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THE MODERNIZATION OF FACTIONALISM IN CHINESE POLITICS

By LOWELL DITTMER and YU-SHAN WU*

THE informal dimension has always been paramount in Chinese politics. This was the case when Mao Zedong was in command, and it remains the case under Deng Xiaoping, despite all attempts to minimize its impact. It may be argued, nevertheless, that the nature of informal politics has changed significantly in the course of reform. How should we approach this phenomenon? With the People's Republic of China (PRC) moving to a new stage of political development, can we provide an analysis that is valid for both historical periods? These are the questions this paper attempts to answer.

We argue below that just as Chinese politics as a whole has been changing to reflect the economic shift from plan to market, elite factionalism has been evolving as well. Whereas a hybrid model of "partial reform" is best suited to the current Chinese economy, a modified factional model is the most useful analytical tool to understand elite politics in the Chinese Communist Party (CCP) at its present stage of development. Granted this conceptual innovation, not only did factionalism not abate during the post-Mao period, but it may actually have increased. Our most basic modification of the original model is to see Chinese factionalism as concerning itself not only with particularistic group and member interests, but also with economic and other public policy issues. This introduces the possibility of analyzing the relationship between macroeconomic issues in the public arena and factional disputes within the leadership core—an analysis we undertake in the second half of this article.

This change is a concomitant of the shift in the locus of major policy debate in the post-Mao period. We argue that reform united the victims of the Cultural Revolution after Mao's death, making for con-

* The authors wish to thank Richard Baum, Haruhiro Fukui, Peter Lee, Andrew Nathan, Arthur Rosenberg, Susan Shirk, and Dorothy Solinger for their helpful comments on an earlier draft of this paper. Thanks are due to the Informal Politics project funded by the University of California Pacific Rim Research Program, for financial support.

sensus upon the defeat of Hua and his neo-Maoist faction. But then, in keeping with Riker's minimal coalition principle, the reform coalition disintegrated:¹ within the general reform camp, Deng Xiaoping's pro-growth group came into conflict with Chen Yun's pro-stability group. This friction was caused by mainland China's cyclical developmental path, which was in turn a by-product of the synchronization of the business and reform cycles. It is important to note that this synchronization was contingent rather than a priori: reform is not necessarily correlated with economic expansion, nor retrenchment with contraction. In any case, synchronization exacerbated the intensity of the cycle, subjecting reforms to periodic criticism by the moderates and conservatives for having precipitated inflation, overheating, and other macroimbalances. These critics used the opportunity to rein in reform excesses and purge reformers, temporarily stalling reform momentum.

The first section of this paper evaluates some of the more promising paradigms for conceptualizing informal politics, including both factional and nonfactional approaches, and culminates in a preliminary attempt at synthesis. The second section applies this model to factional behavior during the reform era, in an attempt to demonstrate the dynamic interplay of economic variables and factional political maneuvers. The major purpose of the study is to reconceptualize factional politics to enable factions to pursue policy goals, thus making it possible to map out the relations between factional dynamics and political-economic cycles. As such, we will not go into the details of events but will instead offer a fresh theoretical perspective for analyzing China's new political economy under reform.

CONTENDING DEFINITIONS OF INFORMAL POLITICS

Informal politics has been defined in many different ways, usually vis-à-vis formal politics. For Haruhiro Fukui and Shigeko N. Fukai, for example, formal politics attempts to reformulate some existing rules of politics in order to defend and/or advance the collective interests of the group, be it the state or some substate entity, as defined by those in positions of authority.² Since formal politics is created to serve public interests, power politics on behalf of particular interests is by nature informal. It can also be the case, however, that an existing formal order fails to satisfy the material or nonmaterial needs of a large number of a

¹ William H. Riker, *The Theory of Political Coalitions* (New Haven: Yale University Press, 1967).

² Haruhiro Fukui and Shigeko Fukai, "Informal Aspects of Electoral Politics in Japan" (Paper delivered at the Conference on Informal Politics in East Asia, Hong Kong, August 17-18, 1992).

group's members, in which situation a parallel informal order is likely to develop. Seen in this way, informal politics is understood as a functional supplement to an inadequate formal order.

Emphasizing the public, altruistic nature of formal politics as distinct from the "background" or "supplemental" nature of informal politics is surely useful in clarifying the distinction, although it begs the question of how to define the group whose interests provide the decisive criterion. Moreover, definition should define the concept not only in terms of what it is not but also in terms of what it is.

Peter Nan-shong Lee takes a Weberian approach to defining the term. For him, formal politics refers to those kinds of political activities that are organized according to the principle of impersonality, whereas informal politics is identified by the elements of face-to-face relationships of either traditional authority or charismatic authority. In addition to the criterion of personal specificity, informal politics is defined in terms of its working relationship to the legal bureaucratic order: informal politics may be either functional or dysfunctional for the organization's formally defined tasks. Exemplars of the functional informal type involve an effective "leadership core" (a Chinese version of the *Führerprinzip*), opinion groups, and a personnel reward system; examples of the dysfunctional informal type are the cult of personality, factionalism, and a spoils system or "independent kingdom."³ Only the latter, Lee implies, is "factional" behavior.

It is certainly true that formal politics usually appears impersonal, while informal politics often incorporates traditional or charismatic elements. However, there are exceptions to these general rules. The decision to name Lin Biao as the official successor to Mao Zedong at the Ninth Congress of the Chinese Communist Party in 1969 and to write it into the constitution was a formal legal act, but it was also a decision made by dint of Mao's charismatic authority in the overall context of a premortem quasi-dynastic succession struggle. In a society governed by legal-rational principles, as in the West, formal politics normally conforms to these rules and appears objectively impersonal. But in a political system that is essentially traditional or charismatic, such as Maoist China, legal-rational aspects tend to be subverted by the informal political environment. The boundaries of informal politics are thus to some extent coincident with the political culture of the macrosystem and do not accord with Weber's ideal types.

³ Peter Nan-shong Lee, "Informal Politics and Leadership Succession in Post-Mao China" (Paper delivered at the Conference on Informal Politics in East Asia, Hong Kong, August 17-18, 1992).

Another way of defining informal politics, as argued previously by Dittmer, is through an understanding of "relationships." According to this conceptualization, there are two types of relationship, the one value-rational and the other purpose-rational. (Although the terms are derived from Max Weber, let the reader beware: Weber was referring to actions, in the context of which, for example, a value-rational act is aimed at the realization of an absolute value; in reference to a relationship, however, it has a quite different connotation.) A value-rational relationship is one that is valued as an end in itself; it is typically built upon various connections (*guanxi*) that include shared kinship ties, common geographic origin, former classmates, teachers, or students, or some other bonding experience. A purpose-rational relationship, by contrast, is instrumental to the achievement of other ends and is formed with those colleagues, subordinates, and superiors with whom one has routine occupational contacts. Whereas the aggregation of one's value-rational connections constitutes an informal power base from which to exert informal power (*shili*), one's occupational or "business" connections together comprise the formal power base from which one can exercise official power (*quanli*). A formal power base is explicit and can be mobilized for a wide range of organizational objectives. However, career officials will be reluctant to rally around a colleague when personal interests are at stake and when the risks of implication are high. They are likely to balance their colleague's requests against various bureaucratic interests. If the affected cadre is to find support under these circumstances, any informal network must necessarily be mobilized at this time. However, one's web of personal connections (although flexible and mobilizable) is more implicit and may fail to rise to the task at hand. To sum up, informal politics is defined in terms of the realm of *shili*; and formal politics, in terms of the realm of *quanli*. And the two may interact in various complex ways.⁴

There are two sets of concepts here. Value-rational relationships are to informal political networks and *shili* politics as purpose-rational relationships are to formal power bases and *quanli* politics. In each set, the higher-level concept is defined in terms of specific lower-level concepts. Thus, informal politics is defined in terms of informal political bases, which in turn are defined by value-rational relationships. Never-

⁴ Lowell Dittmer, "Bases of Power in Chinese Politics: A Theory and an Analysis of the Fall of the 'Gang of Four,'" *World Politics* 31 (October 1978); idem, "Chinese Informal Elite Politics: Toward a Reconceptualization" (Paper delivered at the Conference on Informal Politics in East Asia, Hong Kong, August 17-18, 1992).

theless, there are apt to be empirically mixed cases, since the relationship between *quanli* and *shili* is rather fluid. *Shili*, an informal political base, may therefore also be built on relatively purpose-rational relationships, as clients enter into reciprocal ties with a patron having personal interests high on their agenda. The other side of the coin is that whereas old comrades-in-arms types of *guanxi* may constitute important value-rational relationships for a veteran politician's informal power base, a patron may on occasion dispense with such connections—even in such a highly “informal” political power play as the Cultural Revolution, which saw Mao dump much of the Hunanese “mafia” in favor of a new ideologically based coalition of mixed value-rational (for example, Jiang Qing) and purpose-rational (for example, Zhou Enlai) connections. During the current reform era more and more value-rational relationships seem to be turning into purpose-rational ones, with the old ties of the pre-Liberation period either dying out or adapting to the new system of needs.

