
Introduction

The Chinese economy is shifting from a socialist one to a capitalist one.¹ By China's transition to a capitalist economy, I mean a process that is producing two phenomenal institutional developments: extensive marketization of the economy and an expansion of private economy. Though few had predicted such a transition at the early stage of the economic reform and many expressed pessimism about it after the Tiananmen Incident of 1989, people are now talking about its irreversibility. Indeed, China's economic reform has reached such a point that any attempted return to the previous centrally planned economy would be economically counterproductive and politically suicidal.

Although few would disagree that the Chinese economy is turning capitalist, questions remain as to why and how this transition has occurred and become consolidated. China's case becomes even more puzzling when compared with that of other former communist states: While the transition to a capitalist economy in Eastern Europe and the former Soviet Union had barely started before communism collapsed in 1989, China's communist state itself is encouraging the transition. In other words, a capitalist economy is taking shape in China prior to a regime transformation.

The Role of Ideas/Ideology

According to common explanations, China's economic transition is a consequence of decision makers' rational policy choices, power struggles at the top, or changes in bureaucratic interests. Although none of these approaches is wrong, and hence it is not a purpose of this book to deny the insights they furnish into China's economic transition, this book intends to draw attention to a dimension overlooked by these approaches: the role of ideas. It argues that China's economic transition can largely be attributed to the penetration of capitalist economic thinking into economic policy making. This "conversion," involving both critiques of traditional socialist economic principles and reassessment of capitalist economic ideas, represents a process of reconstruction of the official economic ideology, which has played a key role in redefining the Chinese economic system and bringing about monumental changes in Chinese society.

There are reasons for this book to pay particular attention to the significance of ideas/ideology for China's economic reform. First, contrary to those accounts of Chinese politics that consciously and unconsciously overlook the importance of ideas/ideology, this book argues that China's political system remains an "ideological" one that requires a theoretical basis for all major policies to sustain the system's legitimacy.² Ideological constraints on economic policies at the early stage of the reform were significant, and they continue to be relevant as the reform moves on. Of course, in today's China, the ideology remains relevant not because the party still needs to derive policies from it, which happened in the Mao years, but because the party has to present policy changes through the overlay of ideological rhetoric. As what follows will show, the relevance of ideology to China's reform from 1979 through 1991 is reflected in two facts: (1) Economic reforms in this period had recurrently been plagued with ideological controversies; and (2) the party had to define pragmatic (and, later, capitalistic) economic policies in terms of existing ideology. In other words, even a pragmatic policy had to be made ideologically sound. The relevance of ideology remains, even though China's economy has been moving toward capitalism, particularly since 1992. The party's refusal to renounce its ideology, which sharply contradicts its economic policies and its continuing insistence on the concept of "socialism with Chinese characteristics," clearly indicates that ideology still matters. Thus, ideology continues to define a constraint

by which the workings of new ideas and policy maneuvers can be comprehended.

Second, in a Leninist one-party system like China's, where decision making on key policy issues is still highly centralized and even personalized,³ ideas held by top leaders and key policy makers are important for policy change and innovation. Indeed, what Deng Xiaoping thought and what types of ideas Hu Yaobang and Zhao Zhiyang opted for mattered tremendously in China's economic transition. Even though leadership's ideas are influenced by intellectual and policy elites, "ideas from above" perform a significant function of forming and redefining political discourse and ideology in which new policy proposals can emerge.

Third, the role of ideas is particularly manifest and significant in a society whose leadership seeks a fundamental policy change in the face of certain major political and economic difficulties. The economic depression of the 1930s compelled Western states to "convert" to Keynesianism, which led to vital changes of economic policy in these nations (Hall 1989). Developmentalism, as a set of distinctive beliefs on economic development, responded to economic hardship in some Latin American countries in the 1930s and 1940s, caused by the crisis of Western capitalist economy. Developmentalism served to put in action strategies such as import substitution, rapid capital accumulation, and state involvement in countries like Brazil and Argentina (Sikkink 1991). China's economy was facing serious troubles in the late 1970s after more than two decades of Maoist socialism. The Chinese leadership desperately sought ways out of the predicament. At this juncture, the new vision of a workable economic system became critical for China's future development.

Fourth, constrained by dogmatic socialist economic thinking for a long period, Chinese leadership and policy makers had little knowledge about how to establish a viable economy when they started reforms. New ideas and knowledge were thus critical for policy innovations and, indeed, became the sources of policy initiatives. Not only did new ideas and knowledge open up a scope of policy options for the leadership and its policy advisors, they also served them well in their effort to reconceptualize economics and redefine the normative foundation of the economic system.

