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CHINA IN THE WORLD ECONOMY
The Problem of Internal Adequacy*

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1. The point of departure: a production function

Close to a sacrilege but let me nevertheless do it: introducing a discussion of the world's largest country in population and oldest country as a unified, centralized state by means of something so profane as a production function.[1] However, I shall not be content conceiving of production only in terms of nature, labor and capital. Let me add to these three classics two more factors that evidently are rather significant: technology and management.[2] As a result we get the simple formula:

$$P = P(N, L, C, T, M)$$

In other words, the production of goods and services, be they capital or consumer goods, for nonbasic or basic human needs, is a problem of bringing together nature (in the sense of all kinds of raw materials, including "land" and energy resources), labor (unskilled and skilled), capital (untied and tied), technology (traditional and modern) and management (traditional and modern). One classical place where this is done is the family farm, another the modern factory, a third one the family or transnational, corporate firm. They all have to come together in order for goods and services to be produced, not necessarily geographically--but functionally.

There is a difference between the first two of the independent variables in the production function and the last three. There is something "ascribed", something given in the first two, and something "achieved" in the last three; to use sociological jargon. Land and people, that's the very basis of anything human in general, and social in particular, and economic even more particularly. Capital, technology

and management come later in the game. The first two are basic, necessary conditions if not for a buoyant, modern economy at least for subsistence. The other three make the difference in terms of entry into the modern world economy as conceived of today.

If that is the case something might be learned from a very simple exercise to be carried out on the basis of the information given in Table 1 about the five largest (in GNP) economic actors:

TABLE 1. Ranking the world's top economic actors[3]

	Area	Population	SUM	GNP	GNP/Capita
China	3	1	4	5	139
USSR	1	4	5	3	32
USA	4	5	9	2	8
Japan	55	8	63	4	15
EC	13	3	16	1	3

The table can be read in many ways, and the reading done here is in terms of equilibrium/disequilibrium between the basic factors and the production.[4] We then add up the ranks for the basics, nature and labor, simply assuming that the production base of a country in terms of raw materials is in the long run roughly proportionate to the number of square kilometers, and in terms of labor roughly proportionate to the population. We have no way of knowing today what constitutes "raw materials" tomorrow. Maybe suddenly stones,

granite/syenite, mountains become valuable? There is no such thing as the ultimate, final geological survey. And the same goes for people. Even if today we might concentrate on particular age groups in the middle range we do not know what we would consider useful or fruitful tomorrow. Just consider the entry of women in the "working population", increasingly on an equal basis with men--a major revision of concepts held only yesterday (and by some even today).

When it comes to production a combination of GNP and GNP/capita might give some impression. But adding them up as ranks would be less meaningful. The discrepancies are too big for that. GNP tells us something about the total output of the country. GNP/capita gives us a basis for estimating how rich or poor people could be, on the average. And GNP/square kilometer would give us an estimate of the ability to squeeze something out of the local nature.[5]

What we see from the Table is that the two leading countries in the world where production basis is concerned--China with a composite rank of 4 and USSR with a composite rank of 5--although having achieved corresponding ranks where GNP is concerned are far behind in terms of GNP/capita, particularly China. There is a real disequilibrium here. The basis is fine, but the outcome is mediocre in the case of USSR and scandalous in the case of China. Is it not rather tempting in that case, using the production function as a point of departure, to assume that the deficit is located in the inadequacy of the other three factors, capital, technology and management? Not only tempting; but correct, it seems--or at least useful as an hypothesis, at present indulged in by the Soviet Union.[6]

On the other hand, have a look at Japan and the European Community. They are both among the highest where GNP is concerned (the data are from 1980, otherwise Japan would be ranked as number 3 and the Soviet Union as number 4 in GNP).[7] The Japanese GNP/cap was not quite that impressive in 1980, but much more so in 1986. However, the basic point is how both of them are lagging behind in total rank where production basis is concerned, particularly Japan. Would it then not be relatively reasonable to say that whereas China and the Soviet Union are "under-achievers" these "over-achievers" can attribute their high ranking in GNP, and essentially also GNP/capita, to a surplus in terms of capital, technology and management, or "very efficient utilization", as they would say?