Another problem is to restrict informal politics to the wielding of *shili*. It is usually true that (1) in routine bureaucratic politics, an actor will be prone to mobilize his or her formal bureaucratic constituency to fight for interests shared on the basis of similar organizational perspectives (for example, budgetary allocations, jurisdictions, policies) and that (2) in times of crisis, when an actor's own political survival is at stake, one may resort only to the informal alliances that constitute one's political base.⁵ However, politicians can and do mobilize their bureaucratic constituencies for purposes of critical self-interest. Mao's purge of Peng Zhen and the Beijing Municipal Party Committee at the onset of the Cultural Revolution and the sweeping purge of the People's Liberation Army (PLA) following the purge of Yang Shangkun in 1992 reveal the close connections between politicians and their bureaucratic constituencies. Similarly, an informal power base can be used to advance formal, bureaucratic interests, as politicians exploit personal connections for their pet projects. The institution of the “expanded conference,” apparently unique to China among Communist Party-States (at least nowhere else used on such a scale or frequency), was devised precisely to allow such scope for informal mobilization.

⁵ Dittmer (fn. 4, 1978), 33.

APPROACHES TO FACTIONAL POLITICS

In contemporary China factional politics is the core of informal politics.⁶ According to Andrew Nathan, a faction is a vertically organized structure composed of face-to-face (rather than corporate) clientelist ties between leaders and led.⁷ Chinese politics is said to be inherently factional in nature, notwithstanding Mao's (not altogether consistent) efforts to put it on a more impersonal footing based upon radical ideology. In a system much like the international balance of power that prevailed in much of nineteenth-century Europe (specifically, from the Congress of Vienna to the fall of Bismarck), there exists a code of civility among elite factions that grants each a right to existence. Tang Tsou, in his famous critique of Nathan's thesis, argues against the assumed ideological consensus and the balance of power, "live and let live," no-win pattern said to prevail in Chinese politics.⁸ Tsou asserts that the struggle for power in the CCP has, during most of its history, resulted in the ascendancy of one group or coalition of groups. This debate need not concern us here, as the result of factional politics is not as germane as is the emphasis on factions (for Tsou, informal groups) as the building blocks of Chinese informal politics, a point on which both Nathan and Tsou concur. The point is thrown into sharp relief by Lucian Pye, who finds only the factional model to be adequate for explaining political phenomena in the PRC.⁹ Although Pye's psychocultural explanation of the origins of the Chinese factions is still controversial, his emphasis on the pervasiveness of factional networking has been broadly accepted. As Chinese politics proceeded from Mao's radicalism to Deng's reformism, factionalism took on new form but hardly disappeared.

Perhaps the single most culturally distinctive component of Chinese factionalism is the clientelist tie. Generally speaking, a clientelist tie in a faction has at least three dimensions: shared attributes, hierarchy, and reciprocity. Reciprocity is the goal, hierarchy the form, and shared attributes the glue. Patron and clients enter into reciprocal relations to exchange patronage and deference/services. The mode of exchange is governed by the relative status of the two parties vis-à-vis each other,

⁶ Benjamin C. Ostrov, "Formal Organization and the Birth of Clientage in the PRC: The National Defense R & D Sector" (Paper delivered at the Conference on Informal Politics in East Asia, Hong Kong, August 17-18, 1992).

⁷ Andrew J. Nathan, "A Factionalism Model for CCP Politics," *China Quarterly*, no. 53 (1973).

⁸ Tang Tsou, "Prolegomenon to the Study of Informal Groups in CCP Politics," *China Quarterly*, no. 65 (1976).

⁹ Lucian Pye, *The Dynamics of Chinese Politics* (Cambridge, England: Oelgeschlager, Gunn and Hain, 1981).

that is, by establishing a hierarchical tie. Before all this can happen, shared attributes have to be stressed to create a minimally affective bond. It is this bonding process that sets Chinese factionalism apart from comparable phenomena in other countries.

Chinese have been widely described as family- and group-oriented, socially dependent beings, with collectivism seemingly the inevitable outcome. However, this general observation fails to differentiate between relationships inside and outside the familistic structure. Strict rules apply for preordained relationships, such as those between parents and children, and little latitude is left for individual initiative. However, as Ambrose Y. C. King argues, in the nonpreordained realm outside the familistic structure, the Chinese traditional culture allows an individual to be an artful creator of his or her own network of connections, primarily by granting him (or her) the power to define shared attributes with other individuals in a highly selective manner.¹⁰ Kinship ties, native place, dialect, religion, and many other attributes can serve as a basis for group identification. A Chinese can choose the suitable items and expand or contract their boundaries at will to create connections with certain individuals, for mutual advantage. This is called *la* (pulling) *guanxi*. *Guanxi* can provide backdoor advantages and privileges, and *la guanxi* is common wherever Chinese live, whether in mainland China, Taiwan, or Hong Kong. Anyone with aspirations to success must learn *guanxixue* (relation-ology). Skillful manipulation of shared attributes is thus the primary basis for building one's network of personal connections, through which favors can be exchanged and personal interests advanced.

With a popular culture of this sort, it is only to be expected that the same mode of connection building will prevail in the political sphere, as the basis of political factions. It really does not matter which shared attribute serves as the minimum affective bond for a given clientelist tie. The point is that Chinese culture offers convenient instruments for forging such ties. This is why Liang Sou-ming asserts that Chinese society is neither *geren benwei* (individual based) nor *shehui benwei* (society based), but rather is *guanxi benwei* (relationship based).¹¹ To be sure, Chinese have been keenly aware of the drawbacks of a system in which particularistic relations proliferate and penetrate formal institutions that should instead be run according to meritocratic and impersonal criteria. The civil service examination was designed precisely in

¹⁰ Ambrose Yeo-Chi King, "Kuan-hsi and Network Building: A Sociological Interpretation," *Daedalus* 120, no. 2 (1991), 67, 69.

¹¹ *Ibid.*, 65.

order to keep the recruitment of public officials immune from particularism (*mianyu renqing*). However, such institutions consume a tremendous amount of social resources, and any lapse in the enforcement of universalistic rules immediately results in a phenomenon called “walking through the back door” (*zou houmen*). Though widely criticized, *zou houmen* is nonetheless practiced at all levels in Chinese societies. Small wonder that with Mao’s revolutionary politics gone, *guanxi*-based particularism seems to have surged in reformist China.

Whereas we submit that the premium on and even the specific techniques for the establishment of factional bonds are relatively distinctive, neither *guanxi* nor any other attribute of informal politics can be said to be uniquely Chinese at this early stage of development of comparative political anthropology. Networking, clientelism, and informal mafias are ubiquitous in politics, particularly in less developed systems where formal institutionalization remains at a rudimentary stage of development. Nevertheless, tenacious roots of Chinese informal politics have found more fertile soil in the PRC than in other systems at a comparable stage of economic development, due to the Confucian disdain for legalism, plus nearly a century of revolution that systematically destroyed every attempt at formal institutionalization as being “bourgeois” or counterrevolutionary—culminating in a populist upheaval against the Communist Party-State apparatus itself in the Cultural Revolution. Where else can one find a political system under the undisputed sway of a man who has “retired” from all formal positions?