Finally, and perhaps most importantly, changes in ideas/ideology provide an important dimension for us to understand certain significant political conflict and policy controversies confronting

Chinese policy makers. What China's leadership had attempted to do in the past decade was to incorporate capitalist economic thinking into its official economic ideology. Irreconcilable tensions inevitably arose when they were trying to make capitalistic ideas work in a system that still needed to rely on the concept of socialism for its legitimacy. Thus, while technical difficulties might have been involved in policy innovations, self-contradictory elements of the new economic ideology were contributing factors to many policy dilemmas and, indeed, were a source of political conflict.

However, simply recognizing that ideas are important to China's economic transition is not enough. Ideas have no explanatory power in analyses of policy making if we do not know how a particular set of ideas penetrates into the policy thinking of decision makers, how ideas define and redefine the problems to be solved, and how ideas make differences in the policy process. New ideas do not exist in an ideological vacuum. Absorbing new ideas, especially those alien to the existing ideological system, can be a risky undertaking, which may cause damage to a regime needing ideology for its legitimacy. Thus, this book seeks to address two sets of questions: First, how have Chinese intellectual and policy elites managed to incorporate capitalist economic thinking into the official ideology to accommodate capitalist practices, and through what mechanisms are capitalist economic ideas filtered and reshaped to meet the policy needs of a party still claiming to be communist? Second, what are the policy outcomes and political consequences of China's attempt to reconcile the irreconcilable, and why would the Chinese economic transition to capitalism would deepen the legitimacy crisis of the Chinese Communist Party (CCP)?

Ideology versus Economic Development: The Goal Conflict

To address these questions, this book focuses on two aspects of the process by which new economic ideas entered into the policy agenda and helped form a new economic ideology: first, how intellectual and policy elites created the new economic ideology by first flexibly interpreting Marxism and then systematically borrowing capitalist ideas; and second, how the incorporation of capitalist economic thinking into the official economic ideology generated certain profound policy and political predicaments that put new pressures upon the leadership.

In the view of this book, the choices of China's policy makers were largely ideologically constrained during a long period of the economic reform. This constraint was reflected in a profound dilemma that confronted the reform-minded leaders: how to use all possible means (including capitalist ones) to improve economic performance, while avoiding undermining the ideologically based legitimacy of Chinese polity. In a sense, this was not an entirely new problem in communist systems nor was it unique to China. More than twenty years ago, Lowenthal (1970, 1976) pointed out that the fundamental goal-conflict confronting all communist states was "development versus utopia." According to him, with the advent of "mature industrialization," a communist state had to adapt itself to certain institutional changes (such as material incentives, managerial autonomy, specialization, and income differentials), all of which were incompatible with its fundamental ideological goals (such as equality and a classless society). Lowenthal believed that this type of goal conflict had been experienced by political leaders in the Soviet Union and Eastern Europe as these countries moved toward becoming industrialized societies. As China began its reforms, it was facing the same goal conflict; with the implementation of an all-out market-driven reform later on, this conflict was in fact exacerbated to an extent that Lowenthal did not anticipate.

The attempt to balance these two needs determined at the outset that China's economic reform was oriented toward problem solving rather than systemic change. In other words, Chinese policy makers did not have a clear vision of where the reform should go; as this was reflected in an official slogan, "crossing the river by feeling the way from rock to rock" (*mozhe shizi guo he*). Yet, as traditional socialist economics had proved ineffective and irrelevant, practical problem solving tended to invite capitalist thinking, because there were no other alternatives to improve economic performance. To avoid damaging the ideologically based legitimacy, Chinese policy makers attempted to interpret all reform policies as compatible with the official ideology. This effort gave rise to what this book terms the "fundamental-instrumental discrepancy"—a process in which the linkage of the pursued policies with ideological tenets, though maintained in form, was gradually eroded. This process was both educational and manipulative. It was educational because, by marginalizing the function of ideological principles in the economic domain, policy makers began to get acquainted with new ideas that had been

advanced by liberal academics and had proved workable in problem solving. It was manipulative in the sense that policy makers and academics dissected liberal economic ideas, "neutralizing" some of their elements (e.g., arguing that some economic mechanisms embraced by liberal economics, such as the market, could serve both capitalist and socialist systems), and selectively incorporated them into the official economic ideology. By doing this, they were able to create a "gray terrain" in which the distinction between socialism and capitalism blurred. As a result, capitalist measures came to be carried out in the name of "socialism with Chinese characteristics."

The "fundamental-instrumental discrepancy" thus defined a context in which policy innovations and the introduction of new ideas were able to interact and were mutually reinforcing and in which the official economic ideology underwent fundamental changes. This book focuses on this process and explains how the process contributes to China's economic transition, on the one hand, and may inevitably lead to a crisis of political legitimacy, on the other.