Then, as a third point: have a look at the United States of America. Number 9 in total rank where social basis is concerned and number 8 in GNP/capita (number 2 in GNP). The figures give a sense of equilibrium high up in the world community, indeed. Neither under-achiever, nor over-achiever. Just achiever.

It would now stand to reason that whereas the under-achievers under-utilize their own population and their own area the over-achievers might over-exploit either or both. The population might work much harder, and the area be put under considerable pressure to deliver products of one kind or the other. But then there is also the other possibility: squeezing neither population nor area, but the population and the land of <u>other</u> countries, through

territorial colonization as indeed was done by Japan and most of the 12 member countries of the European Community, and over a long period at that (Ireland being the only exception and perhaps Luxembourg, unless the Grand Duchy is seen essentially as a part of Belgium).[8]

And then there is the non-territorial neo-colonialism by both, certainly making use of land and people in other countries in such a way that the net benefits of all kinds, not only monetary, end up disproportionately much at home, at the center of origin of the activities. Japan, for a short period of 50 years (from the take-over of Taiwan 1895 till capitulation in the Pacific War 1945) was certainly no stranger to territorial colonialism, and is today a master in the other variety, outpacing both the European Community and the United States.

The short formula would be something like this: the under-developed economic actors, China and the Soviet Union are not even using their own potential at home whereas the over-developed actors, Japan and the European Community, are possibly over-utilizing their own economic basis (this would show up as various types of "civilization" pathologies in the population, and as depletion and polution of the land)[9], engaging in a spill-over into other countries for the production of the amazingly high GNP and GNP/capita, amazing relative to the production basis. Two different types of dis-equilibrium, both of them unstable, and hence vulnerable, and pregnant with change.

And in the middle, then, we find the United States, neither in the disequilibrium of under-utilization nor in the disequilibrium of over-utilization but just about right, in a position of equilibrium. However, in saying so it should be noted that our basis for these characterizations is not in terms of absolute relations between productive basis and production, but as relative relations, relative to the other economic actors in the world. We are simply using the world as its own yardstick, looking at the five top actors, trying to draw some conclusions from how differently they relate to the point of departure, the production function.

Let us now return to that function. The conclusion, already hinted at above is simple. The key factor determining the profile of the country, either type of disequilibrium or equilibrium, is the ability to use productively the other three production factors, capital, technology and management. That this ability is differentially distributed is no news to anybody. Table 1 only belabors the obvious. But there is a consequence to derive from this type of reasoning that is less obvious: a very simple long term prediction of basic change in geo-economics.[10]

The long term prediction is this: the coming generation, 30 to 50 years or so, will witness a tremendous growth for the two under-developed actors, China and the Soviet Union and an equally significant decline for the two over-developed actors, Japan and the European Community. The United States will more or less maintain its current level, but challenged by China and the Soviet Union and not only, as today, by Japan and the EC, particularly Germany.

The assumption underlying this type of prediction is that the territorial basis known as a "country" still remains significant. A country, any country, will then try to utilize its production basis in terms of people and land as much as it can, through increasing inputs of capital, technology and management--the latter term being taken in a very broad sense, in fact covering much of the social formation and not only domestically but also as it extends inter-and transnationally. In so doing China and the Soviet Union have a great distance to go. Much will happen on the road; there will be internal and external cultural, military and political consequences.

They will both push aside, after an initial period of being penetrated, external economic actors trying to use for their own benefit their people and land. Both of them are more than strong enough to assert autonomy. And in so doing the countries that will "suffer" are the other three, the USA, Japan and the European Community. Of these three the US is the most penetrated one, right now by Japan. But the US will engage in the same liberation policy. Losing where the US has been penetrating others, and gaining where others are penetrating the US. US will come out about equal. But Japan and the European Community will be net losers. Their over-development/over-utilization/over-extension syndrome is much too vulnerable and the result will be an economic decline or contraction to a GNP/capita level that corresponds better to their people-land basis.

And the rest of the world? The same logic would apply, only lower down in GNP levels, and less consequential for geo-economics. Moreover, many of the smaller ones might not have sufficient cultural, mulitary and political power to guarantee the autonomy needed for this economic transformation.