NONFACTIONAL APPROACHES

Albeit in the minority, nonfactional approaches to the study of informal politics in the PRC are also to be found. Most prominent among them are bureaucratic models and tendency analysis.¹² Bureaucratic models assign official agencies pride of place in their analyses, assuming that “where you stand depends on where you sit.”¹³ Bureaucratic leaders compete for greater power, prestige, and financial resources and take policy stances accordingly.¹⁴ They also protect their major constituencies; for example, the PLA reflects the interests of the peasantry from which it draws most of its recruits. This approach seems persua-

¹² Harry Harding, “Competing Models of the Chinese Communist Policy Process: Toward a Sorting and Evaluation,” *Issues and Studies* 20, no. 2 (1984).

¹³ Graham T. Allison, *Essence of Decision: Explaining the Cuban Missile Crisis* (Boston: Little and Brown, 1971), 42.

¹⁴ Kenneth Lieberthal and Michel Oksenberg, *Policy Making in China: Leaders, Structures, and Processes* (Princeton: Princeton University Press, 1988).

sive in some cases—as in Nelsen’s differentiation between central and regional commands in the PLA based on the organizational interests stemming from their respective geographic and organizational positions. Generally speaking, however, it is inadequate: membership identification with formal organizations is not assured, bureaucratic boundaries are not the most salient lines of cleavage, and the low level of institutionalization in Chinese politics reduces the importance of formal bureaucratic agencies.¹⁵

Furthermore, bureaucratic models can be subsumed by factional analysis in the study of informal politics, in that common bureaucratic ties are among the shared attributes that may provide the basis for a faction. When bureaucracies function according to official rules, they are operating mainly in the realm of formal politics, which need not concern us here. Once bureaucratic officials are mobilized to engage in informal political activities not sanctioned by established rules, the chances are good that personal connections will be invoked and particular interests implicated: factional politics is afoot. It is a common strategy for a Chinese politician to convert his or her bureaucratic constituency into a factional power base, so that an independent kingdom (*duli wangguo*) or a mountain stronghold (*shantou*) is created, wherein interests and loyalties are so tightly bound that “you cannot stick a pin in” (*zhen cha bu jin*), as Mao realized in September 1965, when he tried to force Peng Zhen to criticize (his own vice-mayor) Wu Han for the latter’s play *Hai Rui’s Dismissal*. In this way, formal bureaucratic organizations serve as trellises that support factions. Institutions then are mere instruments; informal factions are the core.

Another contender in the study of CCP informal politics is tendency analysis, with its emphasis on enduring alternative policy preferences.¹⁶ Both the strengths and weaknesses of this approach derive from its high level of abstraction. Since the focus is on ideas, it can grasp the directions of major contending forces in the political process without risking the uncertainty of identifying the particular leaders or groups promoting such tendencies—information that after all is not advertised. However, this type of hypostatization is also impossible to verify; it is often possible to conceive of a number of different “tendencies” that a given series of political moves might plausibly entail. It also becomes difficult to analyze the support each tendency draws upon, which then makes prediction of the outcome impossible. Another seri-

¹⁵ Pye (fn. 9).

¹⁶ See Harding (fn. 12), 16; see also Dorothy J. Solinger, *China’s Transition from Socialism: Statist Legacies and Market Reforms, 1980–1990* (Armonk, N.Y.: M. E. Sharpe, 1993), chap. 2.

ous drawback of this approach is its assumption that politics essentially involves ideas and the conflict over them; it overlooks the importance of purely personal interests and security considerations. This flaw is fatal for the study of informal politics, where particularistic interests loom large and ideological and policy disputes are often assumed to be tactical facades.

This said, one has to admit that tendency analysis does bring into clearer focus an element that the factional model tends to neglect: a different set of elite goals. Actually, all three approaches—factional models, bureaucratic theories, and tendency analyses—have two basic dimensions: actors and goals. The factional approach assumes the centrality of factions as actors and particularistic interests as main elite goals. The bureaucratic model puts formal bureaucratic agencies at the center and treats resource allocation among them as the major elite concern. Tendency analysis does not specify participants but emphasizes broad policy alternatives as the main motivating forces behind elite actions. Although it is possible in the study of informal politics for factional models to subsume the bureaucratic politics approach (bureaucracies turn into informal factional power bases and interbureaucratic competition over resources turns into factional disputes over allocation), there is no way that the original factional approach can accommodate tendencies. According to Andrew Nathan's definition, factions are composed of clientelist ties through which gifts and services are exchanged.¹⁷ Only personal interests are allowed ambit in such relationships; policy goals are not admitted as a concern of faction leaders or members. This narrowly construed model subjects the whole approach to attacks by those who clearly see the existence of genuine ideological commitments in the CCP's political process, even in the heyday of the Cultural Revolution, when rampant factionalism was the rule.¹⁸ A more realistic factional model should expand the allowable range of elite goals without jeopardizing the basic structure of the model, namely, the *guanxi*-based, vertically organized reciprocal relationships.

CONCEPTUAL SYNTHESIS: A REVISED FACTIONALISM MODEL

A serviceable definition of informal politics should minimally do three things. First, it should encompass the prevailing definitions of the sub-

¹⁷ Nathan (fn. 7).

¹⁸ Harding (fn. 12), 27.

ject matter in the field. Second, it should distinguish informal politics from formal politics, establishing clear conceptual boundaries as a basis for discerning and analyzing change, mixed cases, and other empirical ambiguities. Third, it should define its subject matter positively—not only in terms of what it is not (that is, formal politics) but also in terms of what it is.

The standard notions of informal politics may be dichotomized as either structures or actions. Structures include various types of informal groupings with the faction at its core; these groupings are assumed to be held together by personal loyalty to a faction patron, as Lee suggests,¹⁹ cemented by various particularistic ties. These ties may on occasion be purpose specific, but the most enduring and politically effective groups will tend to be based on value-rational criteria, simply because in the freewheeling political arena in which they operate the temptations to defect for a proffered side payment and the risks of political destruction are too high for opportunistic ties to cohere for long. Factions may coincide with current bureaucratic affiliation and thereby become an “independent kingdom” (partly because a faction patron will use the nomenklatura system to “pack” clients in available openings), but most factional networks transcend strict bureaucratic boundaries. Even the Peng Zhen grouping transcended the Beijing municipal Party committee (including, for example, Lu Dingyi, chief of the Propaganda Department). Factional networks may also fail to encompass the bureaucratic boundaries, precipitating splits when factionally expedient actions do not accord with official duties (for example, Peng Zhen’s small group during the Cultural Revolution included Kang Sheng, a nonfaction member).

Actions pursued in informal politics include conspiratorial maneuvers to effect a coup d’état or some other such political skulduggery, the formation of networks outside or beyond officially sanctioned channels of command and control in order to mobilize political backing for policies in the interests of that faction, and the accomplishment of other tasks or functions not explicitly provided for by formal institutions. In terms of a positive definition, the common element is the pursuit of personal or particularistic ends. This definition accords with the (implicitly pejorative) Chinese vernacular usage, as well as with a fairly widespread Western scholarly consensus, for example, Lee’s distinction between systemically functional and dysfunctional practices, or Fukui and Fukai’s distinction between collective and personal inter-

¹⁹ Lee (fn. 3).

ests. Bifurcating the dimensions of action and structure, Figure 1 generates four types of informal group, ranging from bureaucratic politics (a formal group engaged in public actions consistent with its organizational interests) to factionalism (an informal group engaged in self-promoting schemes and plots). There are two intermediate cases: the independent kingdom is a bureaucratic unit that functions like an informal group, essentially because it has been reorganized clandestinely on the basis of factional loyalty; and the opinion group is a faction that does not engage in nefarious activity for the time being, although it reserves the right to do so in the future.

