 2030s despite of the one-child policy.41 Population growth reduces arable land and increases and directly demands more production of food, fibers, housing, and other materials.42 The rapid growth of China’s population is side by side with the development of urbanization. China’s urban population increased from 132 million people in 1992 to 665.57 million in 2010.43 Cities produce a great amount of waste on a daily basis, including industrial waste (IW), municipal solid waste (MSW), and hazardous waste (HW). The majority of waste in China is IW, totaling 2.3 billion tons in 2009 and 190 million tons of solid waste annually and amount to 29 per cent of the world’s municipal solid waste (MSW). Only 31 per cent of collected MSW is handled in an environmentally friendly manner.

Another factor is that the development of urbanization demands more automobiles on the street. Since China became a large consumer of automobiles, about 14,000 new cars hit the streets daily, and it is predicted that China will have more than 130 million cars on the road by 2020. As a result, “Chinese developers are laying more than 52,700 miles of new highways throughout the country.”44 The major increase of motor vehicles and the massive amounts of new highways create environmental problems. The carbon emissions from these cars have doubled the amount of pollution in the air. Because of the lack of government regulation, air quality in cities has become extremely poor. Before the 2008 Beijing Olympic Games, the Chinese government removed roughly two million vehicles from city streets and shut
down many factories in Beijing in order to meet the anti-pollution standards of the United Nations. As a result, the number of days with a blue sky was more than the total number of “blue sky days” in the past ten years.

China’s urbanization has been unavoidably accompanied by water and energy shortages. About 400 of the 668 cities in China suffer from some degree of water shortage. In the past three decades, China has built about 7.5 billion square feet of commercial and residential space, more than the combined floor space of all the country’s malls and strip malls. As cities have become more populous, they have expanded into the countryside, consuming land once used for agricultural purposes. It is estimated that urban sprawl and transportation networks take up 1.4 million hectares annually. Moreover, Chinese buildings rarely have thermal insulation, and about 95 per cent of new buildings do not meet China’s own codes for energy efficiency. Thus, they require twice as much energy to heat and cool as those in similar climates in the United States and Europe.

The ultimate source of environmental degradation is human behaviour. Some countries in South America, such as Peru, Brazil, Argentina, and Columbia, are developing countries, but their environmental problems are not as severe as some developing countries in Asia. One of explanations for this is that environmental problems are related to people’s behaviour towards environmental protection. Since 1950, the temperature on earth has increased more than 0.5°C. Environmentalists suggest that about 74 per cent of this global climate change is caused by human behaviour. Human actions are indeed changing the global climate system; global environmental threats are really caused by human acts. Some scholars suggest that “China’s worsening environmental crisis is, at its core, a crisis of policies and perceptions.”

When the local environmental quality is poor, it could result from weak public environmental awareness and insufficient environmental protection efforts. In turn, the serious environmental problems should generate public concern about the environment. Ultimately, human’s activities are responsible for the problem in the first place. Ordinary citizens inevitably pollute and degrade the environment to some extent.

In summary, it is a very complex task to remove all these pollution sources, because it involves various issues, such as government policy, employment and the technologies for treating the factories’ wastes, and people’s awareness of environmental protection. The success of environmental protection really depends on the joint efforts of the entire society. Every member of society has the responsibility to share in the common goal of protecting the environment. It is impossible to fundamentally improve environmental degradation in China without altering human behaviour, both individually and collectively. In other words, the objective of environmental protection cannot be achieved without every member of society acting together.
5. Resolutions to Improve China’s Environment

China faces a dilemma. As the development of China’s economy, the living standard of the Chinese people has dramatically increased and also produced serious environmental problems. Chandran Nair has made a bold argument that Asia cannot have both high level of living standard and environmental problems free, due to the simple fact that the world cannot survive the consequences of the growth of highly populous Asian economies to levels of development reached by industrialized countries. Thus, Asian countries should not simply duplicate the Western model of consumption-led economic growth, because there are too many people in Asia, and there are not enough resources on the planet. Asia must do something differently. In this sense, Asian values and the model of governance should be an alternative to Western capitalist lifestyles. He believes authoritarian regime is a good system to global environmental problems, such as Singapore-style “guided democracy” or China’s authoritarian approach. To Nair it is not true that consumption-driven capitalism can deliver wealth to all. In fact, it can only deliver short-term wealth to a minority; in the long term, it can only deliver misery to all. Economic growth is an evil to natural environment and Western capitalism is incapable of solving the environmental problems in Asia. However, Asian values do not guarantee prevention of high economic growth from causing environmental disaster. Japan tried to maintain Asian traditional values while its economy taking off, but it has not prevented it from joining the top five in carbon emissions. China’s environmental degradation also indicates that the combination of authoritarianism and Asian values do not guarantee any different results than the Western model. China must develop its economy by avoiding any catastrophic consequence of the development model using every possible means such as bans on some forms of consumption and re-pricing of resources.

In order to effectively improve China’s environmental degradation, first and foremost, it is required to fundamentally improve the people’s awareness of environmental protection. Theoretically, the Chinese government has implemented environment protection for more than three decades. Since early 1970s, the Chinese government has paid great attention to enhancing public environmental awareness through relevant education and communication. The first National Conference of Environmental Protection, held in 1973, marked the start of environmental protection in China. In 1983, the Second National Environment Protection Conference was held. The third National Conference was held in 1989. Since then, China’s environmental management system has been established, a number of environmental protection policies, regulations, and laws have been enacted, extensive environmental education and communication has been carried out, and environmental pollution control has been enforced.
Practically, environmental awareness in China is relatively weak so public attitudes towards environmental protection still have a big room to improve. The public attitude towards environmental protection includes environmental awareness and the actual behaviour of protecting the environment. Environmental awareness refers to people’s knowledge about environment protection and environment realities, including environmental conditions and problems and government policies regarding them. The practical behaviours towards environmental protection reflect people’s mindsets and the willingness to play roles in recognizing public participation in and promotion of environmental protection. According to a survey, while about 30 per cent of Chinese people know a lot about environmental laws and regulations, about 42 per cent of respondents had only heard of it and 26 per cent never heard of it. Although the majority of people believe they have roles to play in environmental protection, they believe that government and enterprises, not citizens, should take the major responsibility to protect the environment.

Many Chinese people tend to show passivity and apathy towards activities that damage the environment. Even though many people are discontent with other people’s environmentally unsound behaviour, they are unwilling to choose environmental protection over economic growth. Instead they refuse to change their behaviour to protect the environment, and also pollute the environment without guilty consciences. In addition, the new consumer culture of urban life in the post-Mao era inevitably contributes to the deepening waste disposal crisis. For example, a great number of urban residents do not reuse plastic bags and do not often practice waste separation and recycling. The development of the automobile industry has changed people’s lifestyles and travel behaviours. The more people travel by car, the more pollution is produced.

The government’s decisive action is the most important measure in dealing with environmental degradation. The Chinese government has realized the severe consequences of environmental degradation and has launched the second economic transformation from a polluted economy to a green economy. At the United Nations General Assembly in September 2009, Hu Jintao promised that the CPC will fulfill its responsibility and improve China’s environment. The Chinese government has established government agencies to handle the country’s environmental problems. The State Environmental Protection Administration (SEPA) is the single largest government agency overseeing the country’s environmental problems on the “macro” scale, a full-fledged ministry with the power to implement regional supervising programmes, enact national environmental policies, and research the environmental impacts of major industrial projects. For years the Chinese government has participated in global summits, supported
climate change campaigns, and studied the problems that exist in China. China’s eleventh 5-year plan specifically addresses energy efficiency and infrastructure improvements as key goals, and the twelfth 5-year plan addresses environmentally sustainable economic growth as an important aspect of development. Practically, major projects have already been initiated, such as the “grain for green” programme, which subsidizes farmers to reforest erosion-prone agricultural land. Extensive investment in high-speed train networks and the growth of renewable energy production are all good signs that China is coping with the complex problems of this environmental landscape. Another government initiative for ecological preservation is called the “Great Green Wall.” China hopes to build a wall forest along the Gobi Desert stretching for 2,800 miles. This would help reduce air pollution while allowing plants to re-grow in these areas. If all goes according to plan, this will hopefully be completed around 2074.

However, the government still faces great challenges in handling environmental issues. First of all, the government should re-assess the guiding principle of China’s development – economy-centred principle – and make well-balance between economic development and environmental protection. It is a misconception that Western industrial countries began dealing with environmental problems when they became rich, but China is still a developing country, so it is not urgent for China to speed up the process of environmental protection. The historical context of the environmental degradation arising from China’s modernization is different from the environmental degradation arising from the Industrial Revolution. Although developed countries took centuries to fix environmental degradation, it was costly process. China should learn from the lessons of other countries instead of using them as an excuse to delay their own problem-solving process. In some respects, China should be more capable of handling environmental issues in terms of the advantages of science and technology. There is no basis to justify the argument that China should concentrate on economic growth and then, when it is rich, solve the environmental problems afterwards. China must effectively treat its environmental problems while promoting its economy. In fact, both environmental protection and economic development are integrated parts of modernization. In comparison with the technologies that developed countries adopted to treat the environmental problems a century ago, nowadays, China should be able to more effectively cope with its environmental degradation using modern technologies, including scientific methods for treating environmental degradation and mass media for increasing public environmental awareness.

Because China is still a developing country, ideally, it is the best for China to secure both environmental protection and economic development. In reality, the protection of the environment frequently conflicts with development
objectives. If economic development is overemphasized, environmental protection is unavoidably sacrificed. If people have strong environmental awareness, they try to reduce the damage to the environment when they develop their economy. On the one hand, Chinese people really want to improve their living standard and enjoy a decent quality of life through promoting economic development; on the other hand, the process of economic development itself creates a great deal of polluters. At present, the top priority of the government is to improve the living standard of the Chinese people and make the nation rich. In this sense, it is possible that China’s environmental issues will become worse before getting better.

Poverty is one of the main causes of environmental degradation in developing countries, because the lack of financial resources makes it more difficult for the people to protect their environment. Usually, a developing country only has limited funds for the projects of environmental protection. China remains a developing country. Yet, lack of funding is not an excuse for the government to ignore environmental degradation. China will need to invest large amounts of capital into projects designed to strengthen and address many environmental issues. China has spent five billion U.S. dollars per year dealing with the consequences of its environmental problems. Although solving environmental problems is a heavy burden for China, this amount of money is still very small in comparison to the 250 billion dollars America spends per year. China will invest nearly 450 billion yuan (Chinese currency), or roughly 1.5 per cent of the country’s annual GDP, to ultimately go towards environmental protection efforts. However, some Chinese nationalists are opposed to the concept of environmental reform, due to the potential economic setbacks.

The government should make more effort in formulating more specific national policy for national environmental issues and strictly enforcing its implementation. For example, the government should regulate waste. The government should take the responsibility to build a comprehensive sewage system with primary waste water treatment and imposing waste water management fees on all water users. The waste needs to be disposed of in municipally appointed locations; the government should be responsible for the environmental management of domestic waste, and for maintaining sanitation within cities. Local governments should be required to provide these services, as well as enforce regulation regarding waste disposal. Recyclables are presently collected either by scavengers, sorted and brought to a local transport station, or mixed with other waste. The government needs to regulate toxic waste and invest in a newer, safer water system. Food inspections also need to check animals for toxic infection. Due to the fact that China has large population and small arable land, the main goal of Chinese agriculture is to increase the output of its production, so the majority
of farmers in China prefer to use chemical fertilizers and pesticides because they are cheaper and more readily available. Under this circumstance, it is very difficult to fundamentally change peasants’ behaviour in the Chinese context. Thus, the government should encourage peasants to explore a new way to increase their agricultural production and also help them to reach the goals.61

The most difficult job for the government is to convince its citizens to become more environmentally conscious. Until each Chinese citizen takes responsibility for his actions, there will continue to be environmental disasters. Because the major polluters come from industries, it is especially important for the leaders of industries to increase the consciousness of environmental protection. There is a big gap between the government’s regulations and people’s actions. Chinese enterprises have no incentive to minimize their impact on the environment. To make maximum profits, many Chinese companies try to circumvent government’s regulations. A significant percentage of companies, especially private companies, are not aware of the urgency of dealing with environmental problems.62

Various factors affect people’s environmental awareness. Selfishness is an issue in China. Influenced by the traditional lifestyle in ancient agricultural society, quite a few percentage of Chinese people focus on their own interest, but pay much less attention to public common good. People’s environmental awareness and behaviour are influenced by age, gender, educational attainment, income, living location, and political orientation.63 Though females are generally more sensitive to pollution problems, unmarried young females with a higher level of education and household income are even more inclined to have a stronger environmentalist orientation than others. They more often practice environmentally-friendly behaviour than others.

Zhongjun Tang conducted a survey in Wuhan and took a sample group of a region reflecting the average national household composition, income, and economic development. The study group consisted of households with parents between the ages of 35 and 45 and children. According to the survey, all recycling taking place in the region involved selling recycling to scavengers who profited from trading waste to a dealer, or traveling far distances to directly sell recyclables to a dealer. The study shows that recycling is predominantly undertaken by the elder residents, most often women, and that people with less education, corresponding to lower incomes, recycle at higher rates than better educated or more affluent citizens.64 Usually people are most inclined to engage in recycling, if recycling behaviour is rewarded or required by the community, or if they have the environmental knowledge.65

People in developed countries are more willing to pay higher prices than people in developing countries. When the economy grows, people’s incomes increase and their quality of life improves, and their expectation
of environmental quality becomes higher, which helps to enhance their environmental awareness. When people improve their financial situation, they demand a better quality of life and better environmental quality. Urban residents exhibit higher environmental awareness than rural people. This suggests that it is necessary to promote environmental education and enhance norms around pro-environmental behaviour in order to improve people’s recycling behaviour, especially in rural locations. Education has a critical role to play in increasing environmental participation, developing environmental management systems, and changing people’s values and behaviour to protect the environment. When people have received higher education and have more environmental knowledge, they better understand the urgency of environmental protection and are more willing to protect the environment. It is not necessary for most people to have a large amount of scientific knowledge in order to have good environmental awareness, though a certain amount of knowledge about environmental science is necessary.

6. Conclusion

China’s remarkable economic success is accompanied by environmental degradation. China is facing almost all major environmental problems during globalization. These problems have serious natural and social consequences, damaging the Chinese economy, harming people’s health, and escalating the conflicts between the government and the people. If the Chinese government cannot appropriately handle the environmental issues, the negative consequences could not only damage the Chinese economy and social stability but also harm China’s relations with the international community. Considering that China’s environmental problems are derived not from a single source but from multiple sources, solving them is a comprehensive project. It is not realistic to expect to fundamentally improve China’s environmental degradation in a short period of time. Most likely, China’s environmental problems may get much worse before getting better. Therefore, either ignorance of environmental problems or unrealistic expectations could damage the battle fighting China’s environmental degradation. The key for the government to solve the problems is to take decisive actions through policy making and implementation and investing all necessary funding in mobilizing national projects and helping local projects as well. To be sure, nurturing people’s consciousness of environment protection and changing people’s attitudes toward the environment are inseparable parts of the process of controlling environmental degradation. It is time for schools to make greater efforts toward environmental education. Mass media also has great power to influence people’s environmental awareness and behaviour, as well as government environmental policy implementation.
Notes


**References**


Pan-Marketization Phenomena in Contemporary China

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Abstract

China’s reform and opening up has entered a new stage of building a moderately prosperous society, developing socialism with Chinese characteristics and building an innovative country. However, in the process of reform and opening up, there have been many unavoidable problems. In the first decade of the new century, some contradictions hidden in Chinese economic and social institutions have gradually emerged. What is worth pondering is that the appearance of these contradictions results from some misleading theories and erroneous ideas. In addition, some man-made mistakes have aggravated the chaos during the economic and social transformation. It is necessary to rethink the ideological misconceptions and to create a proper development concept, to maintain and implement the “Twelfth Five-Year Plan”.

Keywords: socialist market economy, income gap, medical system, education, environment pollution

JEL classification: A4, P36, P37, Z13

1. Introduction

Under the guidance of Deng Xiaoping Theory, “Three Represents” and “A scientific outlook on development”, the Chinese national economy has gone through its second five-year period in the decade of the 2000s. The most updated economic census in 2009 indicates that the number of legal units in the secondary and the third industries increased up to 7,099,000 units at the end of 2008, with an increase of 37.3 per cent, compared to the first economic census in 2004. Meanwhile, in accordance with international practice, the state statistics bureau adjusted the gross domestic product (GDP) in 2008 and announced that the GDP after adjustment was ¥31,404.5
billion RMB\(^1\) in 2008. The added value of primary industry was ¥3,370.2 billion RMB, which accounted for 10.7 per cent of GDP. The added value of secondary industry was ¥14,900.3 billion RMB, which accounted for 47.5 per cent of GDP. The added value of tertiary industry was ¥13,134 billion RMB, which accounted for 41.8 per cent of GDP (Ma, 2009). Adopting the reform and opening up policy, China has maintained a uniquely high economic growth rate for a third of a century. China has indeed created a miracle in the history of the world economy. After conducting a contrastive study on the comprehensive strength of China and other countries, China’s Academy of Social Sciences on 24th December 2009 held a meeting to report on the 2010 world economy and international situation. Moreover, in this meeting, “World Economy Yellow Book”, “International Situation Yellow Book”, “Analysis and Prediction of 2010 World Situation” and “Annual Report on International Politics and Security, 2010” were released. The Yellow Books showed that the comprehensive national strength of the United States, Japan and Germany ranked in the top three positions, and China ranked seventh out of 11 advanced nations. Moreover, the military power of the United States, China and Russia ranked in the top 3 positions (Li and Wang, 2009). The socialist system has played an important role in the rapid growth of China’s comprehensive national strength. For example, under the guidance of a correct political line, China has maintained a long-term stable social environment, macro-controlled national resources, and has carried out sustainable construction guidelines and has fully mobilized its labour force.

China’s achievement has been favourably noticed by the whole world. The Millennium Development Goals of the Millennium Summit of the United Nations in 2000 was most persuasive when evaluating a country’s development. In 2008 in an interview with reporters of Xinhua News Agency, the deputy secretary general of United Nations, Zukang Sha, who was responsible for economic and social affairs, stressed that the Chinese government and people had made painstaking efforts to achieve the Millennium Development Goals and had made great achievements. China halved the proportion of poor people ahead of schedule. China had fulfilled the goal of guaranteeing that all children finish their primary education, which goal was supposed to be realized in 2015. What is more, China also had made great achievements in reducing the mortality rate of children under 5 years old and in improving maternal health. At the same time, some authoritative international reports gave credit to China’s development. The United Nation’s Millennium Development Goals Report (2008) attributed the dramatic fall in poverty of East and Southeast Asia to the rapid economic development of China (Zeng and Wang, 2008).
1.1. The Reform and Opening up Policy Wins Support among the People

The achievement of China’s economic and social development should be attributed to the implementation of the reform and opening up policy and the socialist market economic system. Before 1978, China was a country suffering a low level of social productive forces and a backward economy. Chinese people were living in poverty. China’s second leader generation led by Deng Xiaoping broke the previous rigid ideology and opened up a new period of reform. Deng pointed out that poverty was not socialism, and that the life and productivity in a socialist country should be better than that in a capitalist country. Therefore, reform was the only choice for China to break the status quo. Thus, exploratory reform arose from difficulties. The main contradiction in that period was the shortage of materials. Moreover, there was a most pressing need for China to develop its productive forces. According to China’s actual situation, Deng designed the blueprint of reform and opening up. Deng’s core philosophy could be summed up in one of his classic sayings: “Whether a cat is black or white, the one that can catch mice is the good one”, which means that as long as it was good for China’s socialist construction, all methods were acceptable. Deng chose a strategy to concentrate all efforts on the development of social productive forces and to mobilize all people to engage in the activities of the commodity economy. Under the guidance of this chief architect, beginning in rural areas, China’s reform has achieved a remarkable success in a very short period. Peoples’ lives have been improved. What is more, by giving priority to efficiency with due consideration to fairness, social fairness was better maintained. Reform was deeply rooted in the hearts of people, and national strength was strongly developed.

1.2. Energetic Socialist Market Economy

The most important problem in human social and economic activities is the contradiction between unlimited material needs and limited natural resources. Therefore, the primary goal of all production activities is to produce the most consumer goods with the least resources, which is also the resource allocation issue of economic theory. The planned economy China applied before reform which advocated the allocation of resources by administrative practice also had the problem of low efficiency. Absorbing the experience of western industrialized countries, China has changed the original mode of production and shifted from a planned economy to a market economy.

1.2.1. Optimal allocation of resources improves productivity

The most effective function of the market economy is to optimize the allocation of resources, to select the superior and eliminate the inferior through
market competition, to promote the progress of science and technology as well as to greatly improve economic efficiency. The high efficiency of the market economy has been proved by history. In the “Manifesto of the Communist Party,” Marx and Engels pointed out that “the bourgeoisie, during its rule of scarce one hundred years, has created more massive and more colossal productive forces than have all preceding generations together”. The bourgeoisie colonized other countries with guns, engaged in business, even involved in evil people trafficking. In order to facilitate trade, the bourgeois built large-scale railroads in order to transport goods, and introduced telegrams to exchange business information. By promoting commercial production and the exchange trade, ancient farming practices changed. Just as described by Marx and Engels, this is what occurred: the “subjection of nature’s forces to man, machinery, application of chemistry to industry and agriculture, steam navigation, railways, electric telegraphs, clearing of whole continents for cultivation, canalization or rivers, whole populations conjured out of the ground” (Marx and Engels, 1995). It is the material force for bourgeois to defeat feudal nobles and lords. From the perspective of history, the mechanism of the market promotes the survival of the fittest and efficiency in commercial products, in factors of production, in enterprises and manufactories. In addition, this function of the market mechanism has unique advantages, compared with other mechanisms. Therefore, the market economy plays a significant and irreplaceable role in the efficient allocation of resources and in the development of social productive forces.

1.2.2. A new record of rapid growth of wealth

Nowadays, economic globalization has developed rapidly. The notable features of a strong country are the large sums of foreign exchange reserves, cross-border investment, the ability to allocate resources, and to rapidly increase profit. According to the financial report published by People’s Bank of China, since early 1999, China’s foreign exchange reserves have kept hitting new highs in recent years. In the past two years, foreign exchange reserves almost make a new record every day. At the end of 2010, China’s foreign exchange reserves were up to $2,847.338 billion USD\(^2\). And at the end of June 2011, reserves reached $3,197.5 billion USD, with an increase of 30.3 per cent (People’s Bank of China, 2011). According to the website of the Administration of Foreign Exchange, at the end of 2011 China’s foreign exchange reserves were $3,181.148 billion USD. Foreign exchange reserves of China keep ranking first in the world, which is almost thrice the amount of the second-ranked country, Japan. The huge foreign exchange reserves of China demonstrate the fact that increasingly powerful national strength not only has set a more solid financial base for China’s participation in
international economic competition, but also has provided a strong guarantee for the defense of various risks. That is because, with abundant exchange funds, China can carry out its macro-control policies gradually, can maintain a balance of international payments and is able to give more support to economic and social development.

In a word, the world is paying attention to China’s economic development, and China plays an important role in the world economy. Under the guidance of Deng Xiaoping Theory and “Three Represents”, China will achieve greater economic and social progress at a higher level. The Chinese people will be able to complete their historical mission.

2. A Pressing Problem: Widening Income Gap

The building of socialism is an unprecedented process of civilization, accompanied by many difficulties, and so is the process of China’s reform. Nowadays, Chinese people clearly know that in 1978, China was suffering from the catastrophe of “the cultural revolution” and the national economy was near the brink of collapse. The Chinese Communists led by Deng Xiaoping turned back the powers of darkness and opened a new era in the history of China. However, the situation in China at that time called for limited reform and the opening up of certain aspects of the economic system. It was impossible for China to get total victory if it did not carry out a reform and opening involving all industries and areas. The reform cannot be perfect, and that is why we should continually reflect on the reform process. A comprehensive summary and self-examination of economic historical development is the prerequisite for the continuing advancement and development for any society. Review of the past and self-examination are two aspects of social thinking. People should have the courage not only to review the wrong practice in the past, but also to self-examine. Self-examination does not mean denial, but reverse thinking and analysis of a society’s social status or analysis of the things that have already been established. Reflecting on China’s social reality is to go beyond common, to raise questions and to think in reverse. Materialist dialectics of Marxism states that things trend upward in a screw type, and therefore, we need to follow the law of negation.

Reflecting on reform is to revise the errors made in the process of past reforms, and to base current reforms on facts, which is also the requirement of social reality. With the development of reform, people gradually found that, because of the influence of pan-marketization ideas, some places overemphasized the pace of development, while ignoring the effective use and protection of resources and the environment on which humans rely. Unscrupulously predatory exploitation seriously destroyed the friendly relations between humans and nature. Excessive pursuit of economic interests
led to loss of morality, lack of soft constraints, and declining cohesion. Some unscrupulous people forgot honour at the prospect of profits and did things in irregular ways instead of working hard. Commercial credit, business ethics and business image became fragile in the market economy. Some people misinterpreted national policies to serve their own immediate interests, as well as sectional interests, which seriously violated social equity. The Chinese people did not appreciate this behaviour.

2.1. The Widening Gap between Rich and Poor Rings the Alarm

China is a socialist country with the prosperity of the masses as its constitutional goal. In the new century, China is trying to build a harmonious socialist society. One of the most important issues to complete this task is to rationalize social allocation, which is not only a requirement of social stability, but also is the essence of socialism. According to the survey data released by the World Bank in 2010, 5 per cent of the population in the United States occupied 60 per cent of the national wealth. However, in China, 1 per cent of the population occupied 41.4 per cent of the national wealth. China became the country with the most serious polarization in income distribution. The Gini Coefficient rose from 0.28 at the beginning of reform and opening up to 0.48 in 2007. In recent years, our Gini Coefficient has reached to the international alertness line level (Cong and Li, 2010).

The Gini Coefficient is an important international analysis indicator to evaluate residents’ income distribution in a country. The economic implication of the Gini Coefficient can be thought of as the ratio of equality over total income. The international alertness line level is 0.4. Gini Coefficient ranges from 0.4 to 0.6 represents uneven income distribution, and a Gini Coefficient over 0.6 represents a high degree of uneven income distribution. There is a serious disparity in income in China. There are rows of high-rise buildings in China’s inner cities. However, we can also see the shadow of villages in some downtown area of cities. This kind of area is vividly called village in the city”. Different industries in which residents work and the various positions of urban residents lead to the income gap. Although a difference in the distribution of income is inevitable, this income difference should be controlled within a moderate range in a specific period. In addition, social tolerance and other factors should be taken into account.

At the same time, the income gap measured by Chinese family per capita income is expanding (see Table 1 and Table 2). In 1999, the income gap of household per capita between urban and rural residents was ¥3,000 RMB, it rose to ¥6,485.2 RMB in 2004, the income gap between urban and rural areas exceeded ¥10,000 RMB. The gap reached ¥12,021.5 RMB in 2009. During the period between 1999 and 2007, the income gap between urban
### Table 1 Household Per Capita Income of Urban and Rural Residents, 1999-2004

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban per capita income</th>
<th>Rural per capita income</th>
<th>Income gap</th>
<th>Ratio of urban per capita income over rural per capita income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1999</td>
<td>5854.0</td>
<td>2210.3</td>
<td>3643.7</td>
<td>2.65</td>
</tr>
<tr>
<td>2000</td>
<td>6280.0</td>
<td>2253.4</td>
<td>4026.5</td>
<td>2.79</td>
</tr>
<tr>
<td>2001</td>
<td>6859.6</td>
<td>2366.4</td>
<td>4493.2</td>
<td>2.90</td>
</tr>
<tr>
<td>2002</td>
<td>7702.8</td>
<td>2475.6</td>
<td>5227.2</td>
<td>3.11</td>
</tr>
<tr>
<td>2003</td>
<td>8472.2</td>
<td>2622.2</td>
<td>5850.0</td>
<td>3.23</td>
</tr>
<tr>
<td>2004</td>
<td>9421.6</td>
<td>2936.4</td>
<td>6485.2</td>
<td>3.21</td>
</tr>
</tbody>
</table>

Notes: 1. Urban per capita income refers to the per capita disposable income of urban residents; rural per capita income refers to the per capita income of rural residents.
2. The ratio of urban per capita income over rural per capita income is based on the net income of farmers as 1.

### Table 2 Household Per Capita Income of Urban and Rural Residents, 2005-2009

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban per capita income</th>
<th>Rural per capita income</th>
<th>Income gap</th>
<th>Ratio of urban per capita income over rural per capita income</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>10493.0</td>
<td>3254.9</td>
<td>7238.1</td>
<td>3.22</td>
</tr>
<tr>
<td>2006</td>
<td>11759.5</td>
<td>3587.0</td>
<td>8172.5</td>
<td>3.28</td>
</tr>
<tr>
<td>2007</td>
<td>13785.8</td>
<td>4140.4</td>
<td>9645.4</td>
<td>3.33</td>
</tr>
<tr>
<td>2008</td>
<td>15780.8</td>
<td>4760.6</td>
<td>11020.2</td>
<td>3.31</td>
</tr>
<tr>
<td>2009</td>
<td>17174.7</td>
<td>5153.2</td>
<td>12021.5</td>
<td>3.33</td>
</tr>
</tbody>
</table>

Notes: 1. Urban per capita income refers to the per capita disposable income of urban residents; rural per capita income refers to the per capita income of rural residents.
2. The ratio of urban per capita income over rural per capita income is based on the net income of farmers as 1.
and rural residents has a linear upward trend, with ¥12,021.5 RMB as the highest, ¥3,643.7 RMB as the lowest. Although the gap narrowed slightly in 2008, it was expanded in 2009, reaching a peak in 2007. Adding subsidies and benefits, the ratio of this gap could reach 4-5, or even a higher ratio. Chinese farmers make up a big section of the population. Unsurprisingly, they are the driving forces to promote economic development and to form the basis of country prosperity. Undoubtedly, the gap between urban and rural areas has become China’s most serious and urgent problem. We should carry out some practical measures to control the income differentiation, to rationalize the income distribution in China.

History shows that when the Gini Coefficient is ultra-high, low-income groups will have a feeling of relative deprivation, will have a hatred of the rich and a desire to revenge society, leading to a series of social problems. At the same time, it is difficult to achieve fair competition and an efficient allocation of resources because of the serious polarization. The authoritative inquiry above shows that China’s Gini Coefficient has reached the international warning line 0.4. The gap between rich and poor has become a disturbing social problem in China.

The uneven distribution of wealth in China has attracted the attention of international communities. The report released by Boston Consulting Group in May 31, 2011, showed that the global wealth recovered with an increase of 8 per cent compared to the last year at the end of 2010. The number of families all over the world with more than one million U.S. dollars assets increased by 12.2 per cent over 2009 levels, reaching 12,500,000, which means 0.9 per cent of the families all over the world were super-rich and occupied 39 per cent of the global wealth, with an increase of 2 per cent over 2009. Compared to other countries, the number of rich in China increased the most, accompanied by the largest gap between the rich and poor. Before 2010, 1.1 million families in China earned more than one million U.S. dollars, while only 0.4 million families in Germany. However, the national per capita income of China still lagged far behind other developed countries. According to the National Bureau of Statistics, annual per capita income in China was ¥13,476 RMB, and the annual per capita income of rural residents was only ¥5,919 RMB. And according to the World Bank Statistics, China’s Gini Coefficient in 2010 reached 0.47, which was almost twice that of 30 years ago (The Boston Consultant Group, 2011).

Early in 2005, some scholars pointed out that rich people in China had specific characteristics, compared with those in Europe and the United States. These characters include: (1) high level of cash holding, which reaches as high as 71 per cent, while the global average level is 34.6 per cent; (2) strong affordability of risk, prefer the rapid trading of financial products such as stock; (3) tend to be directly involved in the decision-making process
of investment, and firmly believe that they can get higher return than the managers in financial institutions (Cheng, 2005). Because most wealth is concentrated in the hands of a few people, this situation does not meet the ultimate goal of socialism that is common prosperity. It has become necessary to adjust the income distribution structure. From the perspective of policy, the government should levy income tax and inheritance tax on high-income groups to regulate their income and should introduce policies to encourage them to be involved in charity and public welfare. What’s more, the government should improve the social security system to guarantee basic living standards of the unemployed and in order to promote their reemployment. The implementation of these measures is conductive to social stability and development.

2.2. Illegal Behaviour of Making a Huge Fortune Overnight

The relatively large income distribution gap between urban residents impedes greatly the development of society. Against the background of reform and opening up, some people have first gotten rich with the help of national policies. Meanwhile, rich people become public figures whose consuming behaviours have significant external effects. There is no doubt that over-consumption can cause bad social impacts and impede the building of a harmonious society. As some people take possession of too much wealth, the situation of other people will become more difficult.

For example, Shanxi Province is the largest source of coal in China. The spendthrift behaviour of some coalmine owners has drawn widespread criticism. It was reported that in Shanxi Province, after getting rich quickly, a coalmine owner not only spent ¥37 million RMB buying the most expensive villa in Beijing but also bought a Hummer vehicle for each family member who was older than 15 years old. From the historical perspective, the rich coalmine owner belonged to the pioneering generation. Partly, his spendthrift behaviour was caused by the fact that he earned his money too easily, which is economically termed as “extraordinary profits”. In a competitive market system, earning average profit is an irreversible economic law. Usually, only the companies with high-tech innovation or super-economic coercion can obtain monopoly profits. As it is difficult for coal enterprises with aging facilities and backward technology to make high-tech innovations, super-economic coercion became the key factor for coal enterprises to earn monopoly profits. There are three factors of super-economic coercion, described as follows.

First, the wages of miners are too low. According to a survey, until the 1980s, the salary of miners had been at the forefront of the industry. However, since then, miners’ salary has sunk drastically. In the new century, a miner earns the second-lowest income among 49 industries and the per capita
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household income of a considerable number of miners is lower than that of local farmers. Secondly, too little money has been invested to guarantee security. In recent years, safety accidents have occurred frequently in coal enterprises, causing heavy casualties and property losses. The key reason is that, in order to maximum profits, the fund for production safety was arbitrarily cut. Thirdly, the government’s tax policies are distorted. Until 2011, the tax policy concerning coal resources has not been substantively adjusted for 20 years. The State Council issued the decision of “Amending the Resource Tax Regulations of the People’s Republic of China” in October 10, 2011, and then published the “Implementing Rules of the Provisional Regulation on Resource Tax in People’s Republic of China” on October 31. It was implemented officially on November 1. This policy raised the per-unit tax of ¥8 RMB/ton to ¥8.20 RMB/ton on rare coal, such as coking coal, and ¥0.3-5 RMB/ton on other coals. Although this reform adjusted the tax on coking coal in a relatively large fashion, it was less meaningful for the whole coal industry. That is because, for large-scale coal enterprises, a tax increase of ¥10-20 RMB on resources could be easily internalized. What is more, as coal enterprises had strong bargaining power, it was easy for them to pass the increasing tax to their downstream steel and coking enterprise (Fu, 2011). As a result, this reform of coal tax failed to solve any key problems in the coal industry. These facts indicated that the reform and opening policy and an unreasonable tax regime rather than individual wisdom played an important role in increasing wealth for coal bosses.

