SPECIAL TOPIC: CHINA STUDIES

An Overview: The Sudden Change of the Chinese Economy and Macroeconomic Policy Efforts

Political Reform and Sustainable Development in China

China-Africa Relations: Progress, Challenges, and Prospects

Speech

Industrial Rights in the New World Order
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Contributors
Political Reform and Sustainable Development in China

Brantly Womack

Abstract: Because China has been uniquely successful in pursuing maximum growth and political stability, it now faces new challenges of sustainability. The essence of sustainable development in an increasingly prosperous and complex China is to avoid crises. Avoiding crises requires both strategic political guidance of the market in order to avoid economic crises, and modernization of politics in order to avoid societal crises. Government must ensure that the economic base is broadened, that citizens are not exposed to excessive risk by market forces, and that inputs and outputs of production do not degrade or exhaust the environment. Meanwhile, the diversification of Chinese society requires political modernization, including comprehensive expansion of the rule of law, transparency, active citizen participation, and democratization within the Party. While these two directions of reform are different, they depend on one another for their success in the long term.

Key words: political reform; crisis; political modernization

China’s success in the reform era has created a situation in which sustainable development requires both reform in economic policy and reform of the political system. The two key prerequisites of China’s quarter-century of rapid growth were the marketization of the economy and stable political leadership. But the problems that emerge with marketization cannot be solved simply with more marketization, and the political needs of a changing society cannot be met by simply enforcing political stability. It would be a mistake to assume that either politics or the market is best left to its own devices. The claim here is not only that politics and the market cannot be completely separated, but that sustainable development requires a closer interaction.

By political guidance of market forces I mean that the market must be effectively directed and constrained by the long-term public good. As Charles Lindblom (1997) argued in Politics and Markets, in order to function properly an economy requires both the “fingers” of the market and the “thumbs” of public authority. Sustainable development requires the further encouragement of market forces, but it also requires broadening the base of the modern economy and protecting the welfare of citizens, as well as controlling environmental damage and energy use.
Development in China

While market forces can play a key role in executing public priorities, the market cannot be expected to control itself.

The necessary role of political guidance is illustrated by the credit and financial crisis that began in the United States in 2008. A major cause of the crisis was excessive deregulation. As a result of the earlier negligence in political guidance, the government was forced to step into financial and banking markets with emergency measures. The purpose of sustainable political guidance is to avoid crises by providing strategic leadership of the economy based on the public good.

By modernization of politics I mean that public authority must be informed and constrained by the increasing diversity of societal interests produced by economic growth. The party and the state are structured for the pursuit of grand goals of the whole political community, but they tend to discourage the articulation and defense of diverse interests. Economic growth not only diversifies social structures, but it leads to more complicated patterns of needs and preferences. Raising the capacity of the governing party in such a situation requires introducing the virtues of the market into politics: reliability, transparency, and openness.

The problem of sustainable development has acquired a new urgency for China. At the beginning of the reform era the marketization of the economy and the stabilization of politics were more urgent tasks. As a result of twenty-five years of growth, however, there has been a change in what Mao Zedong called the principal aspects of the principal contradictions. Originally, rapid growth occurred in a context of a homogeneous political community in isolation from the rest of the world, and with development goals defined by the obvious gap between China's situation in 1978 and the existing accomplishments of more developed states. Deng Xiaoping's "second revolution" was spectacularly successful in leading a unified community isolated from the rest of the world to address the basic tasks of modernization and openness that China's backwardness made urgent.

However, success has transformed all three dimensions of the starting point. First, China is no longer a homogeneous political community. Not only has economic development led to gaps between rich and poor as well as between coastal and inland provinces, but China has relaxed the leftist suppression of ethnic and local diversity. Second, Chinese are no longer isolated. Foreign trade and investment had
massive effects on Chinese society, and more importantly greater openness in education and access to the internet have made China part of a global political community. International integration affects the salience and content of national identity, and it provides a new context for China’s domestic policy as well as for its foreign policy. Third, as China approaches a general situation of prosperity, successful management of a complex society becomes more important than the achievement of grand and distant goals. Sustainability takes priority over rapid growth.

Sustainability is not simply the continuation of current rates and trends of development. The key point of sustainability is to avoid policies that lead to crisis situations. Crises can be caused either by the exhaustion of necessary resources or by the neglect of societal interests. If fishermen catch the last fish in the sea, then they will face a crisis of insufficiency. In order to avoid that crisis they must catch fewer fish than is possible, and spend more resources in order to preserve the ecology of the fish. Likewise, if rapid development benefits the rich but hurts the poor, then a societal crisis will emerge that is not likely to benefit either rich or poor. There is no easy solution to the problem of sustainability; modernization cannot be stopped, and its rate of change and direction have to be constantly adjusted to the resources available and to the needs of the political community. The main calculus of sustainability, therefore, is not a static path of development but rather the effective strategic guidance of growth.