Alternative Explanations

This book regards China's economic transition as an outcome of the change in official economic ideology and explains the CCP's policy and political dilemmas in terms of the tension between the fundamental and instrumental principles of its ideology. The approach used in this book differs from those that have been frequently applied to the studies of Chinese politics in general and its economic reform in particular. Three theoretical perspectives have stood out as "dominant" approaches to the politics of China's economic reform: the rational choice approach, the power struggle approach, and the bureaucratic approach.

The rational choice approach focuses on the response of policy makers to changing policy environments (Allison 1971; Simon 1976). This approach proceeds from assumptions about human motives and behavior, and draws logical institutional and policy implications from those assumptions. Two aspects are central to this approach: One is that all social phenomena are derivable from, or can be factored into, the properties and behaviors of individuals; another is that political actors (including organizations) are assumed to be interest maximizers (Almond 1990, 123). Policy outcomes, according to this approach,

result from a selection of decision-making alternatives that maximize a policy outcome.

The rational choice approach has often been used to explain the Chinese policy process (Barnett 1974; Harding 1981; Solinger 1984). The latest application of this approach to China's economic reform can be found in Shirk's work (1993), which combines the rational choice approach with an institutional one. According to Shirk, China's current institutional structure sets the context in which Chinese officials compete with one another to advance their careers and make economic policies. The political logic of China's institution, Shirk argues, determines that Chinese officials at every level of the system embrace particularistic economic reform policies that enable them to claim credit and enhance their careers. Thus, the economic reform as a whole can be regarded as the result of this logic.

From the perspective of the rational actor approach, China's economic transition could be regarded as stemming from the alternative that leadership and policy makers had chosen to maximize their chances of staying in power. True, it was commonly held in the late 1970s, even by many leaders and policy makers, that the leadership could lose popular support if the rigid economic system was continued. Improving economic performance was in the best interests of the leadership and thus became a top policy priority.

The power struggle approach has long been prevalent in the study of communist politics. This approach views policy outcomes in communist systems as a result of elite power struggle. Political elites, it assumes, are sensitive to the implications of alternative policy choices for their power and stature. The relative power of elites and their strategies for advancing their beliefs and political interests motivate policy processes and determine decision making outcomes. "Power struggle" is in fact the key conceptual tool used by prominent China scholars, such as MacFarquhar in his account for the Cultural Revolution (1981) and Pye in his analysis of the dynamics of Chinese politics (1981). Harding (1987) and Nathan (1990) apply this approach to the reform process. Harding believes that, to some extent, China's economic reform can be viewed as power contentions first between restorationists and reformers and then between moderate and radical reformers. Policy process reflects the efforts of contending groups to maximize their representation in the leading body of the party and state. In Nathan's works of Chinese politics, factionalism, which means power struggle among different factions, is a particularly

important concept. His analyses of China's reform focus on power alignments at the top, whereas his assessment of China's future derives from factional power relations. Moreover, given the fact that the Chinese political system is still uninstitutionalized, the power struggle approach might continue to be useful in explaining the dynamics of Chinese politics. Indeed, it is not entirely improper to explain reform policies in terms of the strategy used by reform-minded leaders to advance their political interests and strengthen their power and stature.

The bureaucratic politics approach explains policy process and its outcomes as the result of competing activities among bureaucratic entities and actors constrained by their organizational roles and capacities (Allison 1971; Halperin 1974). Change in policy, in the view of this approach, results from the potential for variable outcomes in bargaining, negotiation, and conflict among the bureaucrats involved. Scholars applying this approach to Chinese politics believe that policy process in China can be understood by examining the competition among government bureaucrats over preferred solutions to particular policy problems. Bureaucrats' views on which policy or policies should prevail are shaped by their position within the government (Lampton 1987; Shirk 1985; Bachman 1991; McCormick 1990; Lieberthal and Oksenberg 1988). Along the line of this approach, China's economic transition can be seen as a process promoted by those bureaucratic actors who have attempted to strengthen their own interests and positions. Liberal economic reforms are beneficial to certain bureaucratic actors while being harmful to others; the implementation of economic transition is therefore a consequence of bureaucratic competition in which those who favor reform policy triumph over those who oppose it.

The goal of this book is not to reject any of these alternative approaches, but to point out their weaknesses in addressing the specific questions raised by this volume. Undoubtedly, all these approaches have furnished important insights into Chinese politics, but none of them takes ideas seriously. Even though it is capable of explaining what will motivate policy choices, the rational choice approach seems to pay less attention than it should to the role of ideas in formulating and reformulating human perceptions of "rationality." Policy makers' perceptions of "rationality" about economics, as this book shows, are changing and often being redefined. Environmental constraints are not the only variable to explain changes in perceptions of "rationality." Ideas and knowledge are cru-

cial for helping leaders and policy makers recognize and clarify what is "rational" and worth pursuing.