To this one might object that the territorial basis for this reasoning is outdated by the tendency towards transnational production patterns. I am not so sure since all I have seen of transnational production nevertheless is based on factors coming from countries, being put together in countries, with the products being distributed to countries and ultimately consumed in countries. Those who believe in the transnationalization hypothesis often talk and write as if all of these activities took place on some type of space platform or on the ocean floor, far away from any exclusive economic zone.[11] Ultimately costs and benefits are distributed to territorial units. Ultimately some gain more and some gain less however "transnational" the activity, and this shows up in countries, on land. That is the reasoning reflected in the prediction.

A consequence of the prediction would be a continuation of the move of the center of gravity of economic activity of the world not towards the Pacific Basin, but towards East Asia. The Pacific Basin hypothesis presupposes economic expansion for the United States and South America. But even with some absolute economic growth on the Eastern side of the Pacific the relative growth, according to this kind of thinking, will be much higher on the Western side. The Western or Asian side has already witnessed considerable growth in its central and Southern part, Japan and Southeast Asia. Time has now come for China and the Soviet Union, meaning by the latter the enormous, under-utilized territory known as Siberia. In other words, a dislocation of the center of gravity not only to

East Asia but to Northeast Asia. A new geo-economic constellation.

One consequence of this type of thinking, in turn, is that much of the future depends on the relationship between China and the Soviet Union, in political and military terms. The prospects off hand, would not seem to be too good. If two giants with 10,000 kilometers of border in common both are in for highly significant growth then they might only too easily be on a collision course, particularly if they are in search of scarce markets. The latter will not be so important in the first period that prediction covers since the internal markets will be capable of absorbing colossal amounts of goods and services given the size of the population and the size of the land. There is simply so much to do, so much infra-structure to build per square kilometer, so many needs to satisfy per individual human being. But the two countries should better get their acts together in time, settle disagreements, direct conflict and structural conflict, and establish terms of reference for parallel courses of development.[12]

The parallelism is important not only in the very external and gross terms already given, but also because both countries have gone through a socialist revolution. This has two major consequences in our context. First, the positive consequence that millions, hundreds of millions of people have become economic citizens in their own countries, not only in the sense of having basic needs for food, clothing and shelter, health and education satisfied but also in the sense of not only demanding more but being entitled

to demand more, both by the culture and by the structure. These demands may not be satisfied. But they are there nonetheless as legitimate demands, perhaps involving as much as 90% of the population in the economy as producers, distributers, and/or consumers, not marginalized in their own "traditional" system as is still the case in so many Third World countries that have not gone through anything corresponding to the experiences of Russia after 1917 (the Soviet Union after 1922) and China after 1949. A quantum jump in the quality of life at the bottom, and a quantitative jump from 10% to 90% participation.[13] A change not to be scoffed at even if daily economic life is grey by First world standards.

The second consequence is negative: the shackles of the state socialist (or "state capitalist", although that appellation would fit better to some aspects of a country like France) formation. They are well known. Capital does not flow easily but is allocated from above according to highly rigid planning practices. There is technology for large scale, often highly conspicuous projects such as space flights and river dams, atom bombs and missiles but not for middle range activities above household chores where people to a large extent can use traditional implements, yet below giant state undertakings. Creativity, innovative spirit in general will not be sufficiently mobilized by the system, whether that is because of lack of material rewards or nonmaterial rewards.

And then there is the management factor that in giant societies such as these will tend to become even more vertical and centralized, with the proverbial inability to put the production factors effectively together.

There is no need to belabor these factors here. Suffice it only to say that state socialism was introduced to overcome the shackles of private capitalism and did so to a large extent successfully, but at the tremendous cost of introducing its own shackles.

The task of the two giant socialist countries can now be clearly formulated. The task is to overcome the shackles of state socialism without reintroducing the shackles of private capitalism with its "development" based on penetration, often high economic growth to start with until the country becomes steeped into the problems of authoritarianism needed to maintain the ever increasing inequality that seems to follow in the wake of capitalist economic growth. In this there is also an invitation for capitalism to welcome socialism. In principle socialism is a preparation of the population as first class economic citizens. Even if they are denied political rights and are culturally highly monochromatic in a socialist country there would be demands from 90% and not only 10% of the population, provided the market is able to supply. A good basis for cooperation, and a reason why Soviet Union is more attractive than India and Cuba/Nicargua more than Dominican Republic/El Salvador/Honduras--if capitalism were rational.

