Beijing likes to portray itself as the last bastion of Communism. Annette Chan isn’t convinced. She finds the Communist elite adapting remarkably effortlessly to the brave new world of China’s market experiment.

In the socialist and post-socialist economies alike, profound social tensions threaten to stymie the economic reform processes that have been set in motion. In the Eastern European countries which have already adopted a democratic political system, it is now all too clear that even after the overthrow of the communist parties, it is not easy to transform the economy into a capitalist one.

Some of the former East European dissidents—the likes of Vaclav Havel—have articulated concern regarding the plight of ordinary people during the difficult transition to the new economic order. But such concerns have been near-absent in China. Here I am not thinking of Deng Xiaoping and the political hardliners, but rather the increasingly influential intellectual elite and, in particular, the branch of the political elite that has been most fervently in favour of economic and political reforms. A large number of well-known intellectuals have, in the past, served in the think-tanks of the now-ousted Communist Party secretary Zhao Ziyang, the champion of economic reforms. In their reform program there is little mention of the human costs to be incurred. Concern about unemployment and widening inequality are dismissed out of hand as a throwback to the “eating from a big pot” syndrome of maoism.

It was under this new program of economic development through greater reliance on market forces, spurred on by the official slogan of “allow a few people to get rich first”, that China reformed its economic system in the 1980s. The initial successes of the economic reforms invoked the envy of the East Europeans and the Soviet Union, China’s private capitalist sector was then the most sizeable of all the socialist states.

However, over the last decade, this hybrid planned/free market economy has become a mechanism by which the Chinese nomenklatura has been able to enrich itself. Officials could take advantage of a government-sponsored double-track pricing system, using their power and connections to resell, privately and at a high market price, the
centrally-allocated goods they had bought at a low state-controlled price. Or else the party secretaries and directors of enterprises could step forward as candidates to lease out their own enterprise, guaranteeing that a fixed amount of revenue would be turned over to the state as rent each year. They could then lay off workers and reduce wages, cutting the salary budget in the name of efficiency, meanwhile granting themselves high salaries and bonuses. So lucrative has this ‘leasing-management’ practice become that it has aroused a heated debate in the press as to whether it constitutes ‘capitalism’ and whether a new class of ‘capitalists without capital’ is in the making.

But the most lucrative exercise of all is to get into the import-export trade, a line of business which is largely monopolised by the close kin of national leaders. Much of this economic activity involves establishing ‘trading companies’ in the various provinces of China, or in the
special economic zones like Zhenzhen, or in Hong Kong. The rakeoffs are massive. In many respects these export-import middlemen, whose only assets are high family connections, can be called 'socialist compradors', the equivalents of the pre-1949 businessmen who were labelled as hated "enemies of the people" when the communist government first took power.

In short, while the political structure and the command economy are still under the control of a one-party system, the Chinese economic reforms have within ten years effected the rise of a new monied class—a class largely born within the households of the party nomenklatura. The remainder of this new monied class, to be sure, are entrepreneurs who have risen by their own efforts, all the while paying off the nomenklatura for the privilege. These two groups of different origins within the new monied elite are beginning to intermingle, and are intermarrying. That is to say, while monopolising political power, and not even aiming for a complete dismantling of the command economy, the Chinese nomenklatura is well down the path of transforming itself into part of a new dominant economic class.

Whichever direction China heads in over the next couple of decades, be it as a one-party state operating a hybrid command-market economy, or a multiparty system with a free-market economy, the nomenklatura and its progeny and in-laws look likely to end up controlling a lion's share of the wealth.

In the mass protests of 1989, the democratic movement demanded an end to "bureaucratic corruption" and "official profiteering". These demands implied that if the party had the will to reform itself and combat its members' "corruption", the health of Chinese politics and economy could be restored. After the Beijing massacre, in response to the grievances that had been expressed in the streets, the top party leadership trumpeted a major anti-corruption campaign. This proved ineffectual. The underlying reason is that the "corruption" is not a by-product but rather an integral part of the economic reforms. "Bureaucratic corruption" and "official profiteering" are part and parcel of the gestation process of a new elite class. Though the participants in the 1989 mass protest movement did not always see things this way, their fulminations against "corruption" could be seen in effect as a concerted outcry against the rise of this new class.

Some Western and Chinese observers have argued that this was the source of the popular protests. Yet the economic reforms of the 1980s had, if anything, been proceeding at a helterskelter pace. More often than not, laws were promulgated only after Communist Party reform edicts had already instituted substantial economic and social change. Policies were carried out without any adequate legal provisions or institutional framework to prevent the rise of blatant corruption. Instead, the economic restructuring was made possible because the party nomenklatura found the restructuring within its own interests; they did not resist it precisely because it enabled them to be the beneficiaries of a less economically fair society. And the top party leadership was clearly aware of this. In order to persuade the bureaucracy to implement the reforms, the reform leadership refrained from cracking down on the corruption and the shady 'grey areas' of nomenklatura self-enrichment. If there was to be a new monied elite, after all, why should it not be this group as against, arbitrarily, some other?

By comparison, the urban workers deemed themselves to be the losers in the new order, as the protests of 1989 amply showed. While the workers had accepted in principle that economic reforms of some sort were needed, they were not ready to accept growing lay-offs of blue-collar employees in the name of industrial efficiency. Worse still, workers were being told to tighten their own belts at the very same time that they could see the nomenklatura fattening themselves. The nostalgia expressed by some workers during the Tiananmen protests for the maoist era—an era of near-equal poverty for all and of low-productivity job security—reflects the fact that many have not seen the reforms as benefiting themselves sufficiently to offset the losses in their social standing and security of employment.

If the 1989 mass protest movement was an inchoate initiative to block the formation of a new political-economic class, one that they could see had been taking root under the tutelage of the monolithic party-state, the apprehensions of the democratic movement have not abated over the past two years. The private sector of the economy is again expanding rapidly. In terms of who is able to rise, the playing field is still not level, and thus the resentments remain.

Since 1989, the party leadership has been desperately trying to woo the workers back into the fold by appealing to their "proletarian consciousness". Despite the chronic problem of over-staffing in the workplace, great efforts have been made to rehire dismissed or partially laid-off workers. The new twist in enterprise reform, at least rhetorically, now includes workers' rights to participate in management. Staff-and-workers' councils are to be strengthened; and trade unions are to represent the workers' interests instead of serving openly as an arm of the administration. There are signs that the trade unions are, in fact, taking advantage of these new slogans to wrestle greater independence and power for themselves.

But without radical institutional reforms, the chances of success in placating the workers and in raising their work incentive remains poor. Workers' productivity in the state enterprises continues to decline. The clarion call to "save socialism" is raised in the name of "class interest", but it is too palpably devoid of content. Whereas Chinese reformers put a premium on economic development at the expense of heavy social costs, the Chinese hardliners put a premium on protecting their power and maintaining stability by half-heartedly asserting that they wish to mitigate the social costs involved—all the while doing little to stop the nomenklatura from transforming itself into a monied elite. In this regard the top Chinese leadership has clearly learned no lesson from the 1989 upheavals.

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