Closer analysis suggests, however, that the distinction between factions and opinion groups is difficult to draw empirically on the basis of either functional or interest criteria. Take succession, for example: is it functional or dysfunctional? It is certainly essential to the survival of the system, but its consequences may be dysfunctional. While no communist regime has devised a reliable means for the transfer of supreme power, the situation in the PRC is arguably the most serious. Thus, whereas the rapid series of successions in the Soviet Union in the early 1980s suggested a certain elite consensus on the proper rules and procedures governing such transitions, no transfer of power in the history of the CCP can be described as smooth. (The cyclical dynamic of CCP succession is not historically unique; in imperial China the lack of primogeniture also generated uncertainty toward the end of each reign.) Lin Biao's conspiracy on behalf of his own family and factional network appears to be a clear-cut instance of factional maneuver, but even this relatively pure case seems to have involved policy issues, such as whether to oppose the Soviet Union, the United States, or both. Similarly, the Liu Shaoqi–Deng Xiaoping “bourgeois reactionary line” was defined as a factional conspiracy during the Cultural Revolution, but no convincing evidence was presented that Liu and Deng conspired to “seize power” or were even personally close; on the other hand, revisions of Party history since the Sixth Plenum of the Eleventh Central Committee (CC) indicate that Mao conspired with Kang Sheng, Jiang Qing, and others to purge Liu, Deng, and their allies. Deng Xiaoping's gradual triumph over Hua Guofeng and the “small gang of four” (namely, Wang Dongxing, Chen Xilian, Wu De, and Ji Dengkui) proceeded through a series of moves plausibly designated at the time as policy reforms. It is not unthinkable that an informal grouping with a policy line may conflict with an informal grouping without such a line, or that the same group may adopt a line and then drop it. These cases show that defining informal politics in general, and factionalism in

		Action	
		Universal	Particularistic
Structure	Formal	Bureaucratic politics	Independent kingdom
	Informal	Opinion group	Faction

FIGURE 1
FOUR TYPES OF INFORMAL POLITICS

particular, is a conceptual dead end in terms of identifying actors' purposes. Motives are difficult to ascertain, and in most cases they are mixed.

Because the old distinction between factions and opinion groups was in any case hard to sustain, and because factional behavior has (as we shall see below) in the course of reform ever more obviously engaged in the pursuit of bureaucratic interests and policy goals, we propose the following revised conceptualization, which defines factions exclusively in terms of their structure. In terms of goals, the options are plural. Depending upon ambient political circumstances, factions may have three sets of goals, concerning security, material interests, and ideological and policy commitments. These goals constitute a natural hierarchy: security is the top priority, material interests are second, and ideological and policy preferences are last. Factional models, in the narrow sense of the term, were most applicable to the turbulent politics of the Cultural Revolution.²⁰ At that time people fell back upon personal connections willy-nilly, to defend their careers and lives.²¹ It is this observation that prompted Lucian Pye to emphasize the paramount role of Chinese cultural and psychological security drives in bringing about rampant factionalism. From our point of view, the Cultural Revolution made security (both political and physical) a truly

²⁰ Harding (fn. 12), 30; see also Frederick C. Teiwes, "The 'Rules of Game' in Chinese Politics," *Problems of Communism* 28, no. 5-6 (1979).

²¹ See Joseph W. Esherick and Elizabeth J. Perry, "Leadership Succession in the People's Republic of China: Crisis or Opportunity?" *Studies in Comparative Communism* 16, no. 3 (1983), 176; and William L. Parish, "Factions in Chinese Military Politics," *China Quarterly*, no. 56 (1973).

scarce commodity for CCP elites, and it was only natural for them to orient their factional activities toward a quest to maximize it, as that goal was at the top of their value hierarchy. Of course, in the appropriate organizational context elites did discuss policy issues that affected bureaucratic interests differentially, but factions per se remained disengaged from the policy process. Yet bonds formed in situations of high stress tend to hold thereafter. Hence, even when security becomes less of a concern, factional politics will not suddenly be replaced by bureaucratic politics or even by opinion groups; instead, the existing factional groupings will reorient their agendas toward goals that are at a lower level on the elite value hierarchy. Thus, under Deng's reformist policies, Chinese factionalism expresses itself mainly in the competition among elite groups for resources and material benefits (contributing greatly to official corruption [guandao]) and for competing policy alternatives (pro-growth or pro-stability, for example).

This revised model helps explain the spread of factionalism. Indeed, despite a consistently hostile official view throughout the Mao and Deng eras and despite Deng Xiaoping's forceful (and to a certain extent successful) efforts to construct strong institutions and legal systems, we find that the realm of informal politics actually expanded during reform. There are several reasons for this, one of which concerns Deng Xiaoping's apparent personal ambivalence about his own retirement (he had to mobilize his own factional network to undo previous formal arrangements). But perhaps the following are the two most important reasons. First, Deng Xiaoping's successful effort to introduce greater civility to CCP elite politics has reduced the salience of the personal security incentive for the creation of a factional base. This has allowed divergent bureaucratic interests or even personal policy preferences to play a greater role. Moreover, greater civility of course also implies higher tolerance for factional opposition. Second, despite having urged periodic ideological crackdowns, Deng's greatest single contribution to official ideology (Marxism-Leninism Mao Zedong Thought) has been to infuse it with greater pragmatism: white cat, black cat, if it catches rats, it's a good cat; crossing the river by groping for stones; and so forth. Mao's attempt to eliminate factionalism by demanding universal adherence to radical ideological tenets, already rendered impractical by the ideological cleavages of the Cultural Revolution, was further attenuated by Deng's dismissal of ideology from a wide range of policy issues. The lower salience of ideology allows wider ambit for factional recruitment and maneuver.

The upshot is that factions have successfully adapted to the chang-

ing policy landscape of economic modernization by broadening their goals and participating in policy debates with increasing self-assurance. Given its base in personal *guanxi*, a faction can renegotiate its stance on policy issues with great tactical flexibility, as Deng demonstrated in his sudden reversals on Democracy Wall in February 1979 or on price reform in the summer of 1988. Yet factional goal displacement is partial and tentative, as survival remains the *sine qua non*, and it is the career interests of the patron rather than the logic of material and ideal group interests per se that may be expected to dictate policy preferences in the crunch. This was most clearly illustrated by the fragmentation of the “reform faction” in 1986–89 over the conflicting personal interests of Deng Xiaoping, Hu Yaobang, and Zhao Ziyang. In the context of a partially reformed political economy, it is not surprising that factions have undergone only partial transformation to bureaucratic politics.

FACTIONALISM UNDER REFORM

Political factionalism has assumed different forms at different stages of political development in the CCP. One sees from numerous historical cases a whole range of political factions that are built on certain institutional bases but nevertheless have a life of their own. Thus, we have

- the “returned students” of the 1930s (the twenty-eight Bolsheviks)
- Zhang Guotao’s “separatists”
- Xiang Ying’s New Fourth Army group in central China during the war against the Japanese
- the four field-army military factions
- the Gao-Rao group in the 1950s
- the Peng-Huang-Zhang-Zhou clique at Lushan in 1959
- the “white-area” associates of Liu Shaoqi
- the Lin Biao faction that attempted the 1971 *wuqi yi* (“571,” a coded homonym for “armed uprising”) coup against Mao
- the Gang of Four
- the petroleum faction
- Hu Yaobang’s protégés based in the China Youth League
- Zhao Ziyang’s “graduate students” in the reformist think tanks
- the military faction centered around Yang Shangkun and Yang Baibing after the June 4 incident

Informal politics first metastasized during the Cultural Revolution, as Red Guard factions and their elite sponsors vied to fill the vacuum left by the temporary collapse of the party-state. Reform in the post-Mao era did not eliminate factionalism, though it tried. On the contrary,

factions continued to proliferate, taking a form that best suited the prevailing atmosphere. In the past, power struggle for survival (both political and physical) was the main task. Politics qua security was "in command." Under Deng, by contrast, when a deposed Hu Yaobang can stay on in the Politburo until his death and a denounced Zhao Ziyang still seems to hold a bargaining position on his possible future appointments, factions are more oriented toward enhancing group and member interests and pursuing desirable policy alternatives. With reform came a change of task for political factions and new opportunities for factional politics to proliferate with improved chances for attaining legitimacy.