Because it focuses merely on the power relations at the top, the power struggle approach is apparently irrelevant to understanding the process of the perceptual change of policy makers. It is hard to explain the policy changes generated by the interaction between problem solving and the formulation of ideas. Furthermore, this approach is unable to explain why certain leaders change the content of their ideas when their relative power interests remain the same.

Given the state's extensive role in China, the bureaucratic politics approach provides important insight into the Chinese policy process. The problem with this approach, however, is that it assumes that bureaucracies remain constant in their purposes and tasks. It therefore has difficulty explaining why bureaucrats would sometimes change policy orientations, while their bureaucratic position remained unchanged. This book contends that a bureaucracy's position is not the only explanation for the process of bureaucratic policy making; with the same position, bureaucracies can redefine their purposes and tasks as they perceive newly emerging interests informed by new ideas and knowledge. Moreover, new ideas can play a role in forming a new consensus within bureaucracies in dealing with particular problems.

One may argue that these approaches do not necessarily exclude an analysis of ideas in policy process. At least, they might provide a reason for why ideas change: for example, because it is the rational thing to do, or because certain elites want more power over other elites, or because the bureaucracy wants to pursue certain interests. Nevertheless, none of them is well-suited for the purpose of this book. Although it discusses the origins of change in China's economic ideology in general terms, this book will mainly center on the process of this change. A different approach, therefore, is needed to reveal how ideas change—in which ways, with what outcomes and consequences, and toward what direction.

Analytical Framework

Ideas do not operate unfettered by material constraints. Change in ideas is always rooted in the emergence of new social conditions. By the late 1970s, China's central-planning economy was in such a

shambles that reform became necessary. However, the economic reform at the outset was ideologically constrained. Even though the reform needed ideological justifications, the existing communist ideology was unable to play such a role for two reasons. First, revolutionary in nature, the ideology lacked a set of relevant precepts that could address complex problem solving in a market economy. Essentially anticapitalist, China's official ideology could not furnish a justifiable theoretical and moral underpinning for market-driven reforms. Second, to continue its function of legitimation, this ideology needed to preserve its identity by retaining some of its fundamental principles, which were at best irrelevant to, and at worst conflicting, with market-driven reforms. Chinese reformist leadership, then, was confronted from the very beginning with a significant dilemma: To cope with intractable economic problems, it needed to liberalize its official ideology, and even had to borrow ideas and concepts from the alternative ideology—capitalism—which undoubtedly would substantially contradict the official ideology; but to avoid undermining the ideology and weakening its political legitimacy, the leadership must continue to claim absolute ideological authority to define truth and reality. This dilemma thus led to an unprecedented effort by the leadership, namely, ideological reformulation: defining all reform policies, including those that were explicitly capitalistic ones, in terms of the existing ideology.

This book applies a “fundamental-instrumental discrepancy” approach to investigate the process of China's ideological reformulation. It argues that, to justify market-drive reforms, the leadership manages to realign two components of its ideology: fundamental principles and instrumental principles. The former are the core of the ideology, which sets the tone and parameters of political life in society. Fundamental principles tend to resist any significant change, for such a change might inevitably alter the nature of the regime. In this sense, fundamental principles become equivalent to the regime itself. Characteristically, fundamental principles epitomize “fixed” elements, which are rigid, dogmatic, and impermeable to argument and evidence (Sartori 1969). Instrumental principles function to interpret the nature of current tasks that confront the leadership and to justify current policies, thus indicating how political actors perceive, diagnose, prescribe, and make choices in specific problem areas. Both fundamental and instrumental principles have their own functions. The former justify the ultimate goals by which

the regime claims legitimacy, while the latter deal with immediate goals and serves to legitimate the leadership by stressing "performance."

In the pre-reform period, the CCP leadership was largely able to sustain the compatibility between fundamental and instrumental principles in policy processes because its entire practice of remodeling social and economic life closely followed ideological fundamentals. During the market-driven reform, however, the need to experiment with capitalistic policies generated instrumental principles, which, though defined in "fundamental" terms, in fact deviated from, and even contradicted, the core values of the existing ideology. The fundamental-instrumental discrepancy, to some extent, provided the leadership with flexibility to maneuver policies, and created room for new ideas to be practiced in a variety of policy areas.