What is more important is that the three factors mentioned above are reasonable for not only coal industry but also for other industries that produce many spendthrift rich people. Essentially, the government should adopt administrative measures instead of letting market mechanisms regulate these factors. However, in fact, they are under the control of the invisible hand of market because of people’s misunderstanding of theory. This situation puts workers in an extremely unfavourable position “in the first distribution of income” and makes government fail to achieve secondary allocation. As a result, the income gap between the rich and poor will be larger and larger in China. Aiming to achieve a harmonious society, the real way to solve this problem is to, starting from these three factors, implement administrative regulation, and try to narrow the income gap.

Ironically, in contrast with the rich coal bosses, many people in Shanxi Province live in poverty. In general, Shanxi Province is still a relatively poor and backward province in central China. According to the government reports of 31 provinces in 2009, the per capita disposable income of urban residents in Shanxi Province was ¥13,997 RMB, with an increase of 6.7 per cent, ranking 23rd among 31 provinces, and last in the 6 provinces in central China. What’s more, especially compared with the eastern coastal areas such
as Jiangsu, Zhejiang, Guangdong and other provinces, the per capita income of urban residents in Shanxi Province has been lagging behind for years (You, 2010). In July 22, 2010, the Statistics Bureau of Shanxi Province released the operational report of the economy in Shanxi. In the first half of 2010, the GDP of Shanxi Province reached ¥ 414.34 billion RMB, with an increase of 17.5 per cent over that in the same period of previous year, 6.4 percentage points higher than the average national level. The CPI rose moderately. Consumer prices rose 2.1 per cent, with an increase of 3 percentage points over that of the previous year, but still 0.5 percentage points lower than the average national level (Xue and Xue, 2010). Although per capita disposable income and consumer prices increased with the support of wealthy mine bosses, it did not definitely mean that the income and life of low-level income groups became better off significantly. What is the living condition of those people with per capita income below the average level (Cheng, 2005)? Are their living conditions significantly improved? Because these people are the group who really need help, we should pay special attention to them and try our best to achieve a common prosperity.

2.3. Management Leakage: Power of Rent-seeking

The spendthrift behaviours of rich mine bosses are more serious than rumours. Many facts show that a few mine owners bribe relevant government officials to make exorbitant profits, and some officials make use of their power to collude with mine owners to get kickbacks, which brings calamity to the country and to the people. Although the central government has repeatedly issued documents to prevent coalmine accidents, they still occur often and kill many miners. According to statistics published by the relevant departments of the State Council, the number of coalmine accidents that killed more than 10 people in 2005 was 134, and fatalities had increased 17 per cent compared with the last year. In addition, there were four accidents which killed more than 100 people. They were the “2.14 gas explosion accident in Sunjiawan coal mine in Fuxin”, “8.7 flooding accident in Meizhou coal mine in Guangdong Province”, “11.27 dust explosion accident in Dongfeng mine in Qitaie”, “12.7 gas explosion accident in Liuguantun coal mine in Tangshan” (Li, 2006). The statistics released by the State Administration of Work Safety showed that industrial accidents in 2010 killed 79,552 people, with a reduction of 3,648 people, 4.4 per cent less than in 2009. On the basis of this calculation, 218 people were killed in accidents every day (Wang, 2011). We can see that the number of causalities was very large. How many sinister secrets are hidden behind these security accidents? We may find the answer from the sacking of Li Jiucheng, the Coal Administration Secretary of Henan Province. The court found that, during 1999 and 2008, Li Jiucheng
took advantage of his position and duties to obtain cash and stocks 53 times, adding up to ¥18.9 million RMB, $10,000 USD, £30,000 GBP, and a car worth ¥230,000 RMB. According to the prosecutor, the corruption case of Li Jiucheng was very typical, involving all the 30 bribery and corruption behaviours identified by the judiciary (Li, 2010). People are facing a grim social reality. On the one hand, a few coal bosses live extravagantly, drive luxury cars and amuse themselves in high-level entertainment places. On the other hand, coal mine accidents happen frequently; the working condition and the living environment of miners are almost unbearable. This sharp contrast between mine bosses and miners hurts the heart of every person with a conscience. This is not to say that there is corruption behind every accident. But the collusion between government officials and mine owners is an indisputable fact and should not be ignored by the people’s government. In the supervision of mine safety, the government should encourage the public to work together to report corruption activities and to punish the people who are responsible for the accidents.

In 2006, under the guidance of the new generation of collective leadership of the Communist Party of China, relevant departments took legal and administrative measures to fight against corruption in management. According to statistics released by China’s Ministry of Land and Resources in January 20, 2006, in order to curb the collusion and bribery between businessmen and government officials, since 2005, the government had rectified and standardized the regulations of mineral resources development, and forbade government officials from taking charge of mining fields, receiving gifts, and backing illegal mining fields.

On January 14 and 15, 2012, a national conference of work safety was held in Beijing. Deputy Secretary of State Administration of Work Safety, and Minister of State Administration of Coal Mine Safety, Zhao Tiechui said, for the first time, the death toll of coal mine accident dropped below 2,000 in 2011; fatality rate per million tons for the first time dropped to 0.564; the number of significant serious accident was reduced to 1, and the occurrence period was extended to 390 days for the first time, creating the best record of 23 years (Cui, 2012). As a representative of the public interest, the Chinese government has adopted practical actions to regulate coal mine production. During “Eleventh Five-Year” period, under the correct leadership of the CPC Central Committee and the State Council, the administration and supervision departments of the National Coal Mine Safety Agency adhered to the principles of “safety first, prevention first and comprehensive management”, and firmly established the scientific concept of safe development, resulting in a steady improvement in coal mine safety. The total amount of coal mine accidents declined year by year, reducing from 2,945 in 2006 to 1,403 in 2010, with a decrease of 52.4 per cent, and the number of deaths reduced
from 4,746 to 2,433, with a decrease of 48.7 per cent; fatality rate per million tons was reduced from 2.04 to 0.749, with a decrease of 63.3 per cent. The operation of gas control and waterproofing got new achievements (The Editorial Department for Security News, 2011). This policy fully reflected the development thinking of “people oriented”, which was conducive to the establishment of a harmonious society.

We should realize that, China is a country with a large population and with many complexities. The gap between different regions and industries continues to exist. Judging from the present situation, it is impossible to achieve complete equality in China. However, the reality is that the problem of disparities of wealth has become more and more serious in recent years. Some people spend money prodigally, while some people still live in poverty. And some of the reasons include malignant mine accidents, rent-seeking and corruption, all of which is very distressing. These facts have demonstrated that a few people amass huge wealth unscrupulously, while the majority of people become relatively poor because of being deprived of development opportunities. Such differentiation and disparity absolutely is not the vision of a harmonious society. The obvious polarization in income distribution not only deviates from the aim of socialism, but also causes the hatred of rich, resulting in social disruption. Revealing the problem and dissecting contradictions does not mean the negation of reform. In accordance with the spirit of academic independence and freedom of thought, we should seek truth from facts, reveal contradictions and find out reasons. Eventually, we will be able to uphold the truth, correct errors and improve the current situation.

In short, because peoples’ disapproval of the widening social wealth gap continues to grow, the government should implement new policies to encourage people to obtain wealth by hard work. The government should also oppose predatory practices and put an end to the notorious conduct of earning money from accidents. Aiming to let all of society’s members share the fruits of economic development and growing social wealth, and in order to mobilize the enthusiasm of low-income people and in order to accelerate the development of social production, the government should employ economic and administrative measures to adjust the distribution of social wealth and to create equal opportunities for more low-income persons.

The contradiction and problems of income distribution in China is along with market-oriented reforms. Solving income distribution problem is directly related to the government. The government should take the responsibility to play a leading role, so that the public services will not be over market-oriented. As we all know, the root of widening income gap and social distortions is the notorious abnormal private ownership of natural resources. Therefore, the primary thing the government should do is to develop a more suitable property right system that delivers prosperity and opportunity for the public people
more equitably. At the same time, a relatively perfect competitive market can promote the full flow of production factors and is conductive to narrowing the income gap. Therefore, the government should effectively regulate tax system and tax collection system, provide more public goods. Furthermore, under the circumstance with serious income gap in China, government should be concerned about the impact of policy factors on different income groups.

3. The Loopholes in the Medical Service System Should Be Filled Up

Every Chinese citizen desires to own good medical insurance, to maintain a healthy physical and mental condition, to enjoy the good times of life, and to make more contributions to the society and to the state. The people’s desires also correspond to the requirements of the new era of socialism. Medical and health service, largely, is a common cause and needs strong support from the government. The Chinese medical and health system has played a significant role in the protection of people’s health, but there also exist some problems.

3.1. Difficulty and High Cost of Getting Medical Care

China’s social and medical services agencies cannot satisfy the public’s needs, especially in rural areas and mountain districts, where the medical facilities are quite simple and the health care conditions are extremely poor. Illness caused by poverty is not rare any more in China.

3.1.1. The pan-market tendency exists in hospitals

In many countries, particularly in the industrialized countries, the health care network covers the entire country and benefits all legal residents. The specific institutions that implement medical treatment are mainly public hospitals funded by the states. China also has a public hospital system, from the township to the capital city. The “angels” in white dedicated to public health and safety selflessly works all day long. In addition, in recent years, the Chinese government has paid great efforts to saving lives. The public hospitals, which are financially supported by the government, undertake their responsibilities by healing the wounded and rescuing the dying and have gained great respect from the public. The government has strengthened the supervision of the operation of medical enterprises and has publicly announced a reduction in the prices of some drugs several times. For a rather long period, the results of medical care have not been satisfactory. Breakthroughs in service were not made until the last couple of years. By the end of September 2011, basic medical insurance covered a population of 1.295 billion, coverage greater than 95 per cent. There was an increase of 17
million entries in NRCMS. Medical insurance for urban residents expanded fully and the number of insured reached 216 million. Nearly 8 million retirees and workers from bankrupt enterprises and striving enterprises have been included in basic medical insurance. The latest additions to the system who have received benefits are mainly the grassroots population (National Development and Reform Committee, 2010).

While we are delighted at the progress of the medical system, there still exists in public hospitals a pan-market phenomenon that should not have happened. Incidents “5.5 million sky-high medical expenses event” in Harbin City, Heilongjiang Province and “1.2 million sky-high medical expenses event” in Shenzhen City, Guangdong Province are of frequent occurrence. In 2001, the 49-year-old Wu Xiying, a migrant worker who came from Hubei Province went to the Guangji Hospital in Fenggang Town, Dongguan City as she was ill of gallstones. After 28 days treatment, she did not recover and died unfortunately on 21st March. What she left to her husband was a nine-page bill that showed that there was a balance of ¥450,000 RMB in the hospital’s favour. The hospital listed 320 items, among which were expenses for the infusion of 330 kg of fluid in a month, fees for the transfusion of more than 14,000 millilitres of blood, and other costs billed after the death of the patient. These charges raised questions. The hospital said the medical expenses incurred when the hospital adopted reasonable treatment and medication according to standard salvage therapy and there were no problems with the astronomical medical expenses (Shen, 2011). The Dongguan Municipal Health Bureau got involved in the investigation. Chief of Finance of the council planning Miss Dai Lihong said whether the medical costs were too high should be judged on the basis of the doctor’s advice, nursing orders and relevant treatment documents. The number of the charges was simply a result of standard medical procedure. The more critical issue was to look at the course of treatment compliance, which needed to wait for third-party autopsy results. Under the intervention of Dongguan Health Bureau, the hospital and the bereaved signed an agreement on March 30th and decided to send the body to Shantou University Forensic Center for an autopsy, in order to verify the “medical malpractice” doubt raised by family of the patient (Ye, Chen and Zhang, 2011).

The above events were all related to hospital charges. The difference is that some happened in public hospitals while others in private hospitals. But essentially they are all evidence of pan-market oriented thinking. Unlike other money-making projects, hospitals are based on the fundamental interests of human beings. Regardless of the type, hospitals must first follow the scientific, rigorous practice of medicine. The behaviour of putting money above all is a big taboo. Good services contributing to society are the ultimate purpose and primary principle of the hospitals, which are also identical with
the public’s wishes and aspirations (Zhao and Tang, 2011). The purpose of commercial behaviour is to make money, which is clearly reflected in the early commercial behaviour of Europe, the birthplace of market economy. In his famous writing “Critique of Political Economies” published in 1930, the founder of Communism Karl Marx pointed out the unfortunate mental state exhibited by Money Fetishism. He ironically quoted the remark of Columbus who was once regarded as the representative of the world’s commercial capital when he traveled across oceans in search of gold: “Gold is an amazing thing! Whoever possesses it is the lord of all he desires. By means of gold, one can even get souls into Paradise.” (Marx and Engels, 1962) Some hospitals have not adopted a proper philosophy towards money. Profit is their prime concern and the health needs of the people are ignored. Such behaviours obviously depart from hospital working principles. Healing the sick and saving lives must be the highest moral code in medical field. In no case should hospitals deviate from this purpose of practicing medicine.

3.1.2. The unreasonable phenomena of medical charges

Nowadays, people are generally complaining about unreasonably high medical expenses. The government’s measures of reducing drug prices failed to solve the problem fundamentally. According to survey data collected by Tianjin Statistical Bureau, the annual per capita medical expenses was ¥521 RMB in 2011, with an growth of 7.4 per cent over that in the same period of the previous year (Zhang, 2012). Although the growth rate has slightly slowed, medical expenses of families are still growing.

Some people hold the idea that the medical industry should increase profits rapidly in order to update medical devices to be able to cure their patients more effectively. Theoretically, this goal is not wrong. However, the reality is far from this. Many public hospitals only focus on expansion and introducing new medical equipment regardless of the affordability to patients. Some hospitals charge patients much higher expenses than the medical cost. It has become a social problem that a patient does not have enough money to see a doctor or may become poor because of illness. It has affected national stability and unity. How to reduce medical expenses of residents should be solved from the perspective of institutional reform. Early in 2006, in the first news conference given that year by the Ministry of Health, the spokesperson admitted that nowadays, public hospitals had lost sight of their main objective and had refused to bear their proper responsibilities. The Ministry of Health, it was stated, would vigorously implement a new policy to establish low price hospitals (Wang, 2006). The Ministry of Health realized the fact that public hospitals did not behave properly, and criticized the practice of regarding profit as the evaluation criterion. In addition, the measures implemented by
Ministry of Health aimed at easing the heavy burden of some patients received a warm welcome from the Chinese people. In order to change the unsuitable situation of medical services, on one hand, the government should reorganize health care institutions to establish different-level hospitals and should regulate the payment mechanism; on the other hand, China should establish a joint management institution containing government and society in order to promote sports activities and to strengthen people’s physique.

3.2. Deficiencies in the Medical Management System

Before reform, the majority of public hospitals were funded by the government with the purpose of protecting the health of the people. As institutions and state-owned enterprises offered public health services, public officials and workers of state-run factories were supplied with free drugs. However, this medical insurance system had obvious deficiencies with low efficiency and staggering waste. The reform of the medical system was implemented thoroughly, and a market mechanism was introduced. Although the intention and practice of these reforms were undoubtedly correct, the reform actions were impeded by pan-marketization ideology.

3.2.1. Unsuitable measures of health care reform

As China’s reform has been carried out, the reform has faced a lot of difficulties. Due to the significant changes in the structure of state-owned units, the coverage of public security has been narrowed. The old system was not working, while the new system is facing resistance in operation. And the inadequacies have been expanded rapidly as the market economy system has advanced.

For example, the information released by the Administration Department of State Food and Drug and Drug Safety Supervision Department, the number of adverse drug reactions reported has been growing. The number was 173,500 in 2005, with an increase of 300 times, compared to that in 1988 which was 500 (Bai, 2006). In 2010, the reported number of adverse drug reactions was 692,904, with an increase of 8.4 per cent over that of the same period of the previous year; new and serious reports was 109,991, with an increase of 16.3 per cent, accounting for 15.9 per cent of the total number, showing a stable growing trend (Fu, 2011). One obvious reason for such a big growth rate was opaque incident handling and a high missing report rate. Now, strict working norms have made astounding problems begin to emerge. At the same time, it indicates that some serious loopholes have existed in the medical management system. The hospitals that announced themselves to be public hospitals contracted with some medical departments in the private
The doctors turned into “economic men”, aiming to earn big money by curing people. This actually departs from not only the original intention of the country, which was to set up public hospitals, but also contradicts the general direction of health care reform.

China’s socialist system is established for the happiness and health of people. So, no matter how a public hospital is operated in a complex reform environment, people’s basic medical needs should be put in the first place. Because a public hospital is a unit set up by the government to serve the public needs and to provide basic medical insurance for the nation. The practice of contracting to private hospitals definitely is not reform. Of course, it is an undeniable objective fact that the financial investment provided by the government is not enough to afford the operation of some hospitals. Therefore, we should review the direction of public hospital reform from two aspects.

Firstly, we should strive to solve the problem of a lack of public input. The administrative department that has the right to control funds should adopt scientific methods to deploy resources, to let the treasury fully play its role. During the reform period, financial funds have kept growing. However, because of erroneous investment direction and mismanagement, funds have been very inefficiently deployed. The operation and management of public utilities for universal welfare should be planned carefully and implemented accurately. However, some medical management agencies do not fulfill their social responsibility, regardless of the taxpayer’s interests. A lot of high-tech medical equipment is left unused, with a surprisingly high damage rate.

Secondly, we must grasp what is the proper direction of health care reform. The highest standards of the medical industry will work to provide excellent service for patients and to improve health. However, some medical units seek privilege to manipulate information and right to receive medical activities, which actually has changed the nature of public hospitals. Some hospitals raise drug prices irrationally without considering patients’ financial capacity. Therefore, the government should develop policies and take effective measures to promote health insurance, so as to let people engage in economic construction without medical concerns.

3.2.2. Corruption threatens health care reform

Some people in the medical field fail to refuse the temptation of sugar-coated bullets and become the blind followers of pan-marketization. The officers in the administrative departments of the State Pharmacy who accept bribes and misappropriate national assets are very harmful to the society. In November 29, 2011, the Westtown Procurator ate of Beijing announced findings concerning crimes in medicine and health during the past decade. According to the statistics of the prosecutor, there were 163 crimes which involved
health service, with corruption and bribery accounting for 95.09 per cent of the crimes. In the past decade, 179 hospital directors, department heads, chief physician and purchase and sale staff were involved in crimes. According to the prosecutors, there were three reasons for crimes in the field of medicine and health: the concentrated power of leadership, non-standardized financial systems and weak enforcement of laws (Sun, 2011). In any case, the people who committed these crimes could not escape legal sanctions.

“Angels in white” are performing a sacred work. Any practice of corruption is forbidden in the medical system. There is no doubt that, in order to correct the deficiencies in management and to put an end to economic crimes, the medical system should sing the praises of skilled and warm-hearted medical people and should encourage communication between colleagues. At the same time, prosecutors and judicial authority departments should coordinate closely to strengthen the supervision of the medical field.

3.2.3. Inadequate investment in public services

In the 21st century, the world has entered the era of economic integration. Overall, there was a large improvement of investment in basic public services during the period of the “Eleventh Five-Year Plan”. However, the income gap between countries has expanded. According to the work report of the Chinese government, investment in basic public services including education, health, social security, housing, and culture in 2010 increased by 19.9 per cent over that in 2009. Based on several key indicators of basic public services in our country, investment should be further increased. According to the data in 2008, the ratio of the investment in education, health care and social security to GDP was 13 percentage points below that of countries with average per person GDP lower than $3,000 USD, and 24 percentage points below that in countries with average per person GDP between $3,000 USD – $6,000 USD (Song, 2011). According to the “Blue Book of Public Service” released by the Chinese Academy of Social Sciences in July 17, 2011, housing, social security, employment and medical care received the most concerns. The survey also showed that the evaluation of basic public services by the public was quite low, but still in the bearable range. Nanning City invested about 37 per cent of its GDP on basic public service, while the investment of Hohhot, Jinan, Lhasa, Shantou and Urumqi did not exceed 1 per cent of GDP (Chinese Academy of Social Sciences, 2011). As medical and health services are directly related to the health of people, the government should increase investment in these aspects.

In order to solve the problem existing in the current medical services system, some policies are recommended. First, the government should increase the investment in medical services, provide public medical services
and strengthen the responsibility in medical regulatory. In the field of general medical service, the government should strengthen its responsibility of funding and allocation. Since the reform and opening up, the direct or indirect reason of the medical service problems is the declining proportion of governmental investment in total medical service expenditure. On the other hand, government should strengthen its intervention in the medical service system. Second, more draconian policies should be formulated and implemented for cracking down on the popular corrupt practices that threaten the health care reform. During these years, there are many problems in medical service field. Prosecutors and judicial authority departments should take enough responsibility to solve the problem in the health care system and the problems of service providers, coordinate closely to strengthen the supervision of the medical field.

Third, the government should rationally design the drugs circulation mode to guarantee the security and rationality of drug circulation, so as to maximize the benefits to the masses. Most countries in the world choose to implement separation between hospital and pharmaceutical operation. The practices of other countries prove that it is good for the development and advancement of medical technology. What’s more, the separation between hospital and pharmaceutical operation can cut the economic interests between hospital, doctors and pharmaceutical operator. As a result, the doctors prescribe reasonably according to symptoms instead of aiming to selling expensive drugs to patience.

4. National Education Must Be Re-Arranged

Since ancient times China has been a state which has highly valued ceremonies. Chinese value knowledge and etiquette. Access to education and educational development after the reform and opening up, especially compulsory education and the elimination of illiteracy, have achieved fruitful results. However, at the same time, because of the wide-spread thought of industrial education, the development of education is facing many difficulties. There exist high education fees in some provinces. Besides, education quality in some provinces has seriously declined.

4.1. Educational Business in the Process of Reform

Chinese traditional history and national culture have always emphasized education. Education can make people knowledgeable and competent in social activities. Confucius, the founder of ancient education, said: “never blame heaven and others, become learned from reflecting on trifles”. Confucius also advocated the implementation of the educational ideal “No Child Left
Behind”. After the foundation of New China, the leaders of the Republic have regarded education as a long-term objective in the construction of socialism. Mao Zedong, the first-generation leader, wrote the inscription “Study Hard and Make Progress Every Day”. The country attaches great importance to primary education to cultivate the talents of socialist construction starting from school age. From the beginning of the reform and opening up policy, Deng Xiaoping, the chief architect, led the implementation of the policy which resurrected the University Entrance exam, laying the foundation for the prosperity of the country.

In 2000, representatives of the Chinese government attended the Dakar meeting convened by UNESCO and signed the famous Dakar Framework for Action. After this meeting, the Chinese government invested heavily in education, and mobilized all social forces for the development of EFA (education for all). In those five years, the EFA (education for all) programme achieved new breakthroughs: compulsory education accomplished historical development. The basic strategies of nine-year compulsory education and elimination of illiteracy among young and middle-aged adults also acquired progressed significantly (simply described as the “two basics” below); and rural compulsory education got unprecedented attention and promotion. The amount of investment, teaching quality and educational conditions has been markedly improved. In the first few years of the new century, the central government has led the implementation of the “two basics” in the western regions, especially the implementation of a series of policies to provide funds to students in poor areas. These measures have had a positive impact in practice. For example, in the case of lowering the dropout rate in rural schools and ensuring the timely enrollment of school-age children and in other aspects, these policies have promoted the development of rural compulsory education.

In the period of the “Eleventh Five-Year Plan”, China’s education business has made enormous progress, basically meeting its objectives. According to the National Bureau of Statistics, the gross enrollment rate of three-year pre-school education is 56.6 per cent in 2010, a substantial increase of 15.2 percentage points compared to 2005. Since 2005, compulsory education and consolidation levels have remained high. The net enrollment rate for primary schools across the country has been maintained at more than 99 per cent, which is higher than the average of 96 per cent in developed countries; the raw enrollment rate of junior middle school was 100.1 per cent in 2010, the three-year retention rate was 94 per cent, which were an increase of 5.1 percentage points and 1.02 percentage points compared with 2005, respectively; the raw enrollment rate of senior high school reached 82.5 per cent, an increase of 29.8 per cent compared to 2005; the gross enrollment rate of China’s higher education was 26.5 per cent in 2010, 5.5 percentage points more than in 2005,
and 1.5 percentage points higher than the planning objective (The National Bureau of Statistics, 2011). In short, China has practiced the Dakar Framework for Action adopted by the international community, and not only has trained a large number of knowledge workers devoted to the construction of the country, but has also contributes to the development of human civilization.

4.2. The Spread of Industrialization Thought into the Field of Education

The 21st century is an international era with high-technology, information, intelligence and talent competition. Chinese have a high expectation of the benefits of education. The construction of the country also needs a large number of high-quality talents. The education business in China has performed remarkably well, but there is an imbalance in supply and demand, and the gap is still huge in some aspects. Entering into the new century, the nation’s educational system and quality are still the focus of public debate. The overall situation can be described by the sentence said by Deng Xiaoping when he summarized the efforts in the early stage of reform many years ago: “there are developments and deviations in the reform, but the biggest mistake occurs in the education area”. Just as other sectors in China, the ideological trend of pan marketization also erodes the Chinese education industry. It has a direct impact on the training of personnel, scientific and technological progress, and the development of economic production. As mentioned above, the industrialization of education is a typical representative of this spreading ideological trend.

As early as 1992, education was placed firmly in the tertiary industry category and was a fundamental industry that had overall effects on the development of national economy. This is also a common point of view in the international community. In the United States, which has the most developed system of education in the world, the higher education system is divided into two categories: public and private. Examples of public universities are the State University of New York and Rand University. Some of the most famous universities are private or church-funded, such as Harvard University and Stanford University. The same is true of the higher education system in the United Kingdom, France and other countries. Therefore, the documents of State Department are scientific and objective from the global perspective. There is no doubt about whether China’s education needs marketization. China absolutely must not industrialize education, and should not go contrary to the developing trend of globalization. However, the question is how to do education, in particular, how to implement compulsory education in the context of a market orientation. Bill Gates, the founder of world-renowned Microsoft, established his company in his college years, making an outstanding contribution to the information age.
The tendency for China to industrialize education is the result of the spreading of the pan-market ideological trend. This industrial behaviour has abandoned the basic principles of education, and has turned compulsory education into education for profit. It seriously interferes with the deployment of the “two basics” the nation comprehensively promotes, and makes arbitrary changes visible everywhere. Some of the socially vulnerable groups of school-age children and adolescents are forced to drop out due to poverty. The quality of education also has suffered a significant decline. Despite the senior leadership of the Chinese Ministry of Education repeatedly stressing that the highest administrative department of education has never published documents that support education industrialization, the arguments and practices of education industrialization are common in practice.

Articles on education industrialization can be seen everywhere, whether on network television or in various types of journals. The education sector, academia, the media sector, etc., have successively joined the critical trend of education industrialization. For example, during the first news conference of the 17th Party Congress held on October 16, 2007, Zhou Ji, the Education Minister of China, said in response to a reporter’s question: “this congress’ report has explicitly pointed out that we insist on the basis of nonprofit education, we must increase government investment in education, and we are firmly opposed to education industrialization (Zhou, 2007). An article entitled “Industrialization of Education Should Cease” in 2010 clearly indicated that education industrialization gave birth to the arbitrary changes of education. Arbitrary educational changes not only increased the burden of students, especially poor students in rural regions, but also severely damaged the image of the schools and the teachers in the minds of students, delivering a tremendously negative impact that should not be ignored (Liu, 2010). Yan Qiuluwei, a well-known TV reporter of Phoenix Satellite TV, is also very concerned about the problems of education industrialization. She wrote an article entitled “Education Industrialization”. She said many people regard education as a business, whether kindergarten or university. Education has been a tool to make money (Luqiu, 2011). It’s easy to see from comments above that the arbitrary changes and education industrialization have almost become a pair of twins. What should we feel about this situation now?

Compulsory education of the whole people has had a great responsibility as directed by the Dakar Framework for Action adopted at the World Education Forum in 2000. Compulsory education belongs to government investment. China has no possible means to monopolize education considering the current fundamental realities of the country. In recent years, the implementation of cost-sharing mechanisms in education in accordance with the guidance of the Ministry of Education at all levels and types and stages of education is a major education reform. We must continue to adhere to the right direction and to the
principle of public welfare education at this stage. Educational development should put government investment in the central role, should strengthen the responsibility of the government for educational development, and should make education become one of the most important works.

The spokesman of the Chinese Ministry of Education has indicated through the Xinhua Network, an extremely influential web medium in China, that the Ministry of Education unequivocally has opposed education industrialization from the date it first occurred, and holds that education industrialization would destroy China’s education (Ministry of Education, 2010). Of course, we should not only pay lip service, the lynchpin of any successful reform is its implementation. Work is just like playing the piano, playing out of tune is equal to do nothing or to making noise. The final unfortunate results of education industrialization are certain to be magnified without firm execution and implementation of reform.

4.3. Arbitrary Charges in Educational Circles

In the spreading ideological trend of education industrialization, the compulsory education Chinese people look forward to often could not be successfully implemented in the previous period, even though the time has been prolonged. In large and medium-sized cities, compulsory education seems to be the sole obligation of the parents. However, in the vast countryside, the promotion of compulsory education is facing huge difficulties. Financing their children’s attendance at primary school is a heavy burden for some farmers, and constitutes an economic shackle. Due to a variety of tuitions and fees, mountainous rural children drop out of school because their families cannot afford the entrance ticket to an education. Some ethnic regions in western China are lagging behind in economic development. The task of meeting compulsory education standards is merely hollow words if not coupled with implementation. The result of a research group, namely “the case of the transition of China’s major education policy”, shows that there still existed a serious dropout rate in Chinese rural areas in June 2005. In a survey sampling 17 rural junior high schools in different townships, the research group found the dropout rate to be uneven. The highest was 74.37 per cent; the average was about 43 per cent, greatly more than the less than 3 per cent required by the policy of the “nine-year compulsory education” plan for rural places. Liu Bin, the former deputy director of the State Board of Education, was a participant of the appraisal meeting which appraised the research item. He pointed out that a developed city could receive education surcharges of up to more than ¥1 billion RMB to ¥2 billion RMB, but some leaders would rather take the money to set up affiliated schools than implement compulsory education free. Therefore, the gap among schools is
growing (Xie and Yuan, 2005). We can easily know that a high dropout rate is closely related to high education expenses. Furthermore, the appalling point is that the evil phenomenon of arbitrary charges can be seen everywhere.

In August 29, 2011, the official website of the Ministry of Education issued a notification concerning the typical cases of arbitrary charges. The Ministry of Education investigated 12 primary and secondary schools in Gansu, Anhui, Jiangxi, Hubei, Sichuan, and Henan Province. Thirteen responsible persons got a policy discipline punishment and three were removed from the principal’s position. Let us take a Key University’s affiliated high school for an example. The school is changed from a public school. The annual fee charged each student was ¥20,000 RMB; the school had 10 classes and each class had 60 students. So the annual income of the school was up to tens of millions RMB (Zhao and You, 2011).

This undoubtedly heightens the already heavy education burden of ordinary Chinese people. The chaos of education is a misery for society state. Owing to the spreading of education industrialization in recent years, absurdity and bitterness have flooded into the Chinese education system. From the social level, the unfairness in education has become the largest social injustice. From the perspective of awareness dissemination and personnel training, the chaos of education not only stimulates the desire to obtain a diploma, but also hinders a generation of high-tech talent potential from obtaining the Nobel Prize.

The arbitrary charges were more than ¥30 million RMB, and 244 people got punished in Jiangxi province in 2011. Concerning outstanding problems in compulsory education schools with regard to school choice fees, management and governance of teaching materials, Jiangxi discovered 305 events of violation charges, with ¥30.844 million RMB involved (Zhang, 2012). We learned from the Education Department in Shanxi province, it had investigated and dealt with the 108 events of arbitrary charges in 2011, with ¥4.4838 million RMB involved, and with three principals dismissed (Liang, 2012). Some schools can be said to have done their best to set fee items. In the past two years, the problem of arbitrary charges about which citizens began to complain became gradually serious in Guangdong province. In 2011, the investigation of ten cases of arbitrary charges, illegal service charges and collection charges accounted for a considerable proportion of total charges, including all sorts of excuses to charge sports training, bicycle storage, etc. 576 students were charged ¥8,640 RMB for bicycle storage in Shangxu junior high school, Potou district, Zhanjiang city, Guangdong province. Mo Guanquan, the principal of the school, was dismissed from office (He, 2011).

From the viewpoint of the full implementation of compulsory education, the urban plan was basically implemented, but the results were not so ideal.
in the countryside. Education has become the biggest expense of rural areas. Therefore, there is a significant gap between the rich and the poor in education, and the disparity results in educational unfairness. Many instances have fully demonstrated that more effective measures concerning compulsory education need to be carried out to fully implement the Dakar Framework for Action launched by the United Nations.

Faced with increasing educational spending, poor residents are unable to cope. Suicide happens occasionally among students because of the unaffordable tuition fees. Two pupils killed themselves by taking poison on October 2011, because they had no money to pay for the remedial teaching fees and could not bear the repeated dunning of teachers (Wei, 2011). This is just primary school. What happens at universities and colleges that ask higher tuition fees? A survey of students in China, shows that the average annual expenditure of a undergraduate is ¥7,000 RMB, including tuition fees, living expenses and accommodation fees. Therefore, a typical undergraduate spends at least ¥28,000 RMB in four years, equivalent to the net income of a poor country farmer for 35 years, without considering his living expenses, such as eating, clothing, medical care, and other expenditures (Liu, 2006).

Officials from the Ministry of Education pointed out that the total number of students in National Ordinary College was 22.85 million in 2009, 5.27 million of which were from poor families, who accounted for 23.06 per cent of the total enrollment, and 1.66 million were from extremely needy families, who accounted for 7.27 per cent of the total enrollment (Xie, 2011). It is well recognized that poor quality education is the root of poverty in China. Education expense is so high that not everyone can afford a good education, poor knowledge results in poor education, and poverty is the inevitable outcome, resulting in deficiency of wisdom and talent. This is a chain reaction. Therefore, education equity is the most important prerequisite required to narrow the gap between the rich and the poor. As early as 30 years ago, there were no fees and tuitions in primary and secondary schools of the United States and many countries in Europe. Until now, the policy of “nine-year compulsory education” has not yet been fully implemented in China, although in some areas the plan has been implemented well.