China has made considerable progress in the political guidance of market forces under Hu Jintao and Wen Jiabao. The efforts to develop the West address some of the most important geographical imbalances of opportunity, while new initiatives have been made in lightening the tax burden in rural areas, expanding educational access, and addressing the problems of affordable health care. Problems of energy, water and the environment pose even more difficult challenges, and China is still losing ground in these areas. In any case, China cannot hope to “solve” these problems, but rather must aim at managing them so that development can be sustained. China's management of market forces is made easier by its strong political system. Moreover, since these same problems are shared by many developing and developed countries, there is considerable international understanding and cooperation in these policy areas.
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By contrast, the problem of political reform, the modernization of politics, is unique to China and Vietnam. Adapting a mass-based party-state born in rural revolution to the situation of being a governing party in a complex domestic and international environment poses a deep challenge to political theory and practice. There are no international models for China’s political reform because no developed country followed a historical path similar to China’s, and political transformation that is not appropriate for a particular political community invites chaos. China’s challenge of political sustainability is not the attainment of some distant goal, but rather the effective governance of an increasingly diversified society. Prudence requires caution, but if reform moves too slowly then the party-state will become increasingly alienated from China’s societal needs and realities. Today’s political stability may be purchased at the price of future instability. It is not easy to find a path between the complacency that is natural to an established and successful political leadership and the potentially destabilizing changes that might be wished for by those outside the leadership.

Political reform in the context of a successfully modernizing party-state must involve the following four major dimensions. First, governance by law is necessary in order to adapt political stability to a complex society. Second, transparency is necessary to an information-based society. Third, citizen access is necessary to allow the articulation and defense of citizen interests within the government system. Fourth, in a system in which there is only one governing party, intra-Party democracy is necessary in order for democracy to be meaningful. In theory, each of these reforms should be possible within the existing political system, but in practice they demand from the leadership a commitment to bold self-reform.

An additional problem raised by the twin challenges of the political guidance of market forces and the modernization of politics is that the former requires the increased effectiveness of political control while the latter requires greater political sensitivity to diverse interests. Can both be pursued at once? The question of the interaction effects between economic and political sustainable development is distinct from the discussion of each in isolation. The partial options of economic reform without political reform and of political reform without economic reform are both imaginable, but I argue that neither is sustainable without the other in the long run.
This paper will begin with a brief discussion of the general context of sustainable development, followed by an analysis of the challenge of policy reforms in the economy. Closer attention will be devoted to the prerequisites of political sustainability. Finally the problem of the interaction effects of economic and political reform will be addressed.

1. From Rapid Development to Sustainable Development

China’s remarkable growth from 1980 to the present is too familiar and too complicated a story to address in detail, but it is necessary to recall the initial conditions of the reform era and the role that marketization and political stability played in reform in order to highlight the new challenges of sustainable development.

In retrospect, China after the Cultural Revolution enjoyed a number of what the great economist Thorstein Veblen (1915: 53) termed “the advantages of backwardness.” Of course, backwardness can be an advantage only in retrospect. No one and no country would prefer to be in a situation of deprivation and underachievement compared to the accomplishments of others or compared to one’s own potential. However, it is precisely the perceived gaps between oneself and others, and between one’s potential and one’s current accomplishments, that create opportunities in goal-setting and rapid growth, and ironically these opportunities diminish as one succeeds and becomes less “backward.”

China’s most important advantages of backwardness in 1978 were grounded in the accomplishments of the pre-reform era (World Bank 1980). First, China had enjoyed thirty years of peace. Although the Great Leap Forward and the Cultural Revolution produced temporary hardships and disruptions, the scale was not comparable to the chaos in China during the first half of the twentieth century, and the political system was capable of responding to mistakes. To appreciate the importance of a generation of peace, one has only to contrast it to the situation of Vietnam in 1978. Second, leftist egalitarian policies diffused basic health and educational services to most of the population, and the formation of local collectives developed community structures that could share entrepreneurial risk and reward. Third, the homogeneity and international isolation of Chinese society can be seen as an advantage of backwardness.

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backwardness. By 1978 China was a more uniform and docile political community than it had ever been before or since. The challenge and opportunity of "reform and openness" was one confronting all of China, even if the initial policies favored Guangdong and other coastal areas. Lastly, the suppression of market forces and of small-scale commerce created an economic vacuum. When the political lid was lifted and people felt free to pursue their own material interests, pent-up energies produced a surge of growth. In sum, China had the capacity to move forward, and the obvious gap between its economy at the time and those of its neighbors proved that progress was possible.

