Introduction: Is Rising Inequality Propelling China Toward a "Social Volcano"?

> *A house may be large or small; as long as the neighboring houses are likewise small, it satisfies all social requirement for a residence. But let there arise next to the little house a palace, and the little house shrinks to a hut.*
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> —Karl Marx, 1847

> *Some people in rural areas and cities should be allowed to get rich before others.*
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> —Deng Xiaoping, 1983

> *Because many people believe that wealth flows from access to power more than it does from talent or risk-taking, the wealth gap has incited outrage and is viewed as at least partly responsible for tens of thousands of mass protests around the country in recent years.*
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> —Joseph Kahn, *New York Times*, 2006

China's post-1978 economic reforms have been remarkably successful in many respects, producing close to 10 percent economic growth rates for three decades, rising income levels, massive inflows of foreign investment, extraordinary success in exporting Chinese products overseas, and growing integration of the nation into the world economy. A society once known as the "sick man of Asia" and later as the site of the largest documented famine in human history[1] has now lifted hundreds of millions of its citizens out of poverty and displays mushrooming skyscrapers, limited access highways, shopping malls, private automobiles, and all the other trappings of an increasingly modern and wealthy society. During this period China's sustained economic growth has surpassed the record of previous East Asian "tigers," and this has been accomplished for a complex continental economy that currently counts more than 1.3 billion people. Even for those suspicious about the accuracy of Chinese economic statistics, there is no doubt that this is a record of stunning economic success.

However, there is at least one darker side to this story. During the reform period, China has gone from being a society that was relatively equal, at least in terms of the distribution of incomes, to being a society that is very unequal. As judged by the Gini coefficient that social scientists often use to measure overall inequality (with 0 equal to perfect equality and 1 equal to

total inequality), China went from an estimated very modest Gini .29 in 1981 to .45 or even higher in 2002 (World Bank 1997; Khan and Riskin 2001, 2005; Gustafsson, Li, and Sicular 2008). By this measure China is still less unequal than such societies as Brazil and South Africa, but more unequal than the United States, Japan, and such populous Asian developing countries as India and Bangladesh.[2]

The changes the reforms have produced in regard to inequality go far beyond a more unequal distribution of the incomes of Chinese citizens. The entire system of distribution that had been constructed in the era of Chinese socialism (from 1955 to 1978) has been thoroughly dismantled, replaced by a market-oriented system that looks very much like capitalism, even if China's leaders still do not dare to call it by this name (and forbid their citizens from doing so as well).[3] As a result, forms of wealth and privilege that the revolution set out to destroy have returned with a vengeance—for example, millionaire business tycoons, the exploitation of Chinese workers by foreign capitalists, and gated and guarded private mansion compounds. The downsides of capitalism that socialism had eliminated have also returned with a vengeance—unemployment, inflation, loss of health insurance, company bankruptcy, and confiscation of housing and farmland in shady deals with property developers. Chinese who had learned to survive by playing by the rules of Mao-era socialism have had to adapt to a fundamentally changed distribution system in which there are plenty of losers alongside the many winners. Some who feel they should be honored for their contributions to socialist construction find themselves unexpectedly out of work and facing bleak prospects for the future, even as they see other Chinese becoming millionaires and even billionaires.

The present volume examines how ordinary Chinese citizens weigh the balance between a booming economy and rising inequality in evaluating the social order in which they live. Do most ordinary Chinese accept the new market-based and highly competitive society China has become and feel that it offers improved opportunities for them to get ahead and to make better lives for their children? Or is it more common to feel threatened by these changes and to feel that most of the benefits of China's prosperity are being monopolized by the well-connected and corrupt, while ordinary workers and farmers are being left behind? Which social order do Chinese today feel is more fair, the current go-go but very unequal society, or the less dynamic but perhaps more equal society of Mao-era socialism?

Such questions motivated the research whose results are reported in this book, and the answers are of more than academic interest. Given the fundamental changes from a socialist to a market economy and from modest income gaps to sizable ones, how Chinese citizens have adapted and view the

transformed social order may well affect China's future political stability. The epigraphs at the beginning of this introduction convey a debate that has been going on around the world for centuries and that is very much alive in China today. In the mid-nineteenth century Karl Marx noted that the same basic facts of a person's living conditions feel very different and less satisfying if one's neighbor lives in a palace than if the neighbor has a house much like one's own. Early in the reform era the leader of China's market transition, Deng Xiaoping, took a different stance regarding inequality. For Deng and his fellow reformers, having some people get rich before others would be a positive development because it would show the rest of the population what was possible and stimulate people to try to get rich themselves. If Deng had been able to debate the question with Marx, he might have pointed out that the person living in what he now considers a hut might be stimulated to become rich enough to build or buy himself a castle.