This two-dimensional approach to ideology has often been applied to the study of communist states. Major conceptual constructs reflecting this effort include Moore's theory of official (or formal) ideology versus operative (informal) ideology (Moore 1965), Schurmann's theory of pure ideology versus practical ideology (1968), Seliger's theory of fundamental ideology versus operative ideology (1976), and Shlapentokh's theory of mythological postulate versus pragmatic command (1986). Though their terms vary, all these authors share the notion that communist ideology is not monolithic and can be distinguished between two dimensions, one referring to the core values of ideology and the other to its practical application. This two-dimensional approach has been used mainly to study the gap between ideology officially promulgated and policies actually implemented in communist states, and political consequences from efforts made by these states to mediate between the official doctrine and actual policy needs.⁴ In this dichotomous formula, the practical dimension of ideology is supposed to translate the core values of ideology into action directives, and in the process ideology itself may gradually be modified to adapt to practical needs. The early studies of this type seemed to assume the adaptability of communist ideology to changing reality and to believe that this ideology could be modified to accommodate socioeconomic modernization. The major problem with the previous applications of the two dimensional approach is that they fail to take into consideration the potential conflict between the two dimensions of ideology. They interpret the function of flexible application of ideology as if it would always

strengthen ideology and, therefore, do not allow for a crisis of ideology that may arise when the conflict between the two dimensions of ideology becomes irreconcilable.

In this book, the fundamental-instrumental discrepancy is used to explain not only the CCP's ideological self-adjustment but also its ideological decay and transformation. The key to understanding the transformation of China's economic ideology, as this book suggests, is the process in which the leadership formulates its instrumental principles on the basis of capitalist economic thinking. Although China's decision makers have persistently interpreted these instrumental principles as compatible with fundamental ones, they cannot prevent the official economic ideology from becoming indistinguishable from its antithesis—capitalism. The hard fact is that, with the penetration of rival ideas, the discrepancy between fundamental and instrumental principles is no longer one of degree, as previous scholars believed, but one of kind.

The two-dimensional approach, or the fundamental-instrumental discrepancy, of this book is thus more than just a perspective from which to understand self-adjustments made by China's leadership to balance ideology and reality; it provides explanations for the process of fundamental changes in China's economic ideology, a process that contributed to the economic transition in four related and progressive ways. First, by first defining pragmatic problem solving and, later, capitalist measures, as instrumental principles that were compatible with the fundamental principles of official ideology, China's policy makers obtained necessary room to maneuver policy processes and widened the latitude for policy choices. At the same time, they warded off some inflammatory ideological controversies. Second, piecemeal experiments with capitalism, made possible under the fundamental-instrumental discrepancy, produced new and more policy "issue areas" that in turn stimulated, and sometimes compelled, policy makers and advisors to borrow more from capitalist economic thinking. The logic here was quite simple: Capitalism would not work well if it was allowed to function only in some areas (e.g., pricing) while it was barred in others (e.g., ownership). Thus, the practice of capitalist ideas actually had a spiral effect that led to more similar practices. Third, the cumulative incorporation of capitalist economic thinking, in the form of instrumental principles, allowed a new economic discourse to emerge, helped alter the conceptual apparatus of economic theory, and reshaped the perceptions of policy makers

about cause-and-effect linkages in economics. Fourth, as the gap widened between them, fundamental and instrumental principles eventually became irreconcilable. Strictly speaking, a certain degree of compatibility between fundamental and instrumental principles is important for any functioning ideology.⁵ Conceptual disarray and incompatibility would deprive an ideology of its power to reason, persuade, and hence govern. Chinese leadership had attempted to maintain the internal consistency of its official economic ideology under the "umbrella" concept of "socialism with Chinese characteristics," but systematic borrowing of capitalist ideas eroded the foundation of the official economic ideology and led to its fundamental change.

Fundamental Principles versus Instrumental Principles

The fundamental principles of the CCP's ideology involve a small number of belief elements, which define the "identity" of the ideology and play a key role in unifying it. The fundamental ideology of the CCP has several interrelated functions: They (1) determine the party's final goal, (2) legitimate the CCP's leading role in society, (3) define the social and political order the CCP wants to maintain, and (4) provide an ontological framework (namely, a worldview) to evaluate everything from policies to social behavior. Fundamental principles tend to resist any significant change, for such change inevitably changes the identity of the ideology per se and therefore the nature of the party. In this sense, fundamental principles become equivalent to the party itself. The party needs them for its self-claimed legitimacy, and to preserve the continuity of the polity, to define its unique status in society, to maintain a socialist image, and to prevent potential political groups from demanding power sharing.

