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IN MAKING CHINA MODERNIZED: COMPARATIVE MODERNIZATION BETWEEN MAINLAND CHINA AND TAIWAN (Second and Revised Edition)

Wen-hui Tsai

School of Law University of Maryland
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PREFACE

The first edition of *In Making China Modernized: Comparative Modernization between Mainland China and Taiwan* was written and completed in the early 1990s at a time when hostilities between both sides of the Taiwan Strait had begun to diminish through increasing people-to-people and cultural contacts. Along with a steady economic growth in both Taiwan and mainland China, the future of a unified China looked quite promising.

A lot has been happening since the publication of the first edition, however, and in March of 1996, mainland China and Taiwan became the foci of world attention. Headlines on the worldwide news media and global communication networks reported a growing tension between the two sides of the Taiwan Strait, with all eyes on the presidential election in Taiwan and the military threats from mainland China. There was fear in the international community that conflict in the Taiwan Straits might trigger an all out international war.

The current edition of *In Making China Modernized: Comparative Modernization between Mainland China and Taiwan* is a response to this new awareness of the significant role played by both mainland China and
ACKNOWLEDGEMENT

Many people have complained that contemporary China is a difficult country to study. Not only is China a large country with a population of more than one billion, but also events that have occurred in China have been so unpredictable that any long-term analysis of the Chinese way of doing things often quickly becomes obsolete. Yet, students of China also know that whatever the Chinese do today could very well be traced back to historical precedent set a few hundred or thousand years ago in China.

To understand contemporary China’s struggle to modernize, one therefore must look at it from a historical perspective. There is a historical continuity between what is happening in China today and what has happened in China’s past. China was a great civilization prior to the arrival of Western culture in the nineteenth century. As China fell into the hands of the superior Western civilization, it was turned into a second-class country. The struggle to upgrade the Chinese way of life and to catch up with the West has been the dream of many modern Chinese leaders since the middle of the nineteenth century.

The establishment of the People’s Republic of China in 1949 was supposed to make a new beginning in China’s modernization, making China once again a great nation. Unfortunately, that has not been the case. Under Communist rule, people in mainland China have suffered severe hardship during the past forty years. Although life today in mainland China, under Deng Xiaoping’s economic reform, seems to be better, it is still full of uncertainty and unpredictability. The brutal massacre during the June 4th incident in 1989 was a clear indication of Communist China’s backwardness.

When Nationalist China under Chiang Kai-shek was driven out of the Chinese mainland to the island of Taiwan in 1949, it was supposed to be the end of a regime of political tyranny and economic chaos. Yet, Nationalist China on Taiwan has not only been able to retain its status as the Republic of China, but also has turned a war-torn island into one of the most prosperous countries in the world. The “Taiwan miracle” has been achieved independently of mainland China.

The comparison of developments between mainland China and Taiwan in this monograph does not intend to downgrade the people and leadership of mainland China or to overemphasize the success story of Taiwan. The purpose of this analysis is to show different developmental approaches each of these two Chinese societies have taken during the past forty years, with a hope that they may learn from each other.

My long passion for the study of China’s modernization process can be traced back to my years of graduate studies at the University of California at Berkeley in the early 1970s. There I studied under Professors Wolfram Eberhard, Neil J. Smelser, Robert N. Bellah and Robert A. Scalapino. Their theoretical insights have had a long lasting impact on my interpretation of events in contemporary China. Throughout the years, I also have had opportunities to exchange ideas with Professors Wen-lang LI, Hungdah CHIU, George P. CHEN, Michael Ying-mao KAU, Cho-yun HSU, Carl Clark, Yuan-li WU, Chu-yuan CHENG and many other China
observers. The field research carried out by Chinese social scientists from both Taiwan and mainland China also has provided me with a mountain of information that has been integrated into the current study. My thanks also go to Mrs. Marci A. Irey and Miss Amenda Goodman for their editorial and word processing help in preparing the draft.

Indiana-Purdue University at Fort Wayne, the Association of Chinese Social Scientists in North America, the National Science Council of the Republic of China, and the Pacific Cultural Foundation of the Republic of China, Center for Chinese Studies at the National Central Library, Republic of China, the International Programs of Indiana University and Center for Chinese Studies at the University of Michigan have provided various levels of financial or library support throughout the years in my pursuit of the study of Chinese modernization. They have my thanks.

Throughout the years, my articles on Chinese modernization have been published in several scholarly journals. Some of the materials in them are included in this study. I therefore would like to thank the following publishers for allowing me to cite them from these publications in this study: The American Asian Review, Journal of Chinese Studies, Studies in Comparative International Development, Occasional Papers/Reprints Series in Contemporary Asian Studies, Asian Survey, Journal of Sociology (National Taiwan University), Chinese Journal of Sociology (Taiwan) and Issues & Studies (Taiwan).

My wife, Sarah L. TSAI, deserves special and deep thanks. As a demographer and fellow sociologist, she has assisted me in every step of my career development. Without her professional help and constant encouragement, this study would not have been possible. I dedicate this monograph to her with love and appreciation.

Wen-hui TSAI
Professor of Sociology
Indiana-Purdue University at Fort Wayne

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A NOTE ON ROMANIZATION OF CHINESE
TERMS AND NAMES

To the students of China from abroad, the pronunciation of Chinese names and terms presents a great challenge and some confusion. Not only are there many dialects in China spoken by people from different regions, but also a Chinese character might be pronounced differently if it is placed in a different position in a sentence.

In general, there are two systems of Romanization and alphabetization of Chinese terms and names that are found in scholarly work and international media; the Wade-Giles system and the Pinyin system. The Wade-Giles system is most frequently used in the work on the traditional and pre-Communist China era; it is also used widely in Taiwan. The Pinyin system was put into use in mainland China in 1979 and has gained international recognition as the PRC's official Romanization and alphabetization system for Chinese terms and names; it is used in mainland China and in the scholarly work on post-1949 mainland China.

Compounding the pronunciation difficulty is the different style of writing personal names in the Romanized system. The mainland Chinese tend to place the family surname first, followed by the first name, while the Chinese in Taiwan follow the Western style by placing the surname last. This problem is most acute when a person's name contains only one Chinese character, like Yung Wei or Hu Ping. It is almost impossible for an outsider to be sure which character is the surname and which is the first name.

Such a “one country, two systems” approach, to paraphrase a political slogan commonly expressed in contemporary China, presents a dilemma to the students of China from abroad and makes the understanding of Chinese events unnecessarily troublesome. In this monograph, three practices are followed in our attempt to reduce such confusion. First, the Wade-Giles system of Romanization and alphabetization is used on all names and terms from pre-1949 China and from Taiwan, while the Pinyin system is used with respect to post-1949 mainland China under PRC rule. Second, for all geographical names and terms on the mainland and in Taiwan, the Pinyin and Wade-Giles systems are used respectively. Third, the alphabetization of a person's surname is written in capital letters, if it is part of the whole name, regardless of its placement, like MAO Zedong, Teng-hui LEE, Yung WEI or LI Peng. However, if a surname is mentioned alone without an accompanying first name in it, the usual written style is used, like Deng, Mao or Li. The name style in the bibliography follows that commonly used in other scholarly works. I hope these three practices make reading easier.
CHAPTER 1

CHARACTERISTICS OF MODERNIZATION AND CHINA'S DREAM

I. CHINA FALLING FROM GRACE

China has the oldest continuous civilization in the world and is also the oldest centralized state, surviving since 221 B.C. China also has more than one billion people, the largest population of any country in the world.

Historically, the Chinese have made several important discoveries and inventions, which include the use of fire, the magnetic compass, paper-making, gun powder, block-printing, silk and paper currency. The Chinese, under the rule of the Mongols in the thirteenth century, ruled the largest territory ever ruled by a single nation. More than any other political state in history, the Chinese government bureaucracy was extensive and merit-oriented, which the renowned British historian, Arnold Toynbee, has called one of the “finest secular institutions that the world has yet seen.”¹ Urban cities flourished in traditional China.² The Chinese called their country “the Middle Kingdom,” filled with pride that their culture was superior and civilized. The Chinese have had contacts with foreigners throughout their history and sometimes were even ruled by foreigners. But the Chinese always had the confidence that the superiority and greatness of Chinese civilization eventually would absorb foreign elements and make Chinese out of those foreigners. They were a proud nation.

However, by the middle of the nineteenth century, China was in crisis. Externally, China was facing constant threats from foreign powers in the West and the ever-increasing presence of the Japanese. Internally, China’s finance system was near bankruptcy, with heavy debts from overconsumption of opium and other foreign trade. For several years, rebellions broke out that affected a large portion of China’s vast territory.

Although growth and decay were nothing new to the Chinese, they came to view every phenomenon as part of a continuous cycle. Just like day and night, dynasties rose and fell. Holding to such a cyclical belief, the Chinese believed that a socio-political crisis in traditional China was often nothing more than a temporary setback and a prelude to a new beginning. In their minds, the Chinese refused to believe that China was slipping away from greatness and rapidly was becoming a second-class nation. Chinese leadership in the nineteenth century insisted that China was only behind the West in technology - military weapons in particular - and that Chinese spiritual ethics were still intact and far superior to those of the West. Once China adopted Western technology, they argued, China would be strong again. A series of “self-restoration” programs were launched in the second half of the nineteenth century to imitate and adopt Western technology and the Western mode of production.

Unfortunately, the “self-restoration” campaign failed to improve China’s domestic stability or international competitiveness. Revolution broke out in 1911 and a new Republic was established on the first day of 1912. Dr. SUN Yat-sen and his revolutionaries had a vision to rebuild China from a state of destruction to one of political sovereignty and economic prosperity.

However, the new Republic was in trouble from the very beginning, and it failed to bring peace and order to China. Instead, chaos and civil wars dominated the entire period of the early Republic. It was first challenged by YUAN Shih-k’ai who attempted to restore the old empire, and the regime was later troubled by endless power struggles among various warlords. From 1914 to 1927, China was divided into several semi-independent states, each with its own laws, systems of taxation and foreign policy.

Then, China was invaded by Japan in 1937, and for the next eight years, China suffered the worst wartime experience in her long history, during which the whole country was almost destroyed by Japan. After World War II, the Russian-supported Chinese communists expelled the Nationalist government from the Chinese mainland in 1949. Since then, there have been two rival governments claiming sovereignty over China in the modern world: one is the People’s Republic of China on the Chinese mainland, and the other is the Nationalist government of the Republic of China on the island of Taiwan.

For over one hundred years since the middle of the nineteenth century, China has been searching painfully for its old glory. The
"self-restoration" movement of the Ch'ing intellectuals and political elite in the later half of the nineteenth century, the Republican revolution of 1911, CHIANG Kai-shek's "New Life Campaign" of the 1940s, and the Communists' victory over the Nationalists after the war in 1949 are all part of China's desperate and fruitless effort to catch up with the West: the Chinese know modernization is the only hope to achieve international primacy.

When Chairman MAO Zedong proclaimed a new beginning for all Chinese at the inauguration of the People's Republic of China at Beijing's Tiananmen Square on October 1, 1949, China thought that it had finally found a way to stand tall and with head up in dealing with all foreign nations and in rebuilding China's old glory. Unfortunately, more than forty years have passed since that day; communism and a totalitarian style of rule have proven to be incapable of pushing China into the modern age. Poverty, hunger, death and other human sufferings are still very much a part of people's daily lives in mainland China.

Nevertheless, some Chinese seem to find a way to modernize; they are the Chinese on the island of Taiwan. The Chinese in Taiwan under the leadership of the Nationalist government have successfully transformed within a short period of forty years a war-torn small island into one of the most progressive, industrialized societies. Not only are people in Taiwan enjoying economic prosperity, but they also are experimenting with gradual democracy and higher political participation. Without any doubt, modernization has come close to realization in this part of China. Taiwan is not perfect, but perhaps its successful experience could serve as a model for mainland China to follow.

In the following chapters, I shall present China's search for modernization since the middle of the nineteenth century and compare different approaches the Chinese Communists on the mainland and the Nationalists on the island of Taiwan have adopted in their respective efforts at modernization since their separation in 1949. But before I do that, I need to say a few words about the nature and scope of the concept of modernization: its main traits and problems.

II. GENERAL CHARACTERISTICS OF MODERNIZATION

In our history, no society has ever existed in a state of complete equilibrium and harmony. Change is always an ongoing social phenomenon, with pressures and demands from various external forces. Nevertheless, changes that have occurred during the past
two hundred years may be regarded as some of the most complicated and fascinating experiences human beings have ever had. Technological advancements, two world wars, urbanization, rapid world population growth, the end of colonization, the emergence of new nations, the struggle for independence, ethnic confrontations in many developing nations, the efforts of modernization in the Third World, the competition between capitalism and socialism, the political struggle between democracy and totalitarianism, and the recent collapse of the Soviet Union are remarkable revolutions of our time. Among these, the emergence of new nations and the effort of modernization by Third World nations are of special significance. Indeed, the struggle for independence and the effort to achieve modernization in order to join the ranks of the prosperous, strong and influential in these Third World nations involve not only the domestic development of societies but also relations among them.

Modernization has become a special kind of hope to the people of Third World nations. David Apter once noted that modernization embodies "all the supreme human desires." For the people in these societies, traditional ways of doing things are no longer the framework within which modern societies conduct their business. "Modern" now means dynamic, democratic and egalitarian, scientific, economically advanced, sovereign and influential.

Modernization is also part of the universal experience. There is a tendency, Marion Levy indicated, that "all of the present relatively nonmodernized societies will change in the direction of greater modernization. They will change in that direction regardless of whether their members [change] with it or whether the member of some other society or societies wish to force such change upon them." It is an everlasting process; no society in the modern world can be said to be a "completely modernized society" in which no more change is necessary. Even a society like the United States is still changing and modernizing. Contemporary sociologists like I. L. Horowitz have noted that the recognition of a need for development is a social value." People in Third World nations may not like greater modernization; they may love it, or they may even be

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neutral about it, but it is nevertheless going to be terribly important to people in Third World nations.

Before I start to discuss the problems of modernization, a key question needs to be answered: What is the meaning of modernity? In other words, what are the salient characteristics of modernity? Generally, there are two ways to describe the meaning and nature of modernity: One is based on the structural aspects of modern society and the other is based on the unique quality of modern man.

A. Structural Level of Modernity

On the structural level, modernity refers to a constellation of characteristics that are found in the structure of modern society. In his 1970 monograph, *Modernization and the Structure of Societies*, Marion J. Levy, Jr. pointed out four structural features of modernity: the specialization of social units, less self-sufficiency of those units, an increasingly universalistic ethic, and the combination of centralization and democratization. These four characteristics, according to him, are commonly found in almost every relatively modernized society. A similar account of structural aspects of modernity is also given by Daniel Lerner in his definition of modernity.

B. Individual Level of Modernity

On the individual level, psychologists attempt to define modernity in terms of individual attitudes and values among members of modern society. For them, the psychological traits of modern man have distinctive characteristics from those of people in a traditional and/or non-modernized society. According to Alex Inkeles, a "modern man" is one who has the following characteristics:

   a. A degree of self-sustaining growth in the economy - at least growth sufficient to increase both production and consumption regularly;
   b. a measure of public participation in the polity - or at least democratic representation in defining and choosing policy alternatives;
   c. a diffusion of secular-rational norms in the culture;
   d. an increase of mobility in the society, understood as personal freedom of physical, social, and psychic movement; and
   e. a corresponding transformation in the model personality.
a. He is ready for new experiences and open to innovation and change;
b. He has a disposition to form or hold opinions upon a large number of the problems and issues that arise not only in his immediate environment but also outside it. His orientation in the opinion realm is democratic;
c. He is oriented to the present or the future, rather than to the past. He accepts fixed hours, and he is punctual, regular and orderly in organizing his affairs;
d. He is oriented toward and involved in planning and organizing, and believes in it as a way of handling life;
e. He believes that man can learn to dominate his environment in order to advance his own purpose and goals, rather than being dominated entirely by that environment;
f. He has confidence that his world is calculable, that other people and institutions around him can be relied upon to fulfill or meet their obligations and responsibilities;
g. He has awareness of the dignity of others and a disposition to show respect for them;
h. He has faith in science and technology; and,
i. He is a great believer of distributive justice. He believes that rewards should be according to contribution, and not according to either whim or the special properties of a person not related to his contribution.8

In short, on the individual level, the quality of modern man is characterized by his openness, democratic way of handling opinions, belief in distributive justice, future-orientation, efficiency, coagulability, dignity, scientific attitude, and organized life.9 On the structural level, a modern society is characterized by its occupational specialization, structural differentiation, secularization of culture and a participatory democracy. It must be noted here, however, that these two aspects of modernity, individual psychology as well as social structure, must be taken together, for evidently neither one alone is capable of pushing a society into modernity. Without the individual psychological impulse, changes in social structure are quite limited; without structural conduciveness toward

modernization, the individual psychological attitudes and values toward modernization would remain only an “ideal.”

C. Modernization as a Process

Although modernization has been referred to by some scholars as the current term for an old process of social change,\(^\text{10}\) it is, nonetheless, not so simple. The process of modernization involves not only changes within a given society but also international relationships as well. As a matter of fact, modernization or the aspiration to modernity may be the most overwhelming and the most permeating feature of contemporary society.

Since it is clear that modernization is a multi-dimensional process of structural transformation in society, emphasis on the different aspects of structural change may result in different concepts of modernization. For instance, modernization is often equated with industrialization, economic development and Westernization. Levy defined modernization in terms of inanimate sources of power in the society. He stated, “I use a definition of modernization that focuses on the sources of power and the nature of the tools used by the member of a given society.” Thus, “a society will be considered more or less modernized to the extent that its members are inanimate sources of power and/or use tools to multiply the effects of their efforts.”\(^\text{11}\)

The measure of the degree of modernization in terms of the use of inanimate power and tools, as suggested by Levy, in fact, is an emphasis on the technological aspect of the development in society. According to such a definition, the more a society uses its inanimate sources of power, or any sources of power that are not produced from human or other animal energy, the more it is modernized. Thus, modernization and technological development or industrialization are interchangeable.

Modernization is sometimes also identified with the growth of economic development in society. The general assumption is that the higher the gross national product of a society, the more a society is modernized. Economic variables such as capital investment, income, savings and consumption are often used to measure the degree of modernization in a given society. Consequently, the terms “underdeveloped,” “developing” and “developed” have been ap-

\(^{10}\) Lerner, 1968, supra note 7.

\(^{11}\) Levy, 1970, supra note 4, p. 10.
plied to describe the different degrees and phases of modernization among nations in the world.

However, a number of critical issues have emerged from equating modernization and industrialization or economic development. Irving L. Horowitz has pointed out that the process of modernization is not synonymous with economic development or industrialization. He argued that modernization is related to a much larger and complex form of social change, while economic development or industrialization is merely a special form of economic change.12

There are also other significant problems in such an equation. First, industrialism does not settle the question of the social relations best suited to a given social system. Second, industrialization often adds to, rather than minimizes, the deformities of national development by putting a profound strain on the various "popular classes." Third, industrialization may stimulate rather than discourage a confrontation between social classes, since it may provide the organizational network needed for successful revolutionary agitation. Also, industrialization or economic development can be rapid, but modernization is often very slow.

Quite often, modernization is also referred to as a process of Westernization. In many of the modernizing societies, modernization and Westernization are the same thing, because, as S. N. Eisenstadt has pointed out, "historically, modernization is the process of change towards the types of social, economic, and political systems that have developed in Western Europe and North America from the seventeenth century to the nineteenth and have then spread to other European countries and, in the nineteenth and twentieth centuries, to the South American, Asian, and African continents."13 The concepts of human dignity, democracy, the legal system, capitalism and even socialism are all spread from the West into the East, and to African tribes. The problem of being modernized while trying to avoid being Westernized is one of the most challenging issues in most of the modernizing societies today in Asia and Africa. To these people, Westernization is a hope but it is also a source of disruption to the existing traditional social structure.

In general, modernization is a process which involves transformation of all social systems and the development of a particular mentality of modernity. Historically, modernization can also be

seen as the process of adaptation by which, as historian C. E. Black noted, "evolved institutions are adapted to the rapidly changing functions that reflect the unprecedented increase in man's knowledge, permitting control over his environment, that accompanied the scientific revolution."¹⁴ More precisely, modernization is a process of increasing structural complexity in which social structures become highly differentiated, specialized and interdependent. Robert N. Bellah has indicated that "modernization involves the increased capacity for rational goal-setting because it gives the systems - society, organization, personality - a more comprehensive communication network through which it is possible to assess the needs and potentialities of all parts of the system."¹⁵ Thus, it is also a process of the rationalization of social systems.