Marx was wrong, or only speaking half truths. Capitalism comes after socialism, not vice versa. Socialism lifts the bottom up, restrains the top in their economic activity, distributes some rather basic goods and services. Socialism prepares the country for capitalist growth, making the bottom layers less vulnerable as prey for capitalist predators and more capable as consumers. But then Marx was right: after capitalism and growth maybe some socialism is needed for redistribution, hopefully at a higher level. But that brings us into Chinese logic, to which we now turn.

2. Some remarks on Chinese culture, structure and process

The rest of this paper is essentially about China, and considerably less economistic than the introduction. To say that the Chinese deficit is in terms of capital, technology and management and not in terms of nature and labor, is a truism. We now have to try to move beyond that truism to identify the factors that have a bearing on the productive availability of capital, technology and management. I shall divide those factors in three groups: culture, structure and process.

2.1. Some remarks on Chinese culture.

I take the three basic characteristics of Chinese culture to be electicism, high tolerance of ambiquity or contradictions, and pride. To take the last point first: the Chinese culture, essentially based on The Three Teachings of Daoism, Confucianism and Buddhism has evidently served the country well; otherwise it would have disintegrated. The pattern has great absorbtion potential for any kind of western teaching, be that Christianity or humanism, liberalism, marxism or anarchism to mention five schools that all can be found in China during the last 100 years.[14] In my experience the Chinese are both proud of The Three Teachings and the absorbtion capacity, and see no contradiction between these pillars of Chinese civilization. Maybe it should only be added that the absorbtion during the last 100 years has focussed on the West because of the strength of the West. With a declining West

Chinese absorbtion talent might turn in another direction; from West Barbarians to South, East (Japan, already happening) even to North Barbarians again--as they did for almost forty years.

Chinese eclecticism is strongly related to Chinese talent for contradiction. To have three teachings that are disparate is, indeed, to walk on three legs--and be supported by two or one if the others should fail. Of course, this begs the question of whether underlying all three there is some fundamental, basic Chinese teaching. In that case it would probably be "pragmatism", and also empiricism. The Chinese pick, the Chinese discard. They use the three teachings up to a certain point, and then discard them--but never completely, just as they never completely accept them. Obviously the Chinese would never go whole-heartedly in for capitalism in the sense of not only practicing it but also believing in it, like Westerners in general, and Americans in particular, so often do. And exactly the same would apply to socialism. One reason for this would be the underlying ideologies. Liberalism/conservatism and marxism, would be consumed as ritualistic, to some extent aesthetic activity. But to <u>believe</u> in the way people raised in the Christian tradition, and particularly the Protestant tradition might do would hardly be Chinese. They would assume all truths to be partial (including this one).[15]

With these comments a setting for Chinese ability to have contradictory thoughts and practices coexist is already given. Given the impressive age of The Three Teachings we are dealing here with a practice in "active peaceful coexistence" of more than 1,500 years of training in both Confucian discipline and social restraint, Buddhist

solidarity and inner growth as well as Daoist taste for smallness, for contact with nature and above all for the flow and fleet of the external world in a multitude of contradictory processes. It is very hard to believe, indeed, that these teachings would disappear overnight even if Confucianism is criticized, as it was towards the end of the Cultural Revolution (and afterwards).[16] Rather, I would assume the basic culture of China to remain the same, and that any effort to close the capital—technology—management gap would have to be done in ways compatible with this cultural background, not contrary to it. Even in China there are limits to contradictions.