Under these circumstances of clear goals and considerable societal capacity, the overall goal of maximizing the rate of growth was reasonable and feasible. Targets could be defined by the accomplishments of more developed states, and Chinese society was prepared to leap ahead. The two policy prerequisites of maximum growth were the unleashing of market forces and the provision of a stable political context. Deng Xiaoping's "second revolution" provided an ideal context for rapid growth because the existing political order patronized the marketization of society (Harding 1987). In contrast to the failure of various attempts at state-led economic reform in other Communist countries, Deng was determined to encourage rural decollectivization, and with its success to pursue comprehensive decentralization and decontrol of the economy. He was much more cautious in the divestment of state assets, but the experience of divestment in European post-communist states has demonstrated his wisdom. In any case, the share of the central and state-owned economy in general economic activities diminished as the local and non-state sectors grew more rapidly, and state-owned enterprises were themselves increasingly exposed to market forces.

Of course, political leadership in the reform era was not simply a matter of sitting back and letting the market happen. The Center encouraged diversity and technical competence among aspiring local leaders, and it rewarded economic success. While serious differences developed within the leadership over the pace of reform, even

[1] There was a complex interaction between local initiative and national policy in the 1970s, as detailed by Lynn White (1998). However, it is important to note that in the initial reforms the Center was not simply yielding to local demands, but instead was prodding local leadership to take chances and to be more entrepreneurial (Vogel 1988).
conservatives such as Chen Yun were committed to encouraging the non-state economy. Chen Yun wanted to keep the new bird in the cage of the socialist economy, but he did not want to kill the bird. As the Center and local leadership pragmatically experimented with new policies, the ultimate criterion remained maximizing economic growth, and the primary means remained the encouragement of market forces.\(^2\)

Inevitably, as China has moved forward, its advantages of backwardness have diminished. The goal of medium-level development has already been achieved by the most fortunate elements of Chinese society, and disparities of income and opportunity are far more obvious and pressing than they were in 1978. Even differences that were present in 1978, such as ethnic minorities and disparities between rural and urban areas, are more urgent problems today. Meanwhile China has experienced a double revolution of internationalization. Not only has it opened its doors to the world, but computers and the internet have put a window to the world in every room. And as China’s accomplishments have brought it closer to the economic level of its peers, it no longer has obvious and long-term targets illustrated by the achievements of others. China’s major task now is not how to achieve prosperity, but how to manage it.

2. Guiding the Market

The readjustment of China’s economic goals from maximum growth to sustainable growth is an ongoing process, and impressive accomplishments have already been achieved. The notions of “scientific development” and “social harmony” enunciated by Hu Jintao and Wen Jiabao are signs of a decisive shift in the thinking of central leadership. However, it is far easier to permit market forces to operate than it is to control them. The essence of market rationality is to pursue maximum advantage in every transaction. The invisible hand of the market will continue to grasp its in more prud collective.

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The three fundamental aspects of guiding the market are preserving and extending the economic base, reduction of citizen vulnerability to market forces, and strategic management of resources and environmental preservation. These dimensions correspond to three dimensions of sustainable development. First, participation in the modern economy must be as broad as possible. Second, optimizing individual participation in the economy requires reduction of vulnerability. Third, the inputs and outputs of the economy—resource inputs and environmental effects—must be sustainable.

Extending and preserving the base of the modern economy is the first requirement of sustainable development. If the modern economy remains limited to urban areas or to coastal regions, then it does not serve the entire community, and its capacity to develop will be limited. Moreover, the state must preserve the capacity to participate. A market economy produces winners and losers, but if the losers are eliminated, then the overall capacity of the economy will be reduced.

The minimum form of participation in a modern economy is consumption. The rationale of a commodity economy is that people should be able to get what they want. However, “demand” is not the same as “desire.” Effective demand is demand that can pay for what it wants. To the extent that participants in traditional subsistence economies do not earn money by their activities they cannot participate in the modern economy. Their inability to participate not only harms their welfare, but it also restricts the economic base. As Karl Marx pointed out long ago, the tendency of the market to eliminate less efficient producers also restricts the consumer base and produces crises of overproduction.

Closely linked to the expansion of consumption is maximum participation in production. The best way to increase income in poor areas is to increase the opportunities to earn income through production. Expansion of production requires investment in infrastructure, because otherwise businesses will tend to cluster around existing infrastructure. Besides physical infrastructure, however, the possibility of innovative production by entrepreneurs must be as broad as possible. The
promotion of local entrepreneurship should be part of infrastructural development.

Because a modern economy is a knowledge economy and is constantly changing, a special dimension of maintaining the economic base is the encouragement of science and technology. If the state does not support education, research, and technological development, then the entire economy can slip backwards as other economies innovate. Although science and technology support the market economy, there is not enough profit in education and science to attract sufficient and balanced investment. The state must take the lead.

Risk is a necessary part of a market economy, but, ironically, excessive risk can discourage risk-taking. The costs of a safety net in a modern economy are often considered a drag on economic development, but insecurity makes people risk averse, and the essence of the market is to take risks for profit. Therefore the guarantee of basic values of life—health, education, food and shelter—not only is important for the welfare of individuals receiving support, but also for the economy as a whole.