The education problem in China has always been highly controversial. As early as September 2003, Katharina•Thomas•Tomasevski, the special investigator of the United Nations in charge of affairs on education rights, investigated for two weeks in China. She critically noted that China paled in comparison with Uganda, a poor African country, in terms of the guarantee of the right to basic education. China’s expenditures on education account for only 2 per cent of the GDP (gross domestic product), much lower than 6 per cent, the minimum requirement of the United Nations.” She said, “The government provides only 53 per cent of school funding, the rest is borne
by the parents. The proportion the government commits is lower than all countries which implement a policy of compulsory education” (Wang and Liu, 2004). This kind of criticism is very sharp. But we cannot consider domestic and international criticism of education industrialization as malicious attacks targeting some facet of Chinese education. The famous book “Serve the People”, written by Mao Zedong, who is the first-generation leader of China, stresses that the Chinese Communist Party is the political party that serves the people and that the Party is not afraid of receiving criticism of pointing out the shortcomings in its work. “We will act upon it if people can benefit from the method, no matter whoever comes up with it.” Practice shows that acceptance of criticism and correction of errors will make things do better.

4.4. Bad Influence of Fake Diplomas

China’s higher education becomes more unbalanced when basic education tends to be increasingly unfair. Some colleges and universities, on one hand, just require a low academic performance of candidates. On the other hand, its requirement of economic affordability is on the rise.

Relaxation of the enrollment standard does exist in some industrialized countries. However, that is an education mode of lenient entry but stringent exit appropriate to their national conditions. In China, there is almost no standard with regard to some market-oriented higher educational institutions. You can easily enter some schools only if you are able to afford the “entrance fee”. The quality of education cannot be guaranteed completely because of inferior teaching and low standards for graduation. We would hope that institutions of higher education could not sell degrees for pots of cash. This educational style definitely has no possibility of cultivating talent. In addition, relaxed enrollment standards are also unable to train talented persons. It’s refreshing to see that people are starting to raise doubts about these phenomena. Various criticisms gradually arise in conferences, meetings and media. How to eliminate such phenomena? The managers are responsible for advanced preparation. Just like clogging a flood, those in charge should use prior observation to predict the flood situation, and they should dredge the river as soon as possible, and they should build dams. Only issuing warnings when facing the flood, of course, is of no help.

In particular, the phenomenon of education industrialization has caused a big negative impact in that some high-ranking public servants obtain high degrees by the way of so-called “in-service education”. Administrative officials mainly rely on their own diligent efforts and prominent achievements to make greater political progress. But some officials have obtained a doctor’s degree without effort using the public’s money, more precisely, the money of taxpayers. The doctor’s degree is a serious academic and educational
indicator. This approach is extremely bad. Although the certificate is true, the academic level of the diploma-holder is not real. Throughout the ancient and modern history of doctoral education and government officials, it is not difficult to find that high-level public servants take public funds in order to study for a PhD with in-service education. This only appears in the contemporary imperfect Chinese educational system with its disordered education management. It’s an ugly phenomenon of an anti-social civilization.

This ideology uprooted from the official standard which was prevalent in China’s feudal society is a blasphemy to science and to the academy. The proliferation of this kind of doctorate education is detrimental rather than beneficial to the country. Imagine those doctoral students who have experienced rigorous doctoral programme trainings. How can a Ph.D. student who lacks a rigorous doctoral programme training master the scientific knowledge and methods he/she should have? A doctorate is a kind of recognition to a specific scholar who has obtained a high academic level and who has undergone rich academic experiences; a doctorate is not, rather, the recognition of a person’s work experiences.

The negative effects of these practices on the academic field, no matter in the long term or in the short term, are enormous and far-reaching. If China continues to allow the spread of this chaotic phenomenon, a doctoral education will be a joke in the world of international higher education. The lesser consequence is that the international community will not recognize China’s doctorate, while the graver consequence is that the integrity of the citizens and the image of the nation will suffer serious detriment. In China, some public servants with these superficial high-imitation diplomas, purporting to represent a master’s degree or doctor’s degree grasp plenty of chances to grab more power and more interests. This phenomenon is detrimental to the glorious image of the Communist Party.

Admittedly, the Chinese Communist Party has had a successful experience in selecting excellent cadres from practice in the revolutionary periods. Selecting potential people to go to school is an institutionalized practice. However, for the training of cadres, a strict management system must be established. We cannot walk into a stray path for seeking an invisible reputation. Public servants, because they are in important positions, should leave their posts in the learning period because earning an academic degree has always been a serious academic and educational task. We all know that one person cannot have his cake and eat it too. The ideological root of this ugly social phenomenon has left a legacy from China’s feudal society that in the past produced an official standard handed down for thousands of years, a standard which is completely contrary to the spirit of social public servants, as promoted by Marx, and the thinking of serving the people, as proposed by Mao Zedong.
The idea of the “official standard” has been the core of the ruling institution of the feudal landlord class since the Qin Dynasty. Since the time of the Qin Dynasty, the Emperor has had the supreme authority. Everything in the nation is dependent on the king. Government officials below the emperor at all levels have their corresponding powers according to a hierarchical stratification, and these powers are tied together with the acquisition of wealth. Therefore, the Han Dynasty and the Wei-Jin Dynasties implemented the “nine-rank system”. The Sui Dynasty and the Tang Dynasty established the “imperial examination system” instead, and this system continued to function until the Qing Dynasty. These practices constituted the cultivation and construction of the institution of the “official standard”. The “official standard” gradually becomes the ruling consciousness in China for thousands of years.

The Scholars, written by Wu Jingzi in the late Qing Dynasty, Officialdom’s True Features, written by Li Baojia, Thick Black Theory, written by Li Zongwu, etc., all provided vivid and deep descriptions of the official standard, and included sardonic and critical words. China’s current modernization has followed the foundation of history. Therefore, the decadent ideology of feudalism has inevitably corrupted the new society.

After summing up historical experience and lessons learned therefrom, Jiang Zemin, who once served as the chair of the Communist Party of China, profoundly pointed out: the so-called “official standard” is “officially-oriented”. He seriously exposed the phenomenon of the “official standard” within the party, and criticized the erroneous ideas of some party members, especially the leading cadres. He said: “Some members or even leading cadres of the party consciously or unconsciously become the captives of this ‘official standard’ awareness. So, the phenomenon of buying and selling official positions arises; the phenomenon of false reports and fraud for honor and position arises; the phenomenon of doing everything for their official positions arises; the phenomenon of abuse of power arises” (Jiang, 2001). On the basis of the construction of socialism and the interests of the people, Jiang Zemin severely criticized the decadent ideas that were endangering the party and the nation. There is no doubt that clearing up the high degree of fraud is a serious political struggle and must be implemented immediately.

Undoubtedly, the phenomenon of “false” diplomas connected to the ‘official standard’ is caused by the indulgent Chinese modern higher education system. It not only violates the normative principles of education, but also has other very bad effects, such as regarding diploma acquisition as the start, the process, and the result of education. Departing from the self-interest of individuals, the seemingly true but false master’s or doctor’s diploma acquired through non-formal channels is very useful because it can enhance the competitiveness of civil servants, or bring other personal benefits. However, when education, especially higher education, transforms into “diploma education”,

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far from “quality education” and “character education”, higher education is destined to become a powerful force for the retrogression of Chinese society. This is the real scary point. The industrialization of education has not only flooded society with various “really fake diplomas” and “falsely true diplomas”, but it also has distorted the concept of talent forged by the experience of centuries. Serious and scientific personnel training, in some places, have become a power-for-money deal. The whole society has paid a huge opportunity cost for these things.

4.5. Clear Negative Effects of the Ideological Trend towards Pan-marketization

In 2000, the World Education Forum of UNESCO adopted the Dakar Framework for Action, which established a goal that every citizen and every society should achieve six goals, making the goals of EFA (education for all) more specific. EFA is not just an educational issue but is first a development problem. Among the six EFA goals (literacy elimination, preschool education development, elementary education generalization, promotion of equal educational opportunities for men and women, life skills training, and comprehensive improvement of the quality of education), three (elementary education generalization, promotion of equal educational opportunities for men and women) have been included in the Millennium Development Goals adopted by the United Nations General Assembly. The promotion of EFA (education for all) development and the promotion of the Millennium Development Goals are inextricably linked together. Obviously, the implementation of industrial education is contrary to this programme.

It is undoubtedly correct that administrative officials in charge of education should never show affection to the industrialization of education. Organs of state power must think twice before taking actions. In the process of deepening market economic system reform, all schools scrambled to expand their size no matter what their conditions and no matter what the results would be. At the end of the last century, Peking University took the first step by tearing down the south walls in order to build a row of store buildings. This has been a trend determined by actors who seek profits above all else, and promoted by great interests. In 2005, Peking University pulled down the shop buildings on the south, and re-built the school walls to correct the mistakes made in the past. However, this problem cannot be solely solved by the attitude of a single department. Actually, an erroneous ideological trend can never easily disappear in a few days.

“When an erroneous ideological trend emerges like the tidewater, we should uphold the truth from the bottom up.” Mao Zedong said, “More importantly, the administrative authorities should take more responsibility
to guide this trend towards the right direction.” Although the administrative departments in charge are not the advocators of the industrialization of education, the actual existing problems of industrialization are graver than in the countries with a higher level of industrialization. “When an erroneous ideological trend emerges like the tidewater, we should uphold the truth from the bottom up.” Mao Zedong said, “More importantly, the administrative authorities should take more responsibility to guide this trend to the right direction.” This means that the evaluation of management performance and the actual situation people live in is not determined by discussion or declaration, but by the reality of the social situation. Practice is the sole criterion for testing truth, and is also the sole criterion for the evaluation of management performance. Development is of overriding importance, including social equity. Education is the basic way of ensuring the criterion of social equity. There is no equity without education, and without education, the economy cannot get developed. Education problems in some places have become severe. The grievances of the public can be felt daily. At this critical moment, administrative organs should take more effective actions to correct errors in order to maintain social stability and to eliminate the risks of instability.

The coordination between government departments is very poor and the coordination mechanism is not perfect. The arbitrariness of administrative coordination between government departments is greater than the binding. In order to solve the problem of inconformity between national development strategy, specific policies and the inadequate response of educational policy to national strategy, the government should speed up to establish a horizontal coordination mechanism with educational departments.

The government should construct an accountability system which emphasizes effectiveness, so as to protect right to education, actively promote the construction of administrative accountability system. The government should improve education regulatory regime to supervise the public school and try to achieve the transformation of educational decision making from experience-basing type to modern democracy type.

5. Keep down Environmental Pollution with a Firm Hand

The *Rio Declaration*, the *Climate Change Convention*, the *Biological Diversity Convention* and other important documents adopted by the United Nations Conference on the Environment and Development on June 1992 delivered a warning that the survival of humanity is facing ecological security issues brought on by environmental degradation. After the mid-20th century, global ecological deterioration has been expanding mainly because of human unscientific styles of production and life. The natural environment of China is quite grim if one considers the gradually worsening of global warming. After
the arrival of the 21st century, ecological security has been prominently placed in front of the countries across the globe. The concept of ecological security, generally speaking, is the natural self-evolution of the ecosystem, which people depend on for survival and development. More specifically, when the system is able to sustain human society and economic development, including water, soil, atmosphere, forests, grasslands, oceans, and biological systems, etc., the global or local ecology is secure. During the period of the “Eleventh Five-Year Plan”, China will build a resource saving and environmentally friendly society as an important implementation of a people-oriented and scientific concept of development. Under the circumstances of rapid economic growth and a significant increase in the consumption level of the public, each region and department will continue to intensify environmental protection efforts, and they will have made positive progress in environmental protection, due to a series of major policy measures taken by the government. There has been a significant increase in public awareness of environmental protection. The achievements of China’s environmental protection work in the “Eleventh Five-Year” period can be summed up in nine aspects: fulfill the task of reducing emissions of pollutants; make efforts in promoting economic development; comprehensively promote the preservation of rivers and lakes; explore the establishment of the prevention of air pollution and control mechanisms to manage air pollution; concentrate on the management of prominent environmental problems, such as heavy metal pollution impacting on people’s livelihood; steadily promote nuclear safety and radioactive pollution; constantly improve the laws, regulations and policies regulating environmental standards; effectively strengthen the enforcement supervision of those responsible for maintaining environmental law. In short, China’s environmental protection during the “Eleventh Five-Year Plan” has experienced a huge change from theory to practice. Only through the participation of the whole society will the development of environmental protection have a lasting power.

From the point of view of economic theory, the ecological environment belongs to the public. Nobody can own ecological environment and people do not need to pay for living in the ecological environment. That is to say, the producer cannot obtain normal returns from his investment, and consumers can consume with no need to cover costs. Then, in the economic activities of the pan marketization, the protection and construction practices of the ecological environment will also face heavy resistance.

5.1. Serious “Three Wastes of Pollution” in Industry

Since the reform and opening up, our country has accelerated the pace of industrialization, and the same is true with regard to economic advancement. At the same time, the “three wastes” pollutants produced by industry have
had an extremely serious influence on the environment. At present, our country ranks first in the world as to industrial emissions. The management of environmental pollution places great pressure on China.

Because of the historical accumulated effect of environmental pollution, the lax environmental governance, and the frequent occurrence of safety accidents, and so on, our country has entered a high-incidence period of accidental environmental pollution. The degree of the Yangtze River pollution is high and has never before been seen in history. After the Songhua River pollution incident happened on November 13, 2010, the number of abrupt environmental incidents occurring in our country was up to 76, happening on average every two days (Gao, 2011).

5.2. Hindered Formulation of Environmental Protection Laws and Regulations

The trial implementation of Environmental Protection Laws has proceeded for 32 years since 1979. China’s environment has not only been protected, but actually has become worse and worse. Therefore, there have been many scholars who have said that the environmental protection law is one of the worst laws with regard to effectiveness in contemporary Chinese society. For many years, appeals for the revision of the environmental protection law have been loudly heard, but the actual progress is stagnant. The revised draft of the environmental protection law was submitted to the National People’s Congress in early November 2011. Actually, it’s a substantial step, although there is still a long way to go.

In the development of humankind, the initial liberation is to conquer nature, to get rid of material oppression, and to make a broad space for social progress. The second is to love nature, to seek a harmonious way in coexistence with nature so as to lay a foundation for sustainable development. The ecological balance of a country and its prosperity are closely linked. The process of the first liberation is long. As well, the process of the second liberation is hard. In order to obtain a fresh start, we must abandon the market economy concept of pan-marketization, we should reflect on a productive and ecological guiding policy, we should adjust unreasonable economic structures, and cease fixing on economic growth as the only goal of production, and we should strengthen infrastructure construction in order to maintain ecological balance.

Why is the industrial pollution so terrible in China? Why are the formulation and implementation of environmental protection laws and regulations so hard? There are some reasons behind the two questions. The first reason is the current loose environment protection laws. The second is the single goal of pursuing economic growth, while ignoring almost everything...
else. Of course, environment is no exception. In this case, how do we settle the urgent problem for balancing the ecological system? Firstly, the government should be guided by the scientific concept of development to implement a comprehensive coordinative and sustainable development strategy. It also should develop the overall urban plan comprehensively and carry out urban construction and environment remediation progressively to satisfy resident’s need to living environment. Secondly, the government should seize the hotspot of local environment, and then manage the environment in a planned and systematic way. Thirdly, the government should improve the regulation and policy support to solve the disputes in environmental law enforcement and pollution dealing.

6. Conclusion: Adhere to the Correct Direction of People-Oriented Reform

Following the basic principles of Marxism-Leninism, Mao Zedong, as the representative of the first generation of the Communist Party’s leaders of China, has led the Chinese people to successfully carry out a social revolution and has established the People’s Republic of China, a country in which the people are the masters, the Party having laid the social-economic foundation for initial industrialization. Many major changes have happened to the strong feudalistic superstructure. These changes have been caused by the establishment of a Chinese economic foundation that has made public ownership as the mainstay, while the social superstructure has been also repeatedly adjusted according to reforms, in order to adapt to the evolving social-economic infrastructure. Every adjustment and reform involving these two aspects has been to resolve various contradictions and conflicts that exist in reality. The reform and opening up policy, implemented by Deng Xiaoping, the representative of the second generation of the Communist Party of China’s leading group, still constantly adjusts and reforms the social superstructure, in order to promote the development of the social and economic infrastructure, guiding the Chinese people to embark upon the path of wealth.

The new generation of collective leadership with Comrade Hu Jintao as general secretary of the Communist Party of China has inherited Deng Xiaoping Theory and the important thinking of the “Three Represents”. They have summed up the experience of reform and opening up during the past 28 years, and have restored and developed the Party’s fine traditions. They have also emphasized the perspective of scientific development to guide the development of socialism with Chinese characteristics, aiming to build an innovative country. The ultimate purpose has been, in order to seize the opportunities and challenges brought by the integration of the global economy in the 21st century, the nation needs to aggregate the power and wisdom of
all the people to develop a creative labour market, and to constantly enhance the comprehensive strength of the country to meet the nation’s historical task of revival.

Implementation of new policies in order to maintain the sustained, steady and rapid development of the emerging economy is necessary to be taken to respond to the changing and complex international situation. To this end, we must deepen the reform of matters incompatible with the economic development in accordance with national institutions.

We should rationalize the relationship between management departments, and we ought to coordinate administrative command and economic operation. We should also resolve the contradictions that affect the building of a harmonious society and mobilize all positive factors, etc.

6.1. Analyze Contradictions and Discern the False from the Genuine

The elaborate analysis described above shows that, at present, the reform and development of China is indeed entering a historic new stage. At the same time, China is facing some new problems that it has never encountered before. The so-called reforms reflect public opinion, that is, the public’s overall assessment of the situation of developmental change, is to look carefully at the work of the past and to carefully and meticulously make plans for the future. China’s economic and social system need to be further improved; the economic and social reforms also need to be further promoted. Under this set of environmental circumstances, some of the problems that have existed in the reality of economic and social life have deteriorated sharply, which has also exposed serious defects in the reform process, the success of which depends on major theoretical concepts and policies measures. Economics had done some summarization and explanation in the past. For example, first of all, social conflicts caused by the widening gap between rich and poor, the unfair distribution of wealth, and the proliferation of administrative corruption has gradually increased, and has aroused a strong dissatisfaction on the part of the people when facing real-life negative phenomena. Second, a legal environment necessary to the normal operation of a modern market economy has been long delayed. Third, basic education and social security and other public services provided by the government are steadily shrinking. Fourth, the extensive method of growth adapted to the traditional socialist economy is difficult to transform to an intensive growth mode (Fu, 2006). In this case, the problems of China’s reform and development broke out during 2004 to 2005. This situation indicates that we must seriously reflect on the achievements and shortcomings of China’s reform, as well as the challenges we have now and will face in the future. At this moment, every citizen and every economic actor have the responsibility for providing their own professional thinking on this.
Of course, every historical stage and every nation’s society has had problems and contradictions because life is a contradiction and contradictions constitute life. However, the preceding simple analysis shows that China’s economic and social conflicts suddenly have because visible in recent years. The most important reason for this is that the ideological trend of “pan marketization” has stirred up radical economic reform measures that have induced large numbers of illegal actions in violation of the rules and regulations. Therefore, there is no doubt that pan-marketization will intensify economic and social contradictions. A large number of facts have proved that a variety of the propositions of pan marketization are in reality faux reforms packaged with market economy theory. They seem to reform thoroughly, but in reality they can be labeled as sham reforms. They are trying to steer China down a road which leads from true reform. The most typical economic outcomes are income, education, health care, housing, employment, etc., which are closely related to people’s lives; however, these are more or less ignored. Irregular economic activities, irrational administrative and non-scientific production operations simultaneously appear in pan marketization theory.

The public has failed to obtain the expected benefits from the rapid development of the economy. Many unreasonable and illegal actions happen in economic and social life and disrupt the peaceful life of people. Recently, the number of people who have begun to talk about illegal and black market activity is on the rise.

6.2. Adhere to Principle and Maintain the Truth

How should we penetrate those hypocritical, misleading and so-called arguments of “market economy reform”? This requires serious analysis, pondering over events at the source, and mercilessly criticizing those arguments which have appeared under the banner of a deceptive theory. Refuting erroneous statements does not mean to merely apply labels, describing the painful lessons Chinese people have learned in the past. For example, cracking down on some person or advocating the opposite route in the Great Cultural Revolution only brought chaos and eventually caused the nation to suffer catastrophe. We need to reflect on reform and to distinguish truth and falsity in accordance with facts and reason, not only in order to know how to maintain an excellent situation of stability and unity, but also in order to know how to explore the new channels for pushing ahead. In particular, the radical implementation of the policies of a market economy indeed has promoted a thriving business sector. Some people accordingly insist that reform is sailing smoothly, and that there is no need to reflect on the reform process. Under the instructional policy of “Let some people get rich first”, “get rid of the concept of the communal pot“, and “bravely go
“Pan-Marketization Phenomena in Contemporary China”

into business”, put forward by comrade Deng Xiaoping, some people have profited from the market economy and now live a wealthy life. However, the time belonging to the last generation has passed away and things have changed sharply. An argument dogmatizing Deng-era theory of wealth has emerged, and insists that it is the timelessly true theory. It seems that there are many ostensible reasons to say that this criterion (the primacy of wealth) is important. In fact, it is not true. Adhering to this theory of wealth does not mean that society should ignore the erroneous money-oriented tendency in today’s society due to the influence of pan marketization ideologies, and it does not mean that there is no need to study the reasons for the large gap and to look for ways to narrow the gap. The persons who support this kind of argument also tout that it adheres to Marxism with Chinese characteristics and is entirely correct. In fact, this is a kind of dogmatic Marxism, which appeared before Marx. Engels had said to some French “Marxists” in the late 1870s: “I only know that I am not a Marxist” (Marx and Engels, 1976). The French “Marxists”, who did not gain recognition by Marx, actually used dogmatism to distort and stifle the quintessence of Marxism. Marx, in this work Das Kapital, created a Socialist Political Economics, which dialectically looked at economic contradictions, but this is certainly not the end of Socialist Political Economics. History used as a mirror can tell us the truth. Starting from actual conditions in the economy, and using the Marxist method to observe, interpret and transform the world, has really combined Marxism with China’s realities, and has really implemented the Deng Xiaoping Theory and the important thought of the “Three Represents”, and has set up the socialism with Chinese characteristics.

Realistically observing all these Chinese factors from a macro-level, we can perceive that all market-oriented approaches do not let things get better: the wealth gap is widening, medicines are much more expensive than people can afford, etc. This situation cannot mobilize the enthusiasm of the people. In terms of economics, it is not the optimal configuration of resources, and this situation makes it difficult to build a harmonious society. In the early stages of reform, is the country faced a distressed situation. The nation’s economy was on the edge of collapse caused by the Great Cultural Revolution, and China had to endure some negative effects in the short term in order for long-term economic indicators to surge. In contemporary society, however, the requirement of economic and social development is that the economy is people-oriented and that comprehensive prosperity should arise across the nation. The fact is that few development indicators soar while some others rise slowly or even retrogress falls short of the goal of building a moderately prosperous society. Development indicators are logically inter-related. Indicators of the entire system will be disordered when the internal relations get disordered. Sustainable economic growth is the only real development.
A country’s leadership management, in fact, should be a well-coordinated leadership management having a variety of relationships. The formation of comprehensive national strength is also generated by the collaboration of various forces. China’s total economy is still not strong enough. It needs to continually and vigorously develop productive forces. Nevertheless, increasing productivity must rely on the optimal allocation of capital, technology and labour, and a society can never have an efficient allocation of resources without coordination.

In short, a scientific and reasonable allocation is particularly important when the reform reaches a certain level. Because this relates to the fairness of society and to the long-term stability of society, it eventually determines the development of the ecological environment. Are all members of society allowed to enjoy the fruits of development based on their abilities and contributions to creating a harmonious, happy and peaceful society? On the other hand, does the nation continue to allow some people to grab the wealth of society, resulting in the disparity between the rich and the poor and eventuating in reform which is sidelined and which will eventually endanger social justice, stability, and which will increase the disharmonious factors present in Chinese life today? In this regard, Hu Jintao, the General Secretary of the Chinese Communist Party, and Wen Jiabao, the Premier of the State Council, have given a clear answer at different periods and occasions.

In the planning proposals of the “Twelfth Five-Year Plan”, in order to centre on energy conservation and emission reduction, to improve incentives and to improve restraint mechanisms, to accelerate the construction of resource-saving, to encourage environmentally-friendly production methods and consumption patterns, to enhance the capacity for sustainable development, and to raise the level of ecological civilization, the Chinese Communist Party has pointed out that we should vigorously build a harmonious society, we ought to implement the scientific concept of development, and to establish a green, low-carbon development concept. Here you can clearly see that the previous simple, disharmonious, and environmentally unfriendly development concept has been completely abandoned, having been replaced by the green and sustainable development concept of harmony between man and nature. Development is the mainstream of society, which is a historical necessity. The Chinese Communist Party in its landmark literature clearly indicates that we cannot develop at the expense of other people’s rights of subsistence and development. This stage of development must be built on the foundation of harmony, creating a dynamic and just target and marching towards a relatively stable path of development within the limits of social tolerance and historical license. Therefore, we must continue to make efforts to promote the process of reform, to improve the socialist institutions of China. This approach is the scientific and harmonious development concept that we should strongly advocate.
6.3. Eradicate the Old and Forge Ahead

Varieties of proposals, theories and ideas have emerged in the reform process. Reflecting on the process of reform, and establishing a new concept is not only undergoes a process of theoretical explorations and continuous advancement, but also the process of the full release of labour productivity. Some people refuse to criticize the argument of pan marketization, and refuse to criticize it as negative nonsense in its evaluation of the market economy. They tend to attribute errors which have occurred such as high education fees, hospital charges, etc., to distorted market economic theory. These people seem to have forgotten a large number of evil consequences in the field of distribution, health care, education, and environment and in other fields, which consequences have led to the pan-market economy. It’s dangerous for policy makers to understand an economic theory only vaguely, and then to merely use it in general. The concept is correct which states that some people should get rich through labour, as a first step. However, the severe polarization of wealth, namely the ever-widening income gap between urban residents and rural residents and the Gini Coefficient having almost exceeded a reasonable value of around 0.4, is not good news. The gap is so large that it will breed hatred of the rich if there are not effective measures in the future.

Of course, it is undeniable that there are objective factors at work in those who practice an extreme behaviour. The implementation of a market-oriented operation in private schools is not wrong. People routinely criticize individual corruption in the education sector on the internet. The problems are actually not so serious in aspects of compulsory education, medicine and health. The time of problem solving has been delayed because of the influence of the pan marketization idea. The correct direction of proper governance is that the executive departments gather and analyze these comments, formulate a comprehensive reform of economic and management systems, narrow the urban-rural income distribution gap, and provide equitable educational opportunities. When unreasonable factors are eliminated or reduced, the Chinese economy will progress naturally. Deng Xiaoping pointed out: “beneficial or harmful to the realization of the four modernizations should be the most fundamental standard of measuring all work” (Deng, 1994). There would be no modern industrialized countries if market economic theory is wrong. The real reason for China’s troubles today is the appearance of the pan marketization theory. It has disrupted the implementation of the strategic plan of the “Four Modernizations”. Criticizing the spread of pan marketization economics, of course, is not to deny the theory of the market economy.

For example, the idea of self-reliant economic development and hard-working practices, which China has always pursued during the leadership period of Mao Zedong, can be re-raised as the current Chinese development
strategy in the face of current entrenched power and dominating hostile forces. Reintroduction of the idea of self-reliance does not mean that we should close the nation’s portals to the outside, but rather means advocating considering self-sufficiency as the nation’s major driving force. Similarly, re-advocating hard work does not mean that all people should suffer a poor quality of life, but rather means putting an end to the tendency of fickleness, extravagance and waste in contemporary China. More and more people are aware of the negative effects brought on by pan marketization ideas in these years. The pace of progress will be blocked without profound understanding of the lessons of the past reforms, and if there is no analysis and critique of the pan-marketization fallacy, progress will be further harmed. Undoubtedly, the progress of both thought and practice is the result of the development of human civilization. Before the overall happiness of humans arises, as well as a harmonious society, objective reality needs people to reach a consensus in order to maintain the sustainable economic development of human society. The world is unsafe and individual countries and nations will be not peaceful when ignoring the common problems of humankind. A catastrophic outcome should never be allowed to emerge. Criticism of pan-market thinking is necessary to prevent harm to the future. It is to declare war on behalf of progress against backwardness, and on behalf of science against ignorance.

Notes

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1. ¥ – yuan 元; RMB – renminbi 人民币.
2. $ – US dollar (USD).

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Can Chinese Cities Achieve Higher Technical Efficiency after Hosting Mega Events?

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Abstract
This study applies the stochastic frontier approach to estimate the technical efficiency of a group of Chinese cities which have hosted mega events such as the Olympic Games and Asian Games, etc. since 2000s. The purpose is to assess if their efficiency level can be strengthened in the process of event preparation. In the empirical analyses, it is observed that no significant improvement on technical efficiency can be achieved by the event hosting cities. The level of technical efficiency of the event hosting cities has even slightly declined in the event decade. Investment to gross domestic product (GDP) ratio is found to have positive linkages with technical efficiency, but it has not expanded satisfactorily to bring about significant efficiency improvement. Economic transition toward service sector with no comparative advantage, meanwhile, tends to discount efficiency. In general, hosting an event can only bring about short-lived contributions to economic benefits but not significant efficiency improvement. Policy makers should be cautious in the future before making their decisions to host mega events.

Keywords: mega events, China, stochastic frontier analysis, technical efficiency

JEL classification: D24, O47

1. Introduction
In the aftermath of the London 2012 Olympic Games, the costs, benefits and appropriateness of hosting an international event have become popular topics once again. In practice, the organization of a mega event, such as the Olympic Games, incurs huge amount of capital investment for the construction and renovation of infrastructures and stadiums. While the infrastructure investment serves as direct fiscal stimulus to the economy, the mega event may be able to
boost the prestige of the hosting city which can help to attract more visitors to strengthen the tourism industry. Given this belief, many countries have attempted to bid for the organization of mega international events. Japan, Korea and China, for example, are some of the countries in Asia which have successfully organized the Olympic Games.

In Wang (2002), the contributions of Tokyo 1964 and Seoul 1988 Olympic Games to the economy are discussed and stronger economic growth and job creations are observed as the positive impacts. As remarked, the infrastructure investment made in the process has played a significant role. Nevertheless, there is still no guaranteed net economic gain to the hosting city. The Athens 2004 Olympic Games, meanwhile, cannot boost the growth rate of Greece significantly and is regarded as a failure in economic sense. In light of the Los Angeles 1984 Olympic Games and Atlanta Games 1996 Games, they can just bring about transitory impacts to employment with no long-run contributions at all (Baade and Matheson, 2002). The remark “economic benefits should be considered weak at best” (Coates and Humphreys, 2003: 347) is drawn to describe the impacts of sport events to the local economy. Pessimistic remarks can also be found in some studies in which the long-term contributions of Olympic Games to the economy are questioned (Sterken, 2006; Madden, 2006; Andersson, Armbrecht and Lundberg, 2008). In Madden (2006), with the Sydney 2000 Olympic Games as the example, the issue of consumption diversion from normal goods and services to Olympic Games related consumption is discussed. In Andersson, Armbrecht and Lundberg (2008), the extent of development in tourism industry is used as the criteria to assess the economic contributions of the Olympic Games. While studies conducted by independent researchers carry diversified positions toward event hosting, projections made by the authorities of the hosting cities are normally more optimistic. In Yu (2004), for example, the impacts of the 2009 East Asian Games to Hong Kong are projected and it is believed that the Games can generate quantifiable economic benefits as well as higher city profile for Hong Kong.

In light of the Beijing 2008 Olympic Games, projections have been made by different online sources on the total investment, it ranges from USD2.2 billions (Wenweipo, 2008) to EURO8.95 billions (Wordpress, 2008), to a shocking amount of USD40 billions as the total infrastructure expenditures (The Blaze, 2012). An estimation of USD14.3 billions is also made on the total investment incurred in the Beijing Olympic Games in which USD8.6 billions is for environmental protection (Brunet and Zuo, 2009). There is no doubt that this huge sum of investment can bring about positive economic impacts to the hosting city. It is estimated that the Beijing Olympic Games can stimulate Beijing’s gross domestic product in real term (RGDP) by 2.02 per cent per annum for the period of 2002 to 2007 (Zhang and Zhao, 2007).
Can Chinese Cities Achieve Higher Technical Efficiency after Hosting Mega Events

Similar to the Olympic Games, hosting the World Exposition (Expo), Asian Games, East Asian Games or University Games, etc. have also involved significant amount of investments. The amount of money invested by various Chinese cities for the preparation of these events, according to various online sources, has amounted to USD625 millions for Macau 2005 East Asian Games (CNN, 2005), USD4.8 billions for Tianjin (People’s Daily online, 2004) to co-host the Beijing 2008 Olympic Games, USD31 millions for Hong Kong 2009 East Asian Games (the Legislative Council of Hong Kong), USD4.2 billions for Shanghai 2010 Expo in which USD1.57 billions is the operating costs and USD2.65 billions is the construction costs (English.eastday.com), USD2.35 billions for Guangzhou 2010 Asian Games (Merinews, 2010) and USD3.1 billions for Shenzhen 2011 University Games (Chinawhisper, 2011) respectively. Given the investments on infrastructures and venue renovations, these mega events may consequently deliver positive economic impacts, such as higher growth rate, new job opportunities and faster development in the tourism industry to both the local economy and the neighbourhood.

When most of the available studies attempt to explore the nexus of event hosting to GDP growth as well as to project the number of newly created jobs, the long-term economic impacts of an event has not been thoughtfully discussed. Better technical efficiency is defined as more outputs with the current inputs. If it can be achieved through hosting an event, then the hosting city can relax its urgency in upgrading its technology which is regarded as a more timely, risky and probably expensive growth enhancing process. This paper is then organized to estimate the technical efficiency level of the event hosting cities in China. The intention is to examine if a city can improve its technical efficiency after paying tremendous efforts to prepare to host a mega event. The Chinese cities, namely Beijing, Tianjin, Shanghai, Guangzhou, Hong Kong, Macau and Shenzhen which have hosted or co-hosted a mega or regional sporting or non-sporting event since 2000 are focused on. In addition, Zhuhai, which is a Special Economic Zone (SEZ) of China adjacent to Macau is also covered even though it has not hosted any event. In the analyses, if significant improvement on technical efficiency is attained in the event decade, then the organization of an event may have contributed to efficiency improvement. It may become economically sound to invest to host a mega event. In addition, the linkages between technical efficiency and a number of economic factors are examined for the sake of the major driving forces of efficiency. Finally, the tendency of convergence in technical efficiency is also reviewed.

The remaining part of the paper is organized as follows. Section 2 reviews the economic conditions of the sampling cities and the investment they have made to host an event. Section 3 summarizes the available literatures in technical efficiency measurement. Section 4 describes the methodology and
data employed in this study. Section 5 reports and discusses the results of the empirical estimations. The last section is the conclusion and implications.