2.2. Some remarks on Chinese structure.

Here again we are dealing with traditions of considerable standing. The ancient Chinese social structure dividing the society into five layers, the shi'h or bureaucrats/intellectuals, the nung or farmers, the kung or artisans and the shang or merchants, with a layer of marginals underneath all of this consisting of non-han people, barbarians of various kinds, to some extent soldiers and certainly women, is not easily changed. I would assume that some of the basic gains of socialism in China has been the integration of non-han peoples (so far with the exception of the Tibetans but that may come later), the women and the soldiers into the social body in general. And, that the gains made by the women (evident to anyone with only the superficial acquaintance with pre-revolutionary conditions portrayed in the movie The Good Earth, based on Pearl Buck's novel of the same name) are a quantum jump in the humanization of a structure.

I am less convinced that much has happened to the rest of the structure. For 2,200 years China has been ruled by the shi'h, by that combination peculiar to China of bureaucrat cum intellectual, the bureaucrat who writes poetry in beautiful calligraphy and when retires indulges completely in this activity. In the West to be a bureaucrat and to be an intellectual, at least in the cultured sense of the last word, seem mutually exclusive. That contradiction if there ever was any seems to have been overcome in China. in the mandarin.

Two thousand two hundred years of almost interrupted rule. The Yuan Dynasty under the Mongols could not rule without the shi'h, nor could the Ching Dynasty rulers, the Manchus.[17] Nor could the foreign devils. Maybe the only basic challenge to shi'h rule came from the Cultural Revolution 1966 to 1976?

About this phenomenon much has been said and much will still be said. Was it an internal "squabble" inside the Chinese Communist Party, the acting out of a power struggle at the top, each side mobilizing its cadres? Or was it the revolt of those who felt short shrifted by the Chinese Revolution, which I take to be, as nearly always in Chinese history the poor peasants, the lower reaches of the nung? Or, which will be my own position, was it both? And why should it not be both? Why could it not be class struggle enacted inside the party and outside, mobilizing new groups against old structures, in an effort to overcome a 2,200 years old system giving high status to the owners of land and knowledge, and wielders of power over the rural population?

If this is the case the Cultural Revolution should have been particularly brutal against the shi'h since these were the old enemies of the lowest nung, and these were also people who had found a new position inside the CCP, regaining a power position that might have been threatened after the decline of the Ching Dynasty and the advent into power of the Chinese shang, the big merchants serving foreign capital, big nung or land owners and roving bands of soldiers of all kinds?[18] Why could it not simply have been that the poor nung discovered that once again they had been cheated, and this time under the banner of a communism that evidently needed a renewal, a Cultural Revolution, even a permanent revolution?

I draw from this two hypotheses, both of them basic to the problem at hand.

First, the hypothesis that the shi'h would conceive of themselves as the leaders of China under any banner, be that Confucianism, Marxism-Leninism-Mao Zedong Thought, or Dengism, or whatever the name of the present formation could be. As leaders they would automatically have a claim on the management factor in the production equation. They would also have a claim on the technology factor for among them are the intellectuals who ultimately will have to develop new means of production. In other words, in Marxist parlance both means and mode would and should be under shi'h control, and not be threatened from the outside. The problem is capital as the shi'h are not known to be rich--a problem to be explored later: and a key problem at that.

The second hypothesis would be that the shi'h would fight for survival, and in so doing would apply their own strongest talent: tolerance of contradictions. I think the same individual shi'h, today in his mid-seventies, might have been a solid Confucian before the revolution in 1949, then have adopted MLMThought with astounding quickness for a quarter century or so, only to come out again in the mid-1980s as a professor of business administration, management theory, international trade. Neither Confucianism, nor Marxism/Maoism would serve him very well if the problem is to produce.[19] And the problem was/is to produce: the Maoist revolution united the shi'h and the nung and the kung against the shang, bringing into power bureaucrats and intellectuals. But not that crucial third party to the technocratic trinity underlying any modernization attempt in our century: capitalists. No specialists in how to handle risk-willing capital came into power in connection with 1949; only B(ureaucrats) and I(ntelligentsia) not the C in the BCI triangle.

But is a capital deficit necessarily a capitalist deficit? Depends on the definition. State bureaucratic socialism can move capital and can, of course, also take risks (although the people in power are usually not exactly capital gamblers). The argument would be that they are neither sufficiently rewarded for the good risks, nor sufficiently punished for the bad ones. So, some aspect of free enterprise is probably needed--particularly in a country with a millennia-old culture defining buying-and selling as not only instrumental but as expressive ability--close to a basic human need. Not what you buy-and-sell, but buying-and-selling as such becomes an existential necessity.