Besides citizen-centered guarantees, volatility of prices and supplies of goods can create a general insecurity. If prices and supplies of important goods become uncertain, then people hoard goods rather than buying only enough for present needs, and the market dries up. Therefore political guidance of the market requires control of inflation and regulation of the supply of major goods. It is also increasingly important for the state to regulate the quality and authenticity of marketed goods.

Because of the increasing diversification of modern society, the reduction of social risk must also include the protection of the identities and interests of sub-groups in society. If modernization threatens the way of life of a local population, then it might react by defending itself and becoming, in effect, anti-modern. It is the duty of the political community as a whole to protect its diversity so that all of its parts will feel free to participate in the market. A good example is the provision in China’s minority policy that requires the participation of local minorities in decisions regarding the exploitation of resources in minority areas.

A final requirement of risk reduction is to make adequate provision for the aging of China’s population after 2020. It is almost inevitable that China will begin to experience an decrease in its current high ratio of working to a situation of Japan for sustainability; retired population the working population. The shift inevitably in primary and secondary professions, and so that market for

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of working to non-working population, and may reach the current situation of Japan by 2050. This prospect raises two strategic questions for sustainability: first, how to structure the economy to provide for the retired population, and second, how to encourage the productivity of the working population. By the time China faces the problems of an aging population there will be many lessons available from the experiences of Japan, Europe, and Russia. However, the population shift inevitably implies a smaller workforce with a smaller percentage of primary and secondary workers, more demands on services and health professions, and the need to guarantee the purchasing power of retirees so that market forces can adjust to the new demographics.

The third major area for political guidance of the market is the strategic management of resources and environment. The challenges posed by resources and the environment are so important that the idea of "sustainable development" is often restricted to this problem area. The general strategy in the area of resource utilization is to adjust costs and priorities in a forward-looking manner. Left to itself, the market will price resources with reference to the current cost of extraction and current supply and demand. Damage done to the environment in the process of extraction and the availability of future supplies are considered “externalities.” It is the responsibility of the state not only to prohibit harmful extraction, but more importantly to incorporate the full cost of the resource—including environmental damage and future supplies—into the market cost of the resource. Otherwise a resource will be used until it is exhausted, creating a supply crisis and also leaving no incentives for repairing environmental damage. The revenues created by resource surcharges can be dedicated to sustainable resource availability and environmental improvement.

The two resources that are of greatest concern are energy and water. Both of these have led to some of China’s largest infrastructural investments, including the Three Gorges Dam and the South Waters North. Of course, the environmental effects of such projects also has to be factored in to the project cost. The development of alternative energy sources and of water conservation should be major priorities of government policy.

Besides the environmental problems related to resources, China has especially severe problems with pollution. To some extent pollution is
inevitable, given China’s population density, high-sulfur fuels, and concentration in primary and secondary industry. But precisely because of these pressures controlling pollution must be a central priority in sustainable development. Indeed, given the environmental deterioration that has already occurred in China, one of the chief dimensions of the continued improvement in the quality of life will be the restoration of air and water quality rather than simply the increase of production.

In general, political guidance of the market is not the reestablishment of a command economy, but rather the preservation of the market’s consumer base, the reduction of market-inhibiting risk and volatility, and the strategic direction of resource usage and environmental effects. Although each of these directions of state activity shape the market in directions that it might not go on its own, they do not displace the principle of individual decision-making, and their purpose is to preserve the crisis-free development of society for the long run.

3. Modernization of Politics

The political guidance of the market just described requires a tremendous amount of political wisdom, energy, and innovation, and each of the concrete tasks is already being addressed by China’s leadership. However, sustainable development also requires the adaptation of China’s political structure to the needs of a more prosperous and complex society. Intellectually this is a more demanding challenge than the economy because of the uniqueness of China’s political system.

The political challenge of sustainable development now facing China is quite different from the political challenge of reform faced in 1979. The basic task in 1979 was the correction of leftist mistakes and the promotion of reform and openness. Chinese society was homogenous, cautious, and oriented toward self-sufficiency. It was clear from the economic progress of other Asian countries that more rapid development was possible, and so the task of the new politics of reform was to encourage commerce and entrepreneurship. Although there was some resistance to the new policies, the success of initial reforms justified further reform. The goal of maximum growth was understood and welcomed by all.

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The political challenge of sustainable development differs from the earlier phase in situation, content, and mission. In contrast to Deng Xiaoping’s correction of leftism, the challenge of sustainable development results from the success of the previous phase. The task is not to correct earlier mistakes, but to adjust to the new realities created by a quarter-century of success. In some ways it is more difficult to adjust a successful policy, since there is no crisis at hand that demands adjustment, and there is a natural tendency for successful leadership to become complacent.