Nothing can demonstrate the dominance of informal politics better than the gerontocratic politics of the late 1980s. Deng, the master politician, managed to put his favorites in leadership posts while creating titular positions for his retiring old comrades. The price was that he himself had to lead the way, and the protégés of other veteran politicians were given secondary positions alongside Deng's designated successors. Deng remained *primus inter pares* among his peers, as did his protégés vis-à-vis their peers. In 1987 the elders finally retired formally from the Politburo but nonetheless retained ultimate control and made selective interventions either when so requested by the frontline leaders or when they themselves deemed it necessary. The formal leadership core, the Politburo Standing Committee, is thus overshadowed by a group of octogenarians who hold only titular positions or no official positions at all. This pattern of remote control is wholly informal, and the patron-client relationships between the first and second leadership "fronts" (*zhanxian*) typically factional. Thus Jiang Zemin was beholden to Deng Xiaoping, Li Peng to Chen Yun, Hu Qili to Hu Yaobang and then Zhao Ziyang.²² The pattern seems to be continuing after the Fourteenth Party Congress, with Hu Jintao emerging as heir to retiring Organization Department chief Song Ping (also with ties to Deng, through Deng's son Pufang), Wei Jianxing as Qiao Shi's chosen replacement on the Central Disciplinary Inspection Committee, and Zhu Rongji, as Deng's latest favorite and chair of the new Economic and Trade Commission, in a strong position to challenge Li Peng. The patriarchal leader Deng Xiaoping was officially merely one of 1,991 delegates to the Fourteenth Party Congress, without any leadership position aside from chairing the China Bridge Association, yet he is

²² Lowell Dittmer, "Patterns of Elite Strife and Succession in Chinese Politics," *China Quarterly*, no. 123 (1990), 410.

the most powerful person in the country. His mortality determines the fate of 1.2 billion Chinese.

By acknowledging that factions remain the major building block of PRC politics, albeit with expanded goals, we can proceed to map out the patterns of interaction between factional dynamics and shifts in China's political economy. In general terms, we see policy as the result of factional maneuver. The outcome of the policies then feeds back to have an impact on the resources at each faction's disposal. This causes shifts in the distribution of capabilities among factions and a different balance of power. Factions thus alternate at holding the center of power, which results in a continuous feedback process that alters old policies and initiates new ones.

In more specific terms, the ruling faction tends to defend its record by pointing to the positive results of its economic and political policies, while the factions not in power stress the defects of those policies. The politicoeconomic reality, however, strengthens the position of certain factions at the expense of others. If the policy outcome is by and large positive, the ruling faction's position is strengthened. If the outcome is negative, power may very well migrate to the opposing faction, which will now take the lead in changing the old policy or initiating new ones. Because this is an ongoing feedback process, it is impossible to determine the ultimate cause of the changes in the political economy. Our primary interest, however, is to identify the patterns of interaction between factional politics and changing currents in the political economy (see Figure 2), but before that can be done, we need to capture the essence of the economic and political changes in post-Mao China. For that purpose, we find three economic and political cycles to be of particular importance.

BUSINESS, REFORM, AND MOVEMENT CYCLES

A cyclical dynamic has emerged in China's political economy in the post-Mao period. Three kinds of cycles are of particular interest to us: the business cycle, the reform cycle, and the movement cycle. The business cycle consists of two distinctive phases: boom and bust.²³ The reform cycle likewise has two stages: reform and retrenchment. The movement cycle registers periods of relative social tranquillity and those characterized by bursts of protest. Of particular importance here is the need to differentiate between economic expansion and structural

²³ *Ibid.*, 420.

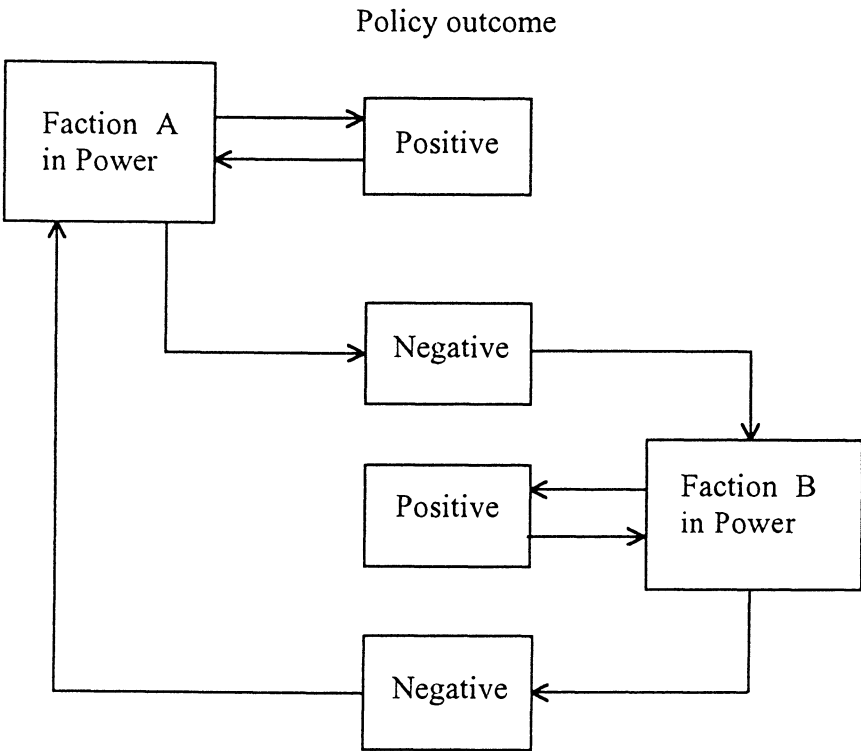


FIGURE 2
CHINA'S FACTIONAL POLITICS AND POLICY CYCLES

reform, since they do not necessarily coincide. For example, as Susan Shirk demonstrates, during the Maoist era economic expansion was accompanied by a crackdown on political dissent and by a contraction of consumption, whereas the economic retrenchment phase of the cycle (for example, 1960–62) was accompanied by political and intellectual liberalization.²⁴ Similarly, Hua Guofeng’s Ten-Year Plan was a pro-growth strategy unaccompanied by economic reform or intellectual liberalization. The reason is that ideological policy was used as “symbolic compensation” to various constituencies that might otherwise have opposed the economic policy being promoted.