2. The Economic Situation of the Event Hosting Chinese Cities

In the 2000s, a couple of mega events have been hosted by Beijing, Tianjin, Shanghai, Guangzhou, Shenzhen, Hong Kong and Macau. In the preparation process, huge amount of investment has been made which can be seen as strong fiscal stimulus to the hosting cities. To further illustrate, the ratios of event investment to GDP and Gross Fixed Capital Formation (GFCF) are measured and exhibited in Table 1. As the Beijing 2008 Olympic Games carries the largest scale, the ratios associated with this event are also the largest. For the other events, the cumulated investment has amounted to around 2 per cent of the GDP or less than 10 per cent of the GFCF in the event year. As the impacts of the event tends to arise not only at the event hosting year but also in the preparation and post-event phases\(^5\), a long sampling period from 1990 to 2010 is formulated in order to capture all the influences. Two sub-periods, namely pre-event decade of 1990-2000 and event decade of 2001-2010 are also constructed for discussion and comparison purposes and given this settings, a series of events related figures are shown in Table 2.

As shown in Table 2, although more rapid economic growth is widely expected as the consequence of hosting an event, in the event decade only Beijing, Tianjin and Macau can manage to attain a RGDP growth rate slightly higher than that of the pre-event decade, with Tianjin as the one with the most promising growth progress. For Shanghai, Guangzhou, Shenzhen and Hong

<table>
<thead>
<tr>
<th></th>
<th>Total investment in event hosting USD billions</th>
<th>Event investment to GDP of the event year %</th>
<th>Event investment to GFCF of the event year %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td>14 (40)</td>
<td>8.75 (25)</td>
<td>25.92 (74.05)</td>
</tr>
<tr>
<td>Tianjin</td>
<td>4.8</td>
<td>4.97</td>
<td>8.90</td>
</tr>
<tr>
<td>Shanghai</td>
<td>4.2</td>
<td>1.66</td>
<td>4.46</td>
</tr>
<tr>
<td>Guangzhou</td>
<td>2.4</td>
<td>1.51</td>
<td>4.87</td>
</tr>
<tr>
<td>Shenzhen</td>
<td>3.1</td>
<td>2.02</td>
<td>9.43</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>0.37</td>
<td>1.79</td>
<td>8.98</td>
</tr>
<tr>
<td>Macau</td>
<td>0.6</td>
<td>5.29</td>
<td>20.58</td>
</tr>
</tbody>
</table>

Sources: Various online sources as quoted in the introduction part.
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In light of the GFCF to GDP ratio, despite the fact that huge amount of money has been invested to prepare for the event, the average value of this ratio in the event decade is still less than that of the pre-event decade for most of the sampling cities, with Tianjin as the exception. In view of the number of employment, attributed to population growth and urbanization, an increase in the total number of employment is observed in the event decade by all, with diversified pace of growth. For the number of overseas’ tourists hosted, expansion is found but the pace of growth recorded by some of the cities has fallen short of that of the pre-event decade. The double digit growth of incoming tourists faced by Hong Kong and Macau, meanwhile, is driven to a large extent by the “Individual Visit Scheme” (for

Table 2 Economic Profiles of the Event Hosting Chinese Cities

<table>
<thead>
<tr>
<th>City</th>
<th>Period</th>
<th>Average RGDP growth %</th>
<th>Average GFCF to GDP ratio %</th>
<th>Average employment growth %</th>
<th>Tourists’ arrival growth %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beijing</td>
<td>1990-2000</td>
<td>10.39</td>
<td>48.54</td>
<td>0.48</td>
<td>11.54</td>
</tr>
<tr>
<td></td>
<td>2001-2010</td>
<td>11.38</td>
<td>42.36</td>
<td>8.04</td>
<td>8.88</td>
</tr>
<tr>
<td>Tianjin</td>
<td>1990-2000</td>
<td>10.99</td>
<td>43.06</td>
<td>-1.20</td>
<td>19.18</td>
</tr>
<tr>
<td></td>
<td>2001-2010</td>
<td>14.99</td>
<td>51.68</td>
<td>2.62</td>
<td>16.89</td>
</tr>
<tr>
<td>Shanghai</td>
<td>1990-2000</td>
<td>11.41</td>
<td>44.04</td>
<td>-1.26</td>
<td>7.71</td>
</tr>
<tr>
<td></td>
<td>2001-2010</td>
<td>11.27</td>
<td>40.16</td>
<td>3.26</td>
<td>16.52</td>
</tr>
<tr>
<td>Guangzhou</td>
<td>1990-2000</td>
<td>16.17</td>
<td>41.48</td>
<td>3.86</td>
<td>9.65</td>
</tr>
<tr>
<td></td>
<td>2001-2010</td>
<td>13.59</td>
<td>31.39</td>
<td>4.63</td>
<td>7.59</td>
</tr>
<tr>
<td>Shenzhen</td>
<td>1990-2000</td>
<td>24.27</td>
<td>39.32</td>
<td>16.21</td>
<td>16.56</td>
</tr>
<tr>
<td></td>
<td>2001-2010</td>
<td>14.81</td>
<td>36.84</td>
<td>4.07</td>
<td>10.20</td>
</tr>
<tr>
<td>Zhuhai*</td>
<td>1990-2000</td>
<td>22.11</td>
<td>41.26</td>
<td>7.25</td>
<td>11.10</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>1990-2000</td>
<td>4.54</td>
<td>28.30</td>
<td>1.88</td>
<td>7.74</td>
</tr>
<tr>
<td></td>
<td>2001-2010</td>
<td>-1.15</td>
<td>21.45</td>
<td>0.74</td>
<td>11.35</td>
</tr>
<tr>
<td>Macau</td>
<td>1990-2000</td>
<td>3.23</td>
<td>22.85</td>
<td>2.74</td>
<td>4.72</td>
</tr>
<tr>
<td></td>
<td>2001-2010</td>
<td>12.08</td>
<td>20.74</td>
<td>4.60</td>
<td>11.13</td>
</tr>
</tbody>
</table>

Note: * Zhuhai has not hosted any mega events in 1990-2010.
Sources: China Statistical Yearbook, Guangdong Statistical Yearbook, Yearbook of Statistics of Macau and Hong Kong Annual Digest of Statistics, various issues.

Kong, their growth performance in the event decade have failed to prevail that of the pre-event decade. In light of the GFCF to GDP ratio, despite the fact that huge amount of money has been invested to prepare for the event, the average value of this ratio in the event decade is still less than that of the pre-event decade for most of the sampling cities, with Tianjin as the exception. In view of the number of employment, attributed to population growth and urbanization, an increase in the total number of employment is observed in the event decade by all, with diversified pace of growth. For the number of overseas’ tourists hosted, expansion is found but the pace of growth recorded by some of the cities has fallen short of that of the pre-event decade. The double digit growth of incoming tourists faced by Hong Kong and Macau, meanwhile, is driven to a large extent by the “Individual Visit Scheme” (for
the residents of selected cities in the Mainland to visit Hong Kong and Macau on an individual basis which was not allowed before) introduced by the Central Government of China in 2004.

In fact, none of the event hosting cities (except Macau) has achieved outstanding improvement in economic performance in the event decade. As indicated in Table 2, Zhuhai, which has not hosted any mega event in the period of 2001-2010, has experienced a growth progress indifferent to that of Shenzhen and the other event hosting cities. So far the descriptive statistics shown in Table 1 and Table 2 have failed to deliver clear evidences of any kind to support the presence of stronger growth pace or significantly improved economic performance after hosting an event. More sophisticated analyses, such as the stochastic frontier analysis based technical efficiency estimation, are required to assess the extent of efficiency these cities have achieved in the sampling period for further assessment.

3. Literature Review

Improvement in technical efficiency, which is regarded as an important driving force to economic growth, is achieved if more outputs can be generated given the same set of input factors, or less input factors are required to achieve the same output target. There are two popular methods to estimate technical efficiency, namely the non-parametric data envelopment analysis (DEA), and the parametric stochastic frontier analysis (SFA). The DEA method is introduced in Charnes, Cooper and Rhodes (1978) and Banker, Charnes and Cooper (1984). The main advantage of DEA is that it does not require the specification of a production function but uses the frontier concept directly to measure the technical efficiency. However, the DEA cannot separate the stochastic errors from inefficiency and the estimated technical efficiency can be affected to a large extent by statistical errors. The SFA approach is firstly discussed in Aigner, Lovell and Schmidt (1977) and Meeusen and van den Broeck (1977). It requires the specification of a production function in which the best practice or technological frontier is defined. Then a comparison between the frontier and the actual output is conducted, and technical inefficiency presents if the actual output falls behind the frontier. If an improvement on production frontier is found, it is to say technological progress has been achieved. Adjustments in technical efficiency together with technological progress determine the growth in total factor productivity (TFP) which is an important driving force to economic growth apart from increases in inputs. In practice, assumptions on the distribution of the efficiency term must be given for the decomposition of the error term. It is also found that the estimation results of SFA are sensitive to the specification of the production function and the distribution pattern of the efficiency term.
The Battese and Coelli (1995) model\(^7\) (BC model) is a popular model under the SFA approach. It is formulated to deal with unbalanced panel data, with the assumption that the sampling units have time-variant performance. The error term of the production function estimation is expressed as the difference between an independent and identically distributed random error and an independent and identically distributed non-negative truncations. The truncations is said to be explained by a vector of explanatory variables associated with technical inefficiency. Incorporating the BC model, a computer program FRONTIER 4.1 is designed by Coelli\(^8\) to provide maximum likelihood estimates of technical efficiency.

Kim and Han (2001), Coelli, Rahman and Thirtle (2003), Ao and Fulginiti (2003), Movshuk (2004), Koh, Rahman and Tan (2004) and Revilla-Molina, Bastiaans, van Keulen, Mew, Zhu and Villano (2008) are studies which have applied the BC model to estimate the technical efficiency on the industry or firm’s level (including the technical efficiency of manufacturing sector, agricultural sector, iron and steel industry, etc.) across a series of countries (including Korea, Bangladesh, China, Singapore, etc.). When these studies have diversified scope of discussion, coverage and spatial focus, direct comparison on their research findings becomes impossible. Notwithstanding the diversified interest, the Translog production function is found to be the appropriate specification over the alternative Cobb-Douglas specification and has been adopted in these studies. In the mean time, the FRONTIER 4.1 computer program and maximum likelihood estimation are the tools utilized in these studies. In the technical inefficiency analyses of these studies, a series of inefficiency related factors (including investment to GDP ratio, the length of highway or railway system, the size of fiscal expenditure, etc.) have been considered, with an intention to explain the estimated technical inefficiency as well as testing their hypotheses. In the inefficiency estimations that concern about the industries or firms in China, the ratio of the sum of imports and exports to GDP (openness ratio) is commonly used as the explanatory variable, and is found to have a direct linkage with technical efficiency (Ao and Fulginiti, 2003). Although the Translog production function is widely employed in the literature, this specification is applied with uncertainty. In Movshuk (2004), a comparison is made between Translog and Cobb-Douglas production function on their goodness of fit. The problem of multicollinearity is found to be serious under the Translog specification. It can lead to over-rejection (on the explanatory variables) and a large estimated coefficient (Movshuk, 2004). Therefore, cautions have to be paid in the application of the BC model with the Translog specification.

When the majority of the BC model’s applications are made on the industry or firm’s level, there are still a number of papers focusing on the nation as a whole. Pires and Garcia (2004) is a comparative study to apply
the BC model to estimate and rank the technical efficiency level for a sample of 75 countries. In light of the studies on China, Wu (1995; 2000) and Yu (2008) are the available literatures which have advocated the BC model to estimate parametrically the efficiency level of Chinese provinces. Wu (1995; 2000) have employed the BC model and a “two-step” approach, comprising of two separated regressions in production function estimation and error term decomposition, to measure the technical efficiency. This “two-step” approach, however, is criticized by researchers for the accumulated estimation errors that it may contain. As the SFA approach has certain advantages over the DEA approach (Yu, 2008: 2), it is thus employed to measure and examine the technical efficiency of 28 provinces in China. To identify the sources of inefficiency, human capital, openness to international trade, household registration system (hukou system), size of the government are inferred as the related factors and are found to have crucial linkage with efficiency.

Notwithstanding its popularity, the BC model is suffered from some drawbacks when it is implemented to conduct panel data analyses. As indicated in Greene (2005), heterogeneity on the firm or provincial level has not been carefully tackled by the BC model and very often, the estimated result is the sum of inefficiency and individual heterogeneity. Then “true fixed-effect” model is developed to segregate the cross sector or province heterogeneity from the estimated inefficiency. Nevertheless, the implementation of this fixed-effect model under panel data analysis can lead to “incidental parameter” problem, given an increasing number of fixed-effect parameters or dummies which contain no attractive meanings from economists’ point of view. The incidental parameter problem refers to biased or inconsistent statistical results which may distort the role of some explanatory variables. In Wang and Ho (2010), two transformation methods, namely the first-difference and the within-transformation methods have been introduced to overcome the incidental parameter problem. With the support of the Monte Carlo studies, it is proved that the transformation can successfully remove the individual heterogeneity from inefficiency and the estimated index is a pure time-varying inefficiency index. In addition, without the insertion of dummy variables, the incidental parameter problem is no longer an issue in the estimation.

4. Methodology and Data

4.1. Methodology

The SFA approach and the associated BC model is suffered from the disadvantage of a mis-specified common functional form for the production frontier. Taking into account the ex-post pattern of our sample (in which
almost all the sampling cities have already hosted an event) and their similar administrative position in the country (in which all the sampling cities are municipalities, SEZs or SARs of China instead of a mixture of provinces and cities), the risk for making specification mistake is lessened. Hence, the BC model is firstly employed in this study to estimate and examine the technical efficiency level of the event hosting cities of China. In practice, the BC model carries the following specification:

\[ Y_{it} = f(X_{it}; \beta) \exp(V_{it} - U_{it}) \]  

(1)

where \( Y_{it} \) is the real GDP of city \( i \) at time \( t \) in logarithm; \( X_{it} \) is a vector of factor inputs and \( \beta \) is a vector of unknown parameters. The \( V_{it} \) are assumed to be independent and identically distributed random errors \( N(0, \sigma^2_V) \), \( U_{it} \) are assumed to be non-negative random variables which are independent and identically distributed and are truncated at zero with \( N(\mu_{it}, \sigma^2_U) \) distribution.

\[ \mu_{it} = z_{it}\delta \quad \text{and} \quad U_{it} = z_{it}\delta + W_{it} \]  

(2)

where \( z_{it} \) is a vector of variables which can affect the efficiency of a city and \( \delta \) is a vector of parameters to be estimated, \( W_{it} \) is defined by the truncation of the normal distribution with zero mean and variance \( \sigma^2_U \).

The estimated TE of city \( i \) at time \( t \) is:

\[
TE_{it} = \exp(-U_{it}) = \frac{Y_{it}}{Y^*_{it}} = \frac{F(X_{it}; \beta) \exp(V_{it} - U_{it})}{F(X_{it}; \beta) \exp(V^*_{it})} = \exp(-z_{it}\delta - W_{it})^\text{lo}
\]  

(3)

In the empirical estimations, a Translog production function is proposed which is consistent with the available studies. In addition, a dummy variable SAR is inserted into the model to capture the special pattern that Hong Kong and Macau may equip with in their growth discipline. Similar to Movshuk (2004), the Cobb-Douglas production function, which can be seen as a restricted Translog production function, is considered in the estimation for comparison purpose.

\[
\begin{align*}
\log(RGDP_{it}) &= \beta_1 + \beta_2 \log(K_{it}) + \beta_3 \log(L_{it}) + \beta_4 \log(K^2_{it}) + \\
&\beta_5 \log(L^2_{it}) + \beta_6 \log(K_{it}) \log(L_{it}) + \beta_7 \text{t} + \beta_8 \log(K_{it}) \text{t} + \\
&\beta_9 \log(L_{it}) \text{t} + \beta_{10} \text{t}^2 + \beta_{11} \text{SAR}_{it} + (V_{it} - U_{it})
\end{align*}
\]  

(4)

where \( RGDP \) is real gross domestic product, \( K \) and \( L \) are the capital stock and labour stock, \( t \) is time trend and SAR is the dummy variable for Hong Kong and Macau. Due to data limitation, human capital which is regarded as another key input to production is not studied separately.
When the conventional BC model cannot distinguish individual heterogeneity from inefficiency, alternative models developed in Greene (2005) (G model) and Wang and Ho (2010) (WH model) are also employed with an intention to segregate the observed individual heterogeneity from inefficiency. With individual heterogeneity, Equation (1) can be rewritten as:

\[ Y_{it} = \alpha_i + X_{it} \beta + V_{it} - U_{it} \]  

(5)

where \( \alpha_i \) is the fixed effect to reflect city \( i \)'s unobservable heterogeneity. In Greene (2005), maximum likelihood estimations have been undertaken based on Equation (5). The insertion of the fixed effect dummies, however, has brought about the incidental parameter bias to the estimation results. Subject to the drawbacks of such, Wang and Ho (2010) has introduced the first-difference and within-transformation methods and in the later transformation, the sample mean is deducted from each observed in the panel and as described by the authors, it can remove the time-invariant individual effect from the model. Equation (5) is then transformed into:

\[ y_{it} = x_{it} \beta + V_{it} - U_{it} \]  

(6)

where the small letters refer to transformed variables in which the sample mean has been subtracted from each individual observation\(^\text{10}\).

In the technical inefficiency estimation, it is specified as:

\[ U_{it} = \delta_1 + \delta_2 \log \frac{I_{it}}{Y_{it}} + \delta_3 \log OPEN_{it} + \delta_4 \log TOURIST_{it} + \delta_5 \log SERVICE_{it} + \delta_6 SAR_{it} + \delta_7 \log Y_{it} \]  

(7)

where \( I/Y \) is the ratio of GFCF to GDP, \( OPEN \) is the sum of exports and imports to GDP, \( TOURIST \) is the ratio of total tourists arrivals\(^\text{11}\) to population size, \( SERVICE \) is the ratio of service sector’s output to GDP, \( SAR \) remains to be the dummy for the Special Administrative Regions and \( Y \) is the RGDP of the sampling cities at base year price. With this specification, it is able to address the influences of investment, trade openness, development in tourism industry, economic transition and economic capacity to technical efficiency.

4.2. Data

This study covers seven event hosting cities in China including Beijing, Tianjin, Shanghai, Guangzhou, Shenzhen, Hong Kong and Macau. All of them have invested to prepare to organize mega international or regional sporting or other events in the period of 2001-2010. Zhuhai, which has not hosted any events but locates in the neighbourhood is also addressed for comparison.
purpose. The sampling period initiates from 1990 until 2010. The statistics for cities in the Mainland are extracted from National Statistical Bureau’s various issues of *Statistical Yearbook of China*, *Statistical Yearbook of Guangzhou*, *Statistical Yearbook of Shenzhen*, *Statistical Yearbook of Zhuhai* and *China Compendium of Statistics 1949-2008*. The statistics for Hong Kong and Macau are collected from various issues of *Hong Kong Annual Digest of Statistics* and *Yearbook of Statistics of Macau*. Year 2000 is used as the base year and all the nominal figures have been converted to base year price.

To measure the capital stock, the procedure suggested in Kohli (1978) is chosen which assumes the capital-to-output ratio is at the steady-state at which growth in capital equals the growth in output. The initial real output is assumed to be the average real output of the first five year of the official statistics, that is the average of 1952-56 for Beijing, Tianjin, Shanghai and Guangdong, 1961-65 for Hong Kong and 1982-86 for Macau. The average investment to output ratio and output growth in this period are used to approximate the steady states of these cities. The rate of depreciation is assumed to be 5 per cent per annum and the capital stock is composed as:

\[
K_{it} = K_{i,t-1}(1 - \theta) + \Delta K_{it}
\]

where \(\theta\) is depreciation, \(\Delta K_{it}\) is the GFCF made by these cities at time \(t\) and the initial capital stock is estimated based on:

\[
\frac{K}{Y} \left( \frac{\Delta Y}{Y} + \theta \right) = \frac{I}{Y} \quad \text{(Ha and Leung, 2001: 15)}
\]

where \(K\) is initial capital stock, \(Y\) is output and \(I/Y\) is the ratio of GFCF to GDP.

After obtaining the initial capital stock, the accumulated domestic capital stock is composed based on Equation (8) and the GFCF. The initial capital stock of Guangzhou, Shenzhen and Zhuhai are measured based on their GDP shares in the Guangdong province and the capital stock of Guangdong in 1978.

5. Estimation Results and Discussion

5.1. Estimation Results

Before making the efficiency measurements, the likelihood ratio (LR) tests are conducted to examine the specification of Equation (4) and (7) and the results are summarized in Table 3.

The rejection of the first null implies that Translog production function is an adequate specification which is consistent with the previously mentioned
studies. The second null hypothesizes a significant Cobb-Douglas against a Translog specification and similar to Movshuk (2004), it is rejected. The third null which suggests no technological progress or a zero time trend is also rejected, indicating that technological advancement is achieved by the sampling cities. The forth null which proposes no difference between the SARs and the other Chinese cities is rejected. It exhibits that there is significant difference on the growth pattern between Hong Kong, Macau and the other Chinese cities, revealing that our dummy variable augmented Translog specification is adequate. The fifth null which assumes no technical inefficiency with all the $\delta$s to be zero is also rejected. It indicates that technical inefficiency is faced by the sampling cities. The last 3 null hypotheses test the significance of the ratio of tourist arrivals to population, the SAR dummy and the output level of the sampling cities. It is found that they are important factors to the technical inefficiency level.

The results of the efficiency analyses based on the BC model are summarized in Table 4. In the production function estimation, labour input is a significant determinant with positive contributions to the RGDP while capital stock, to our surprise, is an insignificant factor. It indicates the dominant role of labour input in the sampling cities, reflecting that labour-intensive may still be the most important production technique in most of the sampling cities in which manufacturing products and tourism services are their major outputs. Comparing with the Cobb-Douglas specification, the estimated coefficient

<table>
<thead>
<tr>
<th>Null hypothesis</th>
<th>Test statistics</th>
<th>$\chi^2_{0.95}$</th>
<th>Conclusion</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\beta_1 = \beta_2 = \ldots = \beta_{11} = 0$</td>
<td>370766.70</td>
<td>19.05</td>
<td>Reject null</td>
</tr>
<tr>
<td>$\beta_4 = \beta_5 = \beta_6 = 0$, $\beta_7 = \beta_8 = \beta_9 = 0$</td>
<td>122.01</td>
<td>11.91</td>
<td>Reject null</td>
</tr>
<tr>
<td>$\beta_{11} = 0$</td>
<td>130.18</td>
<td>8.76</td>
<td>Reject null</td>
</tr>
<tr>
<td>$\delta_1 = \delta_2 = \ldots = \delta_7 = 0$</td>
<td>25327.57</td>
<td>13.40</td>
<td>Reject null</td>
</tr>
<tr>
<td>$\delta_4 = 0$</td>
<td>12.33</td>
<td>2.71</td>
<td>Reject null</td>
</tr>
<tr>
<td>$\delta_6 = 0$</td>
<td>33.57</td>
<td>2.71</td>
<td>Reject null</td>
</tr>
<tr>
<td>$\delta_7 = 0$</td>
<td>5.30</td>
<td>2.71</td>
<td>Reject null</td>
</tr>
</tbody>
</table>

Note: $\chi^2_{0.95}$ is obtained from Kodde and Palm (1986).

Source: Author’s calculation.
Table 4  Maximum Likelihood Estimates for the Parameters of Stochastic Frontier Production Function based on Equation (4) & (7).

<table>
<thead>
<tr>
<th>Variable</th>
<th>Parameter</th>
<th>Translog Estimated value</th>
<th>Translog t-statistics</th>
<th>Cobb-Douglas Estimated value</th>
<th>Cobb-Douglas t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>$\beta_1$</td>
<td>0.07</td>
<td>0.14</td>
<td>2.11</td>
<td>305.94*</td>
</tr>
<tr>
<td>$\log K_{it}$</td>
<td>$\beta_2$</td>
<td>0.36</td>
<td>1.47</td>
<td>-0.003</td>
<td>-1.49</td>
</tr>
<tr>
<td>$\log L_{it}$</td>
<td>$\beta_3$</td>
<td>0.74</td>
<td>5.17*</td>
<td>-0.003</td>
<td>-1.81**</td>
</tr>
<tr>
<td>$\log (K_{it})^2$</td>
<td>$\beta_4$</td>
<td>-0.005</td>
<td>-0.053</td>
<td>-0.003</td>
<td>-1.49</td>
</tr>
<tr>
<td>$\log (L_{it})^2$</td>
<td>$\beta_5$</td>
<td>-0.09</td>
<td>-0.73</td>
<td>-0.003</td>
<td>-1.49</td>
</tr>
<tr>
<td>$\log K_{it}\log L_{it}$</td>
<td>$\beta_6$</td>
<td>0.06</td>
<td>0.37</td>
<td>0.06</td>
<td>0.37</td>
</tr>
<tr>
<td>$t$</td>
<td>$\beta_7$</td>
<td>0.02</td>
<td>0.73</td>
<td>-0.00003</td>
<td>-0.44</td>
</tr>
<tr>
<td>$\log K_{it}$</td>
<td>$\beta_8$</td>
<td>-0.01</td>
<td>-1.44</td>
<td>-0.00003</td>
<td>-0.44</td>
</tr>
<tr>
<td>$\log L_{it}$</td>
<td>$\beta_9$</td>
<td>0.02</td>
<td>5.09*</td>
<td>-0.00003</td>
<td>-0.44</td>
</tr>
<tr>
<td>$t^2$</td>
<td>$\beta_{10}$</td>
<td>0.0006</td>
<td>1.71***</td>
<td>0.02</td>
<td>1.49</td>
</tr>
<tr>
<td>SAR$_{it}$</td>
<td>$\beta_{11}$</td>
<td>0.63</td>
<td>5.25*</td>
<td>0.16</td>
<td>8.43*</td>
</tr>
</tbody>
</table>

Technical inefficiency estimation

<table>
<thead>
<tr>
<th>Variable</th>
<th>Parameter</th>
<th>Estimated value</th>
<th>t-statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>$\delta_1$</td>
<td>-0.39</td>
<td>-0.63</td>
</tr>
<tr>
<td>$\log \frac{I_{it}}{Y_{it}}$</td>
<td>$\delta_2$</td>
<td>-0.25</td>
<td>-2.57**</td>
</tr>
<tr>
<td>$\log OPEN_{it}$</td>
<td>$\delta_3$</td>
<td>0.06</td>
<td>0.97</td>
</tr>
<tr>
<td>$\log TOURIST_{it}$</td>
<td>$\delta_4$</td>
<td>-0.19</td>
<td>-7.07*</td>
</tr>
<tr>
<td>$\log SERVICE_{it}$</td>
<td>$\delta_5$</td>
<td>0.66</td>
<td>4.66*</td>
</tr>
<tr>
<td>SAR$_{it}$</td>
<td>$\delta_6$</td>
<td>0.02</td>
<td>0.34</td>
</tr>
<tr>
<td>$\log Y_{it}$</td>
<td>$\delta_7$</td>
<td>-0.03</td>
<td>-3.18*</td>
</tr>
<tr>
<td>$\sigma^2$</td>
<td>0.004</td>
<td>4.87*</td>
<td>0.000003</td>
</tr>
<tr>
<td>$\gamma$</td>
<td>0.99</td>
<td>1677.15*</td>
<td>0.0004</td>
</tr>
</tbody>
</table>

Mean efficiency 0.910 0.997

Note:  *: At 1% level significance; **: At 5% level significance; ***: At 10% level significance.
Source: Author’s calculation based on Equation (4) and Coelli (1996)’s FRONTIER 4.1 program.
for labour input observed from the Translog specification is relatively large. As indicated in Movshuk (2004), it is caused by multicollinearity, which has also led to poor explanatory power for the squared and interaction terms. The strongly significant and positive SAR dummy reflects the higher level of RGDP enjoyed by Hong Kong and Macau, exhibiting that the SARs may have a growth discipline different from the cities on the Mainland side. In the Translog specification, $\gamma$ is strongly significant with a value of 0.99. It indicates that over 90 per cent of the variance can be explained by the inefficiency effects, demonstrating the importance of technical inefficiency in the production process. In contrast, the Cobb Douglas specification carries poor significance with small estimated coefficients and is inferior to the Translog specification.

The technical inefficiency estimations are shown in the second half of Table 4. The investment to GDP ratio and the tourist arrivals to population ratio are found to be positively related to technical efficiency (or negatively related to the technical inefficiency). Capital investment injects additional resources to the production process which has made reallocation of inputs and technology for more outputs possible, leading to higher level of efficiency. Tourist arrivals, meanwhile, tends to bring about new and urgent demand to the hosting cities which requires the involved entities to timely fulfill the incoming demand and hence efficiency could be upgraded. When the investment ratio carries a larger estimated coefficient, it reveals that investment is more important than tourist arrivals in efficiency determination. In the mean time, cities with a big service sector and a high service sector share in their GDP have lower rather than higher efficiency level. It implies the presence of a large service sector alone cannot guarantee high efficiency, especially for the sampling cities in China with manufacturing outputs rather than service outputs as their comparative advantage. Prestige building economic restructuring to service oriented production may worsen rather than improve efficiency. In light of the role of trade transactions, when some export activities are subsidized under the current tariff rebates policies of China, importations of certain inputs or end products are compulsory to the resources lacking cities, the making of trade activities may have no direct linkage with efficiency. Then the openness ratio is an insignificant determinant in the inefficiency estimation. The significant RGDP factor refers to the presence of economies of scale, implying that larger cities with bigger RGDP tend to be more efficient due to their relatively abundant supply and better allocation of resources. Lastly, the insignificant SAR dummy reveals that Hong Kong and Macau as a whole is neither more efficient nor less efficient than the Mainland counterparts.

In respect of the drawbacks faced by the conventional BC model, the G model in fixed effect/dummy variable estimation and the WH model in
within-transformation have also been utilized with their specification stated in Equation (5) and (6). The results of production function estimations in Translog specification are not shown for space saving while the results of the efficiency estimations are exhibited in Table 5.

As a whole, the estimated coefficients of the technical efficiency determinants and the mean efficiency composed by the G model are larger than those measured by the WH model. It matches with the findings in Wang and Ho (2010) that the dummy-variable model tends to overestimate the magnitude of the inefficiency determinants and the technical efficiency index. Among the three models employed in our analyses, the mean technical efficiency estimated by the G model is the largest, followed by that measured by the BC model. At the level of over 90 per cent, the technical efficiency composed by these two models may have been over-stated. The mean efficiency derived from the WH model is the lowest given that the time-invariant individual effect is fully segregated from the efficiency index.

In light of the role of various inefficiency determinants, the estimation results summarized in Table 5 are not distinguished from those derived from the BC model, except that some variations on the level of significance are found due to the segregation of time-invariant heterogeneity. The investment to GDP ratio remains to be a significant contributor to technical efficiency.

Table 5 Maximum Likelihood Estimates for Technical Efficiency based on the G Model and the WH Model and the Efficiency Specification in Equation (7)

<table>
<thead>
<tr>
<th></th>
<th>G Model (Greene (2005))</th>
<th>WH Model (Wang and Ho (2010))</th>
</tr>
</thead>
<tbody>
<tr>
<td>$\log \frac{I_{it}}{Y_{it}}$</td>
<td>-4.73 (-2.68)*</td>
<td>-2.81 (-4.44)*</td>
</tr>
<tr>
<td>$\log OPEN_{it}$</td>
<td>-1.03 (-0.86)</td>
<td>-0.48 (-1.37)</td>
</tr>
<tr>
<td>$\log TOURIST_{it}$</td>
<td>-2.52 (-4.22)*</td>
<td>-0.63 (-3.95)*</td>
</tr>
<tr>
<td>$\log SERVICE_{it}$</td>
<td>11.80 (3.99)*</td>
<td>4.09 (4.62)*</td>
</tr>
<tr>
<td>$\log Y_{it}$</td>
<td>0.19 (1.17)</td>
<td>0.14 (0.92)</td>
</tr>
<tr>
<td>SAR$_{it}$</td>
<td>2.11 (3.05)*</td>
<td></td>
</tr>
<tr>
<td>Mean efficiency</td>
<td>0.952</td>
<td>0.943</td>
</tr>
</tbody>
</table>

Note: t-statistics in parentheses; *: At 1% level significance; **: At 5% level significance.
Source: Author’s calculation based on the STATA codes developed in Wang and Ho (2010).
as investment helps to strengthen the process of resources’ reallocation-led efficiency improvement. The service sector’s output to GDP ratio, meanwhile, has posted a negative impact on efficiency as before. As explained, policies’ driven economic restructuring could increase the share of service sector in total output. Nevertheless, it may bring about inefficiency if the new structure has violated the comparative advantage of a city. Depicted in Table 4, the RGDP is a significant and positive contributor to technical efficiency in the BC model. When the G model or the WH model is employed, the unobserved individual effect inherited in GDP is either controlled by the city specific dummy variable or has been removed by the within-transformation process. Then RGDP has become an insignificant factor in Table 5. The SAR dummy, which is inserted to capture the individual discipline of the Special Administrative Regions, is found to be significant in the G model which is partially attributed to the incidental parameter bias faced by this model. On the contrary, it is an obstacle to the convergence process of the maximum likelihood estimation in the WH model and has to be dropped. This finding reflects that all the unobserved and time-invariant individual effect, such as the time-invariant special feature faced by the SARs, could have been properly removed by the within-transformation process. Similar to the BC model, the tourist arrivals to population ratio is a significant efficiency contributor in the two G models. It can probably be explained by: 1) the unobserved time-invariant individual effect (such as the attractiveness to tourists of a city which is determined by its time-invariant endowments in tourism resources) which is not fully segregated from the estimated technical inefficiency in the BC and G models; and 2) the estimation bias faced by the G model. Consequently, direct linkage is observed between technical efficiency and tourist arrivals ratios but such linkage cannot be found in the more refined WH model. Furthermore, the seemingly contradicting role between tourist arrivals to population and service sector output to RGDP on technical efficiency shown in the BC and G models can no longer be observed in the prevailing WH model.

In light of the estimated technical efficiency, as exhibited in Table 6, the performance of the sampling cities is not bad and most of them have achieved efficiency level of over 80 per cent or even above 90 per cent. Shenzhen has the highest level of average technical efficiency in the sampling period at 0.977, followed by Tianjin at 0.970. This is different from the results in Yu (2008) and Zhou, Li and Li (2010) derived from the conventional BC model in which the time-invariant individual effect is combined with efficiency. Zhuhai, which has not invested to host any mega events in the sampling period has also achieved a high level of average efficiency with the third rank. Despite the hosting of a mega international event – the Olympic Games, the technical efficiency of Beijing cannot out-perform the other cities in the sample with the lowest rank on the Mainland side and this finding is
Can Chinese Cities Achieve Higher Technical Efficiency after Hosting Mega Events

consistent with the available literatures\textsuperscript{16}. For the SARs, the average technical efficiency of Macau is higher than that of Hong Kong, but is lower than most of the Chinese cities except Beijing and Shanghai. The surprisingly low efficiency level of Hong Kong, meanwhile, is closely related to its slow pace of RGDP growth. The RGDP of the territory, for example, has been expanding at an average annual rate of just 1.83 per cent which is significantly slower than the sample average growth rate of 12.11 per cent. Simultaneously, the capital stock of the Hong Kong has been accumulating at the speed of 4.87 per cent per annum which is close to 1/3 the sample average growth rate of 12.83 per cent. The disproportionate output growth derived from capital accumulation has consequently brought about a poor estimated efficiency index for Hong Kong. Lastly, when the efficiency indices in the two sub-periods are compared, it is observed that the performance in the event decade is inferior to that of the pre-event decade for most of the sampling cities which will be further elaborated in the discussion section.