The content of political reform has also changed. Deng Xiaoping’s emphasis on maximum growth, but now sustainability requires meeting the needs of an increasingly complex society, and integrating a more complex society into the political community. Lastly, the mission of the Communist Party of China has changed. The priority of growth now must be balanced with the priorities of preserving existing accomplishments and of avoiding future crises. The Party remains a vanguard party, but instead of the revolutionary goals of the leftist era, instead of the maximum growth of the Deng Xiaoping era, the goal is sustainability, which requires the strategic avoidance of possible crises.

The modernization of politics requires the application to political reform of three market virtues: reliability, transparency, and openness. These are not only ideal virtues of market behavior, they are also political prerequisites for the optimum relationship between the economy and the political community. Reliability requires a strengthening of the rule of law. The fundamental function of law is the regularization of expectations of how the larger society operates. Transparency requires the maximum availability of public information, and the management of information according to public purposes. Political openness has a dual importance in China because of the roles of the state and of the party. With regards to the state, openness requires maximizing citizen choice and participation in governance. Already the expansion of face-to-face, grassroots democracy is an important step and further strengthening of the people’s congress system is another task. Given the role of the Communist Party of China as the sole governing party, openness also requires the increase in intra-Party democracy.

The first political requirement of sustainability is the rule of law. One of the fundamental characteristics of a modern society is complex
interdependence. The most prominent example of complex interdependence is the market, but its influence reaches to every aspect of modern society. Complex interdependence enables a large-scale and differentiated society and the division of labor vastly expands economic potential, but it also creates vulnerability. In a traditional village, everyone knows the people with whom they interact, and most interactions are predictable because of guanxi 关系, personal relationships. One can rely on people rather than on laws because one knows all of the relevant people. In modern society, everyone is dependent on the actions of unknown people who are beyond the horizons of personal guanxi.

The vulnerability of modern society creates a need to make society predictable beyond ones personal circle of guanxi, and the ultimate guarantee of the predictability of society is the rule of law. There are three dimensions to the contributions of law to social predictability. First, it provides rules for citizen behavior, including recourse for citizens if they are treated illegally——依法执政. Second, it provides and enforces the macro structures of society in which individuals operate——依法执国. Third, it defines public processes for changing laws and regulations——依法执政. These three dimensions of the modern rule of law can be distinguished, but they are interrelated. Ultimately, one dimension cannot remain effective in the absence of the others.

The basic principle of 依法执政 is that a citizen needs a reliable legal environment for his or her activities. A citizen needs to know what actions are rewarded or sanctioned, and most importantly needs confidence that actions that are not currently illegal will not be punished in the future. A citizen must feel secure against the illegal actions of others. A person accused of a crime should be treated as a suspect who is possibly innocent rather than as an enemy of the state.

Although 依法执政 is obvious in theory, it is not necessarily obvious in practice. In a rapidly changing society like China, citizens may do new actions that are “not yet forbidden” and yet are against the public interest. But if such actions——legal when they occurred—are punished later as crimes, then the innovative fringe of society is subject to the risk of unknowable future sanctions and therefore it will behave cautiously. The most extreme example would be general citizen behavior in China in the late 1970s after the experience of the Cultural Revolution. Since people could not know the target of the next campaign, the public risk of participating in public official activities was vastly managible and they would not know the potential benefits.

The rule of law requires public scrutiny of the actions of the leader to prevent separation of power and thus avoid the haphazard action that often happens in authoritarian systems.
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依法执法 is the most obvious dimension of rule of law, since every large society, traditional or modern, is benefited by stable and effective public institutions. The codification of organic laws and the policing of official accountability are necessary in order to establish and operate a complex structure of public authority. In a modern society, the function of依法执法 is expanded to include the management and licensing of a vastly expanded civil society. As with 依法执法民, the fundamental task in managing public and civil institutions is predictability. Although 依法执法 limits the discretion of officials and makes them accountable to laws and regulations, even the officials benefit from predictability. They know the boundaries of their power, and the system within which they function is likely to be more stable. Clearly the country as a whole benefits from institutional definition, effectiveness and stability.

依法执法 may appear to be the least necessary dimension of the rule of law, but the diversity and the rate of change of modern society requires predictability in the processes of political change. Transparency and defined processes of consultation and deliberation are necessary for public access to the policy making process. While transparency and routine processes might be inconvenient for the leadership, 依法执法 is the most important guarantee that the leadership will not separate itself from the citizenry. Just as the most important principle of revolutionary leadership was not to separate oneself from the masses, 依法执法 requires that the leadership not separate itself from the citizens, 依法执法. Even if the leadership happened to make better decisions without 依法执法, the public would not feel included in the political process, and it could not be confident that future decisions would continue to take its various interests into account.

No modern society reaches perfection in these three dimensions of rule of law, but the stability of all modern societies—whatever their political form—rests on their interactive presence. The content of law and the political system may differ (though globalization promotes convergence in these as well), but complex interdependence is fundamental to all modern societies, and the necessity for the three
dimensions springs from this basic characteristic. Just like the need for a traffic light is dictated by the volume of traffic at an intersection, the need for the rule of law is dictated by the need for predictability in the daily interactions of modern society.