2.3. Some remarks on Chinese process.

Given these assumptions about culture and structure what kind of process would one expect in Chinese society? Or, can anything at all be said at this level of generality? Actually, the answer may be affirmative precisely because of the word "generality"--in a sense it may be easier to say something in general terms than something more specific.

Given the general daoist inclination to see the world as changing, in yin/yang terms, with "1" splitting into "2" and "2" uniting into "1" and so on, would one not expect the pendulum, the spiral or in general wave-like patterns to be important forms of understanding for Chinese history? And, given the predominant position of the shi'h in the structure, legitimized through the Confucian component of the culture, would we not expect the theme of much of these contradictions to be centered on class? Would we not actually expect an oscillation between periods of clear shi'h predominance with emphasis on unification, centralization, mobilization of all production factors to promote growth alternating with periods when this is challenged, more diversification, decentralization and more emphasis on distribution? Which, incidentally, does not necessarily mean that people spear-heading these alternatives would not also themselves be, to a large extent, pure shi'h, but perhaps with a more peripheral background both geographically and socially? With "rank disequilibrium",[20] more axes to grind?

If this is a correct understanding then we would expect no transformation towards growth or towards distribution to be permanent. There would be a second wave coming, of the opposite, alternate character. But we would expect what happened in 1949 to be permanent for the simple reason that the maoist revolution was not against the highly legitimate shi'h but rather an alliance shi'h-nung-kung against the semi-legitimate shang (rich merchants), the illegitimate foreign devils and outcasts of various kinds not to mention the, at that time illegitimate, very rich nung, the land owners (in China often referred to as "feudal" although this is not feudalism in the European sense).[21]

In an earlier paper written in 1978[22] I tried to account for four phases after 1949 in Chinese history in the terms just mentioned. An interesting regularity seemed to appear: each phase lasts something like 9-10 years. If we now assume that the cultural revolution with its emphasis on decentralization and distribution and very cruel treatment of the shi'h took ten years (1966-1976) then the current phase of relatively unimpeded growth, according to guidelines radiating from the top of society, in this case from Deng himself, would peter out something like 1985-86. The democratization movement Fall 1986 came just in time to save this hypothesis, although it still remains to be seen whether the movement will be successful. And I think it will, for the simple reason that the energy of the preceding phase, Dengism, seems to have been spent, with limits to investment absorption showing up.[23]

3. The problem of the deficit production factors.

Let us now return to the point of departure: the production function. A highly dynamic future has been predicted for the People's Republic of China, provided the country can get its act together, mobilizing capital, technology and adequate management. Let us now look at these three problems again, this time in the light of what has been said in the preceding section about culture, structure and process.

The capital that flows into China comes predominantly from the nan yang, from the Southern Chinese, meaning from Hong Kong and Macão (and from other sources). The rest, 20%, is mainly divided, and relatively equally, between Japan and the United States. This is investment capital. In addition there is trade which may or may not be balanced.[24]

However, with the enormous amount of economic activity that goes on in China today, with literally speaking everybody buying or selling something from every street corner, in every floor of a building, with the Chinese never standing still but apparently all the time engaging in some transaction,[25] a lot of capital must also be generated inside the country. One way in which this happens is rather simple: the nung, particularly those living close enough to cities to roll their carts into the city markets during the night making brisk trades in the morning, are certainly accumulating

capital. The carts will no longer be pushed but be motorized, trucks will come and go. Most of that capital is probably ploughed back into the countryside in the form of consumption and investment for further production--the size of the saving ratio perhaps being difficult to estimate--and better houses and clothes, etc.