The concept "fundamental principles" in this study differs somewhat from what Schurmann calls "pure ideology," and also from what Lowenthal calls "utopia." Schurmann's "pure ideology" refers to some abstract philosophical beliefs derived from Marxist theory, which gives individuals a unified and conscious worldview (Schurmann 1966, 22). According to his definition, some important principles, for example, party leadership, are logically excluded from "pure ideology," since they are created as an instrument for action rather than to give individuals a world view. In this study, "fundamental principles" are a sort of "political formula," which is more

than some abstract ideas that define the future society. They include some concrete political doctrines by which the CCP claims legitimation and excludes other social groups from sharing power. They are politically unchallengeable, and their official position must be maintained in spite of great stress. For example, the notions of party leadership, socialist road, dictatorship of the proletariat, and Marxism-Leninism-Mao Zedong Thought—the so-called “four cardinal principles”—stand as the most fundamental elements of the CCP’s ideology.

Lowenthal (1970) uses the term *utopia* to refer to the vision of an ideal future society envisioned by communist ideology. In this study, however, fundamental principles are regarded as a mixture of utopian ideas and political “realism.” Undoubtedly, the CCP’s ideology, at least officially, still retains some utopian elements, as typically reflected in the Party’s constitution. By incorporating utopian elements into its legitimating doctrines, the CCP accepts a standard of perfection against which the present performance of party and other social groups can be judged (Gilison 1975). However, postrevolutionary social conditions have attenuated the utopian elements of the CCP ideology in two ways: First, the party has institutionalized utopia and turned it into a number of principles to defend the status quo. Utopia has thus lost its original role as a critique of existing society; second, the party becomes less receptive to utopian visions of society as it is engaged in intractable problem solving. Thus, while some of the fundamental principles remain utopian in character regarding ultimate goals, others are “realistic” in the sense that they function as the key for the party to control society and maintain political order. Fundamental principles as such inevitably confront the challenges from two fronts. Against the “ideal” vision of socialism, for instance, some think that socialism is distorted in China’s political system. For others, socialism is never a realistic or rational way to administer the society.

As mentioned above, capitalist economic ideas permeated China’s policy process during the reform, mainly in the form of instrumental principles. Instrumental principles are regarded in this book as (re)interpretations of ideological fundamentals and as a set of ideas derived from these interpretations to justify immediate policy goals. Instrumental principles differ from specific policies, though they are intimately related. As a theoretical construct and rationale behind policy making, an instrumental principle might be used to justify a series of policies. For example, the practice of justifying the

"open door" policy to the outside world since the 1980s can sanction many specific open-door policies, from joint ventures and special economic zones, to sending students abroad.

Analytically, instrumental principles can be grouped into three types, in terms of their construction or more specifically, their relationship to fundamental principles: (1) Dogmatic: these principles are directly derived from, and serve to actualize, fundamental principles. (2) Pragmatic: These are simply grounded on practical needs but can be loosely linked to fundamental principles; therefore they represent new interpretations of fundamental principles and serve to fill the gap between ideology and reality. (3) divergent: These actually come from another ideological source but are defined in the terms of the existing ideology.

Although all instrumental principles serve to identify problems (e.g., cause-and-effect linkage in a policy area) and prescribe recommendations for problem solving, the different types of instrumental principles identify the problems to be solved differently and, consequently, offer different policy recommendations. In the context of communist politics, the dogmatic type is related to revolutionary orientations and policies that stick to ideological orthodoxy, whereas the pragmatic type portrays moderate and less ideologically inspired problem-solving orientations. Finally, the divergent type indicates the decline of the existing ideology and its failure to address the problems to be solved.

In China, the operation of the three types of instrumental principles basically corresponds to the phases of political development. The dogmatic principles mainly reflect the orientation of the pre-reform years, when ideology penetrated every aspect of life in society. In this period, major economic policies were ideologically inspired; in other words, they were derived from, and evaluated against, ideological fundamentals. The Great Leap Forward, the People's Commune, the pursuit of the higher degree of public ownership, self-reliance, and "politics in command" in economic activities in the Cultural Revolution best characterized this orientation. The pragmatic type had been extensively used by Chinese leadership in most of the reform period. Concepts such as "separation between ownership and management," "responsibility system," and "socialist commodity economy" could be put in this category. The divergent type emerged in the late 1980s, when the reform was demanding bold policies beyond the existing economic ideological framework.

Exemplifying this type were concepts such as "property rights," "stock market," "shareholding system," and "income differentials," all of which stemmed from capitalist economic thinking.