Transparency is necessary in modern government because a more complex society is both more dependent on public policy and more distant from decision-making. Moreover, because of computers and the internet, progress has become dependent on the availability of information, and so the promotion of information has become a basic political responsibility.

Even in an information society there is a need to manage information. However, there is a general public interest in avoiding arbitrary and unnecessary restrictions on information. Therefore any restriction of information should require a justification in terms of the public good, and the principles governing the restriction of information should be available to the public and applied according to the rule of law. Similarly, official media serves public purposes, and its most basic purpose is the provision of reliable, comprehensive, and timely information. This is a task of professional journalism. The British Broadcasting System is perhaps the best-known and most distinguished example of a public media system that serves the interests of not only its domestic public, but also the world in general. Media in China has developed a greater sense of journalistic autonomy and responsibility to the public during the reform era but there is room for more progress.

A modern and sustainable political order must respect all of the members of its community because its legitimacy rests on the inclusiveness of the political community. Citizens not only should be free to participate in public deliberative institutions, they should be encouraged to participate and the autonomy of their choices should be respected. An excellent development in this regard is the implementation of village and ward elections. These elections provide an opportunity for face-to-face democracy that is rare even in developed countries. There have also been major reforms in the people's congress system during the reform era, and these have paved the way for creating a mature institution of citizen consultation and oversight that can be a key contribution to the constitution of China. In general, citizen participation can be improved by strengthening the electoral process and also the openness of deliberations. Just as importantly, the delegates to people's congresses should be expected to contact their constituents.

The CPC's long-term People's Assembly (1990) is designed to ensure that in the People's Assembly, the political initiative is subject to the development of a question-and-answer process. What we could call a question-and-answer process as an appropriate mechanism for good results, maintains legitimacy over governing decisions, will depend...
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The role of the Communist Party of China as the governing party has no counterpart among developed countries, and among developing countries only Vietnam is a close analog. There have been situations of long-term single-party politics in Japan, Sweden, and Mexico, and the People’s Action Party continues to have this role in Singapore (Pempel 1990). But these dominant parties existed within electoral frameworks that in principle permitted other parties to form and to contest their rule. These were ruling parties rather than governing parties like the CPC, and the successful contestation of their rule did not require a change of system. Since developed countries experienced quite different relationships of civil society, state, and political parties during their histories, it cannot be assumed that a governing party is incompatible with development, nor can it be assumed that China’s current party-state political system cannot be sustained. Nevertheless, the fact that there are no successful, advanced models for China to follow implies that the question of the adaptability of a party-state system to sustainable development deserves serious analysis.

What does sustainability mean as a criterion for a governing party? It could be said that a governing party is sustainable as long as it is powerful enough to maintain its current system of power. But this criterion is circular—sustainability is sustainability. It does not address the structure of modern society and how a governing party could serve as an appropriate form of governance for an indefinite length of time. It could be said that a governing party is sustainable as long as it produces good results in economic development, in other words, as long as it maintains performance legitimacy. But the notion of performance legitimacy also has elements of circularity. In effect, it says that the governing party is legitimate as long as it makes correct economic decisions, but the judgment of the correctness of economic decisions will depend on how they affect the legitimacy of the governing party. If
performance legitimacy is identified with a particular measure, for instance, rate of growth, then the constant emphasis on maximum growth could actually undermine sustainable growth, and thereby lead to the loss of performance legitimacy.

The criteria for a sustainable governing party must therefore be derived from the essential characteristics of the party-state and of modern society. The first sentence of the Party Constitution reads, “The Communist Party of China is the vanguard both of the Chinese working class and of the Chinese people and the Chinese nation.” The centrality of the CPC in China’s political system is also reflected in the State Constitution:

Under the leadership of the Communist Party of China and the guidance of Marxism-Leninism, Mao Zedong Thought, Deng Xiaoping Theory and the important thought of Three Represents, the Chinese people of all nationalities will continue to adhere to the people’s democratic dictatorship and the socialist road, persevere in reform and opening to the outside world, steadily improve socialist institutions, develop the socialist market economy, develop socialist democracy, improve the socialist legal system and work hard and self-reliantly to modernize the country’s industry, agriculture, national defence and science and technology step by step and promote the coordinated development of the material, political and spiritual civilizations, to turn China into a socialist country that is prosperous, powerful, democratic and culturally advanced.

The relationship of the CPC to other recognized political structures is also indicated in the Constitution:

In the long years of revolution and construction, there has been formed under the leadership of the Communist Party of China a broad patriotic united front which is composed of the democratic parties and people’s organizations and which embraces all socialist working people, all builders of socialism, all patriots who support socialism, and all patriots who stand for the reunification of the motherland. This united front will continue to be consolidated and developed.