In addition to that there must be shang elements in the cities, in some new incarnation, that also accumulate capital. In principle both nung and shang capital could be shifted toward the state through taxation. ut the taxation system is very undeveloped in the People's Republic. Consequently capital seems to accumulate at the wrong points in the structure from the shi'h point of view, and this would also apply to what definitely has happened already and will happen even much more in the future: kung moonlighting, as they do in all socialist countries.[26]

As a result the shi'h sit there with control but not with capital and the rest of society accumulates capital but do not have adequate means of control. Of course, there are formulas for solving this problem such as the social democratic negotiation economy between market and plan, private and public sector. There is the much fuller development into the Japanese pattern of very strong market and very strong planning forces almost coalescing into some kind of unity, which then, according to Chinese thinking, sooner or later is bound to split up[27] (to this it may be objected that Chinese dialectics applies better to China than to Japan, a process being more "automatic" if in addition it is believed in).

The solution is simple: import capital from abroad through channels under shi'h control, such as state banks. But that solution is hardly optimal from the point of view of mobilizing capital. I would assume tension to come out of this, between enterprises generated through capital originating abroad and the countless initiatives all over China coming out of local capital accumulation in the hands of people who sooner or later will demand, with good reason, a political control corresponding to their investment.

Remarks such as these would not apply to the factor of technology, however. Quite clearly, even if or perhaps exactly because the 1949 revolution only brought into power two corners of the modernization bureaucracy-corporation-intellegentsia triangle, bureaucracy together with intelligentsia were quite capable of generating innovative technology. The cultural revolution did not emphasize large scale technology but may have brought about some innovations in small scale technology that might be useful when developed further in the next distributive phase. After all, China after 1949 was capable of exploding both the A-Bomb and the H-Bomb, of developing the rocket Long March, launching satellites and so on.[28] This was done, one would assume, neither by the nung, nor by the kung, nor by the shang nor by outcasts but by the shi'h themselves. And whatever technology they might need from abroad the import can be regulated through shi'h control channels. In short, there is hardly any challenge to the structure from this production factor.

But there is a challenge in the third factor, management. Is it obvious that the bureaucrat cum intellectual, shi'h, knows more about how to manage production and distribution than the nung who started pushing his cart and then grew into respectable agro-business, not to mention the shang trained in distribution through his daily activity? In short, what happens to the claim to legitimacy of the shi'h, not cultural and structural legitimacy of the old kind, but modern legitimacy, consonant with the demands of a rapidly modernizing society also engaging in capitalist ventures?

The only answer, it would seem, would be for the shi'h to learn management techniques. And they certainly seem to go about it in a most energetic way as witnessed by the sprouting of schools, faculties, departments, chairs of business administration, management, foreign trade all over the country.[29] The quip made above about the recycling of a shi'h from Confucian to Marxist to Business Administration professor during one lifetime is more than a quip, there is substantial reality behind it. I would interpret this as a cleverly designed move by the shi'h to retain their structural position in Chinese society and yet be as relevant to the present more capitalist stage as they were as marxists in the more socialist stage and as confucians in the stage before that.[30]

Flexibility or hypocrisy? I would see it in terms of the former rather than the latter even if the latter would be standard

western interpretation coming out of a culture considerably less steeped in ambiguity and contradiction and electicism than Chinese culture. The cameleon nature of the Chinese intellectual exposed to the tremendous changes that China has come through in this century should rather be seen as admirable. But it should also be analyzed as a strategy, and as such it may have positive and negative consequences for China in general and for the shi'h in particular. A strategy for individual and collective survival.

It provides continuity. Maybe CCP, the Chinese Communist Party is the vehicle of that continuity? And maybe that is its historical role, to preside over the changes and yet not launch the country into even more disruptive struggles than were witnessed during the cultural revolution?

On the other hand, I am not sure that shi'h legitimacy culturally and structurally are guarantees for shi'h adequacy in the current period. I think they can be seen as blocking productive use of capital generated elsewhere in Chinese society, of preferring unified, centralized processes under their control to more local initiatives whether of a capitalist or socialist nature. Their strategies for survival may easily stand in the way of liberating production factors from the shackles of state socialism. Correspondingly, precisely by training themselves for the current management phase they might deprive others of similar chances to develop further management capabilities through trial

and error, less through university study, exams, teaching and some consultancy. Any tendency in the direction just mentioned would tend to recreate a top-heavy society regardless of what else has happened in China.