Until the late 1980s, Chinese policy makers and intellectuals had largely relied upon the pragmatic type of instrumental principles for policy innovations. They employed two methods to adjust the relationship between fundamental and instrumental principles. One was to reinterpret fundamental principles to make them more flexible and more inclusive. The CCP's "Resolution on Party History" in 1981 (ZYWX, 1983; 738-792) typified such an ideological reinterpretation. It recast the thought of Mao Zedong as being about, not class struggle, but "seeking truth from facts" and defined the latter as the core of Marxism. This new postulate gave Mao Zedong Thought a new function in Chinese politics without jeopardizing its formal legitimacy. In addition, the party leadership stressed "four modernizations" as its fundamental goal, which could encompass whatever methods were necessary to increase productivity. In short, a flexible and inclusive interpretation of fundamental principles broadened the CCP's ideological framework within which instrumental principles had great room to expand. The other method was to establish new "intellectual" linkages between fundamental and pragmatic-oriented instrumental principles. This would allow any new instrumental principles to be interpreted in terms of their consistency with the fundamental ones. For instance, the CCP argued that market mechanisms were not connected only with capitalism. They were also indispensable under socialism. Concepts such as "contracting," "leasing," and "shareholding" were also interpreted as applicable to socialist economy. Another example was the CCP's formulation of the "preliminary stage of socialism." This formula implicitly justified capitalist measures as necessary for China, for the reason that China's socialism had been built in a historical context of undeveloped capitalism, and hence legitimated capitalistic practices under China's socialism.

These distinctions are for analytical purposes only. In reality, these methods are inseparable from and intertwined with each other. Obviously, a flexible and inclusive interpretation of fundamental principles would make it easier to relate pragmatism to the existing ideology, while the need to integrate pragmatic ideas into the ideology would inevitably lead to flexible and inclusive interpretations of fundamental principles.

One important argument of this book is that in China's economic transition, the pragmatic and divergent types of instrumental principles were logically related. Application of the pragmatic principles, despite serving to fill the gap between official ideology and policy needs, could open up ways for the divergent principles to emerge. In other words, pragmatic thinking, when carried forward, tended to lead to the acceptance of whatever was workable. Moreover, certain pragmatic principles per se had implicit or explicit linkages to capitalist economic thinking; as they were pushed to their logical extremes, they became indistinguishable from the divergent type of instrumental principles. Thus, pragmatic instrumental principles, if carried out persistently, would generate divergent ones. This was apparently exemplified, as this book will show, by China's experience with allowing a limited "individual economy" in order to ease urban youth unemployment, and then with the justification of "private economy" as a legitimate part of the national economy.

*The Fundamental-Instrumental Discrepancy
and the Legitimacy Crisis*

It is self-evident that the fundamental-instrumental discrepancy results from the CCP's unwillingness to repudiate its fundamental principles. Essentially, the CCP remains a Leninist party that still needs to rely on Marxist-Leninist ideology for its self-claimed legitimation. The major function of fundamental principles is to provide the theoretical basis upon which the CCP can claim the monopoly of political power. Socialism, for example, is the rationale for party leadership, for only the party leadership is said to be able to guarantee the socialist direction of Chinese society. In other words, the CCP defines socialism as a goal that can be achieved only under the leadership of a Leninist party like itself, since, as it always claims, only the Communist Party represents the tradition of scientific socialism and is able to command the course of history. A formal abandonment of socialism, or a demotion of socialism from being the ruling ideology to being an alternative one, may challenge the necessity of the party's leading status in society. For example, the party has to interpret the presence or absence of the state economy as related to, indeed as identified with, the vision of society to be built—a society that only the party knows how to establish. This orientation makes

it difficult for the party to apply a practical perspective to some issues, for instance, the party could simply treat the state's role in the economy as a way to solve certain specific economic problems (such as providing public goods and allocating strategic resources and), rather than maintain it as imperative for ideological fulfillment. In this sense, the "ontological block" confronting the CCP is interest determined—it cannot be removed so long as the party continues to take ideological fundamentals as the ultimate source of its legitimacy.

On the other hand, while still relying on ideology for its self-claimed legitimacy, the post-Mao leadership has no longer been sure that this ideology can generate "legitimacy as believed," given its colossal failure in the past decades' practice. In fact, CCP's ideologically based legitimacy was in a serious crisis by the end of the Cultural Revolution. A strenuous task facing the post-Mao leadership was, therefore, to brace the fractured foundation of the regime's legitimacy. It chose economic reform as a means, which, in the eyes of Deng Xiaoping and his supporters, was perhaps the only alternative to win back "legitimacy as believed." As economic performance was thus employed to redeem what ideology had failed to establish, the fundamental-instrumental discrepancy ensued.