5.2. Discussion

In the light of our central question of whether hosting a mega event can boost technical efficiency, given that none of the event hosting cities can upgrade their technical efficiency in the event decade, there is no evidence to support the hypothesis of event-led efficiency improvement. Although hosting a mega event seems to involve huge amount of capital investment, perhaps part of these infrastructure investments should be carried out by the local authorities sooner or later. Instead of bringing about significant amount of extra fiscal injections, hosting an event can at most push the infrastructure projects ahead of their original schedules. Moreover, hosting a mega event may have brought about the problem of investment diversion\textsuperscript{17} in which non-event related projects are sacrificed to redirect resources to event related investments. As a whole, the net increase in investment may be very limited

<table>
<thead>
<tr>
<th></th>
<th>Beijing</th>
<th>Tianjin</th>
<th>Shanghai</th>
<th>Guangzhou</th>
<th>Shenzhen</th>
<th>Zhuhai</th>
<th>Hong Kong</th>
<th>Macau</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average value</td>
<td>0.823</td>
<td>0.970</td>
<td>0.880</td>
<td>0.918</td>
<td>0.977</td>
<td>0.935</td>
<td>0.393</td>
<td>0.901</td>
</tr>
<tr>
<td>1990-2000</td>
<td>0.868</td>
<td>0.972</td>
<td>0.908</td>
<td>0.935</td>
<td>0.979</td>
<td>0.937</td>
<td>0.452</td>
<td>0.909</td>
</tr>
<tr>
<td>2001-2010</td>
<td>0.772</td>
<td>0.967</td>
<td>0.848</td>
<td>0.900</td>
<td>0.974</td>
<td>0.932</td>
<td>0.327</td>
<td>0.892</td>
</tr>
</tbody>
</table>

Note: The full details of the estimated technical efficiency are shown in the Appendix. Source: Author’s calculation based on the STATA codes developed in Wang and Ho (2010).
and may have hindered the growth pace of efficiency in the event decade. As for the deterioration in technical efficiency in the event decade, empirical evidence suggests that the GFCF to GDP ratio in the event decade has fallen short of the level in the pre-event decade, with Tianjin as the only exception. Such sluggish growth in investment has restricted the growth pace of technical efficiency in the event decade, leading to the result of no improvement or even deterioration in efficiency. Furthermore, the hosting cities may have difficulties in taking full advantages of the event to develop their tourism industries. Thus the progress in tourists’ attraction in the event decade is depressive and may have become another cause to the decline in efficiency.

The estimation results reveal that service sector output to GDP ratio is a source of inefficiency. It reflects that the secondary sector may still be the comparative advantage for the cities on the Mainland side. Policies’ driven economic restructuring in the event preparation period toward the service sector may have violated the efficiency principle, bringing about worsened rather than improved efficiency level, contributing to the rejection of the event-led efficiency improvement hypothesis. As for the openness ratio, its insignificant role can be explained by the inelastic demand for imports faced by the sampling cities due to resources shortage, incoming FDI related economic activities or the tariff rebates exporting activities. In addition, when most of the event hosting cities has a high and stable openness ratio since the beginning of the sampling period, a high openness ratio cannot explain variations in technical efficiency and hence becomes statistically insignificant.

As a whole, the estimation results find the efficiency level of the event hosting cities to diverge by the end of the sampling period. The standard deviation of the efficiency indices across cities has increased from 0.156 in 1990 to 0.186 in 2000 and 0.22 in 2010. Amongst, Tianjin, Guangzhou, Shenzhen and Macau have attained a score of over 0.9. The high level of initial efficiency can be viewed as the pre-requisite to the success in applying and hosting a mega event. As a city in the neighbourhood, Zhuhai has an efficiency level similar to that of Shenzhen and Macau. It implies that hosting an event is not the only means to achieve higher technical efficiency. In light of the deterioration in efficiency suffered by Beijing and Hong Kong in the event decade, Beijing has made substantial investments to accelerate its economic transition to improve the environmental quality to prepare for the Olympic Games\textsuperscript{18}. In the process, lots of industrial plants were forced to close or reallocate, leading to an increase in service sector’s GDP share “artificially” by more than 10 percentage points from 64.83 per cent in 2000 to 75.11 per cent in 2010. This variation is also the largest among all the sampling cities. Such non-profit oriented and politically driven transition can partially explain the deterioration in technical efficiency faced by Beijing. As for Hong Kong, it is the only \textit{laisser faire} financial centre in China in which capital
mobility is fully liberalized. In addition, the territory is fully specialized in the provision of services (such as financial services, stock trading and real estates’ transactions) with the highest service sector’s GDP share in the sample at 92.9 per cent. Consequently, Hong Kong has been adversely affected more seriously by the Asian financial crisis and the slide in property price for the period of 1998-2003 as well as the global financial crisis in 2008 than any other cities in the sample. Serious deterioration in technical efficiency is then resulted in the event decade.

6. Conclusion and Implications

This study is organized to examine the contributions of mega events to the economies of the hosting cities. In practice, the efficiency performance of municipalities, cities and the SARs of China which have invested to organize mega events, comprising of the Olympic Games, Expo, Asian Games and East Asian Games has been assessed. Adopting the Battese and Coelli (1995) model, Greene (2005) model and Wang and Ho (2010) model, the technical efficiency, which is the deviation of actual output from frontier output has been estimated for Beijing, Tianjin, Shanghai, Guangzhou, Shenzhen, Zhuhai, Hong Kong and Macau with and without segregating the time-invariant individual effect from efficiency. Shenzhen and Beijing are found to be the best and the worst performing cities on the Mainland side whereas Hong Kong is the territory with the lowest efficiency in the sample. When only three of the event hosting cities, namely Shanghai, Shenzhen and Macau, can achieve slight improvement in technical efficiency, there is insufficient evidence to support the hypothesis that hosting a mega event contributes to strengthen technical efficiency. In fact, certain event hosting cities may at most reallocate and reschedule their public investments and the net growth in capital injections may be limited. These cities may not be able to take full advantages of the mega event and have failed to achieve a substantial growth in incoming tourists. At the same time, certain projects commenced in the event preparation phase may be policies’ driven and could be regarded as inefficient. Because of such, the sampling Chinese cities are not able to achieve significant efficiency improvement after hosting a mega event. Nevertheless, it is believed that the event hosting cities may have already attained a benchmark level of efficiency at the time of application to become qualified organizers.

As a whole, hosting a mega event can only bring about short-lived welfares to economic growth and is not able to deliver significant efficiency improvement to the local economy. In the preparation phase, if investment is made to improve or renovate the “outlook” of the city for prestige and city branding, then its long term economic contributions is in doubt. Besides, infrastructures and venues designed to accommodate visitors of mega
events will normally contain a huge capacity and probably limited function. After the event, it may be hard for the local population to fully utilize these facilities which may eventually become “white elephant” projects, bringing about inefficiency and maintenance problems to the hosting city. In fact, the media has reported that most of the new stadiums built for the Beijing 2008 Olympic Games have faced a loss in their operations with steadily declining visitors (Business Insiders, 2012). Part of the venues constructed for unpopular sport activities have even been suspended (BBC, 2012). For this reason, the local authorities should not view hosting a mega international event as a short cut to better efficiency or a means to upgrade permanently the performance of the economy. Over-optimistic on the expected economic contributions or misjudgments in the costs and benefits analyses could bring about disappointment and likely budgetary pressure and even fiscal deficit to the local economy or the country.

Appendix

Estimated Technical Efficiency of Chinese Cities by the WH Model

<table>
<thead>
<tr>
<th>Year</th>
<th>Beijing</th>
<th>Tianjin</th>
<th>Shanghai</th>
<th>Guangzhou</th>
<th>Shenzhen</th>
<th>Zhuhai</th>
<th>HK</th>
<th>Mac</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>0.917</td>
<td>0.979</td>
<td>0.943</td>
<td>0.927</td>
<td>0.976</td>
<td>0.939</td>
<td>0.508</td>
<td>0.923</td>
</tr>
<tr>
<td>1991</td>
<td>0.892</td>
<td>0.979</td>
<td>0.929</td>
<td>0.932</td>
<td>0.979</td>
<td>0.923</td>
<td>0.492</td>
<td>0.924</td>
</tr>
<tr>
<td>1992</td>
<td>0.896</td>
<td>0.978</td>
<td>0.926</td>
<td>0.942</td>
<td>0.982</td>
<td>0.946</td>
<td>0.472</td>
<td>0.928</td>
</tr>
<tr>
<td>1993</td>
<td>0.896</td>
<td>0.978</td>
<td>0.925</td>
<td>0.947</td>
<td>0.986</td>
<td>0.954</td>
<td>0.452</td>
<td>0.924</td>
</tr>
<tr>
<td>1994</td>
<td>0.895</td>
<td>0.977</td>
<td>0.921</td>
<td>0.945</td>
<td>0.983</td>
<td>0.953</td>
<td>0.446</td>
<td>0.923</td>
</tr>
<tr>
<td>1995</td>
<td>0.882</td>
<td>0.974</td>
<td>0.923</td>
<td>0.942</td>
<td>0.978</td>
<td>0.946</td>
<td>0.445</td>
<td>0.916</td>
</tr>
<tr>
<td>1996</td>
<td>0.859</td>
<td>0.971</td>
<td>0.914</td>
<td>0.939</td>
<td>0.976</td>
<td>0.930</td>
<td>0.445</td>
<td>0.900</td>
</tr>
<tr>
<td>1997</td>
<td>0.847</td>
<td>0.969</td>
<td>0.900</td>
<td>0.933</td>
<td>0.976</td>
<td>0.926</td>
<td>0.459</td>
<td>0.899</td>
</tr>
<tr>
<td>1998</td>
<td>0.837</td>
<td>0.966</td>
<td>0.884</td>
<td>0.930</td>
<td>0.977</td>
<td>0.929</td>
<td>0.440</td>
<td>0.897</td>
</tr>
<tr>
<td>1999</td>
<td>0.821</td>
<td>0.962</td>
<td>0.869</td>
<td>0.929</td>
<td>0.979</td>
<td>0.935</td>
<td>0.416</td>
<td>0.896</td>
</tr>
<tr>
<td>2000</td>
<td>0.805</td>
<td>0.962</td>
<td>0.857</td>
<td>0.916</td>
<td>0.977</td>
<td>0.927</td>
<td>0.402</td>
<td>0.873</td>
</tr>
<tr>
<td>2001</td>
<td>0.794</td>
<td>0.960</td>
<td>0.858</td>
<td>0.909</td>
<td>0.975</td>
<td>0.923</td>
<td>0.393</td>
<td>0.860</td>
</tr>
<tr>
<td>2002</td>
<td>0.788</td>
<td>0.960</td>
<td>0.851</td>
<td>0.902</td>
<td>0.974</td>
<td>0.922</td>
<td>0.359</td>
<td>0.861</td>
</tr>
<tr>
<td>2003</td>
<td>0.800</td>
<td>0.963</td>
<td>0.859</td>
<td>0.904</td>
<td>0.976</td>
<td>0.921</td>
<td>0.340</td>
<td>0.879</td>
</tr>
<tr>
<td>2004</td>
<td>0.791</td>
<td>0.966</td>
<td>0.857</td>
<td>0.907</td>
<td>0.976</td>
<td>0.924</td>
<td>0.329</td>
<td>0.884</td>
</tr>
<tr>
<td>2005</td>
<td>0.785</td>
<td>0.968</td>
<td>0.859</td>
<td>0.900</td>
<td>0.979</td>
<td>0.936</td>
<td>0.325</td>
<td>0.911</td>
</tr>
<tr>
<td>2006</td>
<td>0.780</td>
<td>0.971</td>
<td>0.862</td>
<td>0.902</td>
<td>0.977</td>
<td>0.941</td>
<td>0.320</td>
<td>0.929</td>
</tr>
<tr>
<td>2007</td>
<td>0.778</td>
<td>0.972</td>
<td>0.853</td>
<td>0.898</td>
<td>0.973</td>
<td>0.942</td>
<td>0.303</td>
<td>0.930</td>
</tr>
<tr>
<td>2008</td>
<td>0.752</td>
<td>0.978</td>
<td>0.847</td>
<td>0.896</td>
<td>0.970</td>
<td>0.939</td>
<td>0.299</td>
<td>0.921</td>
</tr>
<tr>
<td>2009</td>
<td>0.729</td>
<td>0.969</td>
<td>0.821</td>
<td>0.892</td>
<td>0.972</td>
<td>0.937</td>
<td>0.301</td>
<td>0.889</td>
</tr>
<tr>
<td>2010</td>
<td>0.732</td>
<td>0.968</td>
<td>0.814</td>
<td>0.892</td>
<td>0.969</td>
<td>0.939</td>
<td>0.302</td>
<td>0.860</td>
</tr>
</tbody>
</table>

Source: Author’s calculation based on the STATA codes developed in Wang and Ho (2010).
Notes

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1. This research is supported financially by the Multi Year Research Grant of University of Macau.
2. In the Tokyo case, the GDP growth of Japan has boosted to 21.4 per cent per annum in the pre-event preparation phase. In the Seoul case, the GDP growth of Korea is able to stay at double digit pace per annum throughout the period of 1982 to 1990. Please see Wang (2002) for the details.
3. Yu (2004) is a study made by the Hong Kong Legislative Council Secretariat, Research and Library Services Division.
4. Qingdao city of Shandong province has co-hosted the Beijing 2008 Olympic Games to organize a number of sailing competitions. In consideration of the scale and popularity of these competitions, the geographical location of the city (unlike Tianjin, it is not in the neighbourhood of Beijing), as well as the data limitation problem, Qingdao is excluded from our discussion.
5. The 2008 Olympic Games was awarded to Beijing in July 2001 and it is believed that the planning process should start prior to the application. Then it has taken the city up to 8 years (2001 to 2008) to prepare for this event. Even after the Olympic Games, major stadiums are still important tourists’ attractions.
6. The Macau economy has experienced double digit RGDP growth in the event decade due to the liberalization of its gaming sector and the introduction of “individual travel scheme” by the Chinese government.
7. Please see Battese and Coelli (1995) for the details.
9. The full specification of $TE_{it}$ can be found in Battese and Coelli (1995)
10. Please see Wang and Ho (2010), p. 289, for the detailed specification of the model.
11. Overseas’ tourists only.
12. The capital stock of Guangdong is firstly estimated when the city level data of Guangzhou, Shenzhen and Zhuhai are not available for longer time span.
15. Zhou, Li and Li (2010) adopts the DEA approach and Shanghai is found to have the highest technical efficiency in China on the provincial level (without taking Shenzhen into account). The average technical efficiency of Shanghai is found to be 0.917 in Yu (2008) and 1.000 in Zhou, Li and Li (2010). (Yu, 2008: 16; Zhou, Li and Li, 2010: 14).
16. In Yu (2008), the estimated average technical efficiency of Beijing in the period 1978-2004 is 0.443 with a maximum value of 0.621. That of Tianjin is 0.452 and 0.812 respectively. They are ranked on the 9th & 8th place in Yu (2008) and 17th & 8th place in Zhou, Li and Li (2010) respectively.
17. Similar diversion problem such as consumption diversion has been mentioned in Madden (2006).

References


Lucian Pye’s Contributions to, and Flaws in, the Study of Chinese Political Culture

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Abstract
As a pioneer and leading scholar in the field of contemporary Chinese political culture study, Lucian Pye is well known for his psycho-cultural interpretation of Chinese political culture. Not only does his study of Chinese political culture provide a methodological direction for the later researchers, his profound insights of, and comments on, Chinese political culture also deeply enriched and expanded our understanding of that nation and its culture. However, some flaws in his works, such as successive imagination without reliable evidences, selective use of materials, reductionism, and loopholes in his logic, and so on, should not be ignored while commenting on his contribution to the study of Chinese political culture.

Keywords: Lucian Pye, Chinese political culture, psycho-cultural analysis

JEL classification: P26, Z10

1. Introduction
Lucian W. Pye is generally acknowledged as a member of the first generation of scholars of Chinese political culture since the concept of political culture was come up with by Gabriel Almond in 1956. He is also well-known for two things. One is for his good at borrowing concepts, theories and methods from other disciplines such as psychology, sociology, anthropology, especially the psychiatry of psychology, which placed him among the most outstanding representatives of the school of psycho-cultural analysis of political culture. Another one is for his consistently raising questions and brought up arguments in a very challenging way, making his research both original and controversial.

In this paper, the author is going to introduce briefly Pye’s important works on Chinese political culture study, followed by explaining why he
is interested in Chinese political culture and take psycho-cultural analysis as his research approach, and the buck of this paper will focus on what contributions he made to the study of Chinese political culture, his influences on the subsequent scholars, as well as some flaws in his study of Chinese political culture.

Pye’s study of Chinese political culture began with his monograph *The Spirit of Chinese Politics: A Psychocultural Study of the Authority Crisis in Political Development*, published in 1968, which made his reputation in the field. Disagreeing with the optimistic attitude concerning China’s prospect prevalent among many Western scholars at that time, Pye pointed out great tensions beneath the seemingly calm surface in China on the eve of the Cultural Revolution and predicated the outbreak of that campaign. Simultaneously, Pye argued that the problems preventing China’s modernization did not arise from the identity crisis common to most transitional societies. Rather, they arose from “a deep crisis of authority in Chinese civilization” (Pye, 1992: ix). This work, as Tang Tsou wrote, was “a new departure in so far as his use of theories and concepts is concerned” (Tsou, 1969: 656).

In 1976, the year when Mao Zedong died, Pye’s another work, *Mao Tse-tung: The Man in the Leader*, came out. Because of Pye’s creative revelation of the psychological links between Mao’s public image and his intensely private experiences by the application of psycho-historical analysis, and his revolving around Mao’s mother rather than his father to shed light on key events significant for Mao’s personality and political style, this book found itself unique and important among all of the works on Mao Zedong. For anyone wishing to know more about the political psychological study of political elite, this book is worth reading.

For those interested in contemporary Chinese factional politics, *The Dynamics of Chinese Politics*, published in 1981, never failed to provide useful clues. In this work Pye not only described general principles and patterns behind the political behaviour of the Chinese political elite, but also convincingly demonstrated that the fundamental dynamic within Chinese politics comes from the tension between consensus and faction (Pye, 1981: xi-xii), and how this tension between consensus and faction developed psychologically. His insights were quite novel given the time when the book published. For instance, Chinese viewpoints of power, in his words, “principles of power”, as well as the concept of “guanxi” had seldom been analyzed by others at that time.

*Asian Power and Politics: The Culture Dimensions of Authority* (1985) was a broadly comparative study focusing on the impact of the Asian’s views of power and authority on the different paths of political development in Asian societies. Pye brought about in this work his three consistent arguments. First, the connotation of the concept of power cannot be viewed as a universal one.
Rather, it is determined by different culture. Secondly, the different courses of political development in Asian societies come from the differences of the viewpoints about power and authority rooted in their different culture traditions. Thirdly, the development of the viewpoints of power and authority is closely relevant to the patterns of family socialization in childhood. In short, “cultural variations are decisive in determine the course of political development” (Pye, 1985: vii).

The Mandarin and the Cadre: China's Political Cultures (1988) is the most important work in Pye’s late academic career. First, Pye made a comprehensive and challenging response to a variety of critiques on the study of political culture. Secondly, it represented Pye’s pondering for decades on Chinese political culture and political behaviour. The characteristics of Chinese political culture and reasons for the distinctiveness of Chinese politics were strongly demonstrated by him. As David Shambaugh wrote, “This relatively slim volume is weighty in its insights, extensive in its evidence, provocative in its arguments, intricate in its presentation, and intellectually broad-gauged in its analysis” (Shambaugh, 1990: 310). In Shambaugh’s opinion, “This is psycho-politics as its best, and should be mandatory reading for all serious students of China as well as comparativists” (ibid.: 310).

2. Pye’s Intellectual Development

Many scholars are influenced by their personal life experiences and chances available to them during the course of their intellectual development. Pye was a typical example from this point of view.

As the third child of an American couple who came to China as Congregational missionaries, Pye was born in 1921 in Fenzhou, now called Fenyang, a small county in western Shanxi province of China. He spent nearly 16 years in China off and on until 1947 he went for Yale University to pursue his doctor degree. He learned to speak Chinese during his years of elementary and middle school education in China. Obviously, Pye’s early life experiences in China set the stage of his interest in China politics. He once mentioned in one of his books, Warlord Politics: Conflict and Coalition in the Modernization of Republican China (1971), that some of his political sentiments and his sympathy for the problems those Chinese warlords faced were inspired by Yanxi Shan (Pye, 1971: vii), a famous warlord who controlled Shanxi as long as 38 years.

The academic atmosphere in American humanities and social sciences during the first half of the 20th century in America partly determined Pye’s psycho-cultural inclination in his study. Disciplines such as psychology, anthropology, sociology were seeing their booming at that time. Freudian and subsequent New-Freudian in the field of psychology was reaching its heyday.
Various schools emphasizing the psychological and cultural effects on human being’s behaviour, such as psychological anthropology and social psychology, also appeared in anthropology and sociology respectively.

Affected by the development of the above disciplines, the study of politics in America began to exploit some concepts and methods from psychology, sociology and others. In 1921, Charles Merriam pointed out in *The Present State of the Study of Politics* that psychology and social psychology, among others, could offer both materials and methods for politics (Merriam, 1921: 173-185), calling on the application of both concepts and methods originating from other disciplines into the study of politics. Harold Lasswell brought concepts of Freudian and approaches of anthropology into his research on political behaviour thereby bearing important fruits. His far-reaching works: *Psychopathology and Politics* came out in 1930, *Politics: Who Gets, When and How?* in 1936, *Power and Personality* in 1941.

As a result, the study of politics in America during the first half of the 20th century “had begun to be more and more sociological, psychological, processual, and functional” (Almond, 2003: 93). Political psychology and political sociology, as new sub-disciplines in politics, emerged. Political culture research also saw its growth in 1940s and 1950s as one of the consequences of the above mentioned development. Among a large number of books on political culture, some classic works, such as *Chrysanthemum and Sword* written by Ruth Benedict, and others, came out, influencing several generations of scholars in this field.

Among those who inspired Pye to study political culture and ushered him into the field of political psychology, Almond, Lasswell, Nathan Leites, Eric Erickson were most worth mentioning.

From 1947 to 1951, Pye spent four years at Yale University, where Almond and Lasswell were teaching. As Pye’s tutor, Almond, who had had psychology and sociology training while studying politics at Chicago University, not only passed down to his student his definition of political culture in psychological perspective and his emphasis on the role of political culture in political development, but offered opportunities to do such research. For instance, Pye’s first experience of fieldwork in Malaya in September of 1952 to January of 1953 could be, to a great extent, contributed to Almond’s recommendation to the Center of International Studies established at Princeton University in 1951. The outcome of this fieldwork, *Guerrilla Communism in Malaya: Its Social and Political Meaning*, turned out to be the beginning of Pye’s career in the field of political culture. It is this research that made him “acutely aware of many of the psychological problems which can haunt people who find their social and political worlds erratically changing” (Pye, 1962: xiii), leading him later to study political development in terms of political culture.
Lasswell, as we mentioned before, a pioneer and founder of political psychology, perhaps influenced Pye more than Almond did because Pye kept repeating Lasswell’s viewpoints in many of his books and papers. Reading through Pye’s works, Lasswell’s emphasis on the study of political elite, especially their personality, his theory about the motivations of political men, i.e., the behaviour of political men in the public sphere always relating to their private motives, his typology of political men: the agitators, the administrators and the theorists, his concept of the life histories, and so on, appeared in Pye’s works either as the theme or the argument over and over. It seems that Lasswell quietly stand behind Pye all the time. Although we cannot argue that Pye’s knowledge of political psychology all comes from Lasswell, it is reasonable to extrapolate that Lasswell’s viewpoints about political psychology structured Pye’s knowledge resource both theoretically and methodologically.

Leites, well-known for his study of political elite, prompted Pye to study political elite. While Pye was at Yale and worked with Leites, Leites was engaging a study on the “Operational Code of Politburo” in order to figure out the behavioural patterns underneath the behaviours of the political elite in the Soviet Union. Leites’ conclusions and processes of this study were used and followed later by Pye in *Mao Tse-tung: The Man in the Leader* and *The Dynamics of Chinese Politics* respectively.

Furthermore, Leites’s discussion of potential relationship between patterns of child-raising and political behaviours of an adult and its continuity in his far-reaching essay, “Psycho-Cultural Hypothesis about Political Acts”, issued in *World Politics* in October 1948, especially the question he dealt with at the outset of this essay, “how culturally typical political acts are related to the past life experiences of those who perform them” (Leites, 1948: 103), has later become one of the main concerns in Pye’s study of political culture. Although it is uncertain that it is indeed Leites or those Freudians who came up with the same idea that made Pye consistently stress the impact of the early life experiences during childhood on the adult behavioural patterns, at least we could say that Leites’s thinking on this topic strengthened Pye’s emphasis on it.

Comparing with Almond, Lasswell and Leites, Erickson’s impact upon Pye came later. It began from 1958 when Pye has become a faculty member of MIT. But it does not mean that the importance of Erickson for Pye’s political culture study is lesser than any of them. On the contrary, it might not be exaggerate to say that it is Erickson that casts much psychological nature on Pye’s study of political culture. First, many of Erickson’s theory of personality functioned in Pye’s study as his fundamental analytical tools, such as concept of the self-identity and identity crisis as well as the trauma theory. Secondly, the approach of psycho-history created by Erickson in his studying of youth
Martin Luther and Mahatma Gandhi was directly followed by Pye in his study of Mao Zedong and Deng Xiaoping.

In short, what influences Pye’s interest in Chinese political culture and his inclination of psycho-cultural analysis comes from several dimensions: his personal life experiences, the academic atmosphere in American humanities and social sciences especially the booming of political culture study during his intellectual development as well as the scholars around him. And these dimensions worked interactively on him as a whole.

3. Pye’s Contributions to, and Influences on, the Study of Chinese Political Culture

As one of the first generation academics in the field of Chinese political culture, Pye’s role in the history of this field is irreplaceable and his contribution can be examined theoretically and methodologically.

Methodologically, Pye’s approach provided the first sample of a political culture study when it was impossible to conduct large-scale questionnaire surveys in the People’s Republic of China. Pye began his Chinese political culture study in the late 1960s when formal diplomatic relations between the United States and the People’s Republic of China did not exist. It was unimaginable that American scholars could conduct a kind of empirical survey in China. Even after the normalization of diplomatic relations between the United States and China were established on January 1, 1979, it was still very difficult to conduct large-scale questionnaire surveys or interviews in the mainland. With such difficulties in obtaining primary source materials, Pye produced many influential works by using the psycho-cultural analysis approach according to what’s available to him, academic researches on Chinese politics, official information issued by the Chinese authorities, literatures, autobiographies, memoirs, and his own in-depth interviews with people fleeing to Hong Kong from the mainland during the Cultural Revolution, and so forth. Although his approach of psycho-cultural analysis and some conclusions are controversial, it is unfair and unwise to deny or ignore his initiative contributions.

Secondly, Pye’s research is noted for his deep and comprehensive insights. Pye’s work emphasized the necessity for Chinese political culture study to be conducted through empirical research based on broad questionnaire based surveys. Such research, however, in his view, more often than not, was not sufficient at exploring the in-depth psychological dynamics of a people’s particular political orientation because it lacked an historical perspective, despite the fact that quantitative research has become more technologically complicated. Pye believes that the complexity and distinctiveness of human beings would disappear if people were fitted into diagrams or charts,
transforming them from individuals into dots on a chart. Pye strongly opposes the practice of conducting social science research only according to the standards of laboratory study. Rather, he makes good use of imagination and creativity in his goal of deeply understanding human nature. And he did contribute a lot in the revelation of the sources and roots, which marked Chinese politics and political culture as so distinctive and simultaneously unique, in the realms of psychology, culture, and history.

It is important to note that, in essence, Pye’s analysis of Chinese and Chinese politics not only proceeds from his psycho-cultural interpretation which are partly based on his imaginative hypotheses; he also pays close attention to that society’s social structure and political institutions. This allowed Pye to expose and examine deeply the roots of China’s political culture. Also, it represents his dislike for platitudes: he never hesitated to take a path very different from other academics in order to produce original research. For those dedicated to the study of Chinese political culture, they will find his approach both heuristic and fascinating.

Theoretically, Pye’s most significant contribution was his combination of the studies on transitional societies with those on communist China, thereby greatly broadened the field of Chinese political culture study. At the time when Pye began his studies on Chinese political culture, the researchers of Communist China seldom treated China as a normal transitional society, much less engaging in academic communication or intellectual exchange with the students of political development. Pye pointed out at the outset of *The Spirit of Chinese Politics* that “China is not only Communist; it’s a developing country”; emphasizing that the “sharp division between those working on Communist China and those working on political and economic development” (Pye, 1992: 1) must end. In Pye’s opinion, the study of political culture was not only a study of ideology, but fell within the domain of political development as well. This idea was groundbreaking, which brought about a broadening and renewal of these two fields. After this, major or significant theoretical problems relating to political culture, such as the legitimacy of government and cultural identity in transitional societies, conflicts with world culture or western values with local or traditional value systems and dominant ideologies, such as Marxism, with tradition culture, and so forth, have received much attention both in the study of ideology and of political development.

Furthermore, Pye’s psycho-cultural interpretation of Chinese political behaviour, the characteristics of Chinese political culture as well as Chinese politics, more often than not, are thoughtful, distinctive and heuristic, although some of them remain controversial. Pye revealed that the basis for Chinese cultural identity was fundamentally generated from a sense of historical greatness that “rooted primarily in a profound, mystical, and self-conscious awareness of the biological ties to their ancestors” (*ibid.*: 55). He pointed out
that the crucial problem of China’s political development that should first be resolved is a crisis of authority that lay deep in Chinese civilization; if the Chinese cannot separate the concept of legitimacy from that of morality, this crisis will persist throughout this society’s political development. He also identified the rhythm of Chinese politics was not a movement from right to left like a pendulum, but of up and down, completely different from the western model. In addition, he found that the differences between the seemingly contrasting values of the two poles of Chinese culture, elite culture and popular culture, “share a common origin at an even deeper psychological level” (Pye, 1988: 70). It was this point of view that revealed the reason for the contradictory traits of the value of Chinese intellectuals. Perhaps one of the most successful efforts comes from his application of psychological personality theory to politics in Mao Tse-tung: The Man in the Leader. In this book, he revealed that those seemingly contradictory traits in Mao’s political style actually reflected the coherence of Mao’s personality, thereby demonstrated the usefulness, or at least the possibility, of personality theory, or psychological theories, as means to offer insight in areas that political theory fails to illuminate.

Influenced by Pye’s study of Chinese political culture, some younger scholars stepped into his shoes to do their researches. Richard H. Solomon, one of Pye’s students, focused on the relationship between socialization, political attitudes and patterns of Chinese behaviour in his book, Mao’s Revolution and the Chinese Political Culture. One can easily find the impact of his teacher’s theories and methods in Solomon’s work. Methodologically Solomon’s investigation was also largely based on the combination of intensive interviews and the literature of psychology, cultural anthropology along with politics. What makes Solomon’s work different from Pye’s is his use of more complicated, more specialized psychological interviews, such as the application of two psychological tests, the standard Rorschach test and Thematic Apperception test. In this way, Solomon improved psycho-cultural analysis. As far as this theory was concerned, Solomon confessed in this book’s preface that “the interpretations developed here, rely heavily on his [Pye’s] insights into the workings of China’s political culture, as elaborated in his recent study, The Spirit of Chinese Politics” (Solomon, 1972: xvii). Interestingly enough, one can detect a mutual impact in the work of these two men. Some of Solomon’s conclusions, such as the human relationship between Chinese, was characterized as a “dependency social orientation”, that there existed a “major continuities between childhood experiences and adult attitudes” (ibid.: 7), that “attitudes and behavioural patterns acquired early in life persist in adulthood” (ibid.: 7), were later borrowed by Pye.

Alan P.L. Liu, Pye’s another graduate student, wrote Political Culture and Group Conflict in Communist China in 1976. Obviously, the psychiatric and
historical perspective presented in this book was similar to that taken by Pye. Like Solomon, Alan helped Pye better understand Chinese political culture through his work.

Not only were Pye’s psycho-cultural analytical approach and theories absorbed and improved by his students, but also by Taiwanese scholars such as Shih Chih-yu. Although Shih Chih-yu was frustrated by the fact that “culture and personality hardly appear in contemporary politics”, he persisted with “putting the culture, history and personality on his agenda of research” (Shih, 2003: vii) to interpret the political personality of Shen Chang-huan, Lee Teng-hui and Chen Shui-bian, in order to discuss the relationship of personality with political style. Simply one of Shih’s conclusions is adequate to demonstrate how his work echoes Pye. As Shih puts it:

Lee Teng-hui’s self-consciousness is very strong, which makes him constantly alert, while Chen Shui-bian is desirous of being the winner in the struggle of power. That is why we have two different styles of policies when it comes to the Cross-Strait ties. Lee’s political personality falls into the narcissistic personality while Chen’s is more like the authoritarian personality. Lee’s self-consciousness is highly related to the external resistance. In order to keep it in the order, Lee’s self-consciousness is projected upon an idealistic subject consciousness of Taiwan as well as subject identity. Thus the style of keeping resisting constantly developed as the basic source of the tension of Cross-Strait ties. For the purpose of restraining the self-consciousness as well as appealing to subject consciousness of Taiwan, Lee uses strategic means which are very particular and indirect to carry out his policies without displaying his real intention. On the contrary, Chen Shui-bian fails to develop a set of explicit evaluation criteria for policies, and lacks inherence in those policies with regard to the Cross-Strait ties. Furthermore, he views the criticisms of his policies as the expressions of refusal of his leadership. And the possibility of formulating long-term policies has been excluded by Chen in such ways (ibid.: 145-146).

Comparing Shih’s work with Pye’s Mao Tse-tung: The Man in the Leader approach to Mao’s personality and political style, the similarity between Pye and Shih’s research is evident. Shih himself spoke highly, in his books and essays, of Pye’s contributions to the study of political culture.

4. Criticisms of Pye’s Study of Chinese Political Culture

It is unquestionable that Pye’s work on Chinese political culture “will long remain a prime source of knowledge and a guide to future research” (Blackmer, 1988: 890); that his pursuit of his own distinctive and profound interpretation as well as his refusal to settle for the obvious make his work very different from others. Nevertheless Pye’s methodological arguments and
interpretation of Chinese political culture in terms of psycho-cultural approach are not beyond criticism. Rather, a series of fallacies can be found in his working on Chinese political culture. They are: 1) too many arguments that lack reliable evidence, 2) selectively using materials and the over-interpretation of these materials, 3) the willful substitution of evidence, 4) reductionism, and 5) logical flaws. It is very necessary to consider such fallacies if we are to completely evaluate Pye’s study of Chinese political culture.