D. Major Traits in Modernization

1. Structural Differentiation

The process of modernization has been characterized by continuous structural differentiation in the major institutional spheres of society. Structural differentiation, as defined by Neil J. Smelser, "is a process whereby one social role or organization . . . differentiates into two or more roles or organizations. The new social units are structurally distinct from each other, but taken together are functionally equivalent to the original unit."¹⁶ Thus, this process of structural differentiation involves at least two interrelated processes. On the one hand, there is a process of specialization in which a unit or role is divided into two or more units or roles. On the other hand, each newly differentiated role or organization must have higher adaptive capacity in order to perform its primary function in the more balanced and evolved system. This is what Talcott Parsons has called "the process of the adaptive upgrading."¹⁷

The fundamental aspect of this differentiation of role and organization in all the major institutional spheres is the separation between the different roles held by an individual, especially among


the family roles and occupational roles. In economic activities, production in underdeveloped societies is typically located in kinship units, and exchange and consumption are deeply embedded in the family and village.

As economic development occurs, several kinds of economic activities are removed from this family-community complex. Money now becomes the dominant unit in the exchange system.

Along with the growth of economic differentiation, the occupational structure in the society also is changed. New categories and occupational groups emerge. The uncomplicated, unskilled and traditional professions become divided into many new categories. Moreover, the development of technology and more complex units of production results in new professional occupations and associations.

In the differentiation of family activities, the family loses some of its previous functions and thereby becomes a more specialized agency. The family is no longer an economic unit of production, but a unit of consumption. The family's activities become more concentrated on emotional gratification and socialization. At the same time, apprenticeship within the family declines; nepotism in the recruitment of labor and management disappears; the nuclear family differentiates from the extended family; and, women become less subordinated economically, politically and socially.

In the religious system, the secularization of religious belief occurs. The values governing economic, political, scientific and other institutional spheres are no longer directly sanctioned by religious beliefs, but by an autonomous rationality. The separation of church and state is an example in this process of religious differentiation in which the state institutionalizes relative secular values of order, adjustment and rationalization.\(^{18}\) The religious agencies devote themselves to postulations of truth and explicates of the moral normative order outside the umbrella of the system of legalized political sanction.

The most important development in the process of modernization of systems of stratification is the ambiguity of the status system. S. N. Eisenstadt said, "The social positions held by any one in different social spheres were no longer necessarily identical and there was no necessary coalescence between them."\(^{19}\) New criteria de-


velop for evaluation of occupational and/or social positions. This may lead to a growing dissociation between elite and broad status groups, and among the different elite groups, because of the breakdown of the traditional ascriptive criteria of status.

2. Integration and Problems of Stability

Although the process of differentiation creates a more balanced and efficient system through the newly differentiated units, it also poses new problems of integration and stability for the system involved because, as Talcott Parsons indicated, "the operations of two (or more) categories of structural units must be coordinated where only one category existed before." Consequently, a regulating and coordinating mechanism must be produced in order to perform the function smoothly. Old integrative agencies, such as the family or kinship organization, lost their functions while modernization created dozens of institutions and organizations designed to deal with new integrative problems.

However, the integrative mechanisms designed to regulate and coordinate the functioning of newly differentiated social units are often extremely unstable, and thus can cause other problems. To a certain degree, modernization also can be seen as a disruptive process of the social order. The reasons are many.

First, modernization involves a process of disorganization and dislocation. Newly differentiated norms and values often conflict with old modes of doing things, which are frequently dominated by traditional religious, community and kinship systems. For instance, the continuous process of urbanization, or migration from rural or urban centers, has often disorganized both rural communities and old types of urban settings. The process of industrialization has been disrupted continually by the older patterns of work and production, and the process of religious modernization has weakened the assurance of the accepted, long-established values and traditions and of their bearers and representatives. These create problems of alienation, tension and competition in the modern world.

Second, structural change is also highly uneven during the process of modernization. Parsons indicates that as "the incidence of the process within the social structure is highly uneven, different elements of a population become rationalized in different degrees, at different rates, and in different aspects of their personalities and

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orientations."21 Such an unevenness results in an important structural integration with latent or overt elements of conflict and antagonism. These conflicts, in turn, readily become associated with the tensions involved in other structural strains in the society.

Third, dissatisfaction arising from conflict with traditional ways and those arising from anomie sometimes aggravate each other upon coming into contact. Nevertheless, anomie may be partially relieved by new integrative mechanisms, like unions, associations and government regulations. Such new integrative mechanisms, according to Smelser, "are often opposed by traditional vested interests because they compete with the older undifferentiated systems of solidarity. The result is a three-way tug-of-war among the forces of tradition, the forces of differentiation and the new forces of integration. Under these conditions, virtually unlimited potentialities for group conflict are created."22

One of the major aspects of modernization problems resulting from the disruptive process is the instability of modern society. As Parsons has indicated, "Patterns of orientation which the individual can be expected to take completely for granted have disappeared. The complexity of the influences which impinge upon him has increased enormously; in many or most situations, the society does not provide him with only one socially sanctioned definition of the situation and approval pattern of behaviors but with a considerable number of possible alternatives. The burden of decision is enormously great."23

The immediate consequence of society's instability and ambiguity is the problem of socialization. Robert N. Bellah said, "the relatively static life of most members of a traditional society likewise protects them from the need to adopt themselves to people and situations not encountered in childhood, and few have any conception of the larger world beyond the mountains or even across the river."24

Whereas members of traditional societies teach their children roughly what their children need to know for their adult lives, in modern society, as Levy said, "we teach our children what we need to know for our lives rather than what they will need to know for theirs. . . . And the normal expectation now is that their children's

23. Parsons, 1969, supra note 21, p. 86.
childhood will be more different from theirs than theirs is from mine." There is almost no single definite pattern of behavior which can be transferred to the younger generation. The youth problem thus becomes one of the most serious problems in modern time, as exemplified in the rising rates of juvenile delinquency throughout modernized and modernizing societies.

3. Patterns of Variations among Modern Societies

In the preceding discussion, I have mentioned several significant structural features of the process of modernization common to most modernized societies. This does not imply, however, that all modernized societies have similar or identical social structures. As a matter of fact, most studies have found that there are more variations in structures among modernized societies than in traditional or non-modernized societies. Different historical starting points for the process of modernization, different traditional social and cultural backgrounds, different needs and goals of modernization, and different strategies of developmental planning all result in different patterns of structure featured in modernized societies.

As far as contemporary modernizing societies are concerned, patterns of variability existing in these societies have created difficulty in the selection of a model for developmental planning of modernization. There are always advantages and disadvantages in each pattern of structure variability; therefore, how to make a good choice becomes a very important strategic question in planning social and economic development in contemporary modernizing societies.

4. Patterns of Variations in Modern Political Systems

There are several different patterns of political systems existing in the contemporary world. Like the analysis of other social systems, however, it is quite difficult to find a standardized or well-recognized system of classification for them. Different analytical criteria and research purposes often produce different schemes of classification. For instance, one can differentiate types of modern political systems in terms of the number of political parties organized in the society: one-party, two-party, or multi-party systems; some in terms of the competitive characteristics of the political systems: non-competitive, semi-competitive, or competitive system; another in terms of the theory or ideology within the political sys-

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tem: communist or capitalist; still others in terms of the forms of
government: constitutional democracy or dictatorship.

The controversy regarding the adequacy and inadequacy of
these classifications is not our focus here. What concerns us here
are the major patterns of modern political systems practiced in most
modernized societies, which more likely would be followed by other
modernizing societies: the democratic political system represented
by the People's Republic of China and the now defunct Soviet
Union.

The democratic political system is the more popular form of
government. Basically, the key elements of a democratic system
are the right to resist unjust authority, the concept of contract as a
mutual engagement freely undertaken and the participation of the
individual in the ruling process. Based on such concepts, a democ-
ratric system is built: (1) to provide a check on arbitrary rules; (2)
to replace arbitrary rules with just and rational ones; and (3) to ob-
tain a share for the underlying population in the making of rules.26
In other words, a democratic political system is based on the con-
sent of the governed.

Ideally, the citizens themselves legislate the law directly. How-
ever, in modern nation-states, with their millions of citizens and the
complexity of societal structure, it is impossible for the people in
society to communicate with the government directly and to keep a
frequent check on the rules and the rulers. Therefore, it has be-
come necessary to organize groups who can crystallize the opinions
and act as surrogate spokesmen. As a result, representative demo-
ocracy has become the common type of democratic political system in
the modern world, in which citizens elect representatives who in
turn legislate the laws of society. Essential to true representative
democracy are free elections and the secret ballot. Also closely as-
sociated with it are equality before the law, freedom of speech,
press and assembly, and protection from arbitrary arrest. Compe-
tition among different political parties is one of the most significant
characteristics of representative democracy. It is believed that free
competition and the balancing of political parties can make opposing
groups in a society achieve consensus and compromise with
minimal conflict.

Another significant pattern of political system in the modern
world is the authoritarian dictatorship, in which the leader or the

Press, 1967, p. 44.
ruling party dominates all major political activities. Unlike the
democratic concept of parties, the authoritarian dictatorship does
not offer true alternatives, but merely offers implementation and
intensification of the official policy line, which descends from
above. The state party is an instrument in which closer contact be-
tween people and political leadership can be maintained, not in or-
der to grant the people any degree of genuine participation in the
formulation of policy, but in order to mobilize them for such pur-
poses as the leaders deem necessary.

In an authoritarian political system, there is little distinction
between the party and the state, for the two work together for mu-
tual benefit: loyalty to the nation is presented as inseparable from
loyalty to the party. Any efforts to sever this union are considered
treasonable. All dictatorships have in common a doctrine by which
there exists a “true” or “superior” form of government, which must
be accepted on faith and is not open to challenge. The institution of
the state is merely a tool to be used as the party sees fit, to be
picked up or discarded at will.

The apex and most distinctive symbol of the authoritarian dic-
tatorship is the secret political police and its method of “administra-
tive punishment.” The secret police recognize no legal restraint;
they are not subject to any of the limitations of due process of law.
Administrative punishment is completely unrestricted by law and is
not subject to procedural safeguards. There is no procedural pro-
tection like an open trial or hearing in determining punishment.
Dictatorships have made much use of such tightly organized forces
to suppress without due process all real, potential or sometimes im-
aginary opposition to the regime. Unlike the democratic political
system, there is no free competition from the populace in an au-
thoritarian dictatorship; the nation is mobilized tightly within the
framework of party policy and controlled by party loyalty.

5. Patterns of Variation of Modern Economic Systems

There are two major types of economic systems in the modern
world. At one end is capitalism, which emphasizes freedom and
incentive for the individual to follow his own interests as worker,
investor, consumer or business entrepreneur. It is assumed that so-
cial well-being will be served by any productive economic activity
that self-interest generates.

At the other end is socialism, in which society plays the leading
role in organizing, planning and carrying out an economic activity.
The individual is expected to contribute to the social product in ac-
cordance with his "ability" and consume from that product in accordance with his "needs." Although there are a few mixed economies existing today, such as democratic socialism and welfare capitalism, the modernizing societies seem to model their economies largely within the framework of either capitalism or socialism.

Capitalism is the predominant style of economic system throughout the world today. The underlying assumption of the capitalist economic order is that individuals often act as "economic men." The individual often searches for the greatest amount of satisfaction for the least sacrifice, outlay or cost. Private ownership of property is an inherent part of capitalism. It assures the assignment of power to decide for what purposes and in what manner the resources shall be employed in production. It also induces the accumulation of wealth. These two assurances make the owner certain that he can benefit in the future from his production.

Inheritance is also an essential element in the continued existence of capitalism. If inheritance was abolished entirely, the institution of private property alone could not support the continued existence of a capitalist system, because all the accumulation of wealth would belong to somebody else or to government agencies. Thus, inheritance acts as a strong supplementary force to the institution of private property in accumulating and conserving wealth.

Capitalism is also characterized by freedom of individual initiative through which the agents of production are directed into their best uses, and by numerous forms and innumerable manifestations of competition through which the operational efficiency in the production of goods can be created and preserved.

On the other hand, many newly independent states tend to follow a socialist approach in the early stage of their development after revolution. Because of the lack of resources and technological know-how that are crucial in a capitalist mode of economic development, socialism that calls for income redistribution and national integrity becomes very attractive. With independence, the nation must find both the technical personnel to fill positions in many industries and other economic organizations, which formerly were held by colonizers. At the same time, the nation also faces a lack of capital and finance needed for economic development and for providing welfare and public services that formerly were provided by colonizers.

Public dissatisfaction and resistance from the traditionalist sector of society likely would create tension and crisis in this early stage of modernization. A highly symbolic effort calling for na-
tional order must be crystallized. National integration and glory have priority over economic progress and material satisfaction in this circumstance. A strong and effective government thus is essential in the early push toward industrialization and technological progress. The socialist mode of production satisfies such a need.

6. The Function of Ideology

There is no doubt that nationalist ideology has proved a potent force for national integration and for developing a new sense of purpose, helping to sweep away the anxieties and uncertainties resulting from a nation’s shifting identity. It becomes a particularly powerful force for rationalization, justifying the nation in terms of higher universal values, and refrains from making the nation itself an ultimate. It also preaches faith in social and cultural progress without offering any final blueprint of the forms such progress could take. Thus, nationalist ideology or nationalism, as an ideology of unity, provides an attempt to overcome the strain of colonial and post-colonial conditions. Kingsley Davis said:

National strength or prestige becomes the supreme goal. . . . The costs, inconveniences, sacrifices, and loss of traditional values can be justified in terms of this transcending, collective ambition. The collective entity, the nation-state. . . draws directly the allegiance of every citizen, organizing the population as one community; it controls the passage of persons, goods, and news across the borders; it regulates economic and social life in detail.27

Although nationalist ideology undoubtedly contributes to the promotion of national identity and integration, it may at times make creative adjustment to the needs of modernization more difficult by prematurely freezing or fixing self-image into a somewhat traditional cast. For example, nationalism in China tended to be undermined by resurgent neo-traditionalism in the period before 1949, as it claimed that sweeping technological change and social reorganization could be carried out as a means of returning to former glory. Sometimes the search for national glory can be bound up in conservative tendencies, as was the case with Germany in the pre-World War II period, which thereby can hinder meaningful progressive reform.

There is another limitation to the effectiveness of nationalist ideology or nationalism as an agent of development. By its very nature, nationalism changes the tempo of the growth process by emphasizing the prestige aspects, the physical plant and the outward trapping of the modern industrial society as symbols of national grandeur, without integrating the motivations and inner dynamics of the growth process itself. As a consequence, nationalism is likely to befriend communist or socialist ideologies in its attempt to cope with problems.

It is clear, therefore, that nationalism is not an end in itself but only a means to an end — modernization. Nation-building is essential to modernization, because it is the most effective way to mobilize efforts toward solving the problems concerned. But once economic and social transformation reaches a certain point, other means of political sanction must be developed to cope with new problems and frustrations. An effective political leadership and administration and a wide range of political participation from every level of society must be developed to sustain growth.

7. The Role of Political Leadership

Perhaps the most important factor in the process of moving toward modernization in contemporary modernizing societies is leadership. The political style of the leader in a society not only affects the type and function of political structure but also the tempo and destination of a society’s economic and social transformation.

The basic assumption here is that modernization will be easier if the power structure is controlled by a radical modernizing elite dedicated to changing basic institutions in order to create what, in their view and that of their supporters, will be a more just and progressive social order. A true modernizing elite’s ideology and rhetoric are mass-oriented and problem-oriented. The elite plays a responsible intermediate role in a modernizing society.

But in a period of rapid change, political leaders tend to show a much greater diversity of origin. All societies undergoing change, especially a change like modernization, are involved to some extent in the transfer of political power from old hands to new. The source and nature of the new political leadership becomes a central issue in the study of political modernization. According to C. E. Black, leadership in political modernization may come from two general sources. The first is the incumbent traditional leadership itself, while the second source of leadership is derived from those
who are dissatisfied with the incumbent traditional leadership. Thus, a major problem in political modernization is the process by which a society makes the transition from a political leadership attached to the traditional system to one that favors thorough modernization.

The traditional leader does not necessarily include only those who are against change, but also those who would prefer to abolish some part of the traditional system but are reluctant to allow any far-reaching change. In periods of rapid change, this type of traditional leader often realizes that the system they inherited from the past is out of date and that a drastic change in modern policies is necessary. But, very often, this type of leader is rarely prepared to go all the way; he is likely to have more of a limited, protective and defensive character.

The modernizing leaders comprise at least three major categories: (a) dissident members of the traditional leadership itself; (b) members of the legal, medical and business professions and intellectuals; and, (c) military leaders. In the first category, one finds persons who have become alienated from the old way of life and who are convinced that modernization is desirable even if it means a loss of their privileges.

The general characteristics of these types of modernizing leaders is that they have a very strong political commitment, and their political strategy is very aggressive in advocating a modern political power structure. However, these types of modernizing leaders later may become neo-traditionalist in order to keep political power after taking over from traditional leaders.

In the second category are members of different modernizing intellectual groups, such as members of the legal, medical and technical professions, as well as entrepreneurs. The general characteristics of these types of leaders are that they are rooted in a non-cohesive, heterogeneous social strata with only tenuous mutual interrelations. These intellectual groups tend to develop a very intensive preoccupation with the problems of modernization on an ideological and political level, but are not very active in either the economic or civil sphere. Consequently, they are not very influential either in central political institutions or in wider strata.

The third type of political leader is the military leader. Among the three types of political leaders we discuss here, perhaps the military leader is the most powerful and influential in the decision-mak-

ing process in most contemporary modernizing societies. As mentioned earlier, most modernizing societies have begun their modernization in a struggle with foreign colonizers, the revolutionary leaders often coming from either military rank or having strong support from them. As a matter of fact, military leaders have filled most of the crucial political positions following the success of national independence in many modernizing societies. As heroes of revolutionary war and independent movement, military leaders can serve the function of charismatic leaders responsible for national integration and follow-up economic development.

Moreover, because of its unique characteristics, the military structure also can function as an important socializing agency, for it minimizes the class base of membership through recruitment policy. In the military, the universalistic criterion is a major principle in the mobility of military personnel; rank is based on merit rather than personal background or ascribed status. At the same time, in the absence of well-organized, popularly controlled political parties, the military may be the only group capable of maintaining political order or preparing for further economic development.

A crucial issue faced by leaders from modernizing societies has been the use of military involvement as an impulse rather than as an impediment to modernization. The tension between political and military leaders must be smoothed; a certain degree of mutual understanding and trust between them is of importance to other development.

8. The Characteristics of Political Structure

One of the major characteristics of modern society is its democratic political structure. The distinction between rulers and the ruled in modern society does not have as clear a meaning as in traditional society. The concept of democracy consists of at least two fundamental elements. First, there is a representative type of political bureaucracy in which the principles of resource allocation are established by the public deliberation of representatives of various types of constituencies. Second, there is a reconciliation system, i.e., a government of laws and not of men, in which men are required to obey laws, and where law has a wider wisdom than any individual man. Through laws, man refines his individuality and protects others from it.

Although there are several variations in Western democracy, the two-party system in the United States is often regarded as a model system. The two-party system is also seen as “natural” be-
cause contradictory interests can be polarized and because its competitive nature can be utilized for development purposes. Another main function of the two-party system is that a party leader is always aware of the need for a generalized support from the masses, which, in turn, makes him responsible to the masses.

However, the political system in modernizing societies tends to develop as a one-party system rather than as a two-party system. Since a political system in a given society is a means of solving problems, no particular system can be suitable for all societies. The Western concept of government is often in conflict with the needs, accesses and goals of modernizing societies. The needs are more arbitrarily defined, access is restricted and goal priorities are realized within a public context. At the same time, the highly symbolic nationalistic movement, the unique quality in personal and party charisma, the crisis of national and individual identity, the heroic involvement of the military, and the need for a well-organized group in order to be able to mobilize the public and utilize the natural resources all seem to favor a strong one-party system in modernizing societies.

Nevertheless, the one-party system practiced in most modernizing societies today is not an anti-democratic or anti-representative system at all. As a matter of fact, it is often organized in such a way that leaders who have similar ideology and party loyalty, from all levels of society, can join the government. Thus, to a certain degree, it is a representative government. At the same time, interactions between the central administration and the general public are not completely closed. Through political propaganda and other media, the central administration establishes an efficient communication channel to seek support from the general public.

In summary, democracy may be the most "natural" system and an ideal end in political modernization. A one-party system or a highly centralized political system, nonetheless, seems to suit what a modernizing society appears to need in its early stage of modernization for the purpose of national mobilization and integration.29

9. Educational Attainment

As mentioned earlier, during the process of modernization, the family loses its main function of child socialization, and the school

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29. For a review of the state theory of modernization, see Robert Alford and Roger Friedland, Powers of Theory: Capitalism, the State and Democracy, New York: Cambridge University Press, 1985.
and other forms of the educational system become the major socialization agencies in modern society. Several factors have contributed to such a development.

First, structural complexity in society has prevented the family from supplying sufficient knowledge to children to allow them to adjust their lives in a rapidly changing society.

Second, the specialization of occupational roles makes the division of labor so detailed that parents and other older family members are not able to supply a wide range of knowledge and training to children.

Third, economic development has opened up and created a large market in which a large quantity of labor supply becomes necessary. The school and other educational organizations can respond to such a need in a more timely fashion.