The final epigraph, a quotation from a China correspondent of the *New York Times* in 2006, takes an even more negative view than did Marx. Joseph Kahn asserts that China's poor don't simply feel bad about their difficult living conditions; they also suspect that their newly prosperous neighbors do not deserve their wealth because it was obtained by unjust means rather than by talent and effort. In other words, Kahn asserts that there is a widespread popular feeling that China has become a very unjust society.

Even in a nondemocratic society such as China, the sentiments of the population on inequality issues cannot be ignored. To the extent that Chinese citizens feel that life is getting better, that differences between the rich and the poor are for the most part deserved rather than unfair, and that there are ample opportunities to get ahead for those willing to play by the rules of the market society in which they now live, they will tend to accept the contemporary social order and may even feel gratitude toward their leaders and support current policies and practices. However, if they come to feel that current inequalities are fundamentally unjust and that there is a corrupt alliance between the wealthy and the powerful at the expense of ordinary citizens, the implications are likely to be quite different. Feelings of injustice and resentment are likely to build up and lead Chinese citizens to resist and disobey authority, or even to be willing to join protest activity aimed at denouncing and correcting the injustices they see on a day-to-day basis. If sufficient resistance and protest activity occurs, China's political stability may be threatened.

So how do Chinese citizens feel about current inequality patterns and trends? Before the research reported in these pages, the answer would have been, "We don't really know." Questions of distributive injustice were considered too politically sensitive in China to permit systematic research on

popular attitudes about inequality issues. However, the absence of systematic research did not prevent informed speculation and debate on how Chinese citizens feel about current inequalities. That debate, both within China and among China analysts outside, can be summarized in terms of two dramatically different scenarios.

In the first scenario, some analysts contend that China's robust economic growth, improved living standards, and ample new opportunities promote general optimism, acceptance of current inequality levels, and little nostalgia for the bygone socialist era. According to this view, although some individuals and groups experiencing unemployment, downward mobility, and abject poverty may be angry and feel that the current social order is unjust, for the bulk of the population the benefits produced by market reforms far outweigh the disadvantages and promote broad acceptance of the current system as at least relatively just. This broad acceptance of China's market system helps prevent local grievances and social protests from escalating into general challenges to the system. According to this view, China today might best be characterized as enjoying "rocky stability" (see Shambaugh 2000).

The contrary view is that rising income gaps and popular beliefs that current inequalities are unjust are threatening to turn China into a "social volcano," with China's social and political stability at risk. Perhaps stimulated by apparent sharp increases in local social protest incidents in recent years, the social volcano scenario has gained wide currency both in China and in the West.[4] For example, a poll of senior officials conducted by the Central Party School in 2004 concluded that the income gap was China's most serious social problem, far ahead of crime and corruption, which were ranked two and three (Xinhua 2004). On a similar note, a summary of the 2006 *Blue Book* published by the Chinese Academy of Social Sciences (an annual assessment of the state of Chinese society) stated, "The Gini coefficient, an indicator of income disparities, reached 0.53 last year, far higher than a dangerous level of 0.4" (Ma 2005).[5] Reports in the Western media echo these themes, particularly regarding rural protest activity. A recent edition of *The Economist* declares, "A spectre is haunting China—the spectre of rural unrest (Economist 2006)," while *Time* magazine's Asian edition tells us that "violent local protests . . . are convulsing the Chinese countryside with ever more frequency" and uses phrases such as "seeds of fury" and "the pitchfork anger of peasants" (Time Asia 2006).

In recent years this second view, that China's inequality trends are producing growing popular anger that may threaten to turn China into a social volcano (see He 2003), has gained general, even if not universal, acceptance.[6] For this reason I will refer to this second scenario as the "conventional wisdom" or "conventional view" in subsequent pages and chapters. There are

additional themes in this conventional view that will be developed at greater length in later chapters. For present purposes, I summarize the components of the conventional wisdom this way:

1. Current inequality patterns are widely seen as unjust, and as a result the majority of Chinese citizens are angry about inequality trends and patterns.
2. The particular features of current inequalities that Chinese object to most are those associated with a return to a social order divided into social classes based on differential wealth and property ownership, rather than features that survive from the socialist period.
3. The Chinese who are most angry about inequality patterns and trends are the "losers" and disadvantaged groups in the wake of China's reforms, particularly those who remain at the bottom of the social hierarchy—especially China's farmers. However, those who have prospered as a result of the reforms or who have good prospects of doing so are more likely to accept current inequalities than to feel anger. In other words, objective advantage translates into acceptance of current inequalities, while disadvantage translates into anger.
4. If major efforts are not made to reverse growing inequalities and respond to popular anger about inequality trends, discontent is likely to accumulate further, eventually threatening China's social and political stability.