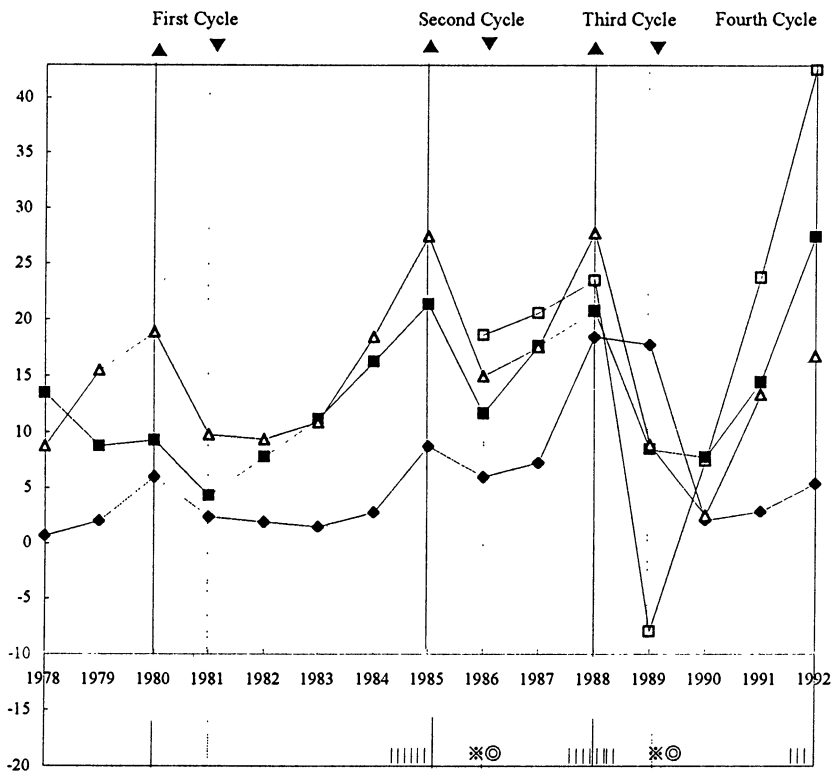
By contrast, the synchronization of the business and reform cycles in the 1980s correlates economic expansion with reformist measures,

²⁴ Susan Shirk, *The Political Logic of Economic Reform in China* (Berkeley: University of California Press, 1993), albeit in an earlier draft that excluded the portions cited above.

and contraction or slower growth with retrenchment. This renders reformers vulnerable when the economy overheats, and conservatives subject to criticism when growth is sluggish. A policy shift thus ensues at the critical juncture (when the economy is overheated or stalled), and the cycle begins to move in the opposite direction, until it hits a point where another shift is required. The explosions of social unrest are less predictable, but recent experience suggests they are most likely to occur when the economy has just suffered from overheating and is undergoing a painful contraction to slower growth.²⁵ This timing is bad for the reformers, who are held responsible for inflating the economy and precipitating the ensuing contraction, both of which combine to inflame social protest (see Figure 3).

Since the early 1980s the PRC's business cycles have coincided quite closely with its reform cycles. This was not the case at the end of the 1970s, when Deng inherited from Hua an investment-driven, high-growth economy (industrial growth surged to 14.6 percent in 1977 and 13.5 percent in 1978; the accumulation rate rose to 36.5 percent in 1978) and a Soviet-style central planning system, as embodied in Hua's ambitious Ten-Year Plan launched in February 1978. Hua's rather ill-conceived plan involved contracts with foreign manufacturers and suppliers that were worth several hundred million U.S. dollars in 1977–78; it threatened an enormous budget deficit. Deng and his radical reformers then joined forces with moderate reformers under the aegis of Chen Yun to attack Hua's legacy. Investments and imports were slashed to bring down trade deficits and a rising inflation rate, while experimental reform measures were tried (such as the 1983 "tax for profits," or *li gai shui*). In this instance the business cycle and the reform cycle diverged (contraction-cum-reform). The efforts to cool down the economy were not successful when they were first introduced in 1979, in the name of "readjustment, restructuring, consolidation, and improvement." Hence the high inflation rate of 1980 (6 percent compared with 2 percent in 1979). But in 1981 state enterprise capital investment was actually cut to reduce inflationary pressure and trade deficits, including rescission of about a thousand joint-venture con-

²⁵ If we calculate the frequency of social protests, including strikes, demonstrations, etc., as reported in the Chinese newspapers, and compare it with the inflation rate, we find a striking correlation. From 1980 to 1993 the correlation coefficient between the frequency of social protests and inflation rate in the PRC is 0.728. If we take the two variables in their natural log forms, the correlation coefficient rises to 0.747. Since the Chinese economy responded only slowly to contractionary policies, overheating was usually followed by a painful period of sustained high inflation plus slower growth. Social protests were most frequent in this context. Our findings on the relationship between frequency of social protests and rate of inflation lends support to this observation.



Legend:

|||||

▲ Peak

▼ Nadir

◎ Top Reformer Deposited

※ Social Unrest

Period of Reform Surge

◆ Consumer Price

■ Industry

△ Retail Trade

□ Investment on Fixed Assets

FIGURE 3

BUSINESS, REFORM, AND MOVEMENT CYCLES IN POST-MAO CHINA

SOURCES: *Zhongguo tongji nianjian* (China statistical yearbook) (Beijing: Remin chubanshe, 1993), 51, 53, 237, 611; Chong-pin Lin, "China: The Coming Changes," *American Enterprise*, no. 2 (1991), 21; Cheng Te-sheng, "Shih-szu ta hou ta-lu ching-chi ch'ing-shih," *Mainland China Studies* 36, no. 1 (1993), 37.

tracts (for example, the huge Baoshan case). As a result imports dropped by 12.4 percent in the following year, which brought about the trade surpluses of 1982–83—not to be seen again until the end of the 1980s. In 1981 the annual growth rate of the wage bill and the average wage were also down by 13.4 percent and 12.8 percent, respectively, and industry grew by a mere 4.1 percent, as compared with the previous year's 8.7 percent.

Hua's economic legacy and political influence were effectively eliminated during the early 1980s (as finalized at the Twelfth Party Congress in 1982), as adjustment policies were accompanied by scattered reform measures. At this point, the linkage between reform and high growth or between planning and contraction/sluggish growth had not yet been established. The reformers under Deng and the moderates under Chen Yun basically saw eye to eye in halting Hua's "Great Leap Westward" (*yang yao jin*) in the cooperative spirit of post-Great Leap Forward readjustment orchestrated by the same Deng and Chen.²⁶ In short, in this first post-Mao period, a Hua-initiated boom was curtailed by a Deng- and Chen-led bust (see Figure 3) during which partial reform measures were tried out. The business cycle and the reform cycle were not yet synchronized.²⁷

What split the reformers was the wave of urban-industrial reform launched at the Third Plenum of the Twelfth CC in October 1984, as urged by Deng and Zhao. This program synchronized systemic reform and expansionary policies for the first time. The crux of the matter was a wage expansion,²⁸ as the reformers tried to head off labor unrest in anticipation of the effects of price liberalization. As a result, both consumption and investment surged in 1984, accompanied by a loose monetary policy (the state pumped into the economy 26.2 billion yuan [then officially valued at 5.5 to the dollar], more than the total money supply of the preceding thirty years). The economy boomed while reform policies were being implemented. The two curves (the business cycle and the reform cycle) began to converge. Again, this synchronization was by no means inevitable, as clearly shown by the reform experience of Hungary between 1968 and 1972 (the New Economic Mechanism), which deliberately implemented tight wage controls

²⁶ Yin I-Ch'ang, "Ts'ung li-shih kuan-tien k'an ching-chi t'iao-cheng" (Economic adjustment viewed from a historical perspective) (Paper delivered at the Eleventh Sino-American Conference on Mainland China, Taipei, July 1982).

²⁷ Chong-Pin Lin, "China: The Coming Changes," *American Enterprise*, no. 2 (1991), 21.

²⁸ Hua Sheng, Zhang Xuejun, and Luo Xiaopeng, "Zhongguo gaige shinian: huigu, fansi han qian-jing," *Jigji Yanjiu*, no. 9 (1988), 32.

while marketizing the economy.²⁹ In fact, price reform should be implemented when the economy is lax. But as things stood in 1984 and 1985, with industry growing at a rate of 16.3 percent and 21.4 percent, respectively, state investment by 25 percent and 43 percent, and the wage bill by 20 percent during the same two years, overheating was inevitable. The radical reformers were naturally criticized for mismanaging the economy. Serious policy differences gradually emerged between Deng, who favored growth above all, and Chen, who considered stability the paramount goal. All the ingredients for cyclical development were now in place (see Figure 4).