Fourth, the unique nature of industrial technology requires a highly standardized skill in each part of industry. The school can better provide such training. The need for the modernization of education is quite obvious because, as C. A. Anderson said, "no country can be prosperous unless it has a fairly large proportion of workers with something more than bare literacy." It is not surprising that the call for the modernization of education becomes a very important aspect of propaganda among modernizing leaders.

Evidence shows that educated and skilled labor produces goods more efficiently and possesses more individual traits of modernity. Studies by the World Bank in third world countries suggest that there is a link between education and economic productivity. Comparing farmers who had four years of primary education with those who had none indicated that farm output was greater for the educated farmers.

However, the principle that education is inherently good often goes beyond reasonable bounds, and some modernizing societies set higher targets for education than they really require. Several problems have emerged from educational modernization.

First, there is a gap between the need for and supply of skilled men during rapid social change. In most modernizing societies, the pressure for rapid economic progress is so great that they infuse a large number of less than fully skilled men to operate industry and

to administer governmental offices. In fact, education is a very slow process; it takes time. No society can train a group of skilled men overnight.

Second, since education takes time, capital investment in it is certainly relatively high. Thus, if a society invests too much in education, this may hinder development in other areas.

Third, in many societies, there is a strong emphasis on the humanities and social sciences, and a de-emphasis on engineering and other technical skills in universities. This is a sort of "mis-education," because education creates a new leisure class without producing enough skilled professional men to support economic progress.

Fourth, there is also a danger of intellectual rebellion against the government resulting from the high rate of literacy in society. On the one hand, intellectuals in school systems, especially those in universities, are often more conservative than other modernizing elites. Government policies on modernization may be criticized and even strongly resisted by the intellectuals whose ideology influences the students to rebel against the government. On the other hand, newly educated intellectuals may find difficulty in getting satisfactory jobs due to the gap between the educational systems and the tempo of economic development. Such dissatisfaction also may result in intellectual rebellion.

All of these issues must be examined carefully in designing the blueprint for a society's modern educational system if the society expects its educational system to benefit its economic and social development.

10. Modern Communication Media

Like education, a modern system of communication is another important mechanism for socializing people. New roads, newspapers, radio, television, movies or books can all contribute to the speed of modernization. Through these mediums of communication, men create a new conception of the modern world, a new attitude and a new lifestyle. Ithiel de Sale Pool has pointed out that

The modern media are extraordinarily rapid. Events are reported all over the world within minutes after their occurrence. . . . The modern media extended the scope of a man's empathic comprehension of ways of life that he has not experienced at first hand. Newspapers and radio enable man to conceive what it is like to be a ruler, or a foreigner, or a millionaire, or a movie star. . . . The mod-
ern media coordinate the interpersonal groups that constitute the network of face to face contacts in a society. . . . A mass media system welds the segments of the personal contact network into a single national whole capable of integrated action. 32

The need for information exchange is so vital in the modernization process that a modern system of communication media becomes necessary for societal development, for exchanges between different classes in society and for exchanges among different nations.

III. THREE COMPETING THEORIES OF MODERNIZATION

Since the end of World War II, the development of Third World nations has attracted attention from social scientists throughout the world. Various theories have been proposed in an attempt to understand these developments. In general, theories of modernization can be categorized into three competing schools of thought: convergence theory, dependency theory and world system theory.

A. Convergence Theory

In the decades after World War II, the idea of modernization dominated thinking about economic and social change in the Third World, and it held out the expectation that the economic prosperity and democratic political institutions found in the developed industrial nations would spread throughout the world. This was the process of convergence. The theory, in essence, suggests that internal factors such as value, culture and social structure of a given society will determine the course of modernization and that all societies will tend to move toward a Western type of new social structure. The introduction of Western technology produces not only economic development but a variety of other structural and cultural changes. Thus, the more a society moves toward modernization, the more it will resemble the Western mode of life, economically as well as socio-politically.

In general, convergence theorists see four cultural phases common to all modernizing societies. Modernization often begins with the introduction of modern ideas and social institutions. Initially,

the impact of technological and institutional changes can be quite unsettling, as exemplified in the increase of population growth.

The second stage is marked by the transfer of power from traditional to modernizing leaders, highlighted by civil war and/or revolution. The third phase of modernization involves economic and social transformation from a rural, agrarian society to a predominantly urban, industrialized society. Employment in industrial sectors increases, and urban population grows rapidly.

The final stage then is the cultural integration of society, which requires fundamental reorganization of the social structure. Ascribed traits such as gender, race and family background become less important in gaining power, while achieved traits such as education, income and merit provide an avenue for entry into power and national leadership. Convergence theorists believe that all modernizing societies will go through each of these four phases to achieve modernization. The theory of convergence emerged in the 1950s as a loosely-connected intellectual movement among prestigious social scientists from several disciplines. As structural functionalism was the predominate social theory of the time, the convergence theory contained a strong functionalist flavor. Harvard sociologist Talcott Parsons' view of the system of modern society reflected such a conviction of convergence. Parsons insisted that there was only one modern system of society: the Western system. All other types of society were merely variations of the Western system. This modern system of society is now under the leadership of the United States. Regardless of their societal differences, all societies will follow the footsteps of the United States and adopt American socio-political structures.33

B. Dependency Theory

The chief feature of the dependency theory is its focus on the structure of the international system - particularly in its economic aspects - rather than the internal characteristics of particular countries. The theory argues that the sovereign states of developing societies have long been dependent on an evolving mixture of technology, financing, markets and basic impacts on the international economic system dominated by capitalist power. These less developed societies may be considered "hooked," for they cannot exist without their dependence.

Developed by Argentinean economist Raul Prebisch in the late 1940s, and advanced by Chicago economist Andre Gunder Frank in the 1960s, dependency theory argued that development in Latin American countries was stunted because their economies were too dependent upon primary commodity exports and manufactured imports from Europe and America. A. G. Frank summarized this line of arguments in the following way:

1. The "underdeveloped" countries are in fact highly developed adjuncts to the capitalist countries of Europe and North America.
2. The rich countries could not have cumulated their wealth without exploiting the poor ones, so under-development is simply the reverse side of development.
3. Modernization theory focuses on factors internal to poor nations and ignores their embeddedness in a world economy dominated by the rich ones.  

Dependency theorists thus believe that the convergence perspective simply can be dismissed as the ideological justification for continued capitalist domination of the third world.

The dependency theory was criticized for being biased and ideological, and for distorting evidence. Tony Smith felt the theory deprived local histories of their integrity and specificity, making local actors little more than the pawns of outside forces.

C. World System Theory

While dependency theory grew out of Latin American experience, world system theory had its historical roots in the Marxist-Leninist theory of colonialism and colonial expansion experienced by pre-modern Europeans. The most comprehensive and systematic formulation of the world system perspective was by American sociologist Immanuel Wallerstein and his students. Wallerstein viewed the contemporary world system as an international system of economic and political stratification in which nations compete for control.

According to Wallerstein, there are three tiers of nations within the world system. First, there are core capitalist societies that control most means of production such as factories and technology. The United States, West Germany and Japan are examples of core capitalist societies. They are relatively autonomous and stable, and have great economic and/or military power. They have a complete division of labor and produce a wide range of goods or services. Their economies are geared for manufacturing goods, not for providing raw materials.

Second, there are peripheral societies which include underdeveloped societies such as Uganda and Nicaragua. Peripheral societies own little or no means of production, are dependent on other nations, tend to be politically unstable and are weak militarily. They have few highly skilled workers and are more likely to specialize in providing raw materials.

Third, there are semiperipheral societies that stand between the core capitalist societies and peripheral societies. Examples of this type of society include South Korea, Taiwan and Singapore. They are generally moving toward a diversified industrial economy and provide cheap skilled labor for core society industries. Although development in these semiperipheral societies has been relatively successful, they are nevertheless still dependent upon investment and trade from core societies.

The world system, then, is a complex interdependency plagued by the contradiction that every society builds its fortune upon others' misfortune. Core capitalist societies need cheap raw materials from the two other types of societies to maintain profit margins, while at the same time semi-peripheral and peripheral societies depend on the purchasing power and market from core capitalist societies. Through such an interdependency, every society contributes to the existence and operation of the world system.

In comparing these three competing theories, the strength of convergence theory lies in its emphasis on those internal variables, such as institutional arrangements, cultural values and demographic characteristics, that have contributed to the modernization of a society. In contrast, both dependency theory and world system theory

place great weight on the external variables and the interconnections between the developed and underdeveloped societies.³⁸

To a large degree, the seemingly contradictory perspective represented by these three competing theories reflects the complexity of the process of modernization. Not only do differences exist within industrialization, economic growth and modernization, but also no society develops in a vacuum without international interference. Although each theory has its own merit, a synthetic view probably would provide us with a better understanding of the complex process of modernization.

IV. MODERNIZATION: A THEORETICAL SYNTHESIS AND ITS APPLICATION TO MAINLAND CHINA AND TAIWAN

Because of the complexity of modernization, the three concepts of industrialization, economic growth and socio-political modernization seem to be used interchangeably in scholarly work and in layman’s language. Yet, from an analytical point of view, the three concepts denote three different but interrelated stages of national development in Third World societies.

Industrialization in the strict sense entails the extensive use of inanimate sources of power in the production of economic goods and services. But, in a broader sense, industrialization is often used to describe the process of radical change in methods of production and economic and social organizations and the consequent rise of the factory system. Thus, industrialization is often measured by changes in productive technology, in labor organization, in occupational structures and in economic consumption.

Economic growth may be defined in terms of the total physical output of the economy. It refers to increases in the economy’s real gross national product or real national income. It is also linked often to increases in real per-capita output. Thus, a growing economy, by definition, enjoys an incremental increase in its annual production output and income.

Sociologically speaking, industrialization and economic growth are the two special forms of social change that focus on transformations related to production and consumption in economic activities in society. Modernization, on the other hand, is a process which

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³⁸ For an extensive review of the world system theories and dependency theories, see Ronald H. Chilcote, Theories of Development and Underdevelopment, Boulder, Co.: Westview, 1984.
involves transformation of all systems by which people organize society, i.e., the psychological, social, economic, intellectual, religious and political systems.

Studies of development in non-Western societies in general, and in East Asian societies in particular, seem to point out that the above differences among industrialization, economic growth and modernization are not merely differences in the scope and quality of change, but represent three different stages of development in these societies. Figure 1-1 illustrates such a conceptualization:

**FIGURE 1-1. THREE STAGES OF DEVELOPMENT: A GENERAL MODEL**

<table>
<thead>
<tr>
<th><strong>Industrialization</strong></th>
<th><strong>Economic Growth</strong></th>
<th><strong>Modernization</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>increasing use of inanimate resources, the emergence of the factory system and urbanization</td>
<td>increases in GNP, per capita GNP and income, labor force expansion, sustained economic growth rates</td>
<td>improvements in education and quality of life, higher social mobility and mass participation in politics</td>
</tr>
</tbody>
</table>

As the above figure shows, industrialization is a precondition, or cause, necessary for the emergence of economic growth, which then leads to socio-political modernization. In other words, without an extensive change in the system of production and consumption in a society's economy, sustaining economic growth will not occur; without a sustaining economic growth to pave the way for other extensive changes in the non-economic sectors of the society, modernization will not be completed. A society is modernizing if it can look beyond economic-and-production-related changes to changes in political, social and cultural systems.

It would be naive, however, to conceptualize modernization as a feature intrinsic to autonomous societies. Modernization in any society must be seen as part of an international system. This is particularly true of the modernization efforts of the Third World nations, for modernization after all is a process of coming from without. A society's position in the world order undoubtedly will affect each step of its modernization. International environment must be taken into account if a society is to be industrialized, is to enjoy economic growth and is to move into socio-political modernization.
The above analytical scheme will be applied to my analysis of the modernization processes between Taiwan and mainland China in Chapters 4 and 5. I shall show that Taiwan has been able to achieve industrialization and economic growth, and is currently moving toward socio-political modernization, and that mainland China is still struggling with industrialization efforts in the 1980s, which makes any attempt to engage large-scale socio-political reform in the PRC premature.

From a Westernization perspective, one rightly could argue that the recent campaign for four modernizations in the PRC is still very much in the framework of Westernization, i.e., adopting the Western mode of production and consumption. Taiwan, however, having successfully upgraded its economy, is now in the process of shifting away from Westernization and focusing on modifying its tradition. To the people on mainland China, Westernization is the ultimate goal, while to those in Taiwan, Westernization is just one of several means to a better way of life.

Modernization represents a better way of life to people everywhere. The Chinese people are no exception. Nevertheless, the efforts of the PRC and Taiwan toward achieving such a goal have been contrastingly diversified. Economic prosperity and political democratization are being experienced in Taiwan, while mainland China is still struggling. The bulk of my further discussion will be the comparative analysis of their differences and the issue of their future reunification.
CHAPTER 2

CLASSICAL THEORIES ON CHINA’S UNDERDEVELOPMENT

I. WESTERN THEORIES ON CHINA’S UNDERDEVELOPMENT

Hundreds of books and articles have been written about China’s modernization, and several theories also have been proposed in recent years in an attempt to explain this phenomenon. However, two main themes have clearly surfaced among them. The first is concerned with the analysis of the structural weakness in the traditional Chinese society, which handicapped possible modernization before the nineteenth century. Such theorists as Max Weber, Marion J. Levy, Robert N. Bellah, S. N. Eisenstadt, Gilbert Rozman and Frances V. Moulder have all at one time or another tried to explain why modernization or industrialization did not occur within the traditional Chinese social structure.¹

The second theme concerns the failure of Chinese modernization programs proposed during the late nineteenth and early twentieth centuries. A few researchers seem puzzled by the fact that, although China and Japan started on their way towards modernization at almost the same time, Japan succeeded in becoming a modern nation-state while China failed. This group of researchers tended to focus their studies on analyzing conflicts between modern Chinese social and political structures and modernization planning itself. Examples of this focus are Lucian Pye’s work on the spirit of modern Chinese politics and Barrington Moore’s comparison of the


(31)
modernization efforts of the Nationalists and the Chinese Communists.²

It is without any doubt that our understanding of the process of Chinese modernization has benefitted greatly from the above-mentioned studies. Nonetheless, the explanations offered in them often seem fragmentary as well as narrow-minded. Until now, there have been only brief studies aimed at explaining the faults of Chinese society and the weaknesses of various Chinese subsystems in developing a Western type of political and economic system.

No attempt has been made, however, to understand the incompatibility of the concept of modernization in the existing Chinese social structure. No one has ever tried, for instance, to investigate the conditions under which modernization became a great evil for the Chinese in the late nineteenth and early twentieth centuries. There is a lack of awareness in existing literature that the modernization process the Chinese experienced is quite different from the one the Western world had experienced earlier. Thus, any new theory on Chinese modernization has to take into account the difference between China and the West.

A. The Role of Traditional Religion

The most authoritative work on the study of the inability of the traditional Chinese social structure to develop a capitalist modernization is Max Weber's Religion of China.³ The major objective of Weber's work was to demonstrate that China's failure to develop a rational bourgeois capitalism was due to the absence of a particular kind of religious ethic for the needed motivation. The text of Religion of China was intended as support for the major theme in his The Protestant Ethic and the Spirit of Capitalism,⁴ in which Weber tried to establish the Protestant ethic as an independent causal factor in the development of modern capitalism in the West.

In Religion of China, Weber first examined five major concrete factors in the Chinese social system as characterizing features having relevance to the functional requirement of modern capitalism: the monetary system, cities and guilds, the patrimonial state, kinship organization and law. Although Weber saw many unfavorable

conditions for the development of capitalism in these five major spheres, he did find such favorable ones as the absence of status restriction by birth, free migration, free choice of occupation, and restraint on usury and trade. Weber said, “From a purely economic point of view, a genuine bourgeois industrial capitalism not to appear in China was basically due to the lack of a particular mentality,” such as that of ascetic Protestantism.

Taking Chinese social structure on the material condition as given, Weber then compared the differences between Chinese Confucianism and Western ascetic Protestantism. Table 2-1 is a comparison between Confucianism and Puritanism in Weber’s thesis as summarized by Reinhard Bendix.⁵

It was this difference, according to Weber, that contributed to an autonomous capitalist development in the West and the absence of a similar development in China. Weber noted that,

to a striking degree, they (the Chinese) lacked rational matter-of-factness, impersonal rationalism, and the nature of an abstract, impersonal, purposive association. True ‘communities’ were absent, especially in the cities, because there were no economic and managerial forms of association or enterprise which were purely purposive.⁷

Religion of China indeed represents an extremely stimulating work in the comparative study of the complex Chinese social system and is a source of provocative ideas for the study of its patterns of socioeconomic change. The value of this work is so enormous that most of the studies on Chinese society by contemporary Western scholars often have taken it as an indispensable theoretical point of departure. Because of its great importance, unfortunately, many of Weber’s followers have tended to ignore the many empirical problems inherent in it.

In reviewing Weber’s Religion of China, one must keep in mind that the underlying theoretical orientation of Weber’s work on the study of China, India and other civilizations was not so much to prove the existence of capitalism in these societies, but rather to demonstrate the highly unique characteristics of rational capitalist economic development in the West. The basic foundation of Weber’s comparative methodology was, thus, to demonstrate the

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TABLE 2-1. CONFUCIANISM AND PURITANISM IN WEBER’S THEORY

<table>
<thead>
<tr>
<th>Confucianism</th>
<th>Puritanism</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belief in impersonal, cosmic order; tolerance of magic.</td>
<td>Belief in supermundane God; rejection of magic.</td>
</tr>
<tr>
<td>Adjustment to the world to maintain harmony of heaven and earth; the ideal of order.</td>
<td>Mastery over the world in unceasing quest for virtue in the eyes of God; the ideal of progressive change.</td>
</tr>
<tr>
<td>Vigilant self-control for the sake of dignity and self-perfection.</td>
<td>Vigilant self-control for the sake of controlling man’s wicked nature and doing God’s will.</td>
</tr>
<tr>
<td>Absence of prophecy related to inviolability of tradition; man can avoid the wrath of the spirits and be “good” if he acts.</td>
<td>Prophecy makes tradition and the world as it is appear wicked; man cannot attain goodness by his own efforts.</td>
</tr>
<tr>
<td>Familial piety as the principle governing all human relations.</td>
<td>Subordination of all human relations to the service of God.</td>
</tr>
<tr>
<td>Kinship relations as the basis for commercial transactions, voluntary associations, law, and public administration.</td>
<td>Rational law and agreement as the basis for commercial transactions, voluntary associations, law and public administration.</td>
</tr>
<tr>
<td>Distrust of all persons outside the extended family.</td>
<td>Trust of all persons who are “brothers in the faith.”</td>
</tr>
<tr>
<td>Wealth as the basis of dignity and self-perfection.</td>
<td>Wealth as a temptation and unintended by-product of a virtuous life.</td>
</tr>
</tbody>
</table>

The great importance of the rational mentality of the Protestant ethic in the development of Western industrialization and the lack of such a mentality in all the other great civilizations, including China and India. With this precept in mind, Weber tended to pick only those factors that favored his own arguments.

More specifically, in the case of China, Weber failed to make a necessary distinction between the ideal and actual patterns of social behavior in traditional Chinese society. Confucian ethic, unlike Christian ideology, often was regarded only as an ideal that was too high to be reached by the common people in traditional China. The Confucian ethic was in fact never a major force in the popular cul-
ture of the general population. Even those in the upper level of society rarely practiced it as rigidly as was required in the original text of the Confucian Classics. What is now thought to be conservative may have been interpreted as progressive by different Confucian scholars in different periods of China's long history, because the context in the Confucian Classics was so vague that it could be interpreted either way. It is, therefore, misleading to take Confucianism as comparable with Protestantism as Weber did.

Weber also failed to realize that the country of China is too large to be taken as a "cultural whole." Many China specialists have noted that in China there exist many local cultures, each with its own distinctive characteristics; even two nearby villages may sometimes have quite different patterns of behavioral norms and values. Since Confucian ethic was often merely an ideal pattern, as we have argued, the differences among local communities must have had a significant impact on the attitudes of the people living there toward socioeconomic development. One apparent example of such a local, economically-oriented culture can be found in Anhui province. The people of Anhui have been one of the most successful and influential business groups in China ever since the tenth century; they have dominated Chinese commercial and banking businesses for many centuries. No other territorial group in China has had such distinctive economic orientation and achievement. If the people of Anhui practiced Confucianism as precise as it was presented in the text which condemned commercial business as evil, there would not be any so-called "Hui-pang" (Anhui Business Clique) in China's economic history.

One of the main arguments in Weber's Religion of China is that there was no tension found in the traditional value system. He said,

[There were] no tensions between nature and deity, between ethical demand and human shortcoming, consciousness of sin and need for salvation, conduct on earth and compensation in the beyond, religious duty and socio-political reality. Hence, there was no leverage for influencing conduct through inner forces freed of tradition and convention.9

Here again, Weber clearly took for granted that Confucianism played the sole role in traditional Chinese society. Weber failed to take into account the significant impact of Taoism on the Chinese masses. As a school of philosophy, Taoism did represent one of the most conservative schools of thought in the traditional Chinese philosophical system. But as a religious sect, it was one of the most progressive and rebellious groups in Chinese history.