This conventional view, which implies fear of a looming social volcano due to rising inequality, is influential beyond researchers and policy analysts in China and abroad. China's leadership has accepted it as well, beginning in the closing years of Jiang Zemin's leadership,[7] and even more so since the succession to leadership of the Chinese Communist Party (hereafter CCP) and the government of Hu Jintao and Wen Jiabao in 2002–2003. Since taking the reins of leadership in China, Hu and Wen have introduced a number of important policy initiatives that will be described later in this book, all of them intended to improve the lives of China's poor citizens in general, and poor farmers in particular, and thus to steer China away from the looming social volcano and toward Hu's proclaimed goal of a "harmonious society."

However, we need to ask whether this conventional account of popular views about inequality patterns and trends is correct. The current study reports the results of the first systematic national survey of the attitudes of Chinese citizens on inequality and distributive injustice issues. The analyses are based on a survey of a representative sample of Chinese adults who were interviewed in the fall and winter of 2004. Our goal in conducting this

survey was to answer several questions about which only speculation had been possible previously because of the perceived political sensitivity of the issues:

1. In general, how angry or how accepting are ordinary Chinese about current patterns of inequality in their society?
2. Which features of current inequality patterns are Chinese citizens most angry about, and which other features do they view in a positive light?
3. Compared to citizens in other societies, are Chinese more angry or less angry about current inequalities in general, and about particular features of current inequality patterns?
4. Within China, in which social groups and in which local areas is there the most anger about inequality and distributive injustice issues, and in which groups and localities is there the most acceptance of the status quo? In other words, what are the social contours of distributive injustice feelings within China?

We address these questions in a systematic way in the remaining chapters.

However, lurking beyond them is a fifth question that we cannot answer definitively based on our survey results:

5. Does the pattern of Chinese citizen responses to our questions about inequality and distributive injustice issues indicate that popular opinion in these realms is a potential source of future political instability?

We can at least explore the implications of the evidence from our survey for this final question. We assume that speculations based on systematic survey evidence are better than speculations based on hunches and untested assumptions.

The remainder of this study is organized as follows. The four chapters in Part I provide the necessary background and evidence to assess how much anger or acceptance Chinese feel toward current inequalities. Chapter 1 presents an overview of China's recent history focusing on the nature of inequality and social mobility patterns during that society's socialist era in order to provide a historical context for the post-1978 transformation of China from a socialist to a market society. An important part of the discussion in that chapter, as well as in later chapters addressing specific features of Chinese inequality patterns, is a consideration of whether socialist China before 1978 was an egalitarian social order that Chinese citizens might look back on with nostalgia or a rigid and unfairly stratified social order from which today's market society might be seen as a welcome escape (to state contrasting arguments in exaggerated form).

Chapter 2 describes the nature of the 2004 national survey and the sampling method and questionnaire we employed. Chapter 3 presents evidence to answer the first two research questions: In general how angry or accepting are Chinese citizens about current inequality patterns, and which features are they most and least angry about? In Chapter 4 we use comparative survey data from other countries, both post-socialist societies in Eastern Europe and advanced capitalist societies, in order to answer the third research question: Compared to citizens of other nations, are Chinese citizens more or less angry about current inequality patterns?

Part II examines variations in inequality attitudes across the social and geographical terrain of China. Chapter 5 introduces the distinct inequality attitude domains examined in subsequent chapters and describes the social, demographic, and geographic measures used to examine which respondents have critical attitudes and which have accepting views in each of these domains. Chapters 6 through 9 then address the fourth research question regarding the social contours of feelings of distributive injustice through parallel analyses of four different clusters of inequality issues: perceptions of the fairness or unfairness of current inequality patterns (Chapter 6), preferences for greater equality or appreciation of the benefits of inequality (Chapter 7), opposition to contemporary status transmission patterns and perceptions of inequality conflicts (Chapter 8), and pessimism about mobility opportunities and social justice (Chapter 9). Finally, the Conclusion summarizes the major findings from our survey, interprets the most surprising and unexpected survey results, and presents thoughts on the implications of current citizen attitudes for China's future political stability.