In sum, the centrality of the CPC’s political leadership is not the outcome of selection processes within the political system, but is integral to the system. Other parties and organizations are not the potential bases of alternative leadership, legitimate opposition, but rather are parts of a united front. The CPC is a governing party, not a party that happens to be a ruling party.

The unquestionable centrality of the CPC in China’s political system means that Party structure plays a much more important role than parties in a competitive parliamentary leadership base of the political development.

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in a competitive system. If a ruling party becomes unpopular in a parliamentary democracy it can be voted out of office. But if the CPC leadership became unpopular, there would have to be a transformation of the political system. Therefore the task of political reform for sustainable development must include Party reform as well as State reform.

If the CPC is to stay at the center of a political community that is diversifying and modernizing, and to be able to raise its governing capacity to address new tasks as they arise, there are four basic tasks. First, it must be predictable in its processes—the Party equivalent of the State’s rule of law. Second, it must be inclusive in its personnel policies. Third, it must be as open as possible in its deliberations. Fourth, its leadership must encourage the meaningful deliberation of members and of delegates to party congresses. All together, these challenges are those of intra-Party democracy. Chinese democracy is as much a question of intra-Party democracy as it is of state democracy.

Within the Party, the rule of law is embodied in the requirement to institutionalize Party processes. There has been considerable progress in the institutionalization of leadership transition, as shown by the processes of retirement and recruitment begun by Deng Xiaoping, and especially by the leadership transition of the Sixteenth Party Congress in 2002. The comprehensiveness and reliability of Party regulations is of vital importance not only to Party members, but also to the general political leadership of society.

In order for intra-Party democracy to have a meaningful relationship to “the power of the people” in general, it must be inclusive of all elements of society who wish to be active in political leadership and who meet the Party’s standards of quality. Therefore there cannot be categorical exclusions of parts of society. An excellent example of progress in this regard was the application of the Three Represents to admit entrepreneurs into the Party. The admission of members of recognized religions should also be reconsidered, since they are normal members of society. In some cases the identification of religion and culture is so close that the exclusion of religious believers creates a distance between the Party and the local population. Of course, Marxism–Leninism is atheistic and anti-religious, and the CPC has shared this viewpoint. But it should be remembered that the anti-religious sentiments of Marx, Lenin, and of the Enlightenment more
generally originated in their criticism of states dominated by establishment religions. Religion has not had this role in China, and it is not likely to. The principles of political leadership of the CPC would be acceptable to many religions, and the moral dedication and sophistication of religions might be helpful to the Party. In any case, categorical exclusion of a group implies that their members cannot be part of political leadership. If the base of the Party is narrower than that of society, then it cannot lead the entire political community. Religion can only become a threat to the Party if it remains on the outside.

Because the Party is a public institution, the openness of its deliberations and policies is part of the essential transparency of modern government. In a society based on information, information about political matters is especially important. Moreover, internal Party openness is another important area of sustainable leadership. Since the membership of the CPC is as large as the population of a country like Iran, and everyone is supposed to be an intelligent participant in the Party’s activities, intra-Party communications are vital.

Lastly, as the Party’s responsibilities shift toward maintaining prosperity and avoiding future crises, it is important that the democratic side of democratic centralism be strengthened. Maximizing growth provided a fairly obvious general objective that could be applied creatively by Party members and government officials, but sustainable development is a much more complex goal. It requires a variety of input and flexibility in application. Party members should feel free to contribute their ideas as well as their efforts. The deliberative role of Party congresses should be strengthened in order to incorporate the creativity of the Party as a whole into the general political direction. Besides improving decisionmaking, more democracy will also raise the morale of the Party and raise the Party’s credibility as the representative of the whole society.

Sustainable development requires the market virtues of reliability, transparency and inclusiveness because modern society is large scale and diverse and yet sensitive and interdependent. If citizens feel insecure, ignorant, or excluded, then not only will their quality of life be reduced, but society will not function as well as it should. If insecurity, ignorance and alienation are allowed to grow, then the very structure of the political community can be threatened. The rule of law,
transparency, citizen participation and intra-Party democracy are each essential elements in creating a sustainable modern political order.

4. Interaction Effects of Economic and Political Reform

While the argument has been made that the political guidance of the market and the modernization of politics are each essential to sustainable development, the question of the interaction between these two directions of reforms deserves separate discussion. Both economic and political reform address the same general problem of sustainable development and result from the success of previous policies, but their logics are independent. So the questions arise, are political and economic reform compatible? What would happen if either one were pursued alone, in the absence of the other? What are the interactive requirements of political and economic reform?

The first question concerns the compatibility of political and economic reform. It might seem obvious that responses to the same phenomenon would be compatible, but in fact the political guidance of the market requires more vigorous government action in directing the economy, while the modernization of politics requires the constraint of government action by laws, transparency and inclusiveness. Can economic policy become more effective at the same time that politics is becoming more sensitive? Although the reform directions are not contradictory, they are not identical, and there are tensions between the two.