History shows that revolutions and rebellions initiated by and/or associated with Taoists and their followers frequently were observed in several of the Chinese dynasties. In fact, Taoism was the religion of the Chinese mass peasantry. To say that Taoism is conservative, therefore, is to undermine its great potential for progressive change, which was often reflected in the Chinese peasantry, certainly the majority group of the Chinese population. To completely ignore the popularity of Taoism as Weber did is very unfortunate.

In short, Weber’s contribution on the analysis of Chinese social structure is overshadowed by his faulty concepts that attempt to prove that the condition in traditional China was unfavorable to the development of rational capitalism.

Another similar theoretical argument on the relationship between religious belief and modernization in traditional China is found in Robert N. Bellah’s *Tokugawa Religion*,¹⁰ which is designed to apply Weber’s theory of industrialization to the Japanese case. Although Bellah does not deal with Chinese religious belief directly in his work, he often cites Chinese examples for comparison with the Japanese experience. He noted:

At many points in this study implicit or explicit comparisons with China have been made. This has usually been prompted by the fact that so much of the cultural and religious tradition is common to both, whereas the process of modernization took such a different course in China and Japan. We have usually attempted, whenever this subject has come up, to use the basic value systems of the two societies as a primary reference point in explaining the difference.¹¹

The basic difference between China and Japan, according to Bellah, is that “China was characterized by the primacy of integrative value whereas Japan was characterized by primacy of political

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¹¹. *Id.*, p. 188.
or goal-attainment value."\textsuperscript{12} The integrative value in China thus is more concerned with system maintenance than with goal-attainment or adaptation, more with solidarity than with power or wealth. Human relations in China, in other words, are more concerned with particularistic ties than with universalistic attributes.

The Chinese saw the problem of system maintenance, according to Bellah, "in terms of a determinate set of human relations that only needed to be kept in a state of mutual adjustment for a harmonious and balanced social system to result. An adjusted equilibrium is indeed the ideal of Chinese society."\textsuperscript{13} Thus, the value of filial piety clearly superseded political loyalty. Even the political loyalty existing in traditional China was strongly "familistic."

In short, Bellah argued, the traditional Chinese polity was not constructed for progressive change or goal-attainment, but for system maintenance. Thus, Bellah concluded that the Chinese ethic lacked the dynamism that would overcome the traditionalism of the masses and transfer the primacy allegiance from the family to some large collectivity. The rationalism inherent in the Confucian ethic seems to need to be linked with a value system in which political values have primacy if it is to have an influence in the direction of modernization.

From the above summary of Bellah’s arguments, it is evident that there is a great Weberian shadow in Bellah’s work, even though he did try to use a different language to describe it. For Bellah, the system maintenance of integration in Chinese society is responsible for the lack of goal-attainment or developmental motivation; whereas for Weber, it is the Confucian doctrine of nature harmony and integration that is responsible for the failure of the development of capitalist economy.

The main difference between Bellah and Weber lies in the fact that Bellah tried to focus his study on the religious tradition in the lives of "ordinary people," while Weber was more concerned with Confucian ideology. It seems to me, then, Bellah’s approach is much closer to the true picture of Chinese daily life than Weber’s description.

The main problem in Bellah’s comparison of Japan and China is that he seems to ignore the diversity of religious traditions among ordinary Chinese people. For it is evident that Japan’s small population of "ordinary people" is much more harmonious ideologically

\textsuperscript{12} \textit{Id.}, p. 189.
\textsuperscript{13} \textit{Id.}, p. 189.
and religiously than its Chinese counterpart. As we mentioned before, many different local cultures existed in China, and it is impossible to consider the Chinese "ordinary people" as an homogeneous group.

In methodology, Bellah also falls into the Weberian trap. Like Weber, Bellah attempts to show that China lacked the ability of developing a rational economy, which was in contrast to Japan. It is quite apparent that Japan is merely a substitute for Weber's West in Bellah's scheme, while China again represents a failure. In reading *Tokugawa Religion*, there is a strong mixture of Weberian theory and Parsonian terminology in it.

B. The Traditional Chinese Family

Marion J. Levy, Jr. has developed an interesting theory on the inability of Chinese social structure in the development of modernization by looking into the role of the traditional family in China.\(^{14}\) Levy suggested that Chinese modernization might fail because of the Chinese family's inability to change its inner structure to promote change. Levy constructed a comparison between Chinese and Japanese families in an attempt to emphasize the Chinese shortcoming in this particular respect.

Levy saw the major differences between Chinese and Japanese family structures that are relevant to modernization as: (1) how family considerations enter the total social picture; (2) the fact that there was no single ideal type of family in Japan; and (3) the emphasis on primogeniture in Japan. The first of these main differences referred to the mechanism of social integration. Levy said:

> In Japan, the family certainly occupied a position of strategic importance, but it was definitely subordinated to other considerations in the society. This created in the society a possibility overriding or manipulating various aspects of the family patterns for other purposes. In China, this possibility of manipulating family in terms of other aspects of the society was much more limited because the family structure of China was too much a greater degree the major focus of the society than was the case in Japan.\(^{15}\)

One distinctive example is that, in Japan, loyalty to the feudal hierarchy took clear precedence over loyalty to one's family. Every

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15. *Id.*, p. 531.
man’s first duty in Japan was to his overlord while the family came second. In China, on the contrary, nothing was more important than one’s own family.

The second of the differences between the Chinese and Japanese family structures in relation to modernization turns on the marked differences in class structures in the two societies. Traditional China had an open class system while in Japan the class system was almost closed. This contrast was reflected in the status of merchants in these two societies. According to Levy, Chinese merchants held roles of extremely low prestige because the open class system allowed the children of merchants to move up into the official bureaucracy, either through such formal channels as examinations or through such informal channels as capital donations or bribes. The ideal and highest goal of upward mobility in China was service in the official bureaucracy; wealth was one way to move into this bureaucracy. Consequently, the status of merchants became a “transitory status” for those who failed in examination but whose goal was still to enter into the official bureaucracy.

In Japan, Levy argued, the picture was completely different. The closed class system inhibited any movement from bottom to top, and thus preserved the continuity of the status of merchants. Levy said that “one was born to the social position of one’s parents. It was expected that one stay in it as well.” No matter how rich a man was, he and his descendants still remained in the same social status. Thus, the Japanese merchants neither had any motivation or incentive nor opportunity to move up into the feudal hierarchy in this closed class system. They remained as merchants and worked hard to preserve thereby the welfare of their family. This group of Japanese merchants then became an important factor in that country’s economic development.

The third difference lies in the fact that the Japanese family instituted a sort of civil service business within their own companies. Those men most successful in business competition and destined to become major figures in the various enterprises of the family were brought more frequently into the family membership. The role of equal inheritance on the part of all sons that held in China was not practiced in Japan, nor did the oldest sons always succeed in the family property or rights. Levy said that the oldest son “could be, and sometimes was, replaced by someone adopted as

17. Id., p. 516.
an oldest son, or he could even be replaced by a younger one. . . . This made possible at one and the same time the continued concentration of wealth in a single family line and the creation of a cadet class."\textsuperscript{18}

The immediate consequence of such a system of adoption-related modernization is that economic capital can be passed easily from one generation to another within a single family. This also means that family wealth can be utilized more effectively in large-scale industrial investment, and the criteria of adoption, in terms of universalistic competence, may encourage an effective and successful business operation.

It very well may be true that the Chinese family was responsible for the failure of the development of Chinese modernization, as Levy has suggested. The three major contrasting factors, it seems to me, are not likely to be the most crucial ones in the different processes of modernization experienced by China and Japan. There are several problems in Levy's theoretical arguments.

First, there is some evidence that the Chinese can develop a successful entrepreneurial society under the traditional family structure. Studies on overseas Chinese in Southeast Asia and in post-war Taiwan clearly have demonstrated that the family institution can be a driving force in the development of Chinese business skills and enterprises.\textsuperscript{19}

Second, the argument on the class structures in Japan and China is a strange one, for mobility is often regarded as a necessary condition to the development of a capitalist system. As a matter of fact, economic growth and development hardly can be sustained without free occupational mobility.

In addition, I also find other reasons to question Levy's argument here. First, in a closed-class system like Japan's, the social class position of an individual was fixed and inherited and thus was not allowed to change. A merchant was always a merchant under this system. Thus, he was expected to work hard all his life for nothing but wealth.

Second, in a society as isolated as Japan's was in the pre-industrial period, the majority of the population would be peasants, while the size of the merchant class was likely to be small. How, then,

\textsuperscript{18} Id., p. 517.
could the merchants inspire the peasants to join their revolt against the existing system and status quo, if merchants themselves had no chance to move up? Even Weber agreed, as I mentioned earlier, that China, in comparison with Japan, probably had a better chance to develop its socio-economic modernization than Japan, insofar as class structures were concerned.

As mentioned earlier, Levy also argued that the role of the Chinese merchant was merely a transitory one because his ultimate goal was to enter the official bureaucracy. Levy claimed that such an open-class system encouraged the talented people to enter the official bureaucracy instead of staying in the merchant class, and by emphasizing the high value of the bureaucracy, the system undoubtedly hindered the development of an entrepreneurial class in China. But I do not believe this lack of development of an entrepreneurial class was the result of the recruitment process of the bureaucracy through which the government enlisted all the talented men and left only the less intelligent in the business world, as Levy strongly suggested. Rather, it seems to me, it was because the tremendous investment in both human energy and capital, which could otherwise have been used in socio-economic development, went into preparation for the examination that business and other commercial developments were handicapped. Very often, ten years, or even one's whole life, could be and was spent in this important endeavor in traditional China in the hope of someday passing the examinations.

With respect to the third difference, one important question Levy leaves unanswered is the percentage of merchants in Japan who actually practiced such adoptions. In other words, how many merchants in Japan actually adopted a capable business partner or co-worker from outside the family to succeed them in the business and replace their own sons in the family? Was this only a possible "ideal" or was it really practiced in most of the great Japanese merchant families? Levy did not provide any empirical evidence to support his argument.

In short, what may be contrasting characteristics between the Japanese and Chinese family structures may not be true "contrasting factors" in the different modernization processes of these two societies. Moreover, Levy never gave us any explicit rationale or justification for his selection of the points he compared.

C. The Chinese Political Structure

Three major works in this field will be discussed here: Barrington Moore's *Social Origins of Dictatorship and Democracy*, S. N.
Eisenstadt’s *The Political Systems of Empires* and Lucian W. Pye’s *The Spirit of Chinese Politics*.\(^{20}\)

Moore’s main theoretical argument regarding China’s failure to modernize is focused on the political implications of social structures. First, according to Moore, large numbers of lower-degree candidates at the bottom of the official Chinese system of ranking dissipated their energy in fruitless revolt and insurrection within the prevailing framework. Conversely, the lower ranks of the Japanese Samurai provided much of the impetus toward modernization during the nineteenth century.

Second, Moore believed that imperial Chinese society never created an urban trading and manufacturing class comparable to the one that grew out of the latter stages of feudalism in Western Europe. Since the Chinese believed that money-making activities represented a dangerous threat to the scholar-official’s image and legitimacy, the government was very careful not to allow such activities to get out of control. Thus, they taxed commerce for their own gain, or they turned business into a state monopoly and kept the most lucrative positions for themselves.

Third, the Chinese government was too weak to have any national industrialization program because most of the commercial and industrial elements were foreign and largely beyond its control in the late nineteenth century. Further, any attempt to use modern technology was made by the powerful local provincial gentry for its own separationist purposes.

Fourth, there was no independent ideology of the Chinese middle class in the nineteenth century. Finally, China failed to adopt a commercial agriculture; the Chinese landowner showed no enthusiasm for improving production methods for the sake of the urban market. Because of this, the Chinese peasantry in the first half of this century turned against the urban-middle-class-oriented Nationalist government while giving its support to the Chinese Communists.

The main issue in Eisenstadt’s study of the processes of change in Chinese society is that the condition necessary for the development of extensive changes did not exist in traditional China. The principal type of change that dominated China’s long history was, according to Eisenstadt, “accommodable change.” He said:

China presents a good example of a society in which processes of accommodable change occurred and of the concrete conditions under which they tend to develop. In China, throughout many centuries (until the end of the nineteenth century and the meeting with the West), accommodable and marginal (rebellious and dynastic) changes constituted the principal types of change. On the other hand, all the marginal types of change either evaporated or merged in the processes of accommodable change, becoming reintegrated into the basic framework of the political institutions.21

Processes of accommodable change were connected with the social condition that made possible continuous fundamental harmony in the traditional Chinese polity. Conflicts among different political groups often were regulated through the existing norms and activities of the major political and regulative institutions of the society.

Eisenstadt argued that three vital tendencies capable of undermining the existing institutional framework never fully developed in traditional China: (a) the potential trend toward feudalization as patrimonial decentralization which was often blocked by the gentry and the older aristocracy; (b) the tendency toward complete independence of the urban merchant and professional groups; and, (c) the trend toward development of universalistic, religious and cultural orientations.22 He then concluded that failure to develop these three great tendencies made the later modernization attempt more difficult.

The third piece of work on Chinese political institutions and modernization is Lucian W. Pye's *The Spirit of Chinese Politics*. Pye's central argument is that there was an authority crisis in Chinese politics in particular and in society in general. The lack of a national identity and of effective norms of authority made it difficult for the Chinese to move toward successful development and modernization. He said the "basic problem in development for the Chinese has been that of achieving within their social and political life few forms of authority which can both satisfy their need to reassert a historic self-confidence and also provide the basis for reordering their society in modern terms."23 Thus, Pye concluded that

22. Id., pp. 325-326.
it was impossible for the Chinese government to advance national political development because it could not meet the essential requirement to penetrate more thoroughly into the society and mobilize human and material resources more extensively than had been possible in the traditional system.

Two main issues can be identified in the three studies just summarized. Both Moore and Eisenstadt focused on the lack of dynamic-oriented change inherent in traditional Chinese social and political structures, which made any contemporary progressive change impossible. Pye emphasized the special importance of the authority crisis after contact with the West in the transitional period. In turn, Pye argued, such an authority crisis made the government unable to advance any political or economic development of its own. Since political modernization is now generally regarded as the most urgent task in the whole process of modernization in non-Western societies, the studies on Chinese political structure in relation to modernization are greatly welcomed.

Nonetheless, the theoretical arguments found in Moore and Eisenstadt's respective works did not really go much further than Weber's work. What Moore and Eisenstadt achieved, if anything, was a narrowing of their focuses concerning the political and legal systems in traditional China, while Weber looked at a much more general level of the value system in traditional China.

There are some difficulties in Eisenstadt’s theory of “accommodable change” of traditional Chinese society. First of all, he did not give us any satisfactory reason why accommodable change existed only in China, but not other societies; he simply said that the pressure of integrative harmony was too strong for any total change in social and political structures to occur in China. Second, he failed to show how China could maintain integration for such a long time or if there was any significant structural feature in the Chinese political system that contributed to such an integration in traditional China.

Sociologically, for the purpose of studying change and modernization, it would be interesting to find out how China was able to avoid total change during its long history. In other words, what mechanisms existed in China to sustain its political and social systems functionally intact? For instance, the bureaucratic system of recruitment can be seen as a system-maintenance mechanism, which resisted total change in society. By requiring complete memorization of the Confucian Classics without argument or question, the government was able to indoctrinate traditional norms and ide-
ology into every potential government official as the only line of thinking. Similarly, the strict practice of Confucian ideology, which was required for promotion and upward mobility within the officialdom, also contributed to political integration in traditional China. It reduced the possibility of any deviant thought and behavior, and thus revolution, among political leaders in the traditional Chinese society.

In general, I would agree with Pye's main argument that the crisis of authority was responsible for the government's inability to mobilize China's resources for modernization. But his so-called "identity crisis" is troublesome. I do not believe the Chinese have ever doubted who they were during this period of social and political crisis in the nineteenth and twentieth centuries. For the majority of Chinese, it was a question of Chinese against foreigners, not Chinese against Chinese. To them, the Manchu rulers and Westerners were both foreigners. Opposing the Manchu government did not mean opposing the Chinese themselves. In fact, the problems in China at that time were quite similar to those in other colonial societies - the problem of standing against colonial rulers, the problem of national dependence and so forth.

Following this line of argument, one question might be of interest: Why did the authority crisis not disappear in China after the successful revolution in 1911? One possible way to study this problem is to analyze the ideological and political backgrounds of the Chinese political modernization leadership in the post-1911 period. It is evident that conflicts between traditional and modernizing political leaders created a tremendous impediment to a smooth and well-planned social and political transformation in China. Nowhere does Pye make a serious attempt to analyze China in terms of a theory that applied to transitional societies as a whole.

More serious is the methodology upon which Pye developed his theoretical generalization. Although what he said very well may be true, he offers no assurance of validity beyond his own expertise in the field; no empirical work is presented. The basis of his whole argument was his own personal experience of growing up in China. He also claimed that in this psychologically-oriented study of political culture, he did not need to be concerned with questions about the actual distribution of attitude and feelings throughout the Chinese population. The personal bias inherent in this work is most unfortunate.
D. **External Factors as Obstacles**

Although most studies generally agree that Chinese contacts with the West have had a significant impact on the process of Chinese modernization, very few systematic studies have been done in this respect. In fact, Western scholars seem very reluctant to admit that Western political, economic and military interference in the nineteenth century created a tremendously difficult situation for the Chinese to work on their developmental projects independently from the West.

Instead, they argue that contacts with the West should have given China an advantageous opportunity in learning from the West, but China failed to grasp the opportunity. For instance, Levy argued that China should have had a better chance than Japan, because the Western countries invested more capital in China than in Japan and, therefore, China should have been able to utilize more Western capital than Japan in its investment in modernization.24

Such a point of view fails to recognize the fact that Chinese economic programs in the late nineteenth and early twentieth centuries were under great restrictions imposed by the West because of Chinese economic dependence on the West. Historical evidence shows that on several occasions Chinese developmental plans were rejected by Western money-lenders whenever those plans were opposed by the latter. The Chinese had almost no freedom to do anything without permission from the West. Francis L. K. HSU once painfully said, "Since the middle of the nineteenth century China has never had the freedom of pondering its own way and moving at its own pace."25

A similar viewpoint was expressed in Frances V. Moulder's comparison of modernization between Japan and China. Moulder saw that there was no strong effort by the Western nations in the nineteenth century to incorporate Japanese dependencies because of its small market for trade and investment. This enabled Japan to develop its own strategies for development. But in China, the Western capitalist nations developed large-scale trade with China and the assumption of power over China's government, which led to the dismantling of the already weak imperial state. As a result, according to Moulder, Japan enjoyed a greater degree of autonomy in its development, while China's dependency on the Western na-

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tions undermined its efforts at modernization in the nineteenth century.²⁶

It is naive to blame either the West or the Chinese alone for the failure of China’s modernization, even though the external forces in China at that time were very crucial. What is needed is a systematic analysis of both the advantages and disadvantages of the Western impact on China, institutionally as well as psychologically.

In summary, most studies and theories on the subject of Chinese modernization by Western scholars tend to be fragmentary as well as narrow-minded, for too much emphasis is often put on a certain limited aspect of Chinese social structure while ignoring all other aspects. Weber’s study of Chinese traditional religion, Bellah’s examination of a traditional value system, Levy’s work on the role and functions of the family, the respective works of Eisenstadt, Pye and Moore on the Chinese political system, and Moulder’s analysis of foreign external forces in China all have a common problem. They are too narrow in scope to be able to explain the complexity of the Chinese modernization process. A few of them are just plainly ethnocentric, claiming that Chinese civilization fails to fit in with modern culture and that subsequently it will eventually disappear.²⁷

Perhaps the most ambitious effort on the study of China’s modernization so far is represented by Gilbert Rozman and his associates. In The Modernization of China, published in 1981, Rozman and his associates attempt to provide a synthesis from historical and social institutional perspectives on China’s past modernization experience. After a thorough examination of all of the traditional Chinese social systems facing the challenges of modernization, the authors conclude: (1) many precociously modern features and certain conditions that seem to be conducive to modernization did develop in pre-modern China; (2) China failed to further develop these features and conditions, especially as a result of missed opportunities in the eighteenth century; (3) adminis-


²⁷. See, e.g., the position taken by W.J.F. Jenner in his The Tyranny of History: The Roots of China’s Crisis, London: The Penguin Press, 1992. Jenner argued that the unity and continuity of the Chinese empire are assured by the perpetuation of the traditional cultural myths and an archaic writing system. He does not think that anything can be done to stop the unraveling of the Chinese state, and when the inevitable happens the Chinese empire is likely to end with a bang rather than a quiet whimper. Jenner concluded that China cannot manage without an emperor, and it cannot join the modern world with one.
trative decline and population growth caused a drain on local resources from below; and, (4) an exacerbation of problems in the nineteenth century further undermined the previous basis from which modernization might have proceeded more smoothly.  