"During the Cultural Revolution we had no economic freedom, but there was some political freedom: within a limited spectrum there were lots of discussions, also in writing, in the dazibo, the Wall Papers. Today we have lots of economic freedom, we can buy and sell much of what we want and it is wonderful to be able to enter a restaurant and decide for yourself what you want to eat, not have it decided by somebody else in the factory or university canteen. But we have no political freedom, there is no possibility of discussing all these things----".[31] These were the words spoken by some, and probably relatively representative. And I would draw from that the conclusion that the tensions building up precisely because of the factors mentioned above are of such a nature that the control tightens. Much of this stems from the Cultural Revolution and the fear that that process might be reenacted.

However, as history amply shows: reactions resorted to by a class in fear of revolt from lower classes may also bring about that revolt. In other words, does it not stand to reason that the poor nung once more feel short shrifted, watching their richer neighbor nung (particularly those who live closer to cities and towns) grow richer and richer while they stay pretty much the

same or even go down, less protected by socialist measures to ensure equality of opportunity.[32] Could not poor nung become rather restless again? And does it not stand to reason that the shi'h would also be confronted with another challenge, from the rich nung/kung/shang conglomerate with capital that they would like to put to more productive use in ways that they decide, not according to socialist or corporate planning by the shi'h? In other words, that the shi'h will have to fight a two front war in the future, a rather difficult process? And ultimately (top) party control may have to yield?

From that I draw the conclusion that in the years to come signs will be put up around China: Work In Progress. The People's Republic will somehow have to sort out these factors and phenomena, and it is difficult to see that this will be an entirely painless process. The shi'h will have to yield some of its power to others. They have understood perfectly that corporate capitalism is not that dissimilar to state socialism, that both of them give ample opportunity for technocrats at the top provided you are trained for that purpose, and maybe also have your party credentials in order. What threatens that particular structure, would be, among other things, exactly democratization.

By this is meant, above all, the possibility of the people to articulate freely the kinds of problems mentioned, particularly those that have a class component in them. When reading English-speaking Chinese papers it is not my experience that these problems

are articulated.[33] All kinds of other problems are mentioned and often in a very frank manner, but not these--which to some people might be taken as a sign that they exist only in this author's imagination, nobody else's. I would expect that reaction from Chinese not willing, and US analysts not able, to bring the factor of class into the picture.

Is the demand for democratization genuine? Or, is it rather a question of low ranking shi'h, such as students, shi'h in spe, demanding a position for themselves, fearing that the structure may be closed with signs put up everywhere, All positions filled? Maybe. But even if that is the case my guess would be that those students are representatives of groups in the population that have reasons for being afraid of being locked out. In other words, that they are not only demonstrating on behalf of themselves, even if they mainly may be doing so, but on behalf of their niches in society.

In conclusion let me, in line with what has been said, predict three things to be happening in China in the coming period. First, democratization, more freedom of expression, more open debate also of these painful problems. This may be combined with something closer to elections, if not in a multi-party setting then in a single-party setting permitting factions, several candidates for the same position, in line with what is happening in Eastern Europe and coming in Soviet Union.[34]

Second, I would expect more sharing of economic power between those who generate capital inside the country and those who

know how to manage that capital. Exactly how that process can best be brought about will be impossible to decide from the top alone. Condition number one above has to be satisfied in the process.

Third, and importantly: I think the Chinese have a giant job to do in updating their own philosophy, The Three Teachings.[34] Somehow formulas have to be found that make it possible for the Chinese to come to grips, within their own teachings, on their own terms, with more of the problems of the twentieth century. To state that marxism is incomplete (they never said it was false) is important, but not sufficient. Exactly what is missing? How can the missing points be related to the tremendous richness of confucianism-buddhism-daoism? There may be a temptation to submit to Western teaching, including social science and philosophy--but I expect that to be a passing phase only.

In short, there is more than enough for China to do. The coming years will be very important, very eventful. They will be less characterized by foreign penetration, more by inside restructuring and, as just mentioned, "reculturing". And the future beyond that reconstruction phase is, in my mind, very bright indeed. There is more than enough to develop, both to insure phases of Chinese growth, alternate phases of Chinese distrubution, and an important position for the Zhong guo, the Kingdom of the Middle--in the middle of the world.[35]