Since reform coincided with macroinstability (inflation, trade deficit), the conservatives under Chen demanded retrenchment, a "bird-cage economy." Marketization reform was placed on hold. At the same time, tight monetary and fiscal policies were undertaken to restore stability in 1986. The business and reform cycles simultaneously moved in a direction opposite to that of 1984 and 1985. The effects of contractionary policies began to appear in 1986, as imports grew by a mere 1.6 percent (compared with the 54.1 percent of 1985), industry by a moderate 8.8 percent (from the 18 percent of 1985), and the inflation rate dropped from 8.8 percent to 6.0 percent. The austerity measures this time were less successful than in 1981, as witnessed by the 8.1 percent real-term average wage growth. But clearly the regime had done its best to cool down the economy.

Toward the end of 1986, a tight economic situation was accompanied by lively debate on political reform. In the spring both Hu and Deng made public statements suggesting that they were offering their reform constituency the prospect of political reform as symbolic compensation for economic retrenchment. The intellectuals responded with imaginative proposals, and the movement cycle began to kick in. University students began to demonstrate for various political and economic causes, utilizing the opportunities presented by various anniversaries and other public rituals to mobilize. At this point the reform grouping split. The lenient attitude taken by Hu in handling these demonstrations cost him his political life, as Deng, his patron, sided with seventeen members of the Central Advisory Committee to remove him from the position of general secretary at an enlarged Politburo meeting in January 1987. We have here a wave of social unrest just as the economy, having experienced macroinstability, had moved from boom to bust. Reform seemed to be bringing about not only an

²⁹ Yu-Shan Wu, *Comparative Economic Transformations: Mainland China, Hungary, the Soviet Union, and Taiwan* (Stanford, Calif.: Stanford University Press, 1994), chap. 3.

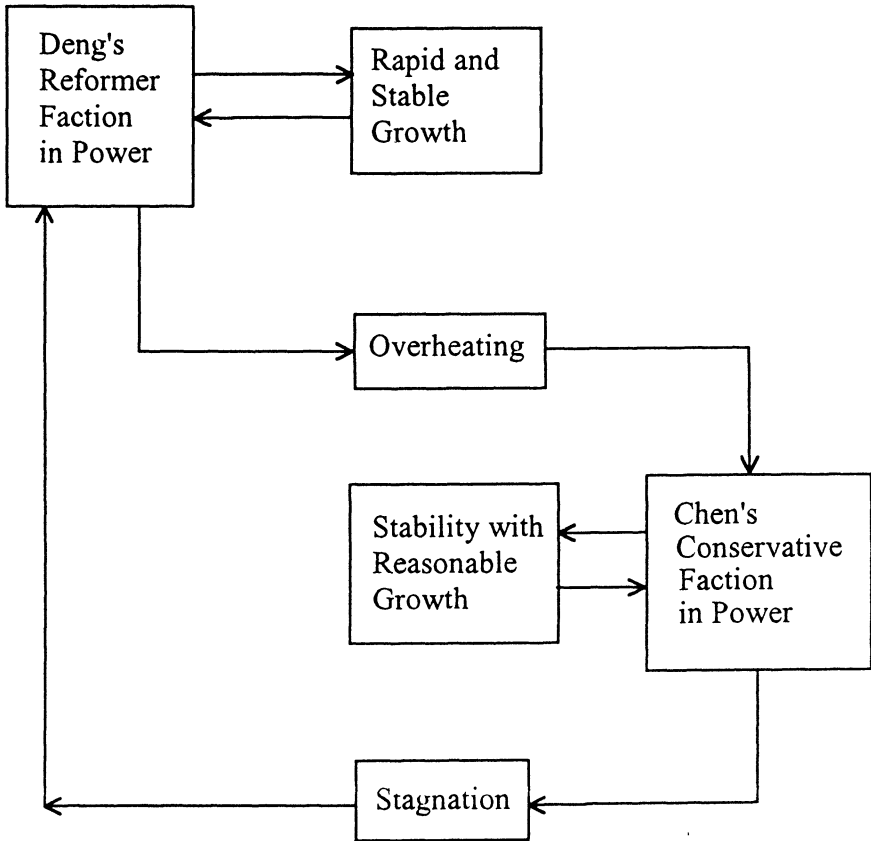


FIGURE 4

CYCLICAL DEVELOPMENT IN THE PRC'S POLITICAL ECONOMY SINCE 1984

overheated economy but also political turbulence. This period of “anti-bourgeois liberalization” in the spring and summer of 1987 exhibited conservative trends in the economic and political spheres. In short, in 1986 both the business cycle and the reform cycle took a sharp downturn, which was exacerbated by the political turbulence at the end of that year. Deng adopted his now characteristic posture as economic radical and political reactionary, consigning “bourgeois liberals” to political oblivion.

Since high growth is the paramount consideration of the leading reformist faction under Deng, one would expect expansionary policies to be taken once stability had been achieved. This was the case in 1987–88, when the radical reformers rallied around Zhao Ziyang, Hu's

successor, as designated by Deng, to pursue ownership reforms in industry, foreign trade, and investment and also finally a major price reform. All economic indicators went up. Industry grew by 17.7 percent in 1987, and another 20.7 percent in 1988, while inflation rose by 7.3 percent and 18.5 percent in the same two years (despite an abortive two-tights policy—*shuangjin zhengce*—in the autumn of 1987 that attempted to halt the trend).

Again, reform was accompanied by expansion and, soon enough, overheating. By the fall of 1988 the inflationary situation as touched off by a badly timed price reform got so bad that the reformers were forced to reverse course. As in the last cycle, reform measures were blamed for macroinstabilities, and austerity-cum-retrenchment (*zhili zhengdun*) took command. Both the business cycle and the reform cycle went into a tailspin. In the following year, sparked by Hu's death, economic hardship and popular discontent over political suppression and official corruption brought about unprecedented social unrest. This culminated in the confrontation between student demonstrators and the Communist Party, and finally in the bloody suppression near Tiananmen Square on June 4. Again just as in the last cycle, radical economic reform was blamed first for economic instability and then for political turbulence. This time Zhao was removed (again, following the pattern of 1987). His patron abandoned him for the conservatives, using irregular procedures and intervention by the octogenarians, at an enlarged Politburo meeting in June 1989 (followed this time by convention of a CC plenum that displayed greater sensitivity to constitutional niceties).

Zhili zhengdun lasted for three years. Such a protracted period of austerity was needed to combat the worst macroimbalances since the start of reform in the late 1970s. The inflation rate soared to 17.8 percent in 1989 (25.5 percent for the first half of the year). The country's foreign indebtedness reached U.S.\$41.3 billion at the end of 1989. Approved foreign direct investment dropped by half from the third quarter of 1989 to the first quarter of 1990. Foreign exchange reserves dropped to the 1987 level. However, the outward economic strategy initiated by Zhao in 1988 successfully oriented China's coastal economy toward export expansion, and the trade imbalance was redressed as exports surged and control over imports was recentralized and tightened. The PRC was able to achieve a trade surplus of U.S.\$8.7 billion in 1990, for the first time since 1983: foreign exchange reserves jumped from U.S.\$17 billion at the end of 1989, to U.S.\$28.6 billion at the end of 1990, to U.S.\$40 billion in the third quarter of 1991.