All the above mentioned theories are developed by Western scholars who are outside observers and are not personally involved in China's modernization experience. A Weberian theme of China's incompatibility with modernity is evident in the work of these Western theorists. In the next section, we shall turn to the various competing views offered by Chinese leadership and intellectuals on problems in China and the fate of China's modernization.

II. CHINESE VIEWS OF UNDERDEVELOPMENT AND MODERNIZATION

A. Early Debates in the Nineteenth Century

The idea of change and reform has been discussed among Chinese intellectuals since the mid-nineteenth century. Yet, according to Fairbank and Teng, "the process of ideological change in modern China had to begin with the reinterpretation of the Chinese heritage, rather than with its denial and rejection." Shocked by domestic rebellions and foreign invasions, the Chinese scholar-officials suddenly realized the possibility of the fall of the Empire and the necessity of searching for a proper path to a strong new China. The radicals were jettisoning the whole traditional system, while the conservatives clung to their hope of a Confucian revival. The radicals were very few in number, whereas the conservatives were the great majority of Chinese intellectuals, and more importantly, had the sympathy of the Imperial Manchu Court in the mid-nineteenth century.

The 1860's T'ung-chih Restoration was one of the great attempts of the conservatives. The great aim of the Restoration was to revive Confucian values and institutions which the conservatives regarded as superior to the barbarian values and institutions of the West, and which could stabilize popular sentiment and integrate the great Chinese nation. Led by TSENG Kuo-fan, the Chinese conservatives reexamined Confucian values and institutions in great detail to recreate a modified theory that could fit into Chinese so-


cial and political situations at the time. The program of restoration involved finance, civil service, law and ethical morality, as well as foreign policy.

The assumption in such a self-examination of the traditional Confucian theory was that peace and stability could be achieved through the restoration of traditional heritage. The Chinese conservatives were convinced that Chinese history during the past three thousand years had shown several successful reforms through such a "return to the old way." However, the Chinese conservatives in the mid-nineteenth century failed to realize the complexity of social and political situations in relation to internal unrest and foreign aggression. The traditional theory of a cyclical change was not only invalid for the modern period, but also completely inadequate; progress forward needed to be taken into consideration.

It was not enough to merely restore the best of the ancient Chinese values and institutions. It was necessary to have a far-reaching plan of modernization that would allow China to compete with Western countries. The lack of such a foundation made the failure of the "T'ung-chih Restoration" movement inevitable. "The country became weaker rather than stronger, sycophants filled the posts lately held by the great Restoration statesmen; and the successful foreign policy of the sixties gave way to an era of ever more humiliating treaties, loss of territory, and - in all but name - loss of sovereignty itself," said Mary Wright.30

The ideological consequence of the failure of the "T'ung-chih Restoration" is apparent: The conservatives lost their confidence in the old theory, while the radicals sought revolution as the only solution to save China. Although several attempts were made towards a smooth reform in the late nineteenth century and early twentieth century, revolution finally broke out in October 1911. Dr. SUN Yat-sen and his revolutionary group overthrew the old Manchu Empire and established a new Republic, the first in China's long history.

B. The Intellectual Debates in the Early Republic

The Chinese modernizing elite, the young foreign-educated Chinese intellectuals in particular, were understandably enthusiastic about the success of the Republican revolution and saw it as the beginning of a new era in China's return to world respectability.

Unfortunately, their dream of a stronger and better China soon became a nightmare when, after the revolution, China fell into the hands of warlords who waged endless civil wars, while the threat of Japanese dominance endangered China's independence. The fate of China's future thus became the central focus of a furious debate among the Chinese intellectuals in post-revolutionary China.

The currents of Chinese ideological thought in the post-1912 period are too complicated to be easily classified. For our purposes, the Chinese intellectuals of the period may be categorically placed into two major groups, the modernizing elite and the traditional elite. The modernizing elite were reformers who attempted to adopt Western values and institutions into Chinese society in order to establish a new modern China. Within this group of modernizing elite, it is also necessary to differentiate the liberals who preferred the gradual transformation of Chinese modernization through education and other peaceful methods, and the leftists who were communists and/or socialists in favor of radical political action to achieve the goal of modernization in China.

The Confucians were the other major group of Chinese intellectuals in the post-1912 period. These traditional elite insisted that the traditional Confucian values and institutions were superior and thus had to be preserved in China; they believed that China could be a strong nation based on a rebuilt Confucian theory. Some of the traditional elite even declared that materialistic, Western civilization would someday collapse and Confucian theory would regain its glory.

It should be noted here that many Chinese leaders of this period, at one time or another, had a foot in both groups. Since events have moved so rapidly in twentieth-century China, by clinging to certain views a radical might find himself a conservative. Moreover, one has to keep in mind that modern intellectual thoughts on China's future swung with the wind of the political atmosphere of the time. Thus, with very few exceptions, it is very difficult to make a permanent assessment of the ideological position of many Chinese intellectuals.

1. **HU Shih and the Modernizing Elite**

The central figure in the modernizing elite in the early Republican period after the 1911 revolution was Dr. HU Shih, an American-educated professor of philosophy at Peking University. HU Shih argued that the current crisis in modern Chinese society was mainly the result of the great mistake made by traditional Con-
fucianism. He attacked the Chinese worship of meaning, filial piety symbolism and Confucian classical education as not consistent with present-day Chinese society. For HU Shih, civilization was an evolutionary process of imitation. He believed that the greatest period of a society was the period of imitating others. When a society did not learn from others, it would decline. The greatest age of China was during the periods in which the Chinese sincerely tried to learn from others. HU Shih insisted that there was no other way to save China from destruction than to imitate others. He said, “We have to learn from others with [sic] whole heart. We have to imitate them. We have to learn how to educate people to kick out our stupidity, how to operate machines to conquer nature for human happiness, and how to establish efficient systems for business, industry, and even politics.”

HU Shih argued that the civilization of a race was simply the sum total of its achievement in adjusting to its environment. Success or failure in that adjustment depended upon the ability of the race to use intelligence for the invention of necessary effective tools. Advancement in civilization depends upon the improvement of tools. Thus, the difference between Eastern and Western civilizations was primarily a difference in the tools used. He said, “Every tool of civilization is produced by human intelligence making use of the matter and energy in the natural world for the satisfaction of a want, a desire, an aesthetic feeling, or an intellectual curiosity.” And, there was no such thing as a purely materialistic culture.

According to HU Shih, modern Western civilization was built upon the following concepts: (a) the purpose of human life was to search for happiness; (b) poverty was a sin; and (c) illness was a sin. He said, “It is because poverty is a sin that men have to develop natural resources, to encourage production, to improve manufacture, and to improve human heredity. And finally, it is because the purpose of human life is to search for happiness that we want to have a comfortable living, a convenient transportation, a clean city, beautiful arts, a safe society, and good politics.”

According to HU Shih, another characteristic of modern Western civilization was science. The spirit of science was to search for truth. It was the truth that could release the human being from environmental, cultural and superstitious sufferings to become a strong, intelligent and free man. HU Shih believed that it was science and new technology that restored in man the sense of self-confidence and created the modern civilization of the West.

HU Shih believed Chinese political leaders failed to lead their people to build a better nation. He said, "If our leaders have great experience in world affairs, and if our leaders lead us with their eyes open, we may be able to reach the destination by following them. However, if they are blind, then we will be in great danger." Chinese intellectuals therefore had to assume the leadership in building a new China.

HU Shih then called for a wholesale and wholehearted westernization to rebuild China. He said:

My own attitude is that we must unreservedly accept this modern civilization of the West because we need it to solve our most pressing problems, the problems of poverty, ignorance, disease and corruption. These are the real enemies we are facing, and none of these can be subjugated by the old civilization. . . . And I am convinced the old traditions will not be lost even when we take an extreme view of the need for modernization, because civilizations are conservative by their nature. By the natural inertia of cultures, the vast majority will take good care of those traditional values. But it behooves the leaders to go as far as they can in order that they may bring the masses to move a few steps farther in the direction of evolving [sic] the most urgent problems of the nation by means of every instrumentality which this new civilization can offer.

Although the common goal of the Chinese modernizing elite in the period was the same, the methods of achieving this common goal were quite different among various groups of the modernizing elite. Conflicts of opinion rapidly developed over the ideological reconstruction of Chinese life. The doctrines of socialism, anarch-

ism, nationalism and communism were widely spread among the Chinese modernizing elite in the period.

In such an atmosphere, HU Shih’s advocacy of “wholesale westernization” inevitably received both praise and challenge from the Chinese modernizing elite. One of the strong supporters of HU Shih’s proposal was Professor CHEN Hsu-ching. In several of his writings, Chen agreed heartily with Hu’s opinion that the future of the Chinese civilization had to rely on thorough westernization.

Chen pointed out two main reasons for a thorough wholesale westernization in China: first, western civilization was indeed more progressive than the Chinese culture; and second, modern Western civilization was the symbol of the modern world, whether the Chinese accepted it or not. Chen argued that the duty of the human being was not to preserve but to create civilization. He said, “The past civilization was a creation of our ancestors. But since the time and situation have been changed, we therefore have to create a new civilization to adjust to them. Otherwise, our race will become weaker and finally disappear.”

Thus, the adoption of western civilization would not destroy Chinese traditional heritage completely; that heritage would retain its position in Chinese history as part of the world civilization.

However, HU Shih’s proposal for a wholesale westernization faced a great challenge from other modernizing elite. The first came from PAN Kuan-tan, a sociologist at Yanching University. Pan expressed his agreement with a wholehearted modernization but not with a wholesale westernization. But the main critical challenge came from two other groups among the modernizing elite: the moderate liberals and the leftists. For the moderate liberals, Hu’s idea was too radical; for the leftists it was too conservative.

The view of the moderate liberals was presented in a widely circulated manifesto, “Reconstruction of Civilization on a Chinese Base,” issued by ten distinguished professors, including SA Meng-wu, TAI Hsi-sheng, HO Ping-sheng and HUANG Wen-shan, on January 10, 1935. The professors declared that they objected both to traditionalism and to blind imitation, and advocated preservation of tradition with the addition of western learning according to the immediate needs of China.

37. Meng-wu SA, et al., “Reconstruction of Civilization on a Chinese Base,” 1935 (no publisher listed). This was a printed pamphlet available to newspapers at the time.
They indicate that in the process of reconstruction everyone should recognize that: (a) China is China and has her own peculiarity; (b) to either praise or criticize traditional Chinese values and institutions is useless—the Chinese must re-examine their own tradition in order to preserve the best elements of it; (c) to adopt Western civilization is necessary, but it should be based on the needs of present-day China and should not be accepted wholesale; (d) the reconstruction of civilization on a Chinese basis is to help Chinese people to catch up to the West and to contribute to the world's civilization; and, (e) when the Chinese reconstruct their country as an integrated nation, then they can help the world. Therefore, the reconstruction of civilization in China, according to the professors, must not be conservative or blind in following others. Based on Chinese civilization, China needs to use scientific methods with a critical attitude to re-examine the past, to preserve the present and to create the future.

In short, what these ten professors suggested was a selective assimilation; they wanted to keep the best part of the traditional heritage and mix it with the best of western civilization. Such a viewpoint was not new at all in China, according to HU Shih. HU Shih criticized these professors as having the same mentality as that of reformers in nineteenth century China. He said,

Chinese modern leaders should not worry about the crisis of the Chinese base, but about the conservatism of the traditional Chinese civilization. The crisis is not in the non-appearance of their characteristics in Chinese political organization, social institutions and ideological thought such as these ten professors worried about; what we should worry about now is that there are just too many bad traditions in the Chinese political organization, social institutions and ideological thought. Therefore, we must accept the world civilization of science and technology, and the spirit behind it. We should let this world civilization have free contact with our traditional civilization. The final consequence of such contact is undoubtedly a Chinese-based civilization.\(^\text{38}\)

According to HU Shih, the result of the contact between Chinese and Western civilizations would not be the complete disintegration of Chinese traditional civilization but the emergence of a

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new Chinese civilization characterized by both modern Chinese and Western traits. The difference between HU Shih and these professors thus lay in their method of modernization in China. For HU Shih, reformers should go as far as possible in order to eliminate the inadequacy of traditional civilization; a wholesale westernization is only a beginning. The final stage in a new Chinese civilization must have both Chinese and Western characteristics.

For the ten professors, the reformers have to be careful not to lose sight of tradition in the process of modernization; everything has to be planned from the beginning. The Chinese must re-examine their tradition in order to preserve the best part of it and to accept the best part of Western civilization in terms of China's needs.

Another criticism of HU Shih and his followers came from the leftists, which included socialists and communists such as CHEN Tu-hsiu and LI Ta-chao. Although HU Shih shared with the leftists the belief that the problem of China can only be solved by a thorough westernization, the ideologies and methods of reform of HU Shih and the leftists were quite different. Ideologically, HU Shih strongly emphasized Dewey's experimentalism and Huxley's skepticism, while the leftists evoked Marxism and the material-dialectic method in the analysis of Chinese social and political problems. HU Shih and his followers were convinced that the problems of China could not be solved all together, but would have to be tackled individually. China could only be modernized through education and proper approaches to practical problems.

HU Shih and his followers strongly believed that revolution was not necessary; rather a gradual reform in every aspect of society in terms of a far-reaching plan was what China needed at the time. HU Shih and his followers also believed that it was premature for China to have a national democracy, and that it would be best for the country to be without any organized party. They preferred a limited democracy on a local or provincial level.

Such a political point of view immediately came under attack from both CHEN Tu-hsiu and his communist comrades. In an article, "My Opinion on Contemporary Chinese Political Problems," Chen accused HU of not understanding the true factors of Chinese socio-political conflicts.39 Chen pointed out that the Chinese political conflict was due to the independence of warlords in each prov-

39. Chen's article is included in HU Shih's 1953 publication, Collected Essays of HU Shih, pp. 119-128, supra note 31.
ince, and the failure to control these warlords by the central government. Therefore, the proposal for local democracy would create more problems than it would solve in this situation.

Chen believed the solution was to organize a strong political party in order to destroy the warlords, to establish a unified nation, and to guard against international imperialism. Similar criticism is also found in a manifesto issued by the Chinese Communist organization. The Chinese Communists labeled Hu's proposal a compromise between pacifism and capitalism. The Communists wanted to have immediate action directed toward the final goal of revolution. The educational process and gradual reform were for them too slow to have any effect.

While HU Shih and his followers took the student movement in 1925 as a great achievement of the educational and cultural movement, the leftists regarded it as a symbol of the direct political struggle between the government and the people. And, while the liberals advocated freedom of thought and expression in an academic environment, the leftists went out on the streets to organize workers and students to protest the government's policies on domestic and foreign affairs.

2. **HU Shih and the Traditional Elite**

As just discussed, the debate between HU Shih and the other modernizing elite was focused mainly on the proper ideological foundation and methods of modernization in China. The argument between the modernizing and traditional elites was, however, concerned with the role of Confucianism in society in the age of crisis. Hu and the other modernizing elite pointed out the inadequacy of Confucian values and institutions in the process of Chinese modernization; the Confucian classics were not capable of educating Chinese youth, nor were they effective in creating a new leadership.

Although the traditional elite did not give HU Shih and the other modernizing elite any serious or fatal challenge on the latter's search for Chinese modernization, there were some older intellectuals, such as LIANG Shu-ming and KU Hung-ming, who raised the matter of resisting western civilization. Their arguments on maintaining Chinese tradition were supported later by LIANG Ch'i-ch'ao, a distinguished scholar and earlier reformer who had changed his attitude from one of accepting modernization to that of embracing traditionalism, after he visited Europe in 1919. In Europe, he saw the collapse of western scientific civilization during and after World War I. For LIANG Ch'i-ch'ao, the war in Europe
was clear evidence of an intellectual malaise in the West which stemmed from its blind worship of science. He said:

Those who praised the omnipotence of science had hoped previously that as soon as science succeeded, the golden age would appear forthwith. Now science is successful indeed; material progress in the West in the last one hundred years has greatly surpassed the achievements of the three thousand years prior to this period. Yet we human beings have not secured happiness; on the contrary, science gives us catastrophes. . . . The Europeans have dreamed a vast dream of omnipotence of science; now they decry its bankruptcy. This is a major turning point in the world thought.40

Therefore, Liang believed that the Chinese would assume great responsibilities in the reconstruction of world civilization. "Oh, our beloved youths!" said Liang, "Attention! March on! Millions of people on the shore of the ocean are worrying about the bankruptcy of material civilization, sorrowfully and desperately crying for help, waiting for your aid. Our ancestors in Heaven, the Sage, and the older generations are all earnestly hoping you will carry out their task. Their spirit is helping you!"41 But in order to contribute to world civilization, Liang pointed out that Chinese youth must love and respect their own civilization first.42

A stronger view of traditionalism came from LIANG Shuming, a professor of Chinese philosophy. In his book, Eastern and Western Civilizations and Their Philosophy and several of his articles which appeared in magazines, Liang attempted to develop a new formulation of Confucianism.43 He tried to show that the Chinese civilization was relevant to the modern world. According to him, Western civilization sought satisfaction from the external world and from other people; the Chinese attitude was one of harmonization and satisfaction through adjustment; and the Indian attitude was escapist. The failure of Western civilization in World

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41. Id., p. 328.
42. For a thorough discussion on Liang's thought that is available in English, see Joseph R. Levenson, LIANG Ch'i-ch'ao and the Mind of Modern China, Berkeley: University of California Press, 1959; and, Joseph R. Levenson, Confucian China and Its Modern Fate: A Trilogy, Berkeley: University of California Press, 1965.
43. Shu-min LIANG, Eastern and Western Civilizations and Their Philosophies, Shanghai: Commercial Books, 1921.
War I was an indication that such a structure would give way to the Chinese, resulting in a higher world civilization which would mold the scientific and material successes of its predecessor to mass intellectual, moral and ethical nature. He argued that because China was different from Western nations, it would be wrong to import such Western political systems as democracy and communism. Liang said, "The foundation of a race is its spirit. To give up one's own spirit would result in destroying one's future. The future and the new life are developed on this spiritual basis which cannot be imported from outside and be devalued. One should hold its own [sic] position to develop its characters."44

The third influential traditional defendant was KU Hung-ming.45 Ku was a British-educated scholar with a strong Chinese traditional conservatism. He also had the experience of living in several European nations. Compared with LIANG Ch'i-ch'ao and LIANG Shu-ming, Ku's ideas were even more conservative and critical. Essentially, Ku's defense of traditional Confucian values emerged from his criticism of Western civilization. His argument rarely touched on Western technology. His central focus was the moral aspect of life.

According to Ku, Confucian values were immortal while Western civilization would not last for long; the Western political and legal systems were based upon the concepts of rights and obligations which were not sufficient for keeping society at peace. Ku characterized the Chinese people as deep, broad, simple and possessive of a "Divine Duty of Loyalty." The moral emphasis in Confucianism had made Chinese society peaceful for several thousand years. The essential problem of China's survival in the modern world, according to Ku, was not technology but morality. The future of China relied on her moral, not her material, development. He then accused the modernizing elite for failing to recognize the problem while begging for help from the West in solving China's dilemma.

In summary, Chinese intellectuals' views on modernization in China were largely defensive in nature. The modernizing elite promoted modernization in an effort to upgrade China's respectability, while the traditional elite resisted modernization with the aim of the preservation of traditional Confucianism.

44. Id., p. 100.
C. DR. SUN Yat-sen and His Vision of China’s Future

While the intellectual debates on China’s future remained on an ideological level, Dr. SUN Yat-sen laid out a blue-print for constructing a new China. As the preeminent political figure after the 1911 revolution, Dr. Sun presented his thoughts of a modern China in his *San Min Chu I*, or Three Principles of the People, calling for nationalism (*min tsu chu i*), democracy (*min ch’uan chu i*), and the people’s livelihood (*min sheng chu i*). As the Three Principles of the People became the official dogma of the Kuomintang in the following years, Dr. Sun’s ideology had enormous influence in modern China; it has shaped the course of modern China’s history.

Dr. SUN Yat-sen was born in 1866 in the village of Cuiheng in Xiangshan xian, Guangdong, situated near the coast some thirty miles north of the Portuguese colony of Macao. He was sent to join his elder brother in Hawaii, and enrolled at Ioloni College in Honolulu in 1879. He returned to his hometown after his graduation from Ioloni in 1882, but left for Hong Kong after only one year at home. In 1887, he enrolled as a student in the college of medicine, under the general supervision of Dr. James Contile in Hong Kong, and graduated in June 1892. He then began to practice medicine in the spring of 1893.

In February 1894, Dr. Sun abandoned his medical practice and left for Tientsin to present a letter containing his reform proposal to LI Hung-chang, the governor of Chihli and one of China’s most influential proponents of modernization. However, Dr. Sun’s proposal was ignored by Li. Dr. Sun then departed for Hawaii, and in 1894 he organized the *Hsing-chung-hui* in Honolulu with the aim of revitalizing China. This event marked the beginning of his long career in revolutionary activities.