First, Pye goes too far with respect to the imaginative hypothesis. For students of social science, nobody can deny that, as Pye puts it, “the imaginative hypothesis must come first” (Pye, 1988: 11), in any study of social sciences. Therefore, the role of imagination in the field of social sciences must not be rejected. As researchers, we have to admit that what Pye achieves in this respect is quite extraordinary. However, what some perceive as his great achievement others believe is Pye’s weaknesses. “The imaginative hypothesis”, of course, “must come first” in the study of political science, but, it does not mean that the subsequent process of proving the theory can be ignored, whether or not the lack of proof is intentional or unintentional. Pye prefers to address this criticism by writing that his study is “highly speculative,” rather than providing firm evidences for his hypotheses. Because of Pye’s unproven conclusions, the effectiveness and explanatory power of his research approach has been called into question. This begs another equally important, if not more important question: to what extent are his conclusions significant if they cannot be proven? Unless we question Pye’s research in a scientific manner, it is impossible to completely endorse Pye’s imaginative hypotheses and artistic descriptions of Chinese political culture. After all, science differs from art. Therefore, although his hypotheses and descriptions have contributed much to a better understanding of human nature, no one would argue Pye’s work on Chinese political culture was meticulous, scrupulous, or prudent, until he provides convincing empirical proof for his work. Although the analysis of political culture aims at exploring the hidden significance beneath various phenomena, rather than proving a consistent model, imagination is not a substitute for evidence. Unfortunately, in some occasions, Pye’s creativity falls into such “imaginative” category.

For example, Pye wrote, that Mao Zedong barely mentioned his grandfather was the proof that Mao’s parents “failed to manifest the proper spirit of filial piety, a cardinal Chinese value of reverence for one’s forebears” (Pye, 1976: 75). Mao’s complaint that being ignored by Deng Xiaoping was, according to Pye, “reminiscent of how he must have felt when his brother was born and he was no longer the sole object of his mother’s affections” (ibid.: 280). Pye also wrote that Mao’s “private, limited, remote, isolated personal character” were all related to Mao’ childhood setting, his “remote and isolated” hometown (ibid.: 70-71), the village of Shaoshan, Hunan
province. All of these comments are Pye’s beliefs and lack adequate evidence, and therefore scholars cannot take them seriously. In Lowell Dittmer’s words, Mao Tse-tung: The Man in the Leader, “should be taken as a preliminary set of hypotheses rather than a fully tested theory” (Dittmer, 1976: 828).

Such feeble comments can be found in Pye’s other books. For example, in The Spirit of Chinese Politics, Pye wrote, “in a sense the intellectuals and modernized specialists in modern China, whether among the hangers-on of a warlord or in a controlled office of the Communists, have at least only taken over the role that in traditional politics was filled by eunuchs” (Pye, 1992: 45). This comment obviously displayed Pye’s ignorance both of the eunuchs and the Chinese intellectuals. In modern China, those who cherished the values of freedom and independence never disappeared among the intellectuals. Hu Shih, Lu Xun, Ding Wenjiang, Hu Feng, Ding Ling – none of these was obsequious flunkies dependent on his or her master; neither were they bystanders who were alienated from politics for the sake of their own well-being.

The second problem weakening the credibility of Pye’s conclusions derives from his selective using of literature and undue interpretation or over-interpretation of materials. This problem was particularly evident in Mao Tse-tung: The Man in the Leader. Given that Pye was very familiar with Mao’s writings it is really a shame that it appears Pye used Mao’s literature selectively. Pye had a superb collection of Mao’s writings, literature on Mao, memoirs of those who knew Mao, publications, and information released by the Chinese authorities, and others. He also read many scholarly monographs on Mao and discussed the Chinese leader with the world’s leading academics. Despite this wealth of knowledge, what readers read in Pye’s aforementioned monograph is his hatred of his mother, wives, and siblings as the result of his mother’s withdrawal of her love for her son, Mao Zedong. Any positive emotion felt by Mao for his family cannot be found in Pye’s work, therefore readers cannot help but suspect the credibility and truth of Pye’s description. According to Pye, all of Mao’s positive behaviour, such as the glorification of his mother’s virtues and the value of brotherhood, Mao’s efforts to improve the status of women, all of these, should be regarded as reflections of the ego-defensive mechanism, rather than coming out of his real emotional life. Obviously, Pye purposely picked up these ideas as the evidence to prove his hypotheses of Mao’s narcissistic personality, so as to enhance the explanatory power of personality theory, while intentionally omitted negative evidence adverse to his hypotheses. Despite the fact that, according to psychological theories, there indeed exists opposite motives or feelings behind some actions, it does not mean that all behaviour should be explained in this fashion. Using literature for the purpose of proving the applicability of personality theory in the field of politics not only, unfortunately, undermines the value of such
studies, but may also lead to some unexpected and unwished consequences. For example, a rejection of the use of psychoanalysis in the study of leaders, due to the selective using of literature, may taint the approach of this research or even the theory itself. If it had not been for this defect, Pye’s conclusions would have been more convincing, because his use of psychological themes per se is quite reasonable. So long as the truth of what Pye argued is accepted so is his hypothesis since his psychological reduction was based on some solid psychological theories. That is why Gordon Bennett remarks that “no other biographer approaches the depth of Pye’s analysis of Mao the person and how personality probably affected political style” (Bennett, 1977: 529).

What is regretful is Pye’s manipulation of literature in order to prove his psychological themes, which forces readers to be careful and cautious with Pye’s interpretation of Mao. If not, the image of Mao readers obtain from Pye would be one-dimensional.

The third problem, namely, the willful substitution of evidence, was demonstrated in *The Dynamics of Chinese Politics*. This study was partly based on in-depth interviews with 49 refugees who fled to Hong Kong from the mainland during the Cultural Revolution. Pye’s aim was to reveal the Chinese elite’s political psychology at the highest level of Chinese politics, and thereby to understand Chinese political behaviour. However, his evidence to explain elite’s psychology and behaviour was derived from those who were not elites. They were just common people. Pye did not provide any evidence or theory that linked the feelings and observations derived from ordinary people and elite political behaviour. Whether Pye did so because of inadequate evidence or merely out of negligence is not known. Nevertheless, such a research and methodological defect cannot be accepted, although the difficulty in obtaining information on China’s highest political elite, such difficulties exists even for Chinese scholars, can be understood. The similarity of attitudes among members of the same political culture system does exist, but it is inappropriate to assume the political or ordinary people and elites are the same. In China, the two groups are simply too different in circumstances such as societal and political status. Comparing *The Dynamics of Chinese Politics* with Pye’s other study, *Politics, Personality and Nation Building: Burma’s Search of Identity*, which was based on evidence obtained from a true elite sample, the persuasive power of the former is much weaker than the latter because of the fallacy of this misinterpretation of evidence.

As for reductionism, the fourth problem in Pye’s psycho-cultural interpretation of Chinese political culture, had been pointed out by some scholars for two reasons: one, his attributing some social and political events to the effects of psychological factors; another, his ascribing behaviour during adulthood to experiences of childhood. In my opinion, such charges are unwarranted, because, to some extent, any explanation or theory is a form of
reductionism. Where the difference lies is the direction or purpose to which the theory is used. Any scholar can only use, or seek, one or two explanatory paths among various causal relationships for their purposes because of the limitation of their interest or the information they can obtain. Should Pye’s psycho-cultural approach of study be regarded as reductionism, who can then guarantee that their own work could provide all possible answers?

Nevertheless, whatever approach or path Pye chooses for his study, it cannot be used as a pretext for not providing some facts that function as key linkages in his hypothesis or theory in his interpretation. Therefore, in this respect, his interpretation cannot be exempted from the charge of reductionism. In Pye’s view, adult behaviour reflected influences of family socialization during their childhood. However, he ignored or at least was unaware of the possibility of breakage between adult behaviour and their experiences of childhood and effect of other influential factors. Sociological research has proven that apart from family members, peer groups, or even crises during childhood can also play a very important role in the development of children’s attitude and personality formation. In order to smoothly slide or move between the continuum of adult behaviour and family experiences of childhood, it is very necessary to provide reliable evidence about continuity within these two ends. Unfortunately, Pye failed to achieve this goal. Rather, he made a great jump between the two. Of course, when it comes to the individual, namely, while he was referring to Mao Zedong and Deng Xiaoping, he did not forget to demonstrate such continuity by tracing their life histories step by step. Nevertheless, he did it from an opposite or even a dangerous direction. In other words, before he proved the existence of such continuity, he had set up a hypothesis in the first instance, and then picked over stories that seemed to fit his hypothesis. Precisely, Mao or Deng’s personality traits, which Pye highlighted, Pye also argued derived from their childhood and adolescence experience. At first glance, this seemed unquestionable. However, when we ponder the possibility of the fact that perhaps many things adverse to Pye’s hypothesis would have been omitted, it is clear that Pye’s conclusion is open to question.

In addition, another criticism of using national or cultural traits in a reductionist fashion, frequently used in academia during the first half of the 20th century, can be found in Pye’s study of Chinese political culture. Although it might be incorrect to classify Pye’s work on Chinese political culture as a study of national and cultural traits, his study, to some degrees, conveys something of the flavour of such a study⁷. Sometimes, the complexity, particularity, and diversity of human beings as individual have been simplified or mantled by his identification of culture with psychology, his confusion of individual personality with the social and cultural system, his strong predisposition of stereotyping Chinese characteristics as a whole.
The fifth problem concerns some flaws in Pye’s logic of interpretation. In *The Spirit of Chinese Politics*, Pye wrote, on the one hand, that the fundamental socialization process in modern China was still profoundly influenced by traditional culture since the dominant pattern of family socialization remained the same. On the other hand, he argued that there were two types of people in modern China. One type kept showing reverence and deference to traditional authorities in modern suits. Another type released its aggressive impulses through channels provided by modern society. Here arises a problem in logic that needs to be clarified. Just as Tang Tsou puts it, “Given his assumption of the existence of one dominant pattern of early socialization practices, it is incumbent upon Professor Pye to explain more fully and in more specific terms the distinct psychological mechanisms that produce these two very different types of men and tendencies from a single pattern of early socialization” (Tsou, 1969: 673). Unfortunately, Pye rarely addressed this point in *The Spirit of Chinese Politics*. However, Pye was obviously aware of the problem because an explanation appeared in his another book, *The Mandarin and the Cadre*. In this 1988 work, Pye argued that this seeming political contradiction was so because the release of aggressive sentiment and deference authority shared a common origin at an even deeper psychological level because of the Chinese craving for security. However, this argument needs to be further explained in terms of a gap in logic because Pye did not analyze specifically under what kind of condition such a psychological shift from one side to another, that is, from the aggression to deference, would occur.

In addition, in *The Dynamics of Chinese Politics*, there exist some loopholes in logic, which make it difficult for readers to understand well his explanation of the primacy of power in the formation of factions. Pye claimed that the psychological motivating force for faction formation derived from insecurity of the Chinese as the result of uncertainty in Chinese politics, and that power considerations, among others, has become primary “because power is seen as the least ambiguous and most predictive of all factors in social life” (Pye, 1981: 127), hence reducing, as much as possible, political uncertainty. However, among three principles of power holding by Chinese, the first two principles – the tendency of conceiving of power relationships as a single coherent hierarchy and the tendency to equate status with power – are conducive to reducing the uncertainty within Chinese politics, but the third one, that “the power is readily transmitted through linkages of personal relationships” (*ibid.*: 130), increases uncertainty within Chinese politics. Obviously, it was necessary for Pye to make clear how power reduces the uncertainty in Chinese politics among these contradictory principles of power. Unfortunately, he only illustrated the manner by which Chinese predict the processes and outcomes of the operation of power. That is, to build some particularly personalized relationships with those who are in power. As for
the uncertainty introduced into Chinese politics by these conflicting views of power in China, it seems to him it was unnecessary to make any effort to clarify it because Chinese “don’t understand it” (ibid.: 129) themselves.

On the top of that, Pye’s argument is logically obscure and therefore confuses the reader about the relationship between the distinctiveness of culture and its effect. In Asian Power and Politics: The Cultural Dimensions of Authority, he asserts that, in Asia, “cultural variations are decisive in determining the course of political development because political power is extraordinarily sensitive to cultural nuances” (Pye, 1985: vii). Obviously, such a causative proposition is open to question. Just as Andrew Nathan puts it, “Weber would have argued fallaciously if he had tried to prove that the notion of Original Sin was essential to capitalism because capitalism developed only where this idea existed. His theory of the Protestant Ethic was convincing because he abstracted from the Protestant mentality the idea of an acquisitive rationality that he said was crucial to capitalism, and which might have existed elsewhere but apparently did not” (Nathan, 1993: 933). By the same token, Pye should provide us with some examples crucial to political development only found in Asian culture, rather than merely taking the uniqueness of culture as the basis of his argument.

Finally, the author wants to point out that some of these fallacies, such as deliberate selection of literature, simplification in the course of explanation, as well as the logical defects, could be possibly found in any scholar’s works; some of them, such as excessive imagination, over interpretation, perhaps are relevant to the methodological and theoretical opinions of the school of psycho-cultural interpretation in the study of political culture. In other words, the approach of psycho-cultural analysis does not necessarily bring about such fallacies, but there exists in this approach some qualities which renders researchers more likely to produce such fallacies. Whether or not be able to avoid such problems depends on students themselves. As far as Pye’s work is concerned, his study of Chinese political culture indeed leaves many questions open. However, this is not a reason to reject or deny the value of psycho-cultural analysis as well as Pye’s study of political culture. Should we accept the view that a piece of research’s significance does not only derive from the reliability of evidence’s used, but from the depth of perception that scholars themselves contribute and the applicability of their research approach, the value of Pye’s study of Chinese political culture and his application of psycho-cultural analysis need not to be defended.

Notes
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2. This paragraph is translated by this paper’s author.

3. I have no intention to devalue nationality study. On the contrary, its contribution as a kind of pioneering study can never be belittled no matter how many shortages it has and how much criticism it has encountered. In fact, some works on nationality study, such as *Chrysanthemum and Sword* written by Ruth Benedict, were very successful and worthy reading up to now.

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Understanding China’s Economic Growth in Global Context through Adam Smith the Overlooked Moral Philosopher behind the Overrated “Capitalist” Economist

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Abstract
To understand the phenomenal growth of Chinese economy, it is necessary to understand it in a global context along with China’s deep-rooted cultural tradition. Adam Smith is therefore important for the purpose not only because in both *The Wealth of Nations* and *The Theory of Moral Sentiments* he reveals the fundamental values of pragmatism so essential of China’s ongoing economic growth but also because he personifies these crucial values particularly through his pragmatic approach in *WN* while dealing with China, a hard case either to ignore or to fit in his Europe-based political economics theory. Smith thus needs China then in ways as much similarly as we need him now to understand not only modern China but also its contemporary global context reputedly grown out of Smith’s “capitalist” theory developed in *WN*. Besides, what Smith sees as crucial in the form of pragmatism not only “coincides” with China’s rich cultural tradition but also help explain China’s current “economic miracle”. Thus globalization, as Smith would so emphasize along with Confucius, is ultimately “glocalization”. An appropriate re-understanding of Smith therefore means equally an appropriate understanding of China’s “miracle making” cultural tradition pragmatically in the global context.

Keywords: Adam Smith, Chinese pragmatism, politics of comparative cultures, sustainability, “glocalization”

JEL classification: A13, A14, B12, N01
1. Introduction

However often we may consider the rapid growth of China’s economy notwithstanding its “communism” as much incredible as a “miracle”. But nothing ever takes place in vacuum; even miracle occurs in context. So to understand the very context, within which the “miracle” happens, it is necessary for us to understand not only the ubiquitous impact of globalization but also China’s rich and ever-present cultural tradition. Smith is therefore a natural choice. The Smith we try to understand, however, is not so much the overrated “capitalist economist” but one of the most accomplished and yet quite overlooked moral philosophers of the eighteenth century. It is because not only in his famed *The Wealth of Nations* but also in his often overlooked masterpiece *The Theory of Moral Sentiments*, the one most proud of by Smith himself, what Smith consistently emphasizes is the fundamental values of pragmatism that stresses the importance of local and individual initiative, gradualism, communication, guarded optimism, government’s indispensable role in educating the nation in the rich humanistic tradition for a reliable national workforce in addition to any job-related training as well as its role in inadequately coordinating nation’s political, social and economic activities. What is immediately relevant to the argument here with regard to this “revisionist” reading of Smith, the moral philosopher, is his yet-to-be further understood and appreciated pragmatic approach that suggests a cautious global vision and unmistakable moral sensitivity and sensibilities beyond any political ideologies, all of which are so crucial at the age of globalization especially regarding the importance of reaching and maintaining environmental, cultural, economic, and social sustainability on a global scale. This pragmatic approach, as Smith so exemplifies in both *WN* and *TMS*, reveals not only the necessity but also the possibility of reaching the goal because it suggests ways of reconciling what may otherwise appear utterly irreconcilable as often seen arising between global and local interests, commercial and cultural values, governmental regulation and private initiative, “communism” and “capitalism.” What happen in China in general and in Zhejiang province in particular seem to coincide with many of Smith’s pragmatic approaches to the important issues related with globalization. Globalization, however problematic in various ways, does bring significant changes not only to places where its influences reach but also to itself; it often becomes effectively localized to address specific local situations and, at the same time, often appears quite instrumental in solving dogged local problems through imperfect but available local means with effectively tailored global models and measures. Globalization may indeed cause negative impacts on local cultures or economy, but it also facilitates positive changes, especially in promoting desirable ethical business practice for a humane use of both human and natural resources the way Smith would hope for.
2. “Glocalization” in China

In Zhejiang, China, many global corporations, such as DuPond, however imperfect individually in terms of their own records on ethical business practice, often become perfect agency in bringing in timely changes to local companies; they help globalize the local companies by upgrading them on ethical business practice in terms of global standards, i.e., the corporate social responsibility (CSR). In transforming and upgrading the local companies, these global businesses can be so effective in ways and to such degrees far beyond the local governments’ actual capability or willpower. It is because the biggest local polluters, for instance, are often the largest cash cows vital for local economy and for a stable local job market. For the local politicians as well as the central government officials arisen from the local areas, these big local polluters, as local cash cows, are both their political liabilities and assesses and thus truly hard to deal with. But with foreign investors, the matter is simple and clear because, for the local companies, it means whether to comply with the international standards or to lose long-term profitable business partnership. Case in point is China Ai Shida Group of Yiwu, Zhejiang. Around 2002, the company had to make a hard decision on whether to enter the agreement with DuPont regarding the corporate social responsibility that stipulates no underage employment, minimum wage, and improvement on employees’ living and working environment as the non-negotiable prerequisites for any local company that wants to become one of the chartered manufacturers of DuPont in China. No matter how reluctantly the company entered the agreement initially in order to win the craved business privilege or partnership with DuPont, it has now become one of China’s role-models for environmental, cultural, and economic, and social sustainability especially in terms of corporate social responsibility.

As globalization deepens locally, what happened to China Ai Shida is no longer a certain singular case but a nation-wide experiment, especially in Zhejiang, China’s one of the richest and export-oriented provinces. 2008, for instance, saw in the province the success of implementing the nation’s first corporate social responsibility (CSR), its adequately localized version of SA8000. In Beiyuan district, Yiwu, Zhejiang, 57 local companies were certified for having met CSR standards and 14 were also officially recognized as the city’s top 14. Some of the certified companies were actually once known for their “sweat shop” practices for maximum profits at the expense of human and natural resources. Again, as globalization further deepens locally, more and more local businesses realize that their once successful low-tech, labour-intensive, sweat shop strategy has now literally stand in their way for any profitable big purchase order from overseas; they know that they must upgrade themselves in order to compete globally through a much needed
coordination through local governments that also try to localize the SA8000 for a more practical version for all local businesses that wish to go global.

However often such desirable changes may seem to have resulted solely from globalization, the outside influences could never have been truly materialized in such ways and to such degrees without a surreptitious process of localization. In fact, mere outside pressure for changes can often backfire especially in terms of strict implementation of SA8000, which are often considered “outrageous”, “unrealistic”, or “unpractical” locally. What happens in this regard is actually also an on-going process of cultural dialogue but in the disguise of business negotiation. For many locals, underage employment, for instance, is never a problem but rather a mere de-facto survival issue. Children from poor local families are often praised for working hard at their tender years helping families to survive economic hardship or financial crisis; neither is there a problem for one dormitory big enough for only four persons to accommodate additional four with bunk beds, or more if necessary – a quite common practice even in the elite universities in China in 1980s. So is privacy an unheard of luxury for locals. Thus, how to implement SA8000 or globalize it locally is also a crucial continuous process of cultural dialogue that parallels business negotiation; such dialogue requires indispensable compromises from all parties involved with good faith and good understanding not only of the general principles but also various situations peculiar to the locals related to different local customs, cultures, and actual conditions. While it is necessary to make locals understand the nonnegotiable principles regarding underage employment, it is equally necessary to negotiate for possible compromises on issues, such as how many persons to accommodate in one dormitory and how to remodel public toilets. Through the process, the locals begin to see and understand how much they can benefit from such high cost implementation of SA8000. The international companies also become further sensitive to local customs, and come to understand what they want to accomplish often depends on what can be done locally, i.e., by what means, with what measures, when and where to compromise, how and how far the local can be, should be, and must be pushed.

For a workable environmental, cultural, economical and social sustainability, certain limited but timely assistance from government also facilitates the process for the slow but steady changes in a pragmatic way that Smith would approve. The local governments of Zhejiang province’s role in these business deals may not be as instrumental as the central government’s strategic policies on national economy the way that Giovanni Arrighi sees it, their influences are still quite significant. The local governments initially keep a low profile in letting everything take its due course, but when time is ready for them to promote the successful cases of globalization further locally, they come out with an effectively coordinated and localized version
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of SA8000 based on the ongoing experiments. Since so many other local businesses want to duplicate the successes that China Ai Shida Group stands for, it is necessary to consider what is politically and economically feasible on an extended scale. Answering the need to upgrade the local businesses for the burgeoning global market, the local governments tap in all the local resources and experiments, customize the international edition of SA8000, and come out with its applicable local version. Therefore, with all the influences from abroad, significant changes occurred locally in China. Such influences have even started to change the local culture of doing business; the change means that to win a business purchase order no longer needs to go through the usual procedure that starts with the lavish drinking parties and banquets; it simply begins and ends with strict checking on business’s taxes returns, wage and salary payments records, and the numbers of public toilets for employees, as reflected in such an idiomatical expressions as “不喝酒, 不吃饭, 问工資, 查税款, 数数茅坑才下单.”

Globalization thus empowers the local community that responds with various creatively “glocalized” initiatives. In the same way it also facilitates and improves communication for mutual understanding across cultures the way Smith would hope for; communication, for Smith, actually not only facilities but also initiates commerce, because without communication, there would be no economic or commercial activity that sustains humanity in the first place; neither would there be anything for us to sustain or sustain with. “Division of labour, from which so many advantages are derived,” emphasizes Smith at the very beginning of WN, is “not originally the effect of any human wisdom, which foresees and intends that the general opulence to which it gives occasion” (1937, p. 13) but a result of “the necessary, though very slow and gradual, consequences of a certain propensity in human nature … the propensity to truck, barter, and exchange one thing for another” (1937, p. 13, emphasis added). This crucial “disposition to barter [as] the cause of the division of labour,” however, as Smith finally admits elsewhere, is ultimately founded neither upon “human wisdom” nor upon “different genius” but upon “that principle to persuade which so much prevails in human nature” as to become the “real foundation” of division of labour” (LJ, 1978, p. 494, emphasis added). Our economy, according to Smith, thus not just starts with communication but is also constantly sustained through communication because all our “other basic motivations, the drive to better our condition in life,” as James Otteson sees it, inevitably “leads people to coordinate their respective pursuits by means of economic markets” and thus consequently constitute[s] an unintentional yet orderly structure for interactions” (p. 6). It is, in other words, “by buying and selling certain products at certain prices of exchange [that] people communicate to each other their interests and desires, and the markets that emerge are merely the result of individuals bartering and
truckling for their mutual advantage (p. 6, emphasis added). It is no wonder why, besides his intensive study of rhetoric, Smith also calls for a cultivation of such natural propensity: “We ought then mainly to cultivate the power of persuasion, [however] indeed we do so without intending it[,] since [our] whole life is spent in the exercise of it” (LJ 1978, p. 494, emphasis added).

In places other than Zhejiang provinces, there are also numerous less prominent but at least equally significant cases that demonstrate how Chinese economy, with or without immediate foreign investments or incentives, also flourishes in the increasingly “glocalized” world context. There are, in other words, numerous less prominent small or middle-sized local companies, which literally constitute the backbone of Chinese economy, flourish on their own initiatives by taking advantage of whatever resources available on the glocalized domestic market and through governmental network of support. The various successful implementations of EMC (Energy Management Contract), for instance, are the cases in point. As an already standardized business practice in Europe and North America, EMC holds a key to a win-win solution for all the parties involved in handling the vital issue of environmental, economical, cultural and social sustainability through active energy-saving business deals and practices. With EMC, it means any individual company that needs to maximize its business profits by cutting its primary energy costs through re-modeling its existing fuel system can find a consulting firm on the market as its EMC contractor in the list provided by government online. All the consulting firms or contractors on the list are regularly examined and updated by the government regarding their qualification. Once a consulting firm is chosen by a company as its contractor with a regularly five-year contract, it is the consulting firm’s responsibility to conduct a thorough comprehensive examination of the company’s existing facility and system to find ways to cut costs through saving on the fuels, mainly coal in most cases. It is also consulting firm’s responsibility to secure the needed loan from the bank for the remodeling. As is the usual case, the first two years’ profits from energy cost cutting remodeling will be used as repayment for the bank loan with the remaining three years’ profits equally divided between the consulting firm and the customer company. One of such cases involves Shen Yang Xin Bei Heat and Electric Power Co., Ltd (沈阳新北热电有限责任公司), a major heat and electric power supplier for the Xin Bei area of Shen Yang, one of China’s major industrial cities and capital of Liaoning province. The company has made considerable profits by cutting its fuel cost after its EMC remodeling in 2009.

As in Xin Bei’s case, before its 2009 remodeling, 90 per cent of its steam turbine generated electric power was sent to the market for the region on its supply network, the rest 10 per cent must be maintained for the internal mechanic power that the plant depends on for daily operation. After the
remodeling, with all the mechanic power immediately generated from steam energy, the plant gains further profits by selling all its steam turbine generated electric power to the market because all its machinery can now be literally operated on the extra steam energy otherwise irrevocably wasted in process with each repeated intermediate conversion from steam power to electric power and then to the mechanic power. The plant also saves considerably by cutting cost on coal that fuels the steam turbine as well as making contribution to a cleaner environment with reduction on its carbon dioxide emission. Equally successful is the heat providing Tong Liao Hong Tai Company of Inner Mongolia, which provides heat for an extended community. In order to cut its considerable fuel cost and provide quality service to the community, which often complained about insufficient heat during winter time, the company entered into contract with Beijing Jun Ying Jie Yuan Science & Technology Co., Ltd after an extensive search online. The Beijing consulting firm thus helped company identify the ways for fuel efficient remodeling. After the remodeling in 2011, the company set a record of using least coal even in the coldest winter of thirty years in addition to a steadily improved costumer approval rating.

The government-coordinated, market-oriented, and sufficiently localized EMC thus indeed provides good money making business opportunities not only for the customer companies as above but also the individual consulting firms, such as Beijing Jun Ying Jie Yuan Science & Technology Co., Ltd, the private companies founded by individual persons who wanted to make profitable additional use of their expertise through market besides their regular jobs. Thus, what appear to be further significant of these seemingly insignificant ordinary cases are the potentially immeasurable influences of globalization and opportunities of “glocalization.” It is because EMC not only stands for good money-making opportunities but also new concepts or new ways of making money while contributing to the noble cause of environmental protection for environmental, economic, cultural and social sustainability. Even if, other than immediate financial incentives, environmental protection may not be the initial or primary concern with all parties involved in EMC deals, each deal, once completed, however, falls naturally in line with the noble cause. These “involuntary” or “accidental” participators in the noble cause, in other words, also personify the telltale sign regarding how effectively the global concept of environmental protection has already set up a global context in which the concept or rhetoric of environmental protection often appear to be particularly appealing or persuasive calls for business, even if the noble concept might not have actually found its way home deep in the hearts and minds of those who use it for business. But as long as it stays fashionable or popular as a call or cause for business, the noble concept will be eventually at once externalized and internalized to be a norm via its consistent use.
the global context, whether self-consciously or involuntarily, these companies, after all, make their contribution to the noble cause of reducing or lessening the detrimental global warming to humanity. Beijing Jun Ying Jie Yuan Science & Technology Co., Ltd., for instance, not just has an appealing name in Chinese 北京均赢节源科技有限公司, in which “Jun Ying” (均赢) and “Jie Yuan” (节源) means “equally beneficial” in “saving on energy resources” (environment included, of course); it also has a persuasive statement of purpose, such as “Recently, global climate becomes further deteriorating. The excessive carbon dioxide emission from our daily activities of living and manufacturing contributes significantly to the problem of global warming. The government’s 12th Five-Year Plan has set up the strategic goals in energy saving and carbon dioxide emission reduction. It is therefore our utmost responsibility to do all we can to help achieve the strategic goals.”

3. China “Glocalized” in the Lights of Adam Smith and Confucius

Again, with these very mundane and practical daily business practices, what stood out are the pragmatic measures that Smith would approve, especially regarding how potentially a great leap forward could be managed in the right direction of the noble cause for environmental protection through each small but gradual and steady step in the appropriately glocalized market timely coordinated with governmental assistance in the capacity of reliable network of information and adequate financial incentives, such as additional bonuses or awards for those businesses that achieve their goals with variable energy saving results after remodeling. But, whether in terms of SA8000 or EMC cases, there is still much to learn especially with regard to Smith’s often overlooked emphasis on the role of government when he is mistaken as a champion for an absolutely free market economy and non-interfering “small government”. Therefore, today, for the desirable environmental, economic, cultural, and social sustainability based on well-balanced and steady economic growth, what “practical” advice can we still expect from Smith, especially on such an urgent matter regarding how to maintain a government appropriate for the indispensable “liberal” education to counteract the negative impacts of the “division of labour” through its limited but efficient power? For Samuel Fleischacker, what appropriate size or shape for a government to grow into nowadays is an issue beyond Smith’s wildest possible imagination, given to the fact that a large government is now necessity to counterbalance, sustain, or even bail out “the large corporations that have dominated capitalist economics since the beginning of the twentieth century [and that even] did not exist in Smith’s time” (p. 265). In addition, emphasizes Fleischacker, “transportation and communication, which Smith himself thought would often need government oversight, have become to take forms that endangers their
users in ways Smith could not have imagined” (p. 268). Other than that, “the complexity of modern products,” as Fleischacker also points out, “makes it hard even for very well-educated people to know whether a particular product is harmful, or harmful in certain circumstances, or even whether it is well made” (p. 268); as a result, “there is the need for “government [to] take their efforts to protect consumers and workers against unobvious hazards” (p. 269). Hoping for an ideal size or even ideal form of government, in this regard, would certainly be as “absurd” or utterly “Utopian,” as Smith would say here, as to expect an ideal version of free trade ever. Even so, Smith, pragmatic and optimistic the way he is, never gives up on free trade, no matter how his “attack on the commercial system was uncompromising” because, as always, “there was a spirit of pragmatism in his advocacy of free trade” (Fitzgibbons, p. 175).21 For Dennis C. Rasmussen, although there are “too many of today’s self-proclaimed “Smithians” [who] choose to remember the Smith who argued many forms of government intervention in the economy,” not too many actually remember “the Smith who railed against poverty and the selfish greed of the rich and powerful and who constantly emphasized the need for things like strong central government to enforce rules of fair play and state-supported education to remedy the division of labor’s potential stultifying effects” (p. 175). Consequently, “when today’s defenders of commercial society simply overlook these and other problems,” emphasizes Rasmussen, “they are not being true to Smith’s thought, nor are they being true friends of commercial society” (p. 175) and it is “precisely because commercial society is (to adapt Winston Churchill’s famous line about democracy) the worst form of society except for all the others that have been tried that we need to pragmatically address its shortcomings even as we defend it against utopian aspirations for a perfect world” (p. 175).22

Therefore, whichever way we choose to make our argument on “big” or “small” government in accordance with Smith, the importance of government’s role in adequately coordinating political and economical activities is self-evident especially today.23 As to how important the role of government should be, it is often practically as much a cultural issue as an economic one. Whether in the form of joint venture or by means of EMC, it is apparently also a serious matter concerning ongoing cross-cultural dialogue through effectively communicated common commercial interests as Smith would so equally advise. DuPont and local Chinese governmental bureaucrats seem to have teamed up perfectly in facilitating the slow but steady changes via pragmatic procedures and process regardless of how imperfect each has been, by itself, either as role-model on global ethic business practices or as praiseworthy agent on local human and natural environment protection.24 So is the “invisible hand” of the governments at different local levels in making EMC adaptable for the Chinese market. Only in this way via limited but
effective governmental facilitation and coordination can globalization at this stage in China be steadily localized to change not only the traditional way of doing business but also the local culture that influences the traditional business practices. If Karl Marx failed to predict where communism would most likely to take place, Smith would probably also consider it absurd to see how market reform could ever take place in China the way it does, because Smith is known for considering it as much absurd “to expect that the freedom of trade should ever be entirely restored [even] in Great Britain … as [it is] absurd as to expect that an Oceania or Utopia should ever be established in it” (WN, p. 471).

Indeed, there is still so much we can learn from Smith particularly in terms of how he deals with China to test, in a global context as well, his political-economic theory in WN. In fact, Smith needs China to understand his own theory then as much as we need him to understand China now in the current global context. Either way, China is indispensable. Like David Hume, his fellow Scottish Enlightenment thinker and mentor, who has problem in fitting China in his “progressive” worldview, Smith also feels the pressure in finding a fitting niche for China in his theory constructed on the European model. For Smith as for Hume, China is simply too much a phenomenal case either to ignore or to fit in any political-economic theory based on the progressive worldview of the European model then. If Europe is progressive and superior to Asia, which is therefore presumably inferior or backward, China, however, is still not so “backward” or “declining,” if at all, even if it has indeed been “stationary” for a long while; the term “stationary” is, regardless, the euphemism or synonym of being “backward” or “declining” in the vocabulary of progressive narrative, which, as J.G.A. Pocock would describe here, “is a paradigm which very effectively organizes a great deal of highly perdurable knowledge” even with “elements of relevant historical reality which it does not fit and may distort – to say nothing of the fact that there are civilizations like the Chinese which it obliges us simply to ignore (pp. 37-38). If a liberal democratic tradition is, as Hume emphasizes, so crucial for the wealth of economy via commerce and for the developments of arts and sciences, China is wealthy and sophisticated with its developments in arts, sciences, and technology in ways Joseph Needham has so detailed but it has no such liberal democratic tradition whatsoever and its wealth is not acquired through commerce but agriculture. If geography is such a vital issue in the formation of modern European nation-states, geography in China is much more complex than in Europe and China nonetheless stays steadily united as a nation.