Nevertheless, economic performance-based legitimation and ideological legitimation involve two different sets of norms that can be highly incompatible. The former encourages the policy style of "instrumental consciousness" that strives to render all problems as strictly rational or technical ones and to justify whatever means capable of improving performance. Ideological legitimation, on the other hand, emphasizes certain high moral and normative principles that tend to link policy choices to ideology and consequently excludes certain means as incompatible with ideological tenets. As such, economic performance-based legitimation and ideological legitimation may clash, because the means to improve performance may violate the core values of ideology. This is a profound dilemma for the post-Mao leadership.

Undoubtedly, the redefinition of socialism in terms of economic productivity provided the post-Mao leadership with strong theoretical support for its modernization efforts. With this new conceptualization, socialism was reduced to certain ideas of modernization and the CCP could legitimately implement "whatever" means and methods necessary to pursue economic growth and efficiency.

However, the fundamental-instrumental discrepancy inescapably leads to what Habermas calls a "rationality crisis" (Habermas 1975)—a crisis caused by the disparity between current practices and original ideological tenets upon which the regime has been founded. Indeed, by justifying whatever means workable to improve economic performance, the leadership is increasingly incapable of preventing its economic thinking from becoming indistinguishable from its antitheses—capitalism—and thereby from losing the identity of its own ideology. If the aim of socialism is to develop productive forces, then, as Mmeisner correctly asks, "Wherein lies the difference between socialism and capitalism?" (Meisner 1982, 235) Moreover, to develop productivity is not something for which the party "can claim a privileged understanding" (Womack 1989). The CCP regime's growing commitment to economic development makes it increasingly harder to justify to society why only this part, with this particular composition, and its ideology should permanently maintain the right to rule.

Thus, the logic of the fundamental-instrumental discrepancy is paradoxical for the post-Mao leadership: It is both problem-solving and crisis-generating. It improved economic efficiency by allowing the regime to choose whatever means it felt was suitable. On the other hand, the primacy of production deprived the CCP of the persuasive power of its ideology and significantly undermined its self-legitimacy claim based on the ideology.

In terms of the basis of its legitimacy, the CCP as a Leninist party contrasts with what is called the "developmental state" (Wade 1990; Amsden 1989; Deyo 1987; Johnson 1982). Despite being as authoritarian and repressive in character as the CCP, a developmental state will not encounter the legitimacy crisis caused by the fundamental-instrumental discrepancy in pursuing modernization. The difference, as Johnson (1987, 143) finds in his analysis of East Asian authoritarian states, is that these states are "ultimately legitimated not by their ideological pretensions" but "by their results." In other words, these states are freer than Leninist states to take whatever means to boost economies without having to wrestle with the ideological implications. Similarly, Onis (1991) believes that the goal conflict is diluted in developmental states mainly due to the fact that these states do not have a strong ideological commitment to equality and social welfare; they simply define growth, productivity, and competitiveness as "the foremost and single-minded priority of the state."

Surely, developmental states are by no means conflict-free. Their conflict between capital and labor, for example, could be intense. Economic modernization could also challenge authoritarian rule. These states could fail due to their poor economic performance and results. However, they would not contradict themselves in choosing "whatever means" to promote economic growth, as long as they perceived these means as economically favorable and workable. In this sense, they would not encounter the legitimacy crisis of the kind that the Leninist state has to face, for two reasons: First, unlike that of Leninist states, developmental states' ideology lacks what Chalmers Johnson (1970) has called a "goal culture," that is, a pronounced commitment to an explicit program of social transformation with which to attain the sacrosanct goal of a communist society. Thus, developmental states are able to evaluate policy measures (such as private versus state ownership) in accordance with practical needs and possibilities rather than with a certain ultimate and transcendental goal that society should pursue. In fact, developmental states do not have clearly defined or exclusive fundamental principles that will restrict their choices for the means of modernization;⁶ they are rarely confronted with the risk that particular methods and their outcomes would contradict the moral foundations of their regimes. Second, developmental states do not have to base their legitimacy upon ideological commitments. Therefore they are exempt from the kind of legitimacy crisis, caused by ideological ambiguity and fragmentation, that can undermine Leninist states.

A Leninist state faces a twofold legitimacy crisis: (1) like the developmental state, the Leninist state can be challenged as noncredible if it fails to maintain sustained economic growth and raise people's increased living standards. But (2) a legitimacy crisis can also occur in the Leninist state if it achieves economic successes in ways that deviate from fundamental ideological principles and therefore undermine the foundation of the system. Thus, compared with the developmental state, the Leninist state might, on the one hand, have a narrower range of alternative means to select from, and, on the other hand it will encounter more serious systemic difficulties if it bases its legitimacy on its economic performance. The fundamental-instrumental discrepancy, therefore, might compel the CCP to undergo a more thorough transformation or face eventual disintegration.