In collaboration with other revolutionary leaders, Dr. Sun established the *Chung-kuo T’ung-meng-hui* in 1905, which later staged a series of revolutionary raids inside China, challenging Manchu rule. The Wuchang revolt of October 10, 1911 finally succeeded in forcing the Manchu court to abdicate its throne. Dr. Sun was elected as president of a provisional republican government on December 29, 1911. Dr. Sun assumed his office in Nanking on the first day of 1912 and formally proclaimed the establishment of the Republic of China. However, he offered to resign from the presidency on February 13, 1912 and recommended YUAN Shih-k’ai as his successor.

After his retirement from the presidency, Dr. Sun turned his attention from politics to the question of the people’s livelihood...
and China's economic and social reconstitution. But when YUAN Shih-k'ai turned against the Kuomintang, Dr. Sun returned to lead his party to overthrow Yuan. With the support of a group of southern military leaders, Dr. Sun established a military government in Canton on August 31, 1917, which was later reorganized as a new government with Dr. Sun as its president extraordinary. For the next seven years, until his death in 1924, Dr. Sun devoted his full energy in an effort to re-unify China under his administration. He died in Peking at the age of 59.46

The life and career of Dr. SUN Yat-sen reflected the painful frustration of Chinese intellectuals in rebuilding China at the turn of the century. Dr. Sun was a man who had selflessly devoted his entire life to the cause of China and her people. Indeed, Dr. Sun was not only the founding father of the government of the Republic of China, but was also a great man of modern China who greatly shaped the course of modern China's history. Dr. Sun's impact on modern Chinese social and political history cannot be ignored.

1. The Causes of Social Problems

Although Dr. Sun's idea of social problem can be found in his numerous public speeches and short essays published in magazines and newspapers, Min Sheng Chu I remained his most systematic observation on China's social problems.

According to Dr. Sun, Min Sheng is concerned with the livelihood of the people. It denotes the existence of society, the welfare of the nation and the life of the masses. In such a usage, Min Sheng is the center of government, of economics, and of all historical movements. Dr. Sun believed the problem of people's livelihood was a problem of subsistence. Livelihood is the central force in history. In contrast to Marxist theory of class struggle, Dr. Sun saw the struggle for individual livelihood as what determines history. Material forces do not determine history, and thus the class struggle for the control of the means of production is not the central force in history.

Dr. Sun saw the struggle for individual livelihood as a process of continuous change characterized by innovation and cooperation.

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between various forces in a society. He said, "It is the constant emergence of new systems that makes constant progress possible. Society progresses through the adjustment of major economic progress if most of the economic interest of society can be harmonized."\(^{47}\)

The chief problem in the Principle of Livelihood, according to Dr. Sun, is the food problem. He said, "When we speak of the Principle of Livelihood we mean that we want our four hundred millions [sic] all to have food and very cheap food; only when there is abundant cheap food can we say that the livelihood problem is solved."\(^{48}\) The Principle of Livelihood is different from capitalism, because capitalism makes profit its sole aim, while the Principle of Livelihood makes the nurturing of the people its aim.

The Principle of Livelihood is also different from communism, because the main focus of communism is a redistribution of wealth, while the Principle of Livelihood is concerned with providing all people with enough of the four necessities of life: food, clothing, shelter and travel. Capitalism is of no use for China because it creates inequality and concentration of wealth; communism will not solve China's problem, because China is suffering from poverty, not from unequal distribution of wealth.

Dr. Sun saw industrialization as the cause of social problems in modern times. The rapid progress of material civilization, the great development of industry and the sudden increase in the production power of humanity resulted in the gradual substitution of natural power for human labor. Social problems arose because: (a) machinery had taken over the place of human labor through which workers lost their jobs and were unable to get work to obtain food; and, (b) men who possessed machinery had taken wealth away from those who did not have machinery.\(^{49}\) Machinery became a serious social problem in the West and stimulated the rise of socialism in order to solve the living problem.

In China, however, there was no super rich class. There was only general poverty. Dr. Sun said, "The inequalities between rich and poor which the Chinese speak of are only differences within the poor class, differences in degree of poverty. . . . The great capitalists of China are poor, while the rest of the people are extremely

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47. Sun, supra note 46, p. 138.
48. Id., p. 134.
poor."50 This was because the capitalist Chinese were still landowners, not machine owners. Dr. Sun saw social problems in China as economic problems with land ownership as its core feature.

2. Solutions for Chinese Problems of Livelihood

Dr. Sun believed different countries necessarily had to follow different methods in dealing with social problems. Class inequality and capital concentration were the two central social problems in the West, while in China the heart of the social problem was the problem of subsistence. Therefore, the methods used in the West in dealing with social problems could not be successfully adopted in China. Radical revolution by the Communists in Russia showed success in solving political problems, but it did not solve economic problems.

Dr. Sun said that the Russian revolution “makes us realize that revolutionary schemes cannot entirely clear up economic difficulties.”51 To avoid mistakes, Dr. Sun insisted that “we must base our methods not upon obtrusive theories or upon empty learning, but upon facts, and not facts peculiar to foreign countries but facts observable in China. Only when we have facts and data can we settle upon methods of procedure. Theories must be verified by experiment.”52

Sun proposed two steps to be taken in solving China’s social problem: the equalization of land and the development of industry.

a. Equalization of Land. Dr. Sun saw that the central problem in China’s struggle for survival existed because of its lack of food. He believed the problem of livelihood was the problem of food. According to Dr. Sun, there were eight methods to solve the food problem in China: a) liberation of the peasants; b) use of machinery; c) use of fertilizer; d) rotation of crops; e) eradication of pests; f) manufacturing and processing of food; g) transportation improvements; and, h) prevention of natural disasters.

Among these eight methods, Dr. Sun believed the liberation of the peasants was the most crucial. He said, “Even if we succeed beautifully in dealing with these questions of production, we will not have completely solved our food problem. In order to reach a

50. Id., p. 127.
51. Id., p. 124.
52. Id., p. 127.
solution, we must not only deal with questions of production but must also lay emphasis upon the questions of distribution.\textsuperscript{53}

The increase of food production could not be achieved solely with the use of machinery and fertilizers and improvements in manufacturing and transportation; farmers needed some incentive to work harder. The incentive was to be found in the private ownership of land by the farmers. Laws regarding the rights and interests of the farmers had to be provided; farmers had to have encouragement and protection and be allowed to keep more of the fruit of their land.

Sun added, "The protection of the farmers' rights and the giving to them of a larger share in their harvests are questions related to the equalization of land ownership."\textsuperscript{54} The ultimate goal was to provide ownership of land for individual farmers. Dr. Sun believed that if the food raised in the fields was the property of the farmers, they would be more eager to farm, and food production would increase. Without such a land ownership equalization program, food production in China would not increase.

He believed two steps could be taken to equalize land ownership in China:

1) Fixing land values. He proposed that the landowner himself should fix the price and report the value of his land to the government and that the government should levy a land tax accordingly. In this process, if a land owner overestimated the value of his land, he would have to pay a higher tax, and if he undervalued his land, he would risk the possibility of a government buy-out of his land. He said, "Comparing these two serious possibilities, he will certainly not want to report the value of his land too high or too low, [sic] he will strike a mean and report the true market price to the government. As a result, neither landowner nor government will suffer."\textsuperscript{55}

2) Reverting increased land values to the community. He suggested that taxes ought to be levied according to the value of the land, not the size of the land. Poor land would be given a lower tax, while valuable land would require a higher tax. This was reasonable because the valuable land was mostly in the busier areas and was in the possession of wealthy men who had no problem in pay-

\textsuperscript{53} Id., p. 144.
\textsuperscript{54} Id., p. 135.
\textsuperscript{55} Id., p. 129.
ing higher taxes. The poor land was in the possession of poor people in rural districts.

All increases in land value would revert to the community through a heavier tax. In addition, the government could buy the land, if necessary, according to the amount of land tax and the price of the land. The successful implementation of this policy would avoid gradual concentration of wealth through the larger ownership of land by capitalists. He said, “Let us take time by the forelock and make sure that the unearned increment of wealth shall belong to the people and not to private capitalists who happen to be owners of the soil.”

Thus, the aim of the equalization of land ownership was to regulate financial resources in society. Since the capitalists in China gained their income largely from land ownership, not from machines, the equalization of land ownership would eliminate the concentration of capital in the hands of a few rich. As more people owned the land, and as the increased value of the land reverted to the community, food production would increase and people would have the necessary supplies for sustenance. He said, “The aim of food production is not profit but the provision of sustenance for all the people.”

b. The Development of Industry. Dr. Sun saw the development of industry, especially the manufacturing industry, as a necessity in providing a solution for China’s complex social problems, specifically food shortages. He said, “The heavy income tax levied in foreign countries is one method of regulating capital. But it is not sufficient for China to regulate private capital, it must promote industry.” The use of machinery would increase food production; an efficient transportation network would facilitate surplus exchange; and the development of manufacturing would allow for increased food preservation. As a result, Sun suggested that China must first begin by establishing an adequate means of communication, to build sufficient railroads and waterways on a large scale, and to initiate programs fostering manufacturing.

According to Dr. Sun, the industrial development of China would be carried out along two lines: (1) by private enterprise and

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58. *Id.*, Vol. 5, p. 132.
(2) by national undertaking. Industries allowing development by the private sector ought to be handled by private enterprise, while those that could best be handled by the state would be developed by the state. Since China was still underdeveloped and not yet industrialized, China needed expertise as well as capital from the West. "As a late comer," he said, "China can greatly profit in covering the space by following the direction already chartered by western pioneers."

The industrial development of China would therefore be the responsibility of the international community, for it would be beneficial for both China and all the nations involved. In Sun's view, the development of China's resources would not only feed Chinese people but also create an unlimited market for the whole world.

Nevertheless, Dr. Sun also was aware of the restrictive influence of foreign capital and foreign expertise. If such influence gained power in China, the nation would become a dumping ground for foreign goods. Foreign political intervention would necessarily have to be stopped. He said,

We cannot find a solution for the livelihood problem in the economic field alone; we must first take hold on the political side, abolish all unequal treaties, and take back the customs out of foreign control. . . . Such a policy will prevent foreign goods from pouring into China, and our home industries will naturally be able to develop. . . . If China stood on an equal political basis with other nations, she could compete freely with them in the economic field and be able to hold her own without failure.

Dr. Sun believed the suffering of Chinese laborers was the result of exploitation by foreign capitalists. He said, "Workers in other countries are subject to exploitation by their own capitalists, but workers in China are being exploited by foreign capitalists." Foreign capitalists were able to exploit Chinese workers because of unequal treaties signed between China and foreign nations. Such treaties allowed for custom tax privileges for outside countries.

As a result, foreign goods were sold in China cheaper than domestic goods, which then blocked the growth of domestic industry. No industry meant no work for Chinese workers. The problem the

60. Id., Vol. 5, p. 129.
Chinese workers faced was not that they lost their jobs, but that they could not find jobs at all. Farmers and workers therefore needed to work side by side in changing such a terrible situation and in making life better. The development of industry and the nationalization of production were necessary if the livelihood of the Chinese people was to be improved. Foreign capital and expertise were welcomed to assist China’s development of industry, but they would need to be under the supervision of Chinese management and authority.

3. Min Sheng Chu I: Welfare for All People

Dr. SUN Yat-sen saw society moving in a progressive path. He claimed that living standards evolved through three stages: the first stage was that of necessity, such as food, clothes, shelter and travel, which men could not do without. The second stage was the stage of comfort and the third was of beauty and refinement.

The main concern he had in his Principle of People’s Livelihood was the supply of necessities. He said, “In seeking a solution for the problem of livelihood we are not dealing with comforts or with luxuries; we are simply trying to solve the problems of necessities. We want the four hundred millions [sic] throughout the nation to have the necessary food and clothing; enough to eat and to wear.”62 If China was to evolve into a modern nation, no one could be lacking any of the four necessities of life.

The problem of livelihood in China would be tackled by everyone from all corners of the society. He said, “The state must shoulder the burden of meeting the people’s living needs. The farmer must produce food, the industrial worker must manufacture tools, the business man must connect supply and demand, the scholar must devote his intelligence and ability - everyone must fulfill his duty.”63 The Principle of People’s Livelihood attempted to put capitalism and socialism to work side by side so that industry could be developed and at the same time people could be free from the suffering caused by the unequal distribution of wealth and property. In this process, China would reach a state of the “great commonwealth,” or Ta-tong in Confucianism.

Clearly, Dr. Sun’s vision of China’s social problem in the Min Sheng Principle was quite simplistic. He believed the core of the social problem in China was the problem of food, clothing, shelter

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63. Id., p. 146.
and travel, or simply, the problem of livelihood. There would be no social problems in China, if China could solve its problem of livelihood. Since China was still a poor country with general poverty, the aim of Dr. Sun’s Min Sheng Principle was to provide these essential necessities, rather than comfort or beauty. In other words, the Min Sheng Principle could be seen as an outline of a series of strategies of survival for all Chinese.

In many ways, one also can see how Dr. Sun shared with capitalism the later’s emphasis on providing enough incentives to encourage people to work hard. The difference between Min Sheng Chu I and capitalism is presented in the type of incentives offered. Dr. Sun worried that the capitalist incentive accumulation of wealth would create more social problems in China, and he thus proposed instead to regulate private capital. Since food production was the major problem in China, he proposed awarding farmers land ownership in order to increase the incentive to work, thus increasing productivity. In this process, China would achieve dual goals of increasing food production and regulating private capital concentration. He said, “The Principle of People’s Livelihood is not aimed at attacking capital, but the capitalists for their monopoly of the resources of the society.”

In reading Min Sheng Chu I, one can clearly see that Dr. Sun’s vision of China was heavily influenced by both communism and socialism. He shared with these two schools of ideology the concern that profit must revert to the public and that nationalization of production must be carried out. However, he differed from them by arguing that socialism and communism were only two components of the livelihood of the people, as illustrated in the following figure.

Dr. Sun believed social revolution had a greater chance of success in China, because industry had not yet developed and, because resistance from the capitalists would be minimal, military and violent forces would not be needed to carry out social revolution. The establishment of a republican government marked the success of his two principles of nationalism and democracy. China would then shift her focus to social revolution, i.e., the principle of people’s livelihood. Dr. Sun urged his countrymen not to wait any longer to try to solve the problem of people’s livelihood; it had to be solved along with the two other principles. He argued that the West had severe social problems characterized by the dominance of capital-

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FIGURE 2.1. DR. SUN'S CONCEPT ON THE RELATIONSHIP BETWEEN SOCIALISM, COMMUNISM, AND MIN-SHENG CHU-I

Min-sheng Chu-i

Socialism

Communism

ists because it failed to pay attention to social problems at the time of political revolution in the West. It was too late for the West to solve social problems, but the timing was right for China if she started searching for solutions immediately.

As mentioned, the core of Dr. Sun's ideal livelihood was to have enough food, clothes, shelter and travel for every Chinese. To achieve this goal, he urged farmers and workers to increase their production. At the same time, he also believed four types of citizens need not work: young people, the aged, the handicapped and pregnant women. He said, young people in the community should have the privilege of receiving education, the aged and the handicapped should have the right to be cared for by the community, and pregnant women should be taken care of by the community for one year. Schools should be built, hospital facilities should be improved and nursing homes for the elderly should be provided for these four types of people.

Although Chinese Communist government officials and scholars as well as young liberal intellectuals in Taiwan all tended to ridicule Dr. Sun's Three Principles of the People and dismiss them as outdated and ideological, the Nationalist government on Taiwan
has been able to integrate Dr. Sun’s thought with modern capitalist practices in the reconstruction of Taiwan’s economy and polity.

D. The New View from Mainland China

In the 1980s, a process of soul searching began to spread among Chinese intellectuals on the mainland. Even though mainland China was caught in a spirit of openness and economic catching up, the intellectuals were still very careful to place China’s underdevelopment on the shoulders of the Communist leadership. The officially sanctioned position on the failure of China’s development to “feudal autocracy” (fengjian zhuanzhi zhidu) and “foreign imperialism” (diguozhuuye). JIN Guantao’s analysis of traditional Chinese feudal autocracy attracted a large group of followers from both government officials and conservative intellectuals.

Jin divided China’s history into four periods: (1) the Period of Formation of the “Super Integrative Structure” during the Ch’in and Han dynasties, characterized by the establishment of a central government and administration; (2) the Period of Assimilation during the Three Kingdoms and the Northern and Southern Dynasties, characterized by the acculturation of foreign elements into the dominant Han culture; (3) the Period of Prosperity and Maturation of the Feudal Empire of the Sui, T’ang, Sung, and Yuan dynasties during which Chinese civilization achieved its highest development; and, (4) the Period of Rigidness and inflexibility of the Ming and Ch’ing dynasties during which China lost its spirit of advancement to over-emphasis on stability and integration. Jin argued that the backwardness of Chinese traditional culture and the stagnation of Chinese advancement thus should be attributed to the “super integrative structure” characteristic of the traditional Chinese culture.65

Jin’s view was well accepted by both Chinese government officials and the intellectuals. A documentary series entitled “He Shang” (or Sorrow of the River) based on Jin’s view was shown on Chinese television. “He Shang” portrayed China’s past suffering from the feudal autocracy and foreign imperialism as resembling the disastrous suffering from the frequent crests of the Yellow

65. JIN Guantao, Zai-Li-Shi de Biao-Xiang Bei-Hou (Behind the Historical Facade), Taipei: Gu-feng Publisher, 1983, pp. 160-161. Jin’s view was originally published in a book he co-authored with LIU Qinfen and published in Hunan in 1983 under the title of Xin-Sheng Yu Wei-Ji (Prosperity and Crisis). It was reprinted under the same title in Taiwan by Tien-san Publisher in 1987.
River. The fate of the Chinese is reflected by the crests of the Yellow River, the television series proclaimed.66

III. SUMMING UP: WHAT WENT WRONG?

The classical theories, both Western and Chinese, reviewed in this chapter help in answering several important questions that seemed to hinder China's modernization efforts. These questions can be grouped under three headings: (1) the problems of the impetus for change; (2) the responses to the impetus; and, (3) the structural change in society.

A. The Problems of the Impetus for Change

Almost all of the classical theories reviewed in one way or another attempt to answer a key question: Why did change occur? Related to the question of the impetus for change in China are other questions, such as:

(1) Since the traditional social structure had remained almost unchanged for several thousand years, why has rapid change occurred during the past 150 years?
(2) Was there any reason or factor behind such change? What kind of impetus for change emerged during this period?
(3) Was the traditional Chinese social structure functionally incompatible with modern development, as some theories seemed to suggest?
(4) Was there any significant change in the Chinese value system or the individual attitude toward social stability and integration in this period?
(5) Was the impetus for change the result of internal or external pressure?
(6) What was the role of the West during this period of change?

B. The Responses to the Impetus

Once there is an impetus for change, the question of how to respond becomes very important. Some societies simply ignore the potential for change, others respond slowly and conservatively,

while still others respond with vigorous programs. In the case of China, the following questions were addressed in a few of the above-mentioned classical theories:

1. What was China's initial response to change for modernization?
2. What was the attitude of the elite in the society toward change?
3. When change became inevitable, how did China deal with emerging problems?

C. The Structural Change in Society

For students of China's modernization, the examination of structural changes in Chinese society becomes necessary. They look into several major social Chinese institutions - economic, political, religious, educational and communication, among others - to see what role each institution played, the relative positions of each in the whole social system, and institutional interactions with other elements of the social structure. Key questions related to structural change include:

1. How many key traditional social systems have been abolished in favor of modern Western models?
2. How did these new Western models work in transitional China?
3. What are the consequences of such changes on the integration and stability of society?
4. What is the future for China?

D. What Went Wrong?

China was a great nation with a great civilization. Why did industrialization not occur in China? We may summarize both the Western and Chinese classical theories that we have reviewed with the following observations:

1. In the traditional Chinese value system, there was a lack of impetus for progressive change. The emphasis on harmony and integration in the mainstream of the traditional Chinese ideology created a highly stable and tradition-oriented society in China before the turn of the present century.

2. The traditional social and political structures built upon such a tradition-oriented value system were able to keep the society stable for almost two thousand years without serious challenge or
disorganization, because traditional China was, to a certain degree, geographically isolated from other great civilizations and culturally superior to its own neighboring societies.

(3) Modernization in China has been basically a process of westernization ever since its start in the mid-nineteenth century. Many of the major social institutions gradually have been patterned after a Western mode of social structure.

(4) The lack of aggressiveness and the stress on harmony in classical Confucian ethics have greatly undermined the Chinese ability to take initiative for technological and socio-political breakthroughs in the early stages of modernization.

(5) Contacts with the West in the nineteenth century seemed to focus on shortages in the Chinese social system, and thus led to a stage of disorganization and near collapse because the West possessed a superior technology at the time. Increasing contact between the West and China made revision and reform of the tradition-oriented Chinese social system inevitable and even necessary.

(6) China’s location in the world political economy dominated by the Western capitalist nations should be considered of prime importance in China’s past failure to develop industrial capitalism during the late nineteenth and early twentieth centuries. China was incorporated as both an economic and political satellite of the Western capitalist powers, and thus lacked the autonomy to develop needed industry which, at the same time, thwarted its ability to industrialize.