China therefore literally presents as much a problem to Smith then as it still does to many now. But Smith apparently refuses either to “ignore” or to “distort” the unfitting facts or reported observations of China in line with
the dominant progressive worldview then;\textsuperscript{28} instead he seems to be quite comfortable not only in dealing with the conflicting observations of China as what they are but also in discovering in the due process something peculiar or otherwise utterly unthinkable of China if following the Europe based progressive theories.\textsuperscript{29} Even with “concurrent testimonies of the misery of the lower ranks of the Chinese” (p. 71), China, for instance, still remains, as Smith sees it, “one of the richest countries in the world” (p. 71), and it has “stationary population” (p. 80) but manages to be “as rich as possible” (p. 95). While having “long been one of the richest, that is, one of the most fertile, best cultivated, most industrious and most populous countries in the world,” China also “seems, however, to have long been stationary” but by all means “not a \textit{declining} country” (p. 73, emphasis added), according to “Marco Polo, who visited it more than five hundred years ago, [and] describes its cultivation, industry, and populousness, almost in the same terms in which they are described by travelers in the present times” (p. 71). “Though it may stand still,” China, insists Smith, “does not seem to go backward” with “its towns … no-where deserted by their inhabitants” (p. 73). But how could this be possible? While China is also reported as “poor,” similarly wonders Smith, why “the lands which had once been cultivated are no-where neglected” (p. 73)? Does it not mean that “the same or very nearly the same annual labour must therefore continue to be performed, and the funds destined for maintaining it must not, consequently, be sensibly diminished” (p. 73)? Does it not also mean that “the lowest class of labourers, therefore, not withstanding their scanty subsistence, must some way or another make shift to continue their race so far as to keep up their usual numbers” (p. 73)?

Literally, China, as Smith also admits, has been “much richer than any part of Europe” (p. 180, p. 238) and “not much inferior to Europe in manufacturing” either (p. 206). It is a nation with no liberal democratic tradition but still manages to be a “great state assumed by grandees” (p. 205) with “great attention paid to the road there” (p. 687) for the “consistent goodness of roads and canals (p. 789) and with “land tax [as] the principal source of revenue (p. 686) in ways compatible to “what the principal revenue of the sovereign consists” (p. 789). With all its “wonderful accounts of wealth and cultivation” (p. 348), China, however, emphasizes Smith, “never excelled in foreign commerce” (p. 348); it is, in other words, “wealthy without carrying on its own foreign trade” (p. 360) and “without mine richer and better of than Mexico or Peru (p. 416). That is, so different from the major European nations, with “agriculture favoured there beyond manufactures” (p. 644), China “acquire[s] wealth by agriculture and interior commerce” (p. 462), and while “foreign trade is not favoured there” (p. 644), China, nonetheless, has its “extension of home-market” (p. 644). Even when Smith does also see China’s stationary status and poverty, especially regarding “the poverty
of lower ranks of people in China[, which] far surpasses that of the most beggarly nations in Europe” (p. 72), he also sees in the extreme poverty something particularly resilient of Chinese people and Chinese economy thereby with comparative reference to Europe when he comments how, for instance, regardless of “the low wages of labour, and in the difficulty which a labourer finds in bringing up a family in China,” people still try to make do with whatever available and do whatever they can. “If by digging the ground a whole day he can get what will purchase a small quantity of rice in the evening, the [laborer] is contented” (p. 72). “The condition of artificers,” as Smith sees it, “is, if possible, still worse” (p. 72). But “instead of waiting indolently in their workhouses, for the calls of their customers, as in Europe”, they are, emphasizes Smith, “continually running about the streets with the tools of their respective trades, offering their service, and as it were begging employment” (p. 72). Do not these phenomena that Smith so comments on at that time sound familiar nowadays particularly with regard to the millions of migrant workers everywhere in China’s big cities from the poverty stricken rural areas and those who stay there? Are those not the same people who keep China both stationary then and vigorous now?

Thus, in almost every conceivable way, the China Smith sees here contradicts his theory of political economy, But, regardless, instead of trying to fit China in his theory, Smith attempts a pragmatic approach in accepting China as a particular or peculiar case of the complex world that allows some kind of exceptions in ways very much like what Immanuel Kant does, in a footnote, acknowledging China and India as the cases of exception regarding his overall argument on “religion within the limits of reason” in the eponymous treatise when his theory runs into the hard rock of reality. But China, for Smith, is much too big a case of exception to be treated merely in the footnote. He literally grants China more rights than Kant. He takes China for its own merits regardless of how it does not fit his narrative. In this way Smith also suggests to us how we should understand China in global context nowadays by respecting the emerging facts not the mere consistency of theory; and in this way we may also be able to explain why China’s economy can rebound so miraculously as if by overnight from such a “backward” and “stationary” status to becomes so “progressive” economically even without a liberal democratic tradition as a seemingly indispensable prerequisite. Indeed, “Gray, my dear friend, is every theory/And green alone life’s golden tree” (p. 207). With theory, even if Smith would not be as radical as in ways that Emerson would suggest, that is, “Leave your theory, as Joseph his coat in the hand of the harlot, and flee” (p. 152), he seems to understand this statement from Goethe quite well. Should we not also learn something from Smith in dealing with China as pragmatically as he is, at least not in terms of any theory or ideology a priori?
Smith's case with China then reveals his effective pragmatic approach that we may try on our case with China. Whether China is still a “communist” state or not, the ways such a “miracle” or “marriage” occurs as in the above cases certainly speak for China’s awakening and insurmountable national instinct nourished in its overall pragmatic cultural tradition for centuries. This is why for Max Weber China is a more capitalist oriented nation than Japan when he discusses how Chinese tradition is formed by its native religions, i.e., the practical and rational Confucianism. Whether Smith could be ultimately helpful for us to understand China’s much glocalized economic growth especially with regard to the actual role of government in the process, the Scottish political economist and moral philosopher must then be understood along with Confucius. To localize or glocalize Smith, in other words, also means to see the significant “coincidence” of Smith and Confucius. What people in Zhejiang try to accomplish is this subtle and crucial balance between commerce and culture. Ultimately, the issue of globalization is the issue of commerce and economy, without the power of which there would be neither anything to sustain nor anything to be sustained with and for. This is why, for Confucius, according to The Analects, making people prosper must be prior to educating them when he is asked about how to do with the growing population of the state of Wei (13:9). This is also why Confucius praises to the bewilderments of many the in/famous politician Guan Zhong as an “exemplary person” (junzi) for the political wisdom Guan expresses and practices accordingly, “Before teaching people of morality, let them have enough in their barns; prior to educating them of proper rites, feed and clothe them well (倉廩實而知禮節, 衣食足而知榮辱). Mencius’ comments on Confucius should shed further light to these seemingly incomprehensible situations regarding Confucius, because the Master does often appear so consistently inconsistent with his apparent attempts to reconcile the irreconcilable in responding to the ever-changing reality. For Mencius, a truly “exemplary person,” such as Confucius, “will not go to either of the extremes” (3: 9). This is also what David L. Hall and Roger T. Ames emphasize as “a hallmark of the Confucian vision” that means “a perspective attitude of tolerance and flexibility” as reflected in the “fact that Confucius’ instructions for appropriate conduct vary according to his audience” (1987, p. 237 emphasis added). To globalize successfully locally, “the hand that opened the door was as important as the one that produced the knock from outside” (Hall, 1965, p. 36). Thus it is certainly as hard to understand Confucius as it is to understand Smith, but it should not be so hard to see in both the humanity-enriching spirit of pragmatism out of a long humanistic tradition that each exemplifies or personifies so well in his own way. Whatever ways we choose to recognize Smith, whether as the persona of so-called Adam Smith Problem or Smith the philosopher behind the seminal economist, what we ultimately encounter or
understand, for the benefits of environmental, cultural, economic, and social sustainability, is Smith the Person, as is so vividly indicated, according to Griswold, by the “dialectical character of [Adam’s] writing [that] embodies a [pragmatic] method of inquiry well worth continuing” (p. 359). It is because Adam’s writing “shows [his] sensitivity to the unexpected twists and turns that the phenomena under investigation take and insists that one be guided by the subject matter rather than by methodological preconceptions about it” (p. 359). As a result, “his method of reflection allows him to draw freely upon history, literature, rhetoric, economics, philosophy, and other disciplines, as suits the subject matter and his purpose” (p. 359). It is therefore clear that Smith “is under no illusion that the free market somehow solves all problems in and of itself, and he does not think that it is a kind of machine that follows its own laws and infallibly produces the best outcome for all” (p. 359). It is this pragmatic or true-to-life approach that enables Smith to have such a “vivid description of the dehumanization of the workers [that] would alone destroy any such dogma” (p. 359). Being so true to life or so “purely philosophical in human beings,” Smith thus, according to Fleischacker, inevitably “lends himself to uses by the left as well as the right,” even though “what he has to teach crosses political boundaries [and] is quite separate from any specific vision of the ideal policy” (p. 281). Thus, “the best way to read Adam Smith the social scientist,” emphasizes Fleischacker, “is by way of Adam Smith the philosopher. Social science is for him, as it should be for all of us, but one part of the love of wisdom” (p. 281), because he reveals such “a grounding in common sense, a respect for the importance of imagination and sympathy to understanding our fellow human beings, resignation to the dominance of self-interest in large public arenas, an understanding of the importance of general laws and of slow change, and an overall humility before the unpredictability of history” (p. 281). But, unquestionably, all these are indeed, as Fleischacker emphasizes, “the lessons from which anyone interested in politics can profit, and that will be useful likewise to social scientists, and to those simply fascinated with the workings of human nature” (p. 281). “More than anything,” Smith, as Wight sees him, “is remembered for articulating a manifesto in support of the ‘natural system of liberty,’ in which prudence, equality, and justice find expression in markets”; meanwhile he also “appears to us as a hard-headed economist who values the sacred rights of working people over elite special interests” (xi). But whether in the form of philosopher or economist, Smith sustains the best of our common humanity with his subtly balanced sensitivity and sensibility as his interdisciplinary approaches to life so indicate. He is free from any doctrine but one, that is, the doctrine of life itself. This is why for Wight “Smith is an idealist rather than ideologue, pragmatically arguing that reasonable systems that work tolerably well are preferred to perfect, but
unattainable, arrangements” because, Smith, emphasizes Wight, “is optimistic
that, over the long haul, our invisible instincts for order and progress can
overcome innumerable obstacles – many self inflicted” (p. xi). But, “finally,
and importantly,” Smith’s great contribution to us nowadays, also according
to Wight, is that he “reminds us that an economic process operates within a
moral framework” because an economic “is not a mechanical engine but a
social organism” and how therefore “virtue requires balancing the sometimes
opposing instincts for self and others – and developing the self-control that is
usually preferable to state control” (p. xi, emphasis added).

Thus with both Smith, the “Person,” who personifies only “the doctrine
of life itself” and Confucius his spiritual counterpart in the humanistic
tradition of pragmatism, as guides, China’s economic growth, if not to be
taken as an overnight miracle or a stroke of luck, must be understood in
such global context along with its cultural milieus in ways exemplified by
the local cases; it must be understood, in other words, in accordance with
those often hard to understand but always live to inspire great philosophers,
such as Smith and Confucius. It is then possible to understand how China’s
economic growth showcases the authentic “glocalized” spirit of pragmatism
that both Smith and Confucius exemplify in consistently trying to reconcile
the otherwise seemingly irreconcilable for the “impossible” benefits, such as
through a happy marriage between “capitalism” and “communism,” Smith
and Confucius, global incentives and local initiatives, and, ultimately, as a
conclusive case here, between commerce and culture as so experimented in
Long You, Zhejiang, China.43 People there, for instance, try to let commerce
and culture benefit from each other, since everything of humanity must be
eventually sustained through the often conflicting interests between commerce
and culture. Besides its magnificent grottoes as the world’s most recently
discovered awe-inspiring wonders, especially regarding whether they are
miracles of nature or humanity, Long You also finds ways to dig into its rich
commercial tradition and humanistic resources by building a village museum
with various distinctive but otherwise scattered and desolated households
of former local wealthy merchants moved into one place for better cultural
protection and exhibition to the great benefit of both local culture and local
tourism. Culture and commerce are thus sometimes like a pair of strange but
inseparable twins, each sustaining the other, often intimately, through local
cultures. The global effort for environmental, economic, cultural and social
sustainability therefore must start locally to sustain its momentum.

4. Conclusion

Undoubtedly, the issue of globalization or “glocalization”, as both Smith and
Confucius would conclude here, is therefore ultimately the issue of commerce
and economy, without the power of which there would be neither anything to sustain nor anything to be sustained with and for. At the same time, however advanced or modernized we are scientifically and technologically, we must also sustain the fundamental, that is, our responsible and responsive human spirit, which is often enriched daily through the indispensable visions and voices inherent not only in the Humanities but also in what is commonplace and local. The spirit of humanity is so lively and Protean as global and local energy and should never be measured in accordance with any abstract Procrustean standardization or by any absurd means, which would result, as says a Chinese idiom, in “cutting one’s feet to fit into the shoes.” This is why Einstein, like Smith in both \( WN \) and \( TMS \), emphasizes that we must study the Humanities for the indispensable global vision and local sensitivity to prevent ourselves from becoming mere “specially trained dogs” or, in Confucius’ milder term, some kind of simple “tools.”\(^{44}\) Also in ways as Smith so well exemplifies, education for glocalized sensitivity requires thinking not only in terms of logic, familiar premises, and/or useful common senses, but also understanding things-in-the-complex-world beyond our habitual way through wisdom gleaned from the Humanities. Only in this way would no one become such a person, who is, “if possible,” emphasizes Smith, “more contemptible than even a coward, and seems to be mutilated and deformed in a still more essential part of the character of human nature” because he is “a man without the proper use of the intellectual faculties of a man” (p. 740). Only in this way may we never lose sight of the very basic and best – our living humanity. This is what we must “glocalize” \( for, through, \) and \( with. \)

**Notes**

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1. China always situates itself in whatever perceived, imagined, or actual global context. It has always been a live case of “globalization”, to use a bit freely this “value-charged” contemporary term. This is China’s habitual way of “Mapping [Itself] and Managing the World”, also to borrow the title of Richard Smith’s forthcoming book. Otherwise how could it be possible for China to perceive itself as “the Middle Kingdom” and to label all its neighbours as “barbarians” even with more specific terms than the Greeks, such as Dong Yi 東夷 (the Barbarian of the East), Nan Man 南蠻 (the Barbarians of the South), Bei Rong 北戎 (the Barbarians of the North), and Xi Di 西狄 (the Barbarians of the West). Besides, King Shun and King Wen of the Zhou, the two legendary kings held by Confucius as the sages of exemplary nobility, as Mencius emphasizes in the eponymous book, are originally sinicized or “glocalized” barbarians with one from the East as Yi and another from West as Di respectively (1970, p. 128).

2. WN, TMS, and LJ as the respective abbreviations of Smith’s major works quoted in the paper, i.e., The Wealth of Nations, The Theory of Moral Sentiments and Lectures on Jurisprudence will be used thereafter as needed.

3. I adopt the increasingly popular neologism in academic discourse for exactly what it suggests by combining two words “global” and “local” into one.

4. The need to understand China through Smith and, in turn, to understand Smith through China could be better understood in terms of the following questions put forth by Jean-Laurent Rosenthal and R. Bin Wong, that is, “Why did China decline between 1400 and 1980, only to reestablish a major presence in the global economy? Why did Europe, a region torn by strife and suffering and economic collapse after the fall of the Roman Empire, become the birthplace of modern economic growth?” (p. ix), True, “answering [these questions] does not merely satisfy an academic curiosity; it also matters for understanding how the world is changing today” (p. ix). But since “China was once rich and is rapidly becoming one of the most prosperous economies in the world,” it is therefore necessary for us to understand the global context that should enable us to explain “Europe’s economics successes that also accounts for Chinese earlier achievements and more recent rise” (p. x). Only with such an appropriate sense of “global context” would it then not appear “remarkably unjust to expect Chinese government of the early Qing to implement polices promoting a kind of economic change that Adam Smith, the foremost economist of the eighteenth century, did not even perceive”
(p. x) as it is equally ridiculous to read Smith for “an ode to the Workshop of the World” from his *The Wealth of Nations*, which is literally no more than “an apology for light taxes and unfettered trade in an agrarian economy” (p. x). If so, “The recipes for growth of the Qing emperors, such as to “promote the expansion of agriculture, keep taxes low, and do not interfere with internal commerce” not only “were commonsense everywhere” but also coincide with or exemplify what Smith would hope for a nation, which was, like China then, “often peaceful and unified, developed large-scale markets and took the advantage of the division of labor” (p. ix, emphasis added). What Smith advocates in *WN* as the fundamentals, in other words, “are precisely the policies pursued by the Qing emperors, [who] were not those European rulers because the fiscal requirements of war interfered with trade” (p. xi). With the importance of global context being so understood, would it not be remarkably inappropriate for us to understand Smith without being sufficiently aware of, as is so timely depicted below by Uday Singh Mehta, the very global context, within and from which Smith perceives his world and approaches his issues? Likewise, one should by no means to understand China this way, either. Otherwise, we may act like, in Thomas Kasulis’s words, “trying to make a pun that is not in any language” when “trying to make a philosophical analysis without adopting a [local] cultural orientation [or context]” (p. 158).

It is easy to dismiss the professed cosmopolitanism of tradition that includes Hume, Adam Smith, Burke as no more than the mask that late eighteenth-century parochial gentility wears and as an imminent set of developments exposed as being historically moribund. It is certainly true that both Hume’s and Smith’s thought bear the imprint of a security that stems from the knowledge that the religious and political convulsions of the seventeenth century are behind them, along with a blissful ignorance of the industrial and French revolutions that are still just behind the horizon. Perhaps only in such times of stability can aesthetic categories serve as an anchor for moral, political, and in Smith’s case economic judgments. (p. 40)

5. Even the well-known miracle in the New Testament regarding how Jesus fed the multitude with only five loaves of bread and two fish, for instance, is well contextualized by the pressing need of the hungry crowd.

6. Whether one likes to consider the phenomenon as peculiar to “Sino-capitalism” or “Beijing Consensus”, what creates the “miracle” also appears to be China’s indigenous and tenacious local economy often so effectively diversified in numerous pockets of areas from region to region in ways traceable even to the Ming and Qing periods however temporarily disrupted and eclipsed in Mao’s era. The “miracle” thus reveals the ever-present *live* spirit and practice of pragmatism deep rooted in Chinese cultural tradition that serendipitously coincides with what is equally hidden or overlooked in Smith’s “capitalist” ideas.

7. Indeed, at the very beginning of *WN*, Smith clearly describes the very nature of “division of labor” and emphasizes the importance of communication, barter and exchange, with such well-known comments as “By nature a philosopher is not in genius and in disposition half so different from a street porter, as a mastiff is
from a greyhound, or a greyhound from a spaniel, or this last from a shepherd’s
dog … The effects of those different geniuses and talents, for want of the power
or disposition to barter and exchange, cannot be brought into a common stock,
and do not in the least contribute to the better accommodation and convenience
of the species” (p. 15). What Smith tries to argue for in WN as well as TMS
is thus literally not so much as “competition” especially in ways often so
mistaken as a kind of relentless “survival of the fittest” or “Too bad, you’re
all on your own” economic jungle policy but the economic, social, political,
and even the moral condition and mechanism, within which the harmonious
social collaboration via adequate market oriented and government facilitated
coordination would deem possible.

8. This is what motivates Fonna Forman-Barzilai in trying to make her case. Both in
historical context and through a twenty-first century cosmopolitan lens, Smith’s
views on moral judgment, humanitarian care, commerce, justice and international
law, argues Forman-Barzilai, suggest not only urgency but also hope of
reconciliation of the otherwise irreconcilable; his particular views thus constitute
a major and timely contribution not only to Smith studies but also to the history
of cosmopolitan thought and to contemporary cosmopolitan discourse itself. It is
because “despite the particularistic implications of Smith’s anthropology,” argues,
Forman-Barzilai, “his particularism didn’t go ‘all way down’ so to speak” and
ultimately “our cultural situatedness did not render self-critique or cross-cultural
judgment impossible” (p. 22). Forman-Barzilai demonstrates Smith’s overlooked
concern on moral psychology and the ways he believed how physical, affective
and cultural distance may cast such negative impacts on our modern commercial
society especially in terms of constraining impacts on our personal identities,
connections and ethical obligations. Understanding of such crucial emphasis on
moral dimension, according to Forman-Barzilai, should be an effective means for
us to combat various equally localist critiques on perspectives of cosmopolitan
thought nowadays, which, in fact, often betrays an extreme version of cultural
relativism and chauvinism in addition to moral insularity.

9. Any central government’s nominee for “governor” or mayor” of a certain major
city must now be locally confirmed, and the big “cash cows” political clouds are
quite comparable with the political influences of the big companies in America
the way Samuel Fleischacker refers to, that is, “the fact that large corporations
have become the most efficient way of organizing much economic activity” and
“that there simply will be many large conglomerations of stock in every nation”; as
a result, “these conglomerations,” emphasizes Fleischacker, “will in turn
employ large numbers of workers… [and] will inevitably wield vast power over
other people’s economic” (p. 267). It is therefore quite self-evident that “neither
cities nor nations can afford to overlook the fact” (p. 267). The reason is simple,
“if GM or GE shuts down or severely cuts back its business in a particular
town, the entire economy can go sour” (p. 267). Thus, “even if corporations
never contribute to political campaigns,” as Fleischacker also emphasizes,
the corporations’ sheer presence “would still exercise enormous power over
governments in these areas by virtue of many people, which in a democracy
means the many voters, whose lives they shape” (p. 267).
10. According to official news agencies, ever since it signed the contract, the company has allocated more than 20 million corporate funds for various social and philanthropic institutions, social engineering projects, such as the Hope, and national disaster relief efforts. The company also steadily improves on its employees’ overall income, which is 15-20 per cent higher than its counterparts with additional progress on the areas such as recreation, training and education, medical insurance, labour protection, family wellbeing, paid vocation and retirement pension, on-the-job injury insurance and social security, and environment protection with its used-water recycling system ranked at the nation’s top level. <http://www.ic37.com/htm_news/2008-4/168617_455968.htm>

11. For Giovanni Arrighi, the success of China in market reform further discredits “[t]he dogmatic belief in the benefits of minimalist governments and self-regulating markets typical of the nineteenth-century ‘liberal creed,’ or the equally dogmatic belief in the curative powers of ‘shock therapies’ advocated by the Washington Consensus in the late twentieth century, [which] were completely alien to Smith, [who …] would probably have agreed with Karl Polany’s contention that such beliefs are utopian and unworkable” (p. 43). China’s achievement also testifies to the successful implementation of “the relative gradualism with which economic reforms have been carried out, and the countervailing actions with which the government has sought to promote the synergy between an expanding national market and new social divisions of labor” (p. 358). Smith’s attitudes toward social change, according to Robert Mitchell, is often compatible with Edmund Burke’s, because “what Smith find problematic is not change itself, nor even the love of system … but the amount and speed of change” (p. 456); also according to Mitchell, Smith may not be necessarily like Burke seeking “to limit the speed with which [the] social feedback would occur, arguing that change must happen so slowly that ‘its operation is … in some case almost imperceptible’”, but he does like Burke in that he is so “often fond of himself struggling with the question of distinction: how fast is too fast?” (p. 456). For Gavin Kennedy, Smith’s true but lost legacy is exactly such go-slow pragmatism grounded solidly on Smith’s notion of philosophy, which is like “a healthy dose of realism about human nature”, because, “unlike Karl Marx, Smith did not see philosophers having a self-appointed mandate to change the world; he showed why it should be changed, gradually, by persuasion” (pp. ix-x). Clearly, Smith, according to Kennedy, “felt that the scope for perfection in the human conditions was limited” when he showed “how the ‘great order’, or classes, of society managed their relations”; ultimately, Smith believed that “what could be changed by deliberate human intention [often] fell short of what should be changed, and what was changed in practice would always disappoint those who wanted everything to change in a hurry” (pp. ix-x). Thus what we really need to do, emphasizes Kennedy, is “not merely to recount the fables created by those who misappropriated his legacy” but to revive this true but lost legacy from Smith” (p. x).

12. According to the official news agencies, Yiwu’s version of SA8000 is more strict and comprehensive in terms of environmental, cultural, economic, and
social sustainability than both the European and American versions, which mainly focus on labour and management relationships, not enough on issues concerning natural and social resources and environments. While focusing on labour relationships, Yiwu’s version also covers issues relating to both natural and social environments. This localized version has 15 main categories that deal with 57 contents, such as labour contract, social security, salary and benefits, work hours and vocation, labour environment, training and education, institution development, environmental protection, resources allocation, production quality, credits building, public philanthropic participation, award and discipline; it ranges from corporate social responsibility to public and civil responsibility and from corporate self-discipline to social discipline. <http://www.jhnews.com.cn/site1/zzxb/html/2009-05/26/content_0024.htm>

13. This chain reaction started in April 8th when two representatives from the U.S. Intertek’s Shanghai office came to Yiwu to inspect Zhejiang Mengna Knitting Socks Co., Ltd. on behalf of an American global retail corporation. Strictly in accordance with SA8000, they inspected not only everything as expected but also so many other things utterly unexpected or even unthinkable for the local Chinese. They wanted to know, for instance, whether employees were asked to leave cash bonds or turn in their personal IDs as prerequisites for employment and whether employees’ dormitories were of four square meters per person. They inspected and considered the company’s security-lighting system not up to standard. They checked company’s chandeliers to see whether they were dust free. They even inspected company’s three public toilets for employees, both male’s and female’s. Afterwards, they made formal requests to company’s CEO Zong Chengying that all the existing toilets be replaced with new ones; they wanted all new toilets to have anti-slippery floors with additional squat bowls for the ladies’ considering the number of female employees had reached 2500 of company’s total employment of 3000. Of course, local business would never have been willing to go global with such “strict”, “unreasonable”, if not utterly “outrageous”, regulations, if not for the considerable profits that these “ridiculous” prerequisites would also kick in locally. For a steady big purchase order from the global corporations, plus a safe and stable relationship with employees, international companies, and local community, this local business chooses to go along. <http://www.jhnews.com.cn/site1/zzxb/html/2009-05/26/content_0024.htm>

14. Its total cost on coal of the same quality in 2010-2011 is 102,000 ton and is reduced to 94,000 ton in 2011-2012; its estimated cost in 2012-2013 is 84,000 ton.

15. Mr Yuwei Guo 郭玉伟, for instance, other than his regular job as the Chief Engineer of the Hong-Kong based China Energy Bestride Environmental Protection Limited, also serves as the chairman of Beijing Jun Ying Jie Yuan Science & Technology Co., Ltd., the EMC consulting firm he helped found along with his former colleague and friend, Mr Song Baocheng 宋保程 (or formerly 宋宝成) while also acting in the capacity of its chief consultant.

16. Even if EMC has long been a standardized business practice in Europe and North America, it still needs time to become further localized in China as long as all...
the companies that participate in EMC would not, as some did, try not to honor
the contract by finding faults in the last minute after the remodeling project is
completed or when all the consulting firms will equally do as much a high-
quality job as expected. There are also problems for EMC to speed further ahead
particularly with state-owned businesses where the complications of lengthy
decision making process, compartmentalization of management, and the habit or
inertia for status quo often come together to deter action for the energy cutting
savings and profits that always motivate the private and joint venture companies
with swift action by taking whatever initiative necessary via EMC. Even so, EMC
still mushrooms with numerous successful cases.

17. My own translation. Here is the statement in the original: 近年来,全球极端天气频频发作,危害越发严重。究其原因,是人类自身在生产生活中,碳基燃料消耗过大而造成全球气候变暖。国家在“十二五”规划纲要中,建立了健全节能减排约束机制,如何完成那些刚性指标,我们责无旁贷,愿为您倾情尽力。

The EMC cases in question are based on the copies of the major
written materials prepared for and sent to the governments as official documents
in addition to the verbal description and explanation in person kindly provided by
Mr Guo Yuwei and Mr Song Baoheng in the capacity, among others, of the Chair
and Manager, respectively, of Beijing Jun Ying Jie Yuan Science & Technology
Co., Ltd.

18. Chinese way of “glocalization”, as these cases so indicate, could thus also
be understood in terms of so called “sino-capitalism,” which is, first and
foremost, “built from the ground up and does not tend to overly rely on legal
contracts and the supervisory role of the state”; it tends to “achieve wealth
accumulation through the multiplication of small ventures.” But “to overcome the
disadvantages of small size, large numbers of firms coalesce into sizable clusters of
related businesses” (p. 108), Sino-capitalism must rely on government’s
ever-present and indispensable assistance as is indicated by Dieter Ernest and
Barry Naughton in “China’s emerging industrial economy: Insights from the IT
industry” with reference to cases of IT industry, in which, the government, for
instance, “has overall done a reasonably good job of not intervening too much
in firm decision-making, while providing a degree of unconditional resource
support. It has displayed a healthy respect for the accumulated knowledge base
possessed by global corporations” (McNally, p. 51, emphasis added). Also, as
“network capitalism” or as nicknamed “guanxi capitalism,” Sino-capitalism relies
particularly on “guanxi, which stands for “the establishment of long term informal
reciprocal personal relationships” and is literally “a form of social capital that
acts as binding agent among social actors” and “guanxi ties can therefore create
enduring trust which facilitates collaborations among firms and aids them in
adjusting to changing circumstance” (McNally, p. 108). What is significant of
the business deals in the Xin Bei and Tong Liao cases, other than government’s
indispensable but impersonal assistance, are the development of a personal
network of guanxi, which is indeed a special form of “social capital” in all the
positive connotations the word guanxi stands for.

19. WN begins with the issue on division of labour while TMS proceeds on the
subject of sympathy. If such a composition is significant enough in suggesting
a thematic priority, the importance of moral and liberal education must also be what Smith tries to emphasize as an indispensable counterpart regarding division of labour along with the important roles of government on transportation, national defense and education in the last section of *WN*. With such a sandwich-like composition of *WN*, Smith seems to suggest that without education and government as the indispensable “check and balance” in setting up the necessary legal and moral guidelines, framework or context, the “free market” would never function properly. The following quotation clearly explains why the last section of *WN* focuses on the importance of education and government’s role in caring for the “labouring poor”. It is not only for the sake of security of nations on the economic and defense matter but also for the sake of basic human moral decency; it also explains why, for Smith, “a man without the proper use of the intellectual faculties of a man, is, if possible, more contemptible than even a coward, and seems to be mutilated and deformed in a still more essential part of the character of human nature” (p. 740).

This is why, for Karl Marx, Smith deserves the credits for being among the first one who discovers such a process of “alienation” of humanity due to division of labour, and “Marx’s criticism”, as Ian Simpson Ross points out with reference to the quotation from Marx himself, “is surely a perpetual challenge to the message of *WN*” because ‘accumulation of wealth at one pole is … accumulation of misery, agony of toil, slavery, ignorance, brutality mental degradation … on the side of class that produces its own product in the form of capital’.” (p. 420). But still, argues Ross, “perhaps Smith saw more deeply into commercial and manufacturing society than Marx” because “he was certainly aware of the mental mutilation inflicted on workers by the division of labour, and denounced this, urging that education of the people at the public charge was one answer,” even though “Marx mocked the idea, claiming that this was to be administered in ‘homeopathic does’” (p. 420). But, “education in society where there are elements of the free market,” also argues Ross, “has minimally prevailed, whereas Marxist revolution has generally failed, in making lives more tolerable physically and mentally” (p. 420).

20. Governmental “check and balance” is nowadays, according to Fleischacker, such a necessity regarding the ever growing power of the large corporations especially in terms of their ever-present influences either directly or indirectly on global and local economy and politics; these large corporations’ “vast power,” however, emphasizes Fleischacker, not only falls in the hand of “a small number of directors and major shareholders” who have “either monopolistic status or its quasi-political powers; its scale” but is also, to make the matter even worse, handled by “the middle managers who are insulated from the direct consequences of many their actions, alone” (p. 267).

21. “As a technical economist, Smith’s contributions,” as Wight points out, “have been superseded by the advance of economic science” and “some of his notions are quaintly outmoded, even as they appeared advanced in his own day” especially in terms of Smith’s references to “workers (such as physicians, musicians, and soldiers) as ‘unproductive’ because they produced nothing tangible!” as well as his failures in “consider[ing] the critical contribution of
technological innovation” (x-xi). It is because Smith, as a philosopher, is also very much politically oriented to the current issues and he often “wrote for his times, not for ours,” as so many historians and scholars, such as Ian Simpson Ross, Donald Winch, Gavin Kennedy, and Susan E. Gallagher so emphasize. “During the three years which he spent in London prior to the publication of The Wealth of Nations,” according to Winch, “[Smith] was ‘very zealous in American affairs’” and “he may even have delayed publication in order to complete those parts of his general treatment of colonies which constrained his views on the causes of American revolt and his remedies for dealing with its consequences (p. 146). “Adam Smith’s doctrine of limited government,” as Gallagher sees it, “can be interpreted as a commentary on the moral limitations of the eighteenth-century British aristocracy” (p. 101). So like the debate that concerns both Burke and Smith regarding how fast is too fast for social changes, how large could and should a government become is also a problem for anyone who read Smith for the contemporary situations. Finally, the challenge of understanding Smith is quite precisely summed up by Jerry Z. Muller, “To highlight the timelessness of Adam Smith’s work is to run the risk of an anachronism, of wrenching his view out of their historical context; to ignore its timeliness is to reduce the study of his thought to antiquarianism. Those who regard Smith as a patron saint often fail to think like Adam Smith because they are quite satisfied to like what Adam Smith thought for (or more often, what they suppose him to have thought). Trying to find what is timely in Smith by thinking as Smith thought is a less certain but potentially more rewarding enterprise” (p. 197, emphasis added).

22. What we may further learn from these cases is again the role of government, which Smith emphasizes but is so often explained away in favour of “market regulation”. In a recent lecture titled “China’s political economy in its new global era” delivered, June 26, 2012, at East-West Center Honolulu, Hawaii, China’s success, argues Christopher McNally, would be neither possible without state assistance nor feasible without globalization, because capitalism in the era of globalization, according to McNally, means the indispensable process for massive freeing-up of capital via state-assistance through a globalized market. China’s rapid economic growth in its peculiar version of Sino-Capitalism, as McNally sees it, immediately results or benefits from Chinese government’s strong backup, a practice quite in tune with China’s Leninist-imperial heritage. Such cultural and political heritage, emphasizes McNally, makes it possible not only for the crucial government guided infrastructure building but also for the “far-sighted tinkering” by the state with a top-down gradual approach for economic reform – Chinese way. This Chinese version of capitalism also makes it possible for a timely or rapid implementation or nationalization of any successful localized experiment, as Zhejiang’s SA 8000 case, which is, by contrast, least likely in the US system no matter how many locally successful cases there are. The success of Sino-capitalism, concludes McNally, is on its way to replace the hegemony of Anglo-American capitalism, which is now literally co-existing with Rhine and Alpine capitalism and Northern European capitalism along with Sino-capitalism. Once again, we need to broaden up and fine-tune our otherwise one-fits-all notion or definition in order to re-understand capitalism as we need to re-understand China
in the “glocalized” context. For likewise detailed argument, see Christopher A. McNally, *China’s Emergent Political Economy: Capitalism in the Dragon’s Lair* (London: Routledge, 2007).