What would be the likely consequences of pursuing one or the other reform direction alone? The first option to consider is economic policy reform without political reform. It can be inferred from earlier economic policy that the political guidance of the market could be effectively enforced even without political reform. Not only has the Center been effective with the general direction of reform era policy, but it has also shown its strength in changing policy when problems emerge, for instance in controlling inflation in 1988 and 1995, and in Zhu Rongji’s efforts at restructuring central finances and controlling smuggling in the 1990s.

Nevertheless, shortcomings in politically unreformed economic
leadership can be anticipated. First, policy changes may be effective, but without a regular process of policy review and discussion, they can lead to unanticipated consequences. To take a distinguished example, Deng Xiaoping’s “Southern journey” in 1992 was essential to the revival of reform, but it also led to two years of inflation. Second, a top-down structure of power, with inadequate legal control, little transparency, and no effective democratic participation in either Party or state organs, creates an environment that invites the abuse of power. The distortion of markets by political power is the reason for the common negative usages of “ politicization of markets.” Corruption is not only a result of defects of personal character, it is also a product of opportunity. Third, given the long lines of authority between Center and localities in China, even if local leaders cannot openly oppose the Center, if they are the unquestioned powers in their localities, they can pursue their own ends and frustrate Central control and national interests. Fourth, there is a danger that the unreformed state control of the market would tend toward creating a neo-command economy. If political interventions in the market are unpredictable, then economic actors may become afraid of political interference, and their interests will be alienated from the government. An example might be President Putin’s attempt to reassert control of Russia’s energy production. In sum, it is possible to act in the interests of the public in managing the economy without appropriate political reforms, but it might not be sustainable.

Political reform might be possible without asserting political control of the economy. Indeed, one could imagine that the modernization of politics could become the last frontier of the assertion of market forces in society. As wealth and power grows outside the state, it could work to make its influence felt within the state and within the party. The political empowerment of market forces might make it more difficult to control the economy even for public interests.

While it is possible to imagine the rule of law, transparency, a citizen-based state and an inclusive party without effective control over market forces, a political community that cannot assert its strategic interests against the immediate interests of the market is left with only trivial decisions. China would become a “bourgeois democracy with Chinese characteristics.” If China had to abandon its current policies of

5. Conclusion

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scientific development, or if it were unable to enforce these policies because of the resistance of powerful market forces, then surely crises of business cycles, inequality, economic insecurity, resource shortage, and environmental problems would develop. The inability of the state to handle these crises would lead to disillusionment first of all with the leadership in charge at the time, but ultimately with the political system as a whole. And yet a transformation of the system would engender new political crises and it would be unlikely to resolve the continuing economic crises.

We can therefore assert that, while the economic and political dimensions of sustainable development are distinct in their challenges and logics, nevertheless they each need the other for long-term effectiveness and stability. For the sake of the public good, economic development needs strategic guidance, and a modernized political system can provide the necessary guidance without inhibiting the initiative and confidence of the market. By the same token, if politics is reformed so that the needs of a diverse society can be articulated, the usefulness of political reform will be proven by effective policies that promote the public interest. The apparent incompatibility between policy effectiveness and political sensitivity is too shortsighted. True, policy makers can be inconvenience by the rule of law, transparency and citizen participation, but these help to set more appropriate policy goals and to prevent the abuse of power. True, modernized politics tends to be cautious about the exercise of power, but if effective decisions cannot be made in the public interest then public discussion does not have much use. More effective policies and more societally sensitive politics can be seen as the two legs making possible a journey toward sustainable prosperity.

5. Conclusion

China now faces an opportunity of sustainable development rather than a crisis. Thanks to the astonishing success of the reform era, which built in turn on the accomplishments of preceding eras, China has transformed its situation. It is no longer a backward economy with a cautious population. And with its progress, China has lost the “advantages of backwardness” that made so successful its concentration
on maximum economic growth and political stability. Sustainable development now requires the strategic adjustment of economic policy and political structures in order to avoid future crises.

Perhaps the greatest difficulty in meeting the new challenges of sustainable development is psychological. Success breeds complacency, and future crises are hypothetical until they actually occur. It was easier to correct the mistakes of the Cultural Revolution than it is to adjust the direction of the reform era. Even if it is granted that strategic adjustment is necessary, it is easier to continue on a familiar path one more day than to take action on major changes. It may be smarter to repair a roof before it rains, but it doesn’t become an urgent problem until the rain arrives.

However, in the case of sustainable development, a major crisis could mean the end of the opportunity for correction rather than just a reminder that changes are necessary. History does not have a rewind button. If China’s population splits into rich and poor, they are more likely to struggle as rich and poor than to overcome their differences. If Party leadership becomes so alienated from the new society that it loses credibility and engenders opposition, even the best leadership will find it difficult to reestablish popular confidence. Because of good leadership China has become the most dynamic society in the world, and the long-term interests of a dynamic society demand even better leadership.

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