(7) The lack of a strong centralized political organization in modern China to cope with problems of change created an uncertain and ambiguous situation in which a smooth transformation from tradition to modernity became impossible. There was no well-defined goal that members of society could follow. Individuals sought only particular self-interests and nothing else. As a result, China’s modernization program during the period reflected a deep sense of confusion.

Thus, it becomes clear that both Western observers and Chinese intellectuals agreed that something went wrong in Chinese traditional social systems. They argued that the traditional Chinese religious, political and family structures were not conducive to the emergence of industrialization and to the push toward a modernized China. Although a few Chinese political leaders and intellectuals recognized the negative effects from foreign intervention, many believed China needed to adopt Western institutions in order
to escape from backwardness and to construct a new modernized China.

During the Republican period prior to 1949, China played around with several approaches, but they failed. Since 1949, MAO Zedong and his Chinese Communist Party took a socialist approach on the Chinese mainland, but CHIANG Kai-shek and his Nationalist government took a semi-capitalist road on the island of Taiwan. The results are not only remarkably different and shocking, but also reflect tension and conflict between traditional and modern Chinese social systems. Leaders in twentieth century China face a tremendous challenge in rebuilding China with whatever means necessary. The main focus of our study thus will be devoted to modernization efforts between the People’s Republic of China on the mainland and the Nationalist China on the island of Taiwan in the post 1949 era: the contrast between prosperity in Taiwan and despair in mainland China.
CHAPTER 3

HISTORY OF CHINA'S STRUGGLE TOWARD MODERNIZATION

I. THE INDUSTRIAL REVOLUTION AND THE MAKING OF THE MODERN WORLD IN THE WEST

Although there had been numerous contacts between East and West prior to the seventeenth century, there was very little interest on either side to forge that relationship. The Chinese saw themselves as a superior culture with no desire to interact with the West, while the West was much too preoccupied with constant wars among its nation-states to pay attention to the East.

The situation started to change in the West, however, by the time the Manchus established the Ch'ing dynasty in the middle of the seventeenth century. While Ch'ing's China was enjoying newfound prosperity under the Emperors Kang-hsi, Yung-cheng and Ch'ien-lung, the West had started to transform itself into the modern world economically and politically. The great Industrial Revolution had begun.1

The West's Industrial Revolution began in Great Britain during the middle of the seventeenth century with new inventions and systems of production of goods. Steam engines were invented, new methods of making iron and steel were introduced, roads and canals were built, a factory system was established to run production, and railroads and steamboats became two of the most efficient transportation means.

Subsequent improvements in machinery and technology made farm labor easier and goods cheaper to produce. As prices went down, demand increased, and so did the need for more production. New industry then spread to Germany, France and other western European countries. The United States also eagerly adopted British inventions and methods in the late eighteenth century.


(75)
Throughout the nineteenth century, inventions, new sales methods, and new methods of production and distribution of goods continued to transform industry in the West. The rapid growth caused by these developments brought many changes to the factory system and to the organization of businesses. The factory system also introduced a new phase in the development of capitalism - the economic system in which individuals rather than the government controlled the factors of production.

Social structures in the West, under tremendous pressure from the Industrial Revolution, experienced dramatic change as well. From about 1600 to 1750, the population of Europe grew very little. When the Industrial Revolution began, 140 million people lived in Europe. By 1850, only one hundred years later, the population had increased to 266 million. As the population grew in industrialized countries, it also became more mobile. Large numbers of people moved across national boundaries and oceans to foreign lands. Many people fled from countries with poor economic conditions, such as Ireland and Italy. Other people, such as Jews, Armenians and Slavs, fled oppression and discrimination. The general trend of movement was toward the more sparsely populated nations in northern and western Europe, where rapid industrialization had created a great demand for factory labor.

As the population increased, changes in agriculture, industry and transportation produced another striking result - the rapid growth of cities. Before the Industrial Revolution, the vast majority of people lived in rural areas or in small villages. But with the Industrial Revolution, people were attracted to cities where factories were located and employment opportunities were abundant.

Alongside the changes caused by the Industrial Revolution, the British parliamentary system was reformed to allow more political participation by the masses, France underwent two significant political revolutions to ensure a republican form of government, and the United States successfully completed its territorial expansion.

Colonialism also spread in the West. In a search for raw materials and consumer markets, the West began a phase of colonization of the world. The British, the Spanish, the French and the Portuguese all went after poor nations in Latin America, Africa and Asia. They wanted to provide as much income as possible for the rulers of the home country, for merchants engaged in overseas trade and for white colonists. The highest ranks of society consisted of the colonial rulers and bureaucrats, the owners of large estates
and the great merchants. An enormous social gap opened between these classes and the town workers, peasants and slaves.2

In the seventeenth century, the Chinese were not aware of the great change which was taking place in the West. The Chinese saw themselves as members of an advanced and self-contained society, one that did not need contact with the outside world. The Chinese valued stability and continuity over change. Although the Manchus were not Han-Chinese, the Manchu conquerors quickly settled themselves in the Confucian culture of stability and integration, enjoying a new found economic prosperity and social stability during the first one hundred years of their rule.

Unfortunately, China was too large and attractive for the West to ignore. After its Industrial Revolution, the West needed sources of raw materials for its machinery and a large market for its production. China was perfect prey for the West in the mid-nineteenth century. As a result, the West came to the East.

II. STAGES IN CHINESE MODERNIZATION

The history of modern China can be seen as a struggle toward modernization. Ever since the middle of the nineteenth century, China has been catching up with the West. Just like people in other underdeveloped societies, modernization gives the Chinese the ultimate hope that a better way of life can be attained.

In Chinese usage, the word “modernization” was first referred to as the process of imitation and adoption of the Western model of technological development. Later, the meaning of modernization was expanded to include upgrading the traditional Chinese socioeconomic-political system to be compatible with societal growth in an industrial age. Historically, the Chinese modernization process can be divided into four major developmental stages, each with its own distinguishing characteristics: Stage One, Involuntary and Defensive Westernization (1840-1895); Stage Two, Reform and Revolution (1896-1911); Stage Three, Authority Crisis and Disorganization (1912-1948); and Stage Four, Socialist vs. Capitalist Approaches (1949-present). The painful process of modernization in modern Chinese history will be first presented. I believe this summary of China’s modernization history is necessary if we are going to understand the meaning of current developments in the PRC and Taiwan today.

A. Stage One: Involuntary and Defensive Westernization

1. Foreign Wars

The first stage in the Chinese modernization process is distinguished by involuntary Chinese acceptance of Western technological superiority. The period begins with the Opium War in 1840 and ends with defeat in the Sino-Japanese War in 1895. In general, modernization was seen in this stage as a cause for destruction and discontent. Several international and domestic events at the time contributed to Chinese awareness of Western superiority and painful acceptance of Western technology.

The first blow came with defeat at the hands of the British on the issue of opium sales. Although opium had been used in China since the mid-T'ang dynasty during the ninth century, the volume was relatively small, with fewer than two hundred cases imported into China, according to a report in 1729. China then experienced a dramatic increase in the mid-eighteenth century. The official record shows that one thousand cases were imported in 1767, 4,600 cases in 1820, 14,000 cases in 1830 and 24,040 in 1838. If we take the volume in 1817 as the base index of 100, then the growth index for 1838 would be 749. The record also shows that total cash value of the opium trade was approximately 150 million silver dollars during the period between 1821 and 1835. A detailed account can be found in Table 3-1.

The rapid increase in the importation of opium had two serious consequences. First, it created a heavy burden on the Chinese economy. Up until 1823, the Chinese had exported more merchandise to foreign countries than they had imported. The large volume of opium importation changed China from an exporting country to an importing one. Moreover, the total amount of silver dollars paid for the purchase of opium in 1837 was almost equivalent to the national tax revenue the government had collected. In order to balance the national budget, more taxes were collected from people, and as a result, people’s lives became more unbearable.

Second, opium smoking became such a popular habit among the Chinese that national health was seriously threatened. During this period, opium smoking was practiced in every corner of society. One government official reported to the emperor that sixty to seventy percent of the villagers in the East Coast region smoked opium. Another reported that everyone in a certain military unit
TABLE 3-1. THE IMPORTATION OF OPIUM TO CHINA, 1817-1838

<table>
<thead>
<tr>
<th>Year</th>
<th>Cases of Opium</th>
<th>Growth Index</th>
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</thead>
<tbody>
<tr>
<td>1817</td>
<td>3,210</td>
<td>100</td>
</tr>
<tr>
<td>1818</td>
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<td>1823</td>
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<td>670</td>
</tr>
<tr>
<td>1838</td>
<td>24,040</td>
<td>749</td>
</tr>
</tbody>
</table>


had an opium-smoking habit. Still another observed that it was so widespread even village beggars smoked opium.³

The Manchu court imposed opium-prohibition laws against Chinese smokers, but the importation of opium never stopped. Since opium was largely imported to China from England, America and Portugal, the government started to check all incoming foreign ships for possible violation of opium importation in 1815, and the Canton port, which was the major port for international trade at the time, was closed to all foreign ships in 1829. China then cut off its foreign trade relations with the British in 1840, since the British continued to violate the prohibition law.

³ Chung-tung LIN, The Biography of LIN T'ze-hsu, Taipei: Central Books, 1967; and Sihe JI, et al., eds., The Opium War (6 volumes), Shanghai: Renmin, 1957.
Among the opium importers in the mid-nineteenth century, the British were the largest. An estimate shows that about 90 percent of the total opium imported to China during the period was handled by British merchant ships under the authority of the British East India Company.

The income received from the opium trade had become the company’s largest and most profitable revenue. The tough Chinese stand against British merchant ships and the opium trade thus greatly threatened the well-being of both the East India Company and the British empire. The British therefore started a war against China in 1840.4

The Chinese military units were ill-prepared for the war against a much superior British Expeditionary Force. All major ports in the eastern coastal region were captured easily by the British without any serious effort. A cease-fire treaty was signed in August 1842 at Nanking. The Treaty included several major agreements: a) opening Canton, Fuzhou, Xiamen, Ningbo and Shanghai ports to British merchants and their families to engage in free trade; b) ceding Hong Kong to the British; c) paying nine million silver dollars to compensate the British for losses in the opium trade; d) paying twelve million silver dollars to the British within four years as a military compensation fee; e) releasing any British subject who was captured by the Chinese before and during the war; and, f) granting equal status to the Chinese and British governments in communication.

The opium war between China and Great Britain was a crucial turning point in China’s modern history. It gave Great Britain an almost unrestricted right to export more opium to China; opium smoking thus reached an epidemic level on a national scale.5 More significantly, it marked the beginning of Chinese suffering inflicted by the West, which was to continue for the next one hundred fifty years. As China’s military weakness was exposed following the defeat, industrialized Western nations, as well as Japan, seized the opportunity to move into China for their share of trade.

During this period, China had wars with almost every major power in the West, and with Japan. The treaties signed with foreign nations following the Treaty of Nanking (Nanjing) signed with the

British include: The Treaties of Tientsin (Tianjin) in 1858, signed with the British-French forces; The Treaties of Peking (Beijing) in 1860, signed with British-French allied forces; The Treaty of Ili in 1881, signed with Russia; and the Treaty of Shimonoseki in 1895, signed with Japan. China also signed treaties with the United States and the Portuguese.

In each treaty signed with a foreign power, China had to grant privileges of trade and cede part of its territory to the other signatory. Moreover, China sustained a great loss of sovereignty by permitting foreign war vessels and commercial ships to navigate rivers in the interior, by allowing consular jurisdiction, which allowed foreign missionaries to buy land in the interior, and by permitting settlement zones for foreigners in major cities.6

At the same time, troubles in China’s vast countryside grew in size and became uncontrollable. Suffering from political corruption in the Manchu Court, from foreign interference with their traditional way of life and from natural disasters that frequently occurred during the period, the dissatisfied peasantry joined various underground secret societies in an effort to gain protection and started to rebel against the corrupt government. In 1851, the Taiping Rebellion broke out and spread over a large portion of China before it was suppressed in 1864. The Nien Rebellion broke out in 1853 and lasted until 1868, and the Moslem Rebellion took place in Yunnan and ran its course from 1855 to 1873. Although none of these rebellions established any long-lasting rival governments to contest the court at Peking, the need for change became apparent.7

2. Military Westernization Programs

Forced to recognize Western superiority and the need to restore sovereignty, a group of the Chinese ruling elite and intellectuals felt that the only way to save China was to introduce and accept Western technology, especially military technology. Under the leadership of TSENG Kuo-fan and LI Hung-chang, efforts toward building a strong China capable of defending itself from foreign invasions and in cracking down on domestic rebellions began. A

“self-restoration” campaign, which promoted the imitation of Western military technology and, at the same time, advocated the preservation of Confucian tradition, became the core of this first stage of China’s modernization.

Two Western-style military weaponry plants were first built by TSENG Kuo-fan at Feichen in 1854 and Anqing in 1861, followed by two similar plants built by LI Hung-chang at Shanghai and Suzhou in 1862 and 1863, respectively. For the next thirty years, until the first Sino-Japanese War in 1894, twenty-four such weaponry plants were built throughout China, including the Jiangnan Machine-Making Bureau in Shanghai, the Jin-lin Machine-Making Bureau in Nanjing, the Fuzhou Shipyard in Fujian and the Tianjin Machine-Making Bureau in Tianjin.

In the early stage of the program, the responsibility for building weaponry plants was handled exclusively by the central government. But, in the 1870s, the Ch’ing Court began to permit local governors and other officials to build their own. A complete list of these new weaponry plants is provided in Table 3-2.

The aim of building these Western-style weaponry plants was to improve China’s military strength and to reduce China’s dependency on foreign purchases. Several general patterns can be identified in these plants:

a. All the plants were built for producing Western-style weapons.

b. They were all owned by the government and run in military fashion. They were financed by the defense budget.

c. Foreign experts were employed in most of these plants to copy and produce Western-style military weapons.

d. Most of these plants were not self-supporting; the operational costs were picked up either by the central government or the provincial governments.

Unfortunately, the imitation of Western weaponry proved to be unsuccessful, as China lost war after war to Western nations. Several factors contributed to this failure. First of all, there was a lack of consensus among the Chinese leadership regarding imitation of the Western military. As many of these plants were inefficient and badly managed, a few Chinese leaders began to argue that it might be even cheaper to purchase weapons from the West than to produce them in these Chinese plants. Second, the financial situation of China during the period was in severe decline. For instance,
TABLE 3-2. MILITARY WEAPONRY PLANTS IN LATE CH'ING DYNASTY

<table>
<thead>
<tr>
<th>Year</th>
<th>Location</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>1854</td>
<td>Feichen</td>
<td>Ships and cannons</td>
</tr>
<tr>
<td>1861</td>
<td>Anqing</td>
<td>Ships and weapons</td>
</tr>
<tr>
<td>1862</td>
<td>Shanghai</td>
<td>Weapons and cannons</td>
</tr>
<tr>
<td>1864</td>
<td>Nanjing</td>
<td>Ships and weapons</td>
</tr>
<tr>
<td>1865</td>
<td>Nanjing Western Machinery</td>
<td>Weapons</td>
</tr>
<tr>
<td>1865</td>
<td>Shanghai Jiangnan</td>
<td>Gun, machines, clocks,</td>
</tr>
<tr>
<td></td>
<td></td>
<td>agricultural machines, and ships</td>
</tr>
<tr>
<td>1866</td>
<td>Tianjin</td>
<td>Cannons and guns</td>
</tr>
<tr>
<td>1871</td>
<td>Lanzhou</td>
<td>Cannons and guns</td>
</tr>
<tr>
<td>1875</td>
<td>Kaiping</td>
<td>Coal</td>
</tr>
<tr>
<td>1865</td>
<td>Jiangnan Arsenal</td>
<td>Weapons and canons</td>
</tr>
<tr>
<td>1867</td>
<td>Nanjing Arsenal</td>
<td>Weapons and cannon</td>
</tr>
<tr>
<td>1870</td>
<td>A machine factory was</td>
<td>Enlarged at Tianjin.</td>
</tr>
<tr>
<td></td>
<td>enlarged at Tianjing.</td>
<td></td>
</tr>
<tr>
<td>1875</td>
<td>A plant was made to build</td>
<td>Steel warships.</td>
</tr>
</tbody>
</table>


the total tax revenue of the government in 1882 was approximately 66 million taels of silver, but the expenditures were well over 70 million; and in 1889, the total tax revenue was 88.7 million taels of silver, while the expenditures were 101.8 million.

Part of this financial crisis was caused by military spending. According to one estimate, approximately 71 percent of government expenditures in 1874 went for military spending. Finally, the central government of the Manchu Court was deteriorating. In the aftermath of the Taiping Rebellion, provincial governors gained autonomy through their great efforts in raising arms to defend their regions from bandits; the Manchu Court thus lost its direct control over provincial governors. Since many of these new Western-style military weaponry plants were initiated by provincial governors and other regional officials, the central government was unable to supervise effectively their operation and management.

At the same time, traditional Chinese intellectuals were engaged in a fanatical effort to slow down the Western invasion of Chinese culture. The traditionalists attacked Western civilization as

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materialistic, devoid of spiritual virtue, and thus, inferior to Confucian teachings. Traditionalist FENG Kuei-fen said:

The intelligence and wisdom of the Chinese are necessarily superior to those of the various barbarians, only formerly we have not made use of them. . . . If we let Chinese ethics and famous (Confucian) teachings serve as an original foundation and let them be supplemented by the methods used by the various nations for the attainment of prosperity and strength, would it not be the best of all procedures?9

By the end of the period, however, the traditionalists gradually had lost their appeal for the preservation and restoration of Confucian order, as China lost war after war to every foreign nation they had fought against, and faced immediate, total destruction. Mary C. Wright referred to this effort of the traditionalists as "the last stand of Chinese Conservatism," after which, she suggested, there could be no effective formal defense of the Confucian ethic.10

With the decline of resistance from the traditionalists, China began a limited program of learning Western culture. Several language institutes were established in Shanghai, Beijing, Taiwan, Canton and Feichun for training in foreign languages. A study-abroad program was established during the period. Between 1871 and 1875, 120 children were sent to study in the United States. Students also were sent by individual shipyards and machinery plants to study in foreign countries.11

Table 3-3 lists those new programs that were established prior to the Sino-Japanese War.

As one can clearly see, the single purpose of the Westernization programs at this stage was to save China from foreign domination. Military reform programs became the prime target for Westernization, while social and political institutions remained largely untouched. The ultimate goal of the government-sponsored Westernization programs was to achieve military equality with the West, while at the same time maintaining traditional social and

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TABLE 3-3. WESTERNIZATION PROGRAMS IN LATE CH'ING

<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1863</td>
<td>A foreign language school was established.</td>
</tr>
<tr>
<td>1871</td>
<td>A foreign-style port was planned for Taku.</td>
</tr>
<tr>
<td>1872</td>
<td>Commercial Shipping Bureau was organized to manage China's shipping.</td>
</tr>
<tr>
<td>1872</td>
<td>Students were sent to study in America. Officers were sent to study military science in Germany. The China Merchants Steam Navigation Company was organized.</td>
</tr>
<tr>
<td>1876</td>
<td>A request was made to open a bureau to study foreign sciences in all provinces and to add a new subject on foreign affairs in the civil service examinations. Students and apprentices from the Foochow shipyard were sent to Germany for advanced training.</td>
</tr>
<tr>
<td>1878</td>
<td>The Kaiping coal mine was opened.</td>
</tr>
<tr>
<td>1879</td>
<td>A telegraph line was opened from Taku to Tientsin (Tianjin).</td>
</tr>
<tr>
<td>1880</td>
<td>A plan for a modern navy was launched, beginning with a program to purchase warships from foreign countries. A naval school was established at Tientsin (Tianjin).</td>
</tr>
<tr>
<td>1881</td>
<td>A railroad (approximately 6 miles) was completed. A dockyard was built at Port Arthur. A cotton mill was planned at Shanghai.</td>
</tr>
<tr>
<td>1885</td>
<td>A military preparatory school was established. The Navy Yamen was inaugurated.</td>
</tr>
<tr>
<td>1887</td>
<td>Mints were established at Tientsin (Tianjin) and Baoding.</td>
</tr>
<tr>
<td>1888</td>
<td>The Peiyang Army was organized.</td>
</tr>
<tr>
<td>1891</td>
<td>The Lungchang paper mill was founded at Shanghai.</td>
</tr>
<tr>
<td>1905</td>
<td>Traditional Examination System for civil service was abolished in favor of a Western style school system.</td>
</tr>
</tbody>
</table>


political systems. Michael Gaster pointed out, "All that they (the Chinese) did . . . they considered means of defense. Each step had to be justified on the grounds that it would help to keep the foreigners out; at the same time, each experiment had to be guaranteed not to impinge upon the essentials of Chinese life."

With each defeat, China was forced to open its door wider to foreign nations. Foreign traders controlled not only China's international commercial activities, but also its vast interior shipping.

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Table 3-4 shows China’s growing trade deficit from a mere one million taels of silver in 1865 to thirty-four million taels in 1890.