23. The statement below on the intricate relationships between the ever-present power of state authority on capitalism and ever-growing power of capitalism in society is so reflective not only of the past but also of the present especially with regard to the current situation in China.

   Historically, merchant classes existed at the pleasure of state elites. Capitalism could therefore only emerge as state elites saw it in their interest to support the capital-oriented classes. This in return entailed some political recognition of capital, such as the freeing of factor markets, the curtailing of predatory government behavior, and ultimately, the defense of private property rights. Capital must therefore arise with the goodwill of state elites, but, as it expands, it “becomes increasingly capable of defying, or existing ‘above’, the state” (Heibroner 1985: 94). The state comes to rely on capital for the provisioning of revenues and vibrancy of economic growth within its territory. (McNally, p. 21)

24. If the necessity for closely coordinated efforts between the global and local businesses and between the central and local governments explains the successes in Zhejiang, China, the less than desirable results in the Western China also emphasize such a necessity. Despite central government’s best possible efforts in developing Western China, the local economy does not appear as promising as in the coastal areas. One of the major problems, according to the recent field report conducted by Richard Mack et al., is lack of the well-coordinated efforts that we see in the coastal China, even though “aggressive government programs designed to implement agricultural and environmental reforms and to increase infrastructure have indeed generated growth” (Mack, 2008, p. 84). Clearly, “failure in local-level implementation, less-than-equitable compensation, and distinct lack of autonomy in deciding whether or not to pursue the program,” according to the report, were “among the chief concerns” (p. 84); “the synergy of these factors,” as a result, “had led to the program being a new net welfare-loss for participants, placing further strain on already meager income” (p. 84). Ultimately, what has happened is after all a sustainability issue. No development can ever sustain itself if the vital elements related to economy, environment, communication, community, culture and customs, and social justice are not pragmatically coordinated or harmonized.

25. Whether of a “communist” or a “Sino-capitalist” government, for an economy of China’s size and growth rate to keep its adequate pace or momentum, something fundamental must be somewhat rightly at work especially in terms of what Smith emphasizes, as in the following passage from *WN* (also out of his usual moral and humanistic concerns), regarding how to maintain the vital political and economic order for the welfare of the people at large especially through the indispensable role of government in coordinating for the nation whatever changes necessary in a slow, steady, and gradual process.
The undertaker of a great manufacture, who, by then the home markets being suddenly laid open to the competition of foreigners, should be obliged to abandon his trade, would no doubt suffer very considerably. That part of his capital which had usually been employed in purchasing materials and in paying his workmen, might, without much difficulty, perhaps, find another employment. But that part of it which was fixed in work-houses, and in the instruments of the trade, could be scarce disposed of without considerable loss. The equitable regard, therefore, to his interest requires that changes of this kind should never be introduced suddenly, but slowly, gradually, and after a very long warning. The legislature, were it possible that its deliberations could be always directed, not by the clamorous importunity of partial interests, but by an extensive view of the general good, ought upon this very account, perhaps, to be particularly careful neither to establish any new monopolies of this kind, nor to extend further those which are already established. Every such regulation introduces some degree of real disorder into (p. 439) the constitution of the state, which will be difficult afterwards to cure without occasioning another disorder (pp. 438-439).

26. With the same logic of “progressive” narrative, if being “progressive” means ultimately any current progressive state in Europe will inevitably become “stationary” and then “backward”, does China then stand there as a reminder to all the currently progressive European states of such a historical inevitability, as Hume is so apparently concerned of with regard to his difficulty in dealing with China? This is also the main argument of “China as Rhetoric in Scottish Enlightenment: Progress, Economy, and Justice in Hume,” a paper delivered by Yusuke Wakazawa, University of Tokyo, at Tenth East-West Philosophers’ Conference on Value and Values: Economics and Justice in an Age of Global Interdependence, University of Hawaii, East-West Center May 16-24, 2011. Wakazawa discusses the scenario regarding how China becomes not only such a deconstructive or disruptive but also indispensable element that Hume cannot do without in his Euro-centred narrative on the related political, social, and economic issues. Indeed, in this case very much like Kafka’s America and China, the countries he never visits but has to involve in his narrative as the indispensable metaphors and points of reference, Hume’s China becomes his “Moby-Dick”; he has a problem to fit it in his narrative but neither can he let it go. For details see David Hume, “Of the Rise and Progress of the Arts and Sciences”, in Thomas Hill Green and Thomas Hodge Grose (eds), David Hume: The Philosophical Works, Vol. 3, 1882 (Aalen: Scientia Verlag, 1964).

27. Indeed, “as Needham (1954-2008, Vol. VII, Part 2) and many others have shown,” emphasize Jean-Laurent Rosenthal and R. Bin Wong, “technology was far from static in China” (p. 127). In addition, thanks to the long-lasting power of art, what is “still survives at the back of the European mind”, as Hugh Honour argues, is again “this imaginary picture of Cathay[, which] was recorded and preserved for posterity in immeasurable chinoiserie buildings, paintings, and objets d’art” (p. 225). Even though “no one now believes in the historical or geographical reality
of the exotic world so beautifully evoked by Watteau, Boucher, Pillement, and countless porcelain modellers and japanners in the seventeen and eighteenth centuries,” emphasizes Honour, “the flowery Empire of Cathay survives in the mind – a land of poetry and graciousness, a spacious garden of azaleas, paonies, and chrysantsheums, where the most serious business in life is to drink tea in a latticed pavilion, beside a silent lake, beneath a weeping willow; to listen to the music of piping and tinkling instruments; and to dance, to dance for ever, among the porcelain pagodas” (p. 225). Also thanks to the power of art, would it then not possible even at the back of minds of the sinologists, politicians, and travelers, “the name of China still summons up as many glimpses of chinoiserie as of genuine Chinese scenes” (p. 225) kind of as “China unconscious” regardless of reality?

28. This progressive worldview is, as Raymond Dawson would argue here, is surreptitiously sustained by such a handy “antithesis between Europe and Asia [that] may be seen to comprise several different components [which] seem to contrast perfectly in several different ways”, such as “European freedom is at the opposite pole from Asian slavery” with “dramatic examples of European smallness coming to face to face with Asiatic bigness” and “with bigness [that] goes slowness and ponderousness and with smallness [that] goes nimbleness and rapidity of movement.” Along the same line of antithesis, there is also naturally “a strong contrast between maritime Europe and continental Asia” as is “typified in antiquity by the conflict between the sea-going Greeks and land-power of the Persians, and again in medieval time by the contrast between the maritime city-states of Italy and mammoth land-empire of the Mongols.” Indeed, it is such a handy antithesis that even “led Hegel to explain China’s changelessness by the fact that she had not ‘appropriated that element of civilization which the sea supplies’.” Such a handy antithesis, in other words, “made it easy for [Hegel] to forget to both the great quantity of shipping which all the early visitors to China noticed on the inland waterways and remarkable long-distance voyages as far as the east coast Africa during the Ming period.” Therefore, “although the two continents seem to form a perfect contrast in several respects,” emphasizes Dawson, “we must recognize the antitheses are, in fact, extremely crude, like the use of such vague terms as ‘right’ and ‘left’ or the contemporary division between ‘West’ and ‘East’ which, to make sense, must include Cuba to the East and Japan in the West” (pp. 95-96, emphasis added).

29. As is implied in the following passage from Hume, China, for instance, is therefore quite “backward” compared with Europe or by the “progressive” European standards, because it is not progressive enough “to ripen into something more perfect and finished.” China’s being so “stationary” thus amounts to or simply signifies its being “backward”. It means, in other words, that China loses its momentum even before it can move forward and “ripen into something more perfect and finished” and this inability to keep momentum forward therefore also indicates the ultimate inevitability: China’s inability to maintain even its stationary status quo after all. Despite its size and complex geography, China apparently succeeded in managing its vast empire with distinctive uniformity in terms of its language, manner, and tradition, but China’s success on all these
accounts made itself exactly a less “progressive” society, if at all, regarding the innovative diversity and dynamic variety that marks a progressive society in ways Europe enjoys in terms of its languages and public opinions.

In China, there seems to be pretty considerable stock of politeness and sciences, which, in the course of many centuries, might naturally be expected to ripen into something more perfect and finished than what has yet arisen from them. But China is one vast empire, speaking one language, governed by one law, and sympathizing in the same manners. The authority of any teacher, such as Confucius, was propagated easily from one corner of the empire to the other. None had courage to resist the torrent of popular opinion; and posterity was not bold enough to dispute that had been universally received by their ancestors. This seems to be natural reason why the sciences have made so slow a progress in that mighty empire. (p. 136, emphasis added)

Thus, while Hume seems to rely on a bit too much on this sweeping overgeneralization of China for the necessity or convenience of contracting it with Europe in accordance with the vocabulary or paradigm adopted for the narrative, Smith however tries not to do likewise because Smith, as Fleischacker would so emphasize here, is so well “kept from ideological commitments” because he shows respects to facts and the particular, since “ideologies depend on generalizations, on theories about human nature, economics, politics, and so on from which general policy prescriptions can be drawn” and he is, indeed, “perhaps the most empirical of all the empiricists, pursuing his version of ‘science of man’ in a particularly messy, fact-laden rather than theory-laden way” (p. 271). For Fleischacker, there is, indeed, “a related Smithian attitude toward empirical facts, whether current or historical, from which social scientists as well as political activists can learn,” because he “gives strong priority to particular facts over general theories” and firmly believes that that human knowledge is most reliable when it is highly contextual” (p. 271).

30. In *WN*, Smith does often account how poor Chinese people are, especially those of the lower ranks, but, at the same time, he quite suggestively or involuntarily underlies how resilient Chinese economy is or could possibly be because what really define or personify the resilience of Chinese economy are these poor people – whether it is now or then. Smith describes how poor China was as, for instance, “in the neighbourhood of Canton many hundred, it is commonly said, many thousand families have no habitation on the land, but live constantly in little fishing boats upon the rivers and canals” and how “the subsistence which they find there is so scanty that they are eager to fish up the nastiest garbage thrown overboard from any European ship.” Smith further accounts how often the subsistence that they had to survive on includes even “carrion, the carcase of a dead dog or cat”, which “though half putrid and stinking, is as welcome to them as the most wholesome food to the people of other countries” (p. 72). From time to time, what Smith reveals in his accounts is no longer mere factual reports or observations but his own moral sentiment regarding how, for instance, “marriage is encouraged in China not by the profitableness of children, but by the liberty of
destroying them” and how “in all the great towns several are every night exposed in the street, or drowned like puppies in the water” and “the performance of this horrid office is even said to be avowed” (p. 72). But, as if coincidently, such “horrid office” of infanticide or “the exposition, that is, the murder of new-born infants” though “probably begun in times of the most savage barbarity,” to the very indignation of Smith, should have also been “a practice allowed of in almost all the states of Greece, even among the polite and civilized Athenians; and whenever the circumstances of the parent rendered it inconvenient to bring up the child, to abandon it to hunger, or to wild beasts, was regarded without blame or censure” (TMS, p. 210).

31. Indeed, the history of Jewry in China could also be an additional venue to understand China as an intensely diversified but vastly coherent culture. Along with India, China is also, according to Kant, one of the only two countries in the world in which people of faith based on written scriptures, such as Jews, were converted or assimilated. Even as a barely noticeable footnote in his Religion Within the Limited Reason, Kant acknowledges the rare exceptions because Kant believes that “a people which has a written religion (sacred books) never fuses together in one faith with a people (like the Roman Empire, then the entire civilized world) possessing no such book but only rites; instead, sooner or later it makes proselytes” (1960, p. 127). While this general observation more or less applies worldwide regarding the “remarkable” or otherwise “impossible” survival of the Jews as a people, as Kant himself also had to acknowledge, “except the few on the coast of Malabar and possibly a community in China” (p. 127). Pearl Buck also argues through Peony that this exception is made because “In China [the Jews] have never been persecuted, and if they have suffered hardships, these were only the hardships of life in the community where they were” and, as a result, “most Jews had come to think of themselves as Chinese” and “today even the memory of their origin is gone. They are Chinese” (1990, Afterword).

32. After he comments on how “in the eastern provinces of China … several great rivers form, by their different branches, a multitude of canals, and by communicating with one another, afford an inland navigation much more extensive than that either of the Nile or the Ganges, or perhaps than both of them put together,” Smith has no choice but to acknowledge how “it is remarkable that neither the ancient Egyptians, nor the Indians, nor Chinese, encouraged foreign commerce, but seem all to have derived their great opulence from this inland navigation” (p. 20).

33. Indeed, neither is China backward nor is it inferior to Europe as long as we do not try to make it fit the “progressive” view based primarily on the liberal democratic tradition in Europe – just as China is neither so financially bankrupt in the later Qing period nor on the verge of a total economic collapse in the Republic era regardless of the revolutionary narrative or rhetoric by the revolutionaries, such as Sun Yat-sen and communists; their calls for revolutions can be justified mainly on the political not economic ground, that is, as a national struggle against “political oppressions” by the domestic despots and foreign bullies, so argue the contemporary political economists, such as R. Bin Wong in a recent lecture titled “China’s Economic History in Global Context” delivered, June 22, 2012,
at East-West Center, Honolulu, Hawaii. It is because however destitute as it is so often depicted in the revolutionary narratives, China’s economy then was as resilient as ever since the Ming-Qing era, not on the verge of a total collapse. Indeed, a few reports on the rising crime rate on certain pockets of areas often leave a deep impression as if the public order everywhere in the region is about to collapse; things in fact may not necessarily be that hopeless overall. China’s economy then, that is to say, does not justify a desperate or surgical overhaul by means of revolutions. In fact, according to political economists, such as Wong, in various pockets of the vast area in China, there are even cases of economy in solid condition although on the national level Chinese economy may indeed often appear as much dismal as it is fragmented. In the long run as ever in history, China’s economy, so goes the same argument, often survives with its unusual resilience that defies general political economy theories thanks to the tremendous and incompatible regional diversity so peculiar to China not only in terms of its economic conditions but also in terms of its geographical and political landscapes. This is not just an issue that has been argued by the contemporary political economists, such as Wong and Jean-Laurent Rosenthal, but also a one noticed by the eighteenth century political economists, such as Smith and Hume. The latter, for instance, often tries to figure out why China can stay united as a nation despite its complex geography – more complex than that of Europe. This may also partially explain why readers of WN could be often confused with Smith’s constant references to China as one of the “richest” in the world, at least “much richer than any part of Europe” but at the same time also as the poorest one with “the poverty of lower ranks of people … far surpasses that of the most beggarly nations in Europe.” Smith is simply trying to be factual or empirical of what he knows as being true of China. For likewise argument, see R. Bin Wong, China Transformed: Historical Change and the Limits of European Experience (Cornell UP, 2000) and Jean-Laurent Rosenthal and R. Bin Wong, Before and Beyond Divergence: The Politics of Economic Change in China and Europe (Cambridge: Harvard UP, 2011).

34. For Weber, “the Chinese in all probability would be quite capable, probably more capable than the Japanese, of assimilating capitalism which has technically and economically been fully developed in the modern culture area” (p. 248). Why? It is because of Confucian pragmatic approach to life or, as Weber would emphasize, a special kind of “Confucian rationalism,” which “meant rational adjustment to the world,” even though it differs from Puritan rationalism that works for a “rational mastery of the world” (p. 248). On this pragmatic nature of Chinese national character, Daisetz T. Suzuki would probably not disagree with Weber as he himself so comments on the very origin of Zen Buddhism. If it is not because of the Chinese culture that makes “Chinese pragmatism solidly welded with Indian metaphysics and its high-soaring speculations,” emphasizes Suzuki, “it is unlikely that Zen could have grown even in the congenial and, therefore, fruitful soil of Japan” (1959, p. 350). In addition, there are also quite a few spots in Smith, such as his emphasis on the virtues of benevolence, prudence, propriety, reciprocity, guarded optimism, as well as his praiseworthy attention to liberal education and literature, could all find their significant counterparts in Confucius to function
as the “common ground” or as the crucial points of departure for further interdisciplinary and cross-cultural dialogue in ways, as Smith himself would so suggest, through imagination assisted sympathy especially via the mediation of art and literature. Smith’s own writing itself certainly justifies such an argument, particularly his *TMS*, which is, as Griswold points out, so full of references to “plays, novels, and poems, but particularly tragedies … [as to] completely overshadow [Smith’s] relatively rare references to properly philosophical texts” (p. 59). Even “at times,” his *TMS*, “so permeated with examples, stories, a literary reference and allusions, and images,” comes to “present the character of a novel” with “narrative and analysis … interwoven throughout” (pp. 59-60).

35. See Sima Qian 司馬遷’s “Guanyan Liezhuan 管晏列傳” of *Shiji 史記*, in which the great historian appraises Guan’s practical political wisdom as does Confucius in *The Analects*.

36. When Mencius is asked to compare Confucius with Bo Yi and Yi Yin, he replies, “Confucius would accept office or retire, go on working or quit at once as he saw fit.” This as-he-saw-fit responsive flexibility, according to Mencius, sets Confucius so strikingly apart from, Bo Yi, who “would only serve the right kind of king and reign over the right kind of people” and “would accept office when the world was in order and go into retirement when it was in disorder” (3: 2); Confucius also differs, for the same reason, from Yi Yin, who “would serve any kind of king and reign over any kind of people and would accept office no matter whether the world was in order or in disorder” (3: 2). Thus, this remarkable Confucian flexibility most characterizes the master’s otherwise seemingly incomprehensible conducts. Clearly, it is this most crucial way of responding to the actual reality that enables Confucius, as Mencius suggests, to avoid the extremes that he finds in other “exemplary persons” [junzi 君子], such as Bo Yi, who is “too strait-laced, and Hui of Lu Xia, who is lacking in self-respect” (3: 2).

37. Not only Confucianism but also Daoism often does seem to emphasize a practical spirit of can-doism or practical optimism and wisdom that Smith well personifies, such as his emphasis on the importance of guarded optimism plus reasonable, well-communicated and morally sound gradual approach to matters regarding economic welfare. This compatible spirit can certainly helps us to understand this seemingly all-too-sudden miraculous growth of China’s “miracle economy”. From Ahab-like sun-chasing and mountain-digging monomaniacs to “human-cloning” and nature simulating stunts, the famous stories of *Liezi* do illuminate the supreme power of nature over humanity; it also reveals, however, the crucial messages that emphasize the irreducible agency of humanity in ways as if quite contradictory to the book’s reputation as a *Daoist* classic – with such often overlooked themes on philosophical optimism, practical advice, and moral remonstration. Hidden in the double-edged stories, these themes underlie the importance of being reasonable, practical, or pragmatic in understanding how infinitely much we humans can do once we know how *reasonable* and *pragmatic* we must also be. Therefore, with every “can-do” message so philosophically confirmed in the *Liezi*, there is simultaneously a “how-to” manual so practically laid out as well as “how should not” moral advice consistently implied in the *Liezi* because, what we can do does not necessarily mean that we should do it,
as it is so emphasized in the Liezi, particularly the robot making humanity. In this often referred to story, there are two intertwined implications, for instance, that is, no matter how perfect we can possibly be, nature is always ahead of us; the second is that we should always know where and what our limits really are in order to do our best and not to do anything merely to show our cunning skill out of sheer vanity. It is because, no matter how perfectly we can be in simulating nature, so implies the Liezi, what can be simulated is ultimately still not as “natural” as the original. So there should always be such precaution regarding what we can but should not do at the same time. This however does not mean giving up on trying for the best but emphasizes how to maximize our human endeavour for the best possible results in accordance with our knowledge of where our limit really is. As in Daodejing and the Zhuangzi, the difficulty of communication is often stressed with the pointed reference to the very paradoxical nature of human language. But such a reference is not meant to emphasize the ultimate impossibility of communication or to dismiss it as futile any human effort for mutual understanding through communication; instead it emphasizes, as does Smith’s usual reference to the inherent difficulty for a sufficiently-communicated and reasonably coordinated commercial activity, not only the very necessity but also the possibility for us to maximize our effort within the utmost limits of human language for the best possible results against any unnecessary negative consequences.

38. While discussing why Japan becomes the first Asian country that so swiftly modernizes itself as its initial response to the threats from the West, John Whitney Hall uses this quotation that he also borrows from elsewhere; this is the quotation that fits perfectly here as well.

39. It is no wonder that there are still so many different views regarding the problem, which, for Knud Haakonssen, is no more than an “old hobby-horse” and, for Iain McLean, a sheer “nonsense” or “bogus” that eclipses egalitarian nature of Adam’s thought, because “once we have disposed of the Adam Smith’s pseudo-problem, it is easy to see that Smith believed that people would often naturally offer a helping hand to those who needed it” (p. 90). While Otteson still believes that the problem is real and unsolved, D.D. Raphael considered that the problem exists more of technical reason than an innate cause. Whatever ways we see it, the so-called Adam Smith Problem actually indicates where all the misunderstanding of Smith starts and should be resolved thereby or where competent understanding should proceed. The problem, as Dogan Gocmen sees it, for instance, means an opportunity to explore Smith as a dialectician because the problem not only underlines the ever present conflict between self and society but also Smith’s efforts in dealing with it. For Fonna Forman-Barzilai, even though the problem is pretty much discredited, she still has to go about it regarding how far she can go with her efforts in reconciling Smith, the staunch localist or particularist, with Smith, the pluralist and cosmopolitan. The problem therefore may not be a problem but rather an indication of the inexhaustible resources for solving any such actual/perceived problem; it can help us deal with the simultaneous ongoing process of globalizing and localizing economy and culture. If we change our minds to see everything not in terms of specific time and purpose but as in an
on-going process, we may cease seeing so-called Adam Smith Problem a problem but Smith’s responsive and disciplined ways in handling the live humanity. “A foolish consistency, as Emerson sees it, “is the hobgoblin of little minds, adored by little statesmen and philosophers and divines. With consistency a great soul has simply nothing to do” (p. 152). Both Smith and Confucius should both agree with Emerson in this regard.

40. What features Griswold’s work on Smith is its emphasis on the interdisciplinary nature of Smith’s approaches that tend to utilize as much human knowledge as Smith sees fit especially in a coherently balanced manner, which is reflective of the idea of “interdependent independence.”

41. The scene that McLean refers to is not only dramatic but also a bit “comic,” that is, “When the Commons held a debate on proposal to set a statutory minimum wage in 1795, both sides quoted Adam Smith in their support. Samuel Whitbread pointed out that Smith had written in favour of regulation tilted toward the workman, and more generally on behalf of high wages. Against him, Prime Minister Pit called Smith in aid of his argument for removing restrictions on the free movement of the unemployed. There were both admirers, but Rothschild … concludes that ‘Whitbread’s Smith is in many respects closer to the ‘real’ Smith, or the Smith of the real Wealth of Nations” (p. 90).

42. While highlighting Smith’s unique personality as well as the legacy that he so personifies, Ryan Patrick Hanley calls Smith “a moral philosopher-turned-economist-turned-moralist again” particularly referring to Smith’s unmistaken “self-conception” (p. ix, emphasis added). “Smith’s uniqueness,” emphasizes Hanley, “is largely captured by his capacity to appreciate the benefits as well as the challenges of commercial society” along with his “substantive conception of virtue that renders [him] of continued interests today” and his “very spirit of his philosophical engagement with practical political problems[, which] is perhaps his greatest legacy” (p. 11). Most noticeable of Smith, emphasizes Hanley, is his “attitude towards commercial society, [which] is one of guarded optimism informed by a sense of pragmatic realism” (p. 11, emphasis added). It therefore makes perfect sense why Smith “occupies a unique place on the spectrum rather than degenerating into partisanship or detraction” and why “a similar attitude may be useful to us” (p. 11). Therefore, “if indeed we are today, for better or worse, ‘stuck’ with commercial liberalism,” suggests Hanley, “our challenge is to demonstrate how it can be improved so that its best effects are maximized its worst ameliorated, rather to demonstrate either how it might be replaced, on the one hand, or why it should be complacently accepted, warts and all, on the other” (p. 11). Thus, with all that we can benefit from Smith’s enduring legacy, “what is needed–and what Smith provides–is an opportunity to transcend the-all-too common propensity to side ‘for’ or ‘against’ the project of commercial modernity or liberal enlightenment mote generally” (p. 11).

43. In the kind company of a good friend, Dr Shen Jianming, Vice Director of Policies-Making and Supervising Cabinet of Zhejiang Province, China, I visited Long You in the summer of 2009.

44. Confucius’ idea of (Jun zhi bu qi) of The Analects (2: 12) is translated by Simon Leys as “A gentleman is not a pot” because “the capacity of a gentleman
Understanding China’s Economic Growth in Global Context through Adam Smith

[...]

References


Telling stories of wartime China from the perspective of a Eurasian boy, Kwan’s memoir reconstructs a lost China where unforeseen wars and revolution, international politics, and economic disorders in the 1930s and 1940s changed people’s life courses as they carried on their patriotic struggle for survival. The 2012 new edition adds a preface by the author’s son on his father’s late years in China since 1980s, which presents the author’s life story in a Chinese emotion yeluo guigen – fallen leaves return to the root of the tree. The book provides fascinating details on the lives of a Chinese family with a British housewife, their interactions with other Westerners, Eurasians, and Chinese folks. Kwan focused on how turbulent changes in China affected his coming-of-age, his family members and their friends. Through the inquisitive eyes of a biracial child in search for his identity at home, within the small Western community, and in Chinese society at large, Kwan presented the contradictions, brutality and ruptures in wartime China with fresh and humane touches.

The first eight chapters described the sheltered and privileged life of David’s childhood. Born in Japanese occupied Harbin in 1934 as the youngest son to an influential railway administrator who worked underground for the Nationalist government, Kwan’s Swiss biological mother jilted him, and he called his father’s new British wife Ellen as Mother. Under his father’s tutelage, David had lived with Anglo-Chinese friends in British Concession in Tienjin, developed friendship with a tenant farmer who engaged in guerilla activities in Beidaihe, and enjoyed the life of the Western community at the Legation Quarter in Beijing which isolated them from “war, disease, poverty and starvation.” (p. 56) David was not immune to the suffering of ordinary Chinese through shared experiences of Japanese bombing, gunfight, and martial law, and interactions through shopping, sightseeing, and vacation breaks. First tutored by Chinese teachers then attended the International School, David grew up bicultural with the knowledge his father was a secret agent for the Nationalist government in Chungking. After the Pearl Harbor Incident, Japanese sealed the Legation Quarter and closed the International School. David attended a Chinese school briefly where he suffered from excruciating racism and bullying.
Chapters 9-16 told stories of David’s years in Qingdao, a German Concession which changed hands from the puppet Nanking regime, to the restored Nationalist government, then to the Communist. David attended a Catholic School where teachers humiliated students and education was poor. He made friend with a Eurasian kid Shao whose soprano voice “was the glory of the choir” (p. 113), and became an altar boy. Father organized sports meet to defeat Japanese denigration that “Chinese are sick men of East Asia”. Hiding from his tree house, David enjoyed watching the Japanese Navy admiral next door had afternoon tea with his wife, and enjoying their Western music from a gramophone. Ellen befriended with an Italian widow Maria Contini who ran an antique store. As the Pacific War intensified, the Kwans helped wounded resistance fighters, including an American airman Captain Perry. The bully Brother Wilfred was frightened to death by Japanese air raids, and the school headmaster Brother Feng who was thought to escape to the guerilla band actually survived by hiding in a cellar. Mayor Yue who had connections with the Chunking government secretly colluded with the Japanese.

When the Japanese surrendered, the privileged lives of the Kwans deteriorated. The National army backed by American forces seized property and assets from civilians: took away Maria’s antique store, occupied half of the Kwan’s house, and seized their and their bank accounts and house in Beijing. The coward Brother Wilfred and chameleon Mayor Yue became resistance heroes, yet David’s patriotic father was under investigation because of his previous affiliation. Believing in Father’s integrity, the family hired a lawyer Mr. Shi rather than bribe for his freedom. Mother worked as a secretary for US military base and had a close relationship with Captain Perry who now stationed with US marine in Qingdao. David’s friend Shao lost his voice and developed close relationship with US marine, which brought him humiliation at school. As soon as Shao’s father was released from detainment, they moved to Brazil. Lonely and unpopular, David joined Boy Scouts and became cynical and callous. When Civil War broke out in China, Captain Perry withdrew from Qingdao with US Marine, and Maria sailed for New York to be reunited with her son. Mayor Yue who lost his backing was sentenced to death as a corrupt official. As David’s brother Tim who served the China’s National Airline in wartime helped get Father out of prison, a cable from G2 in San Francisco confirmed that Father had been their liaison since the Japanese incursion. The family arranged David to study in Hong Kong before the Communist takeover.

Chapter 17 took us to Shanghai, David’s last stop in China on his way to Hong Kong, where he witnessed the street smartness of local people, and how inflation and financial collapse affected people’s lives. Interesting episodes unfolded complicated relationships among family members: his greedy brother Albert and his wife held the boy as a hostage to extort money. David’s grandmother, the matron of a prominent gentry household favoured the boy
because of his familiarity with Chinese culture. Rescued by his cousin from Albert’s control, David flew to Hong Kong at the age of twelve.

The book makes several contributions to the study of wartime China. First, it touches racial meanings of being Eurasian – seen as “half-caste” by Europeans, “foreign devil” by Chinese, and “evil imperialists” by a Japanese teacher. Second, it emphasizes on human suffering during the wartime by contrasting the earlier privileges of the Western Community in China with their unexpected endings – captured and killed by the Japanese, repatriated from Japanese prison camps, and reunited with family members elsewhere in the world. Third, it provides an alternative way to look at Chinese history in the 1930s to 1940s from a global perspective, and reminded people of less known history – the wartime puppet regimes and their collaborators, Japanese discrimination against Westerners, and the brief US military and marine presence on China’s coast before the Communist takeover. The book portrays a gallery of vivid characters of all nationalities in wartime China, and captures the lure of a lost world.

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Book Review


Richard McGregor’s *The Party: The Secret World of China’s Communist Rulers* portrays the picture of an omnipresent and (sort of) omnipotent Chinese Communist Party. One of the most memorable quotes in that book comes from a Chinese professor: “The party is like God. He is everywhere. You just can’t see him.” However, had McGregor read Lance Gore’s *The Chinese Communist Party and China’s Capitalist Revolution*, he may have to modify his conclusions. True, the party is powerful, but its party organizations are not as secure as its ruling positions. Gore’s book gives another picture of the party – a party in which its grassroots organizations are either in atrophy, become irrelevant, or have been assimilated by the market.

The key thesis that Gore attempts to argue is that the Leninist party organization and the market are fundamentally incompatible, and increasingly the latter has decisively prevailed over the former. In making the case why capitalism supports democracy, a leading liberal economist, Robert Heilbroner, argues that “It is certainly not that the pursuit of capital breeds a liberty-loving frame of mind, it is rather that the presence of an economy within a polity gives an inestimable aid to freedom by permitting political dissidents to make their livings without interdiction by an all-powerful regime.” Gore here is making a similar assertion about the impact of the market in China: it provides an alternative source of resources and rewards outside of the control of the party. Gore uses the theory of institutionalism and affiliated theoretical concepts such as “institutional isomorphism” to explain the impact of market capitalism on the socialist ruling party. Accordingly, the market has “an isomorphic effect in the Chinese communist institutions” (p. 34) including the nomenclature system, the residential registration system, the work unit system, shifts the interest calculation of the party members (they can now pursue opportunities outside of the party channel), reshapes social and institutional orders, and remakes the party.

The empirical chapters hence are devoted to testing this thesis, by looking at the party’s presence and activities in various spaces such as village administration, private enterprises, foreign-invested enterprises, state-owned
enterprises, newly formed urban communities, universities and colleges, as well the party’s interaction with various social classes. What Gore has found is either party’s atrophy in the face of market forces or prevailing submission to the market rules on the part of party organizations. For example, in village politics, party leaders have to become entrepreneurial leaders who can lead the villagers to prosperity, otherwise they will simply lose credibility in the eyes of the villagers. Large numbers of migrant party members are either inactive or uninterested in party’s work and affairs. In order to lure back these party members, the party organizations have to make themselves “service” centres similar to social work organizations. In private and foreign-funded enterprises, party membership can even be seen as minus point in the eyes of enterprise management. In any event, there is hardly anything for a party member or a party organization to do in these enterprises. Their presence simply is surplus to requirements of a successful business operation. In state-owned enterprises, where the party wields more influence, the criteria to recruit and promote party leaders in these enterprises look similar to how a capitalist enterprise would recruit or promote its staff and employees. In universities, where party’s recruitment remains strong, overwhelmingly new recruits are interested more in how party membership enhances their future career than in party’s ideology or mission. In other words, instead of recruiting party devotees, the party maybe recruiting a lot more opportunists than it desires. In urban communities, residential party members are simply not interested in party work anymore. The party does have many strategies of adaptation, but the result of implementing these strategies is the increasingly assimilation of the party into the market.

In terms of the party’s relationship to its social base, Gore has also shown that the party is hardly a vanguard of the working class or workers-peasants alliance. Workers and workers-peasants combined do not even constitute half of the 80 million party members. Instead, the “middle” class appears to be the backbone of the party. Gore differentiates between the “old” middle class (concentrated in the state sector) and the “new” middle class (concentrated in the private sector). While the party still enjoys some support among the “old” middle class, its relationship with the “new” middle class is much more challenging. The “new” middle class hardly depends on the party for their wellbeing, and are active in forming NGOs to focus on various policy issues. As a dynamic social class, it is relatively difficult for the party to “penetrate, organize, and mobilize” (p. 69).

The party “is still in power, but many of its grassroots organizations are no longer ruling,” asserts Gore (p. 115). This picture clearly contrasts with McGregor’s portrayal of the party. McGregor focuses on the repressive power of the party, which remains tremendous, but neglects the phenomenon that in
daily battles with the market forces, the party is hardly victorious. Gore’s book is a superb documentation and analysis of this phenomenon. Gore is optimistic about the democratic future of China. He argues that the market’s assimilation of the party will gradually make it less a Leninist party. In addition, “it is in competitive elections that the grassroots organizations of the party may be re-energized: they would find a new mission, a new identity, new raison d’être, and new relevance with which they could develop new relationships with the masses” (p. 139). Gore henceforth sees the recent promotions of “intra-democracy” as significant indications of this transformation of the party.

This book is excellent, with strong theoretical and empirical components. It will be a required reading for anyone trying to understand the Chinese Communist Party.

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