However, zhili zhengdun had its cost: the economy actually stopped in the first quarter of 1990. Thus, retrenchment was again paired with a bust. Although from a strictly economic perspective this period would have been ideal for price reform, that was not on the conservative agenda. The reform cycle and the business cycle remained synchronized.³⁰

Deng and the radical reformers soon grew impatient with the sluggish growth,³¹ though the trade performance had been much improved, accruing foreign exchange reserves of nearly U.S.\$43 billion by February 1992. In the winter of 1990-91 Deng formed an alliance with Shanghai Party Secretary Zhu Rongji and launched a propaganda drive for economic reform in Shanghai (the "Huangfu Ping" articles in Jiefang Ribao). At roughly the same time, in the third quarter of 1990, industrial growth accelerated significantly.³² This attempt to stimulate another boom fizzled out, however, partly because the unsuccessful August Soviet coup attempt followed by the collapse of the Soviet Union temporarily reinforced conservative misgivings about reform. But one year later Deng's adroitly publicized tour to Wuchang, Shenzhen, Zhuhai, and Shanghai ushered in a new wave of reform measures, again accompanied by a loose monetary and fiscal policy (the narrower monetary index, M1, is estimated to have grown by about 40 percent in 1992, M2 by more than 30 percent). The economy grew rapidly in 1992 and 1993 (by 12.8 percent and 13.4 percent, respectively, versus 4 percent in 1989 and 4-7 percent in 1990-91), mainly driven by an investment boom, which again raised the specter of inflation (officially 3.4 percent in 1991, 6 percent in 1992, 14.5 percent in 1993, but 19.5 percent in the thirty-five largest cities). For a while it seemed that this time the leadership had contrived a way to avoid the twin deficits, thanks to the shift to export promotion and more rigorous fiscal policies. But by 1993, as in 1979-80, 1984-85, and 1987-88, a surge in merchandise imports (plus the flight of capital through Hong Kong) had precipitated a trade deficit of more than U.S.\$12 billion. This led to a spiraling budget deficit (U.S.\$2.35 billion, four times that of 1992), which China's Finance Ministry expected to triple (to U.S.\$7.7 billion) in 1994.

³⁰ Yu-Shan Wu, "Reforming the Revolution: Industrial Policy in China," *Pacific Review*, no. 3 (1990).

³¹ Deng Xiaoping, "Deng Xiaoping tongzhi zai Wuchang, Shenzhen, Zhuhai, Shanghai dengdi de tanhua yaodian," in Zhonggong Shenzhen shiwei xuanchuanbu, ed., *Yijiujiu'er nian chun: Deng Xiaoping yu Shenzhen* (The spring of 1992: Deng Xiaoping and Shenzhen) (Shenzhen: Haitian chubanshe, 1992).

³² Fang Xiangdong, "1988-1991 nian zhili zhengdun guigu ji dui weilai jingji yunxing de zhanwang," *Jingji lilun yu jingji guanli*, no. 6 (1991), 1-8.

Clearly China has moved into yet another boom phase in its business cycle. And, as in the past, this seems to benefit the reform faction in the short term. The synchronization of reform and expansion, however, bodes ill for them in the long run, as reformist policies are apt to be held responsible for overheating the economy as double-digit growth continued in 1993–94. In order to bring inflation under control, Zhu Rongji sacked the governor of the People's Bank of China in July 1993 and took over the job himself. Then the "great rectifier" issued a sixteen-point austerity program designed to control government spending, restore control of the economy to Beijing, and impose a tight monetary policy in several industries, notably real estate. This macromanagement of the economy (*hongguan tiaokong*) lasted three months, temporarily halting the tendency toward overheating. However, Zhu's austerity program was then unexpectedly curtailed in November 1993, at the Third Plenum of the Fourteenth CC, which adopted a fifty-point "program of action to restructure the economy," focusing on tax reform and state-owned enterprises.³³ This proved to be the harbinger of both a revival of structural reform and a mounting reflation of the economy, from 19 percent in January to 23.5 percent in August 1994. The main cause of the surge in demand was quite like what had happened in the previous cycles, that is, an investment boom, fed mainly by the state enterprises under soft budget constraint. As such, macromanagement can only delay the inevitable dilemma: does the leadership impose a "landing," probably "hard," with all the risks of another Tiananmen, or does it opt to endure an indefinite continuation of the current trends: high growth, inflation, and corruption?

CONCLUSION

This paper basically argues two points. First, Chinese informal politics can still be best characterized as factional politics, with the proviso that the original definition of factionalism be broadened with respect to elite goals. Factions avail themselves of the window of opportunity opened in a more ideologically pragmatic political climate to pursue policies that both enhance their particular interests and make a plausi-

³³ The usual interpretation of this retreat from austerity is that Zhu made many enemies, alienating fellow reformers with his Chen Yun-like stance and infuriating vested interests (e.g., the provincial authorities, the PLA) by choking off credit. Thus, in talks with intimates in September 1993, Deng Xiaoping himself reportedly called for another season of "sustained, high-speed, and healthy growth," and Zhu was obliged to ease credit by approving loans worth about \$62 billion for the last quarter of 1993. Much of the new credit has been used to pay the salaries of workers and civil servants. Willy Wo-lap Lam, "Zhu Rides Out the Storm," *World Press Review* 41, no. 2 (1994), 43ff.

ble claim to advance the public interest. Nevertheless, we retain the main thesis of the approach: that *guanxi*-based, vertically organized, reciprocity-oriented political factions are the building blocks of Chinese informal politics. Factions can be used to promote different sets of elite goals, the most prominent of which are security, material interests, and ideological and policy commitments. At times of intense intraparty struggle, when fundamental personal security is not reasonably assured, factions are geared to security maximization, as during the years of the Cultural Revolution. As politics becomes more routinized and economic reform takes command, factions assume different form and serve the elite's desire for material benefits or preferred policy goals (whether pro-growth or pro-stability; whether radical reformers aiming at privatization or moderate reformers aiming only at marketization). Meanwhile official ideology becomes more pragmatic and open-ended, allowing informal groups to make a plausible case that their policy preferences correspond to the public interest. Chinese informal politics remains factional in the sense that factions are the units of action, but not in the sense that ideology or security politics continues to dominate the political scene.

The second major point is that during the post-Mao period, Chinese factionalism centered on broad policy issues (while also promoting personal material interests, which unites various factions in support of Deng's open-door policy and breeds *guan dao*). Again, the debate is between economic growth and economic stability under reform. On the one hand, Deng's radical reformers favor rapid growth, even at the expense of stability. On the other hand, the moderate reformers around Chen Yun consider stability the paramount goal (*wending yadao yiqie*), even overriding considerations of growth. The synchronization of reform and business cycles, plus periodic social unrest whenever the growth rate slumps, makes reformers and conservatives vulnerable to charges of mismanaging the economy for their respective policy preferences. During the first cycle a Hua-led boom (the Ten-Year Plan) was followed by a Deng- and Chen-led bust. Here a pro-growth conservative (that is, neo-Maoist) leadership was blamed for an overheated economy.³⁴ Reform did not coincide with growth. But this was the last time business and reform cycles would diverge. The 1984 urban-industrial reform started the second cycle, in which the lack of wage control and a general loose macroeconomic policy contributed greatly to inflationary pressure in the economy. The busi-

³⁴ Yin (fn. 26).

ness cycle became synchronized with the reform cycle, and the reformers were blamed for the resultant imbalances. Once Hua and the petroleum faction had been soundly defeated, Deng's pro-growth group came into increasing conflict with Chen's pro-stability group. The economy then cooled down as the moderates gained the upper hand. The same scenario was repeated in the third and fourth cycles (1987–89, 1990–94), with reform consistently coinciding with a boom and overheating, and the following retrenchment accompanied by sluggish growth or contraction.

Put together, the periods of intense reform efforts (from the Third Plenum of the Twelfth CC in October 1984 to the abortive price reform in the middle of 1985; from the Thirteenth Party Congress in November 1987 to the disastrous price reform in May 1988; and from Deng's southern tour in January–February 1992 till now) preceded hypergrowth and, in the second and third cycle, macroimbalances. Then came a conservative comeback (the austerity measures in 1986 and *zhili zhengdun* in 1988), political turbulence (the student unrest in the winter of 1986–87 and the pro-democracy demonstrations in the spring of 1989), and the political demise of a top reformer (Hu Yaobang in January 1987 and Zhao Ziyang in June 1989). The economy was stabilized, but the sluggish growth prompted the reformers to launch an offensive, which initiated the period of intense reform of the next cycle. The current cycle, the fourth one, shows every likelihood of repeating this pattern. The expansion and contraction of the economy were attributed to the status of reform, as business cycles came to be considered epiphenomena of reform cycles. This perception acts to perpetuate fluctuations in reform policies and pits Deng's pro-growth group and Chen's pro-stability group against each other. As long as the synchronization of the business and reform cycles continues, wide policy fluctuations driven by a politics of blame are inevitable.