**TABLE 3-4. CHINA’S INTERNATIONAL TRADE, 1865-1895**

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports (unit: million taels)</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1865</td>
<td>61</td>
<td>60</td>
<td>-1</td>
</tr>
<tr>
<td>1870</td>
<td>69</td>
<td>61</td>
<td>-8</td>
</tr>
<tr>
<td>1875</td>
<td>67</td>
<td>68</td>
<td>+1</td>
</tr>
<tr>
<td>1880</td>
<td>79</td>
<td>77</td>
<td>-2</td>
</tr>
<tr>
<td>1885</td>
<td>88</td>
<td>65</td>
<td>-23</td>
</tr>
<tr>
<td>1890</td>
<td>121</td>
<td>87</td>
<td>-34</td>
</tr>
<tr>
<td>1895</td>
<td>171</td>
<td>143</td>
<td>-28</td>
</tr>
</tbody>
</table>


Part of the reason for such a deteriorating trade deficit was the dominance of foreign vessels in China. According to a Japanese estimate, Chinese commercial vessels carried only 0.5 percent of international trade in and out of China’s east coast ports. The percentage was 18.9 between 1871 and 1880, and 24.0 between 1891-1890. In interior shipping, foreign vessels were also much more active than Chinese vessels in both the number of vessels and their carrying capacity. Although China did establish a commercial shipping bureau to compete against foreigners, it was clearly a mismatch.

In short, what the Chinese leaders really intended to achieve during this stage of Westernization was only a limited partial improvement of military technology, not an extended change in the social structure. Chinese leaders believed that the adoption of Western military technology would be sufficient for China to catch up with the West, and thereby preserve China’s spiritual superiority. China was forced to learn from the West. But China was still unwilling to admit her own backwardness. What Chinese leaders attempted to accomplish during this stage of modernization was a limited change narrowly defined as military reform. Thus, it is clear that the first stage of China’s road toward modernization was involuntary and defensive; involuntary because China was forced to re-

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examine itself in light of foreign dominance, and defensive because it was aimed only at upgrading its military technology to defend itself from foreign powers.

B. Stage Two: Reform and Revolution

The second stage in the Chinese modernization process begins with the campaign by K’ANG You-wei for an extensive reform program within the socio-political institution of China, immediately following the conclusion of the Sino-Japanese War in 1895, and ends with the success of the overthrow of the Ch’ing dynasty under the revolutionary leadership of Dr. SUN Yat-sen in 1911.

The dream of building a strong new China through Confucian revival and military Westernization was destroyed completely after China lost the war to Japan in 1895. For several centuries, ever since the T’ang dynasty, Japan had been a student of China’s; the Japanese came to China to learn from the Chinese culture and to transport Chinese culture to Japan. Most Chinese had never regarded Japan as a stronger or superior nation. Thus, the Chinese defeat was an unbelievable shock to everyone. Not only was Japan able to force China to pay a large sum of monetary compensation to cover the Japanese military adventure in China, but Japan also took Taiwan away from China and made it a colony. The feeling of shame and inferiority quickly spread throughout the country, from the scholar-officials at the top of the hierarchy to the common people at the bottom, and from the urban center to every corner of the countryside throughout China.

The inefficiency and inadequacy of partial reform, such as the military Westernization program launched during the first stage, now became manifest. Intellectuals, especially those who had foreign knowledge and experience, demanded a radical change that would address a far-reaching and more extensive transformation involving every aspect of the social, economic, educational and political systems.

Two groups of activists emerged during this period. The first was a group of lower and middle ranking officials under the leadership of K’ANG You-wei, who advocated extensive social and political reforms from within, while the second group was led by Dr. SUN Yat-sen, who saw total revolution as the only way to save China.

K’ANG You-wei was a reformed Confucian scholar who believed China’s problems were rooted deeply in the Confucian Classics which had been misinterpreted and malpracticed. K’ang
argued that the idea of reform was not anti-Confucian but an integrated part of the true Confucian teaching. He said:

For China, on the great earth, has had a ceaseless succession of sacred emperors and the country has been famous. Her principles, institutions, and culture are the most elevated in the world. . . . Among all countries on earth none is her equal. Only because her customs are unenlightened and because of a dearth of men of ability, she is passively taking aggression and insult. . . . The water in the ocean is bubbling and boiling. In our ears and in our dreams the noise of artillery is roaring. All you gentlemen, how can you avoid the grief of being ruined and (becoming) subject to the rule of a different race? Are we trying to avoid slander? O! you closed-door scholars, are some of you to the point of speaking about respecting the emperor and reflecting the barbarians?15

K’ANG You-wei won the support of a small group of Chinese scholar-officials and was introduced to Emperor Kuang-hsu. On June 16, 1898, K’ang was appointed Probationary Secretary in the Tsung-li Yamen to carry out his reform programs. K’ang’s proposed reforms included the following:

a. Changing the topics for themes in the district, provincial and metropolitan examinations from selections from the Four Books to topics on current problems.

b. Establishing a bureau of agriculture, industry and commerce in Beijing.

c. Abolishing the sinecure appointments in the imperial supervisorate of instruction, office of transmission, court of imperial entertainments, court of state ceremonials and grand court of revision.

d. Including tests of knowledge and techniques of Western artilleries in the recruitment and training of military personnel.

e. Requiring students in all levels of schools in China to engage in both Chinese and Western studies.

Although K’ang was able to attract the support of the Emperor, the real power holder at the time in China was Empress Tz’u-hsi, who assumed personal control of government affairs. In

1898, the emperor and his reform-oriented young Han intellectuals staged a *coup d'état* against the Empress and her traditionalist clique. The coup failed. The emperor was put under house arrest within the imperial palace and five of his top supporters were executed.

K’ANG You-wei, the reform leader, escaped into hiding. The reform lasted approximately one hundred days, and thus is now known as "the Hundred Day Reform" in modern China's history. Many of K’ang’s followers went underground and joined the revolutionary movement led by Dr. SUN Yat-sen in working for the overthrow of the Ch'ing dynasty and for building a new China.

The failure of K’ang’s reform attempt ended any hope for a change from within. Government corruption continued, Western imperialism spread from the eastern coast to the interior, and China’s economy suffered from a huge trade deficit and foreign debts. Table 3-5 shows volumes of China’s international trade between 1895 and 1911. During the period, the trade deficit tripled from twenty-eight million taels in 1895 to ninety-four million taels in 1911.

**TABLE 3-5. CHINA’S INTERNATIONAL TRADE, 1895-1911**

<table>
<thead>
<tr>
<th>Year</th>
<th>Imports</th>
<th>Exports (unit: million taels)</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1895</td>
<td>171</td>
<td>143</td>
<td>− 28</td>
</tr>
<tr>
<td>1900</td>
<td>211</td>
<td>158</td>
<td>− 53</td>
</tr>
<tr>
<td>1905</td>
<td>447</td>
<td>227</td>
<td>−220</td>
</tr>
<tr>
<td>1910</td>
<td>462</td>
<td>380</td>
<td>− 62</td>
</tr>
<tr>
<td>1911</td>
<td>471</td>
<td>377</td>
<td>− 94</td>
</tr>
</tbody>
</table>


According to one Japanese estimate, the total volume of China’s foreign loans from Western nations prior to the Sino-Japanese War in 1895 was approximately six million eighty-five thousand English pounds.16

Military defeat by the Japanese, heavy foreign loans and trade deficits, and the collapsed rural economy had made life extremely unbearable for both Chinese intelligentsia and commoners. The Boxer Rebellion broke out in 1898 and quickly spread from

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Shandong to many coastal areas. The Boxer sect members called for the total elimination of all foreigners in China. They burned Christian churches, murdered Western missionaries and proclaimed their spiritual toughness against Western evil figures. Empress Tz’u-hsi, upon recommendations from her officials, received the Boxers and encouraged them to "kill all foreigners."

The attacks on foreigners eventually drew the invasion of allied forces, which consisted of an army of eight foreign nations. It was a total disaster for China, and in 1901 China signed a peace treaty with eleven foreign nations. China agreed to pay monetary compensation totalling forty-five million taels to the victorious nations. The Manchu court was on the edge of a total collapse. Revolution became inevitable and unavoidable.

Unlike K’ANG You-wei, Dr. SUN Yat-sen was not a Confucian scholar. He was educated in Hong Kong and Hawaii and trained in Western medicine, with a very limited knowledge of Chinese Classics. In fact, in his early years Dr. Sun was not much of a revolutionary theorist but merely an activist. His program for China’s reconstruction developed much later than his persistent plotting to overthrow the Manchus. Nevertheless, the failure of K’ang’s reform movement gave Dr. Sun and his revolutionary party a great opportunity to expand its organization and to challenge the Manchu regime militantly. At that time, four major goals of Dr. Sun’s revolution were: (a) drive out the Tartars; (b) restore China; (c) establish the Republic; and, (d) equalize land ownership.

Dr. Sun’s revolutionary ideas gradually ripened among the educated class within and outside China after K’ang’s failure. He was particularly popular among the advanced Chinese students studying abroad, and his headquarters was located in Japan. From 1906 to 1911, eleven serious attempts were made to overthrow the Manchu regime by military means. Although these attempts all resulted in failure, they did plant seeds for later uprisings and the further spread of revolutionary ideas from the southeastern coast of China to the interior provinces. A large-scale uprising at Wuchang on October 10, 1911, finally turned into a successful revolution for Dr. Sun’s party, which eventually overthrew the Manchu regime. A republican government was established on January 1, 1912.

In summary, we can see that the second stage of China’s struggle toward modernization, during the years between 1895 and 1911, was characterized by civil rebellions, a worsening economy, Western exploitation, unsuccessful reforms from within, and finally a republican revolution. The central government lost its control over
provincial governors, and thus was unable to develop an efficient modernization program. The success of the 1911 revolution brought new hope for a revitalized China.

C. Stage Three: Authority Crisis and Disorganization

The third major developmental stage in China's search for modernization covers the entire period of the so-called Republican China, from 1912 to 1949, before the takeover of the mainland by the Chinese Communists. The major characteristic of this period was the Chinese search for a central authority.

Students of modern China have noted that one of the main causes of the failure of Chinese modernization was the lack of a national identity or of nationalism among Chinese in the late nineteenth and early twentieth centuries. They argued that government meant less to the average Chinese than to the average European, and that in China the common man traditionally concerned himself exclusively with family matters within a very narrow orbit of local interest; the government could only be viewed as a bureaucracy placed over "self-governing" families, villages and guilds. What integrated the Chinese people as a collective entity was not a sense of political loyalty, but a common culture.

According to Levenson, it is this cultural loyalty that has kept the Chinese together, not national loyalty or nationalism. The Chinese in the past had never worried about invasion by neighboring barbarians because they believed the invaders would eventually be "Sinicized" or assimilated into the supreme system of Chinese culture. Thus, if China were to be occupied by neighboring barbarians, it was only part of a process of cultural assimilation and Sinification; the ultimate victims were the occupying barbarians, not the Chinese, as is evident from many cases in China's long history.

The situation was much different in the late nineteenth and early twentieth centuries, however, because the Chinese this time were facing a much stronger and superior culture from the West. In the minds of the modernizing elite, Chinese culture was, without any doubt, inferior to that of the West. After the defeat at the hands of the Japanese in 1895, limited Westernization gave way to a call for more extended and radical change. The subsequent establishment of a Republican government in 1912 seemed to be the answer, breaking away from backward tradition and moving forward to a wholehearted Westernization under a new Western-educated leader, Dr. SUN Yat-sen.
1. Warlordism in the Early Republic

Unfortunately, the new government established after the revolution was nothing more than a "phantom republic." Backed by strong military power, a group of ex-Ch'ing military officers, under the leadership of YUAN Shih-k'ai, took over the government from Dr. Sun. Yuan became President of the Republic on March 10, 1912. Although Dr. Sun was willing to give his support to Yuan and devote his attention to railroad construction and other developmental projects,17 his revolutionary comrades were not ready to give away their newly found power. The fight between Yuan and Sun's group started in 1913 when SUNG Chiao-jen, the most outspoken anti-Yuan leader in Sun's group, was assassinated in Shanghai, and for the next fourteen years civil wars and the dominance of warlords threatened the existence of the new Republic.

During this period of Chinese warlordism, politics without military power was only a fantasy. There were no interest groups, political parties, or crafts associations strong enough to form active pressure groups geared to seek political power. As Lucian W. Pye indicated in this study of Chinese warlord politics,

From 1916 to 1927 China was fragmented and ruled by warlords with separate provincial bases. For the Chinese this was a period of unrelieved humiliation because all the warlords seemed to be shortsighted, selfish, and unconcerned about the national interest.18

Major warlord groups included the Chihli Clique under the leadership of General WU Pei-fu, the Fengtian Clique under the leadership of Marshal ZHANG Zuo-lin, the Shandong Clique of General ZHANG Zong-ch'ang, the Kuomintang under General FENG Yu-hsiang, and the five provinces south of the Yangtze River under the control of SUN Chuan-fang.

There is little doubt that warlord politics during the period between 1916 and 1927 represented a tremendously disruptive force in China's efforts at national integration and political modernization. The wars among warlords not only made a stable governmental policy impossible, but also slowed the tempo of national industrialization. Not until the successful campaign of the Kuomint-

tang in the Northern Expedition of 1928 was China able to establish a stable government bureaucracy and a long-range industrialization policy.

Although the Kuomintang was able to unify China in 1927, under the military leadership of CHIANG Kai-shek, and to begin a limited recovery from destruction, the second Sino-Japanese War, which lasted for eight years, broke out in 1937. China was again caught in a war with a superior nation, Japan. National reconstruction once again was interrupted.

The period also marked the beginning of the total withdrawal of the traditionalists. Chinese intellectuals no longer wanted to return to the old traditional way without reservation. The question being asked now was what form of modern system China should adopt - republic or dictatorship, capitalism or socialism, democracy or something else. Various groups fought for their own beliefs and systems, and each had its own version of what China's future ought to be. The intellectuals were considering various ideologies for modernization, the political elites were advocating diverse Western political systems, and the new merchants on the east coast and in the urban centers were advertising for a free capitalist economy in China. Conflicting programs were proposed and put into practice; the results were chaos and disorganization.

Thus, the May Fourth Movement of 1919, the civil war between the Nationalists and the Chinese Communists throughout most of this period, and even the fighting among the warlords during the 1920s, all can be seen as incidents of how various groups fought for their own version of China's future. The conflicts in this period were not really a case of the modernizing elite fighting against the traditionalists, but rather a struggle for power between competing modernizing groups. It was, in short, a period of confusion, of searching for authority and of power consolidation.

As the central government lacked authority and concentration of power, its financial difficulty surfaced. Before the Republican revolution, China already was deep in financial crisis and it became even worse in the first 15 years of the Republic under the warlords. Table 3-6 shows, with the exception of the two years between 1914 and 1916, that the government budget had large deficits each year. By 1925, the government budget showed a deficit of more than 172 million dollars.

One of the major burdens the government carried during this period was the heavy cost of military expenditures that were demanded by various military warlords. According to one estimate,
### TABLE 3-6. GOVERNMENT BUDGET IN THE EARLY REPUBLIC, 1913-1925

<table>
<thead>
<tr>
<th>Year</th>
<th>Revenue</th>
<th>Expenditure</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(unit: 1,000 dollars)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1913</td>
<td>557,031</td>
<td>642,187</td>
<td>- 85,156</td>
</tr>
<tr>
<td>1914</td>
<td>382,501</td>
<td>357,024</td>
<td>+ 25,477</td>
</tr>
<tr>
<td>1915</td>
<td>NA</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>1916</td>
<td>472,124</td>
<td>471,491</td>
<td>+ 633</td>
</tr>
<tr>
<td>1917</td>
<td>413,396</td>
<td>525,868</td>
<td>-112,472</td>
</tr>
<tr>
<td>1918</td>
<td>384,600</td>
<td>521,019</td>
<td>-136,419</td>
</tr>
<tr>
<td>1919</td>
<td>490,419</td>
<td>495,763</td>
<td>- 5,344</td>
</tr>
<tr>
<td>1925</td>
<td>461,643</td>
<td>634,361</td>
<td>-172,718</td>
</tr>
</tbody>
</table>


Military expenditures occupied between thirty and forty percent of the total government expenditures from 1912 to 1927.\(^{19}\) As China's economy at the time was unable to support such a heavy burden, foreign loans became a way for warlords to raise funds needed for their military adventures. Between 1912 and 1927, China borrowed an average of 53.5 million taels in loans from foreign banks each year. The total amount of foreign loans during the period was estimated at 1,337 million taels.\(^{20}\) The administration of YUAN Shih-k'ai was responsible for nearly 45 percent of all the foreign loans during its five years of rule.

As China was constantly caught in civil wars among competing warlords, industrial development was interrupted from time to time. Consequently, China had to import more goods from foreign countries. Table 3-7 shows the volumes of imports and exports between 1912 and 1931.

From Table 3-7, one can easily see the huge trade deficit China experienced prior to the second Sino-Japanese war. By 1931, the trade deficit had reached a recorded 524 million taels of silver. Trade deficits and foreign loans thus represented two of the most damaging obstacles in China's efforts toward upgrading its economy.

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TABLE 3-7. INTERNATIONAL TRADE IN THE EARLY REPUBLIC

<table>
<thead>
<tr>
<th>Year</th>
<th>Import</th>
<th>Export</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(unit: 1,000 taels)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1912</td>
<td>473,097</td>
<td>370,520</td>
<td>-102,577</td>
</tr>
<tr>
<td>1913</td>
<td>570,163</td>
<td>403,306</td>
<td>-166,857</td>
</tr>
<tr>
<td>1914</td>
<td>569,241</td>
<td>356,227</td>
<td>-213,014</td>
</tr>
<tr>
<td>1915</td>
<td>454,476</td>
<td>418,861</td>
<td>-35,615</td>
</tr>
<tr>
<td>1916</td>
<td>516,407</td>
<td>481,797</td>
<td>-34,610</td>
</tr>
<tr>
<td>1917</td>
<td>549,519</td>
<td>462,932</td>
<td>-86,587</td>
</tr>
<tr>
<td>1918</td>
<td>554,989</td>
<td>485,883</td>
<td>-69,106</td>
</tr>
<tr>
<td>1919</td>
<td>646,998</td>
<td>630,809</td>
<td>-16,189</td>
</tr>
<tr>
<td>1920</td>
<td>762,250</td>
<td>541,631</td>
<td>-220,619</td>
</tr>
<tr>
<td>1921</td>
<td>906,122</td>
<td>601,256</td>
<td>-304,866</td>
</tr>
<tr>
<td>1922</td>
<td>945,050</td>
<td>654,892</td>
<td>-290,158</td>
</tr>
<tr>
<td>1923</td>
<td>923,403</td>
<td>752,917</td>
<td>-170,486</td>
</tr>
<tr>
<td>1924</td>
<td>1,018,211</td>
<td>771,784</td>
<td>-246,427</td>
</tr>
<tr>
<td>1925</td>
<td>947,865</td>
<td>776,353</td>
<td>-71,512</td>
</tr>
<tr>
<td>1926</td>
<td>1,124,221</td>
<td>864,295</td>
<td>-259,926</td>
</tr>
<tr>
<td>1927</td>
<td>1,012,932</td>
<td>918,620</td>
<td>-94,312</td>
</tr>
<tr>
<td>1928</td>
<td>1,195,969</td>
<td>991,355</td>
<td>-204,614</td>
</tr>
<tr>
<td>1929</td>
<td>1,265,779</td>
<td>1,015,687</td>
<td>-250,092</td>
</tr>
<tr>
<td>1930</td>
<td>1,309,756</td>
<td>894,844</td>
<td>-414,912</td>
</tr>
<tr>
<td>1931</td>
<td>1,439,489</td>
<td>909,476</td>
<td>-524,013</td>
</tr>
</tbody>
</table>


2. China under CHIANG Kai-shek

China started to show constructive development when CHIANG Kai-shek and his Nationalist army successfully completed its unification mission in 1927. In the ten-year period between 1927 and 1937, China enjoyed temporary unity under the single leadership of CHIANG Kai-shek, and was able to promote a few constructive developments in an effort to move China into a modern state. These developments include the following:

a. In transportation - the national railway system was extended from 8,000 to 13,000 kilometers, the highways from 1,000 to 115,700 kilometers, and three national
and regional airlines began to offer commercial air service.\textsuperscript{21}

b. In finance and economy - the national banking system was reorganized into an integrated network, inflation was partially under control, and the international trade imbalance started to show reductions. For instance, the 1928 trade deficit of 390 million dollars was reduced to 115 million dollars by 1937. Judging from commerce and trade, one Chinese economist called this period the "take-off" years for Chinese economic development.\textsuperscript{22}

c. In agriculture and mining - a Farmer's Bank was established to provide loans for needed rural developments, a natural resource commission was established to be in charge of industrial development and mining enterprises, and national industrial planning was first proposed. The annual industrial growth rate was estimated during the period at 8.3 percent.\textsuperscript{23}

d. In education - the number of universities and colleges increased from 70 to 108, middle schools from 954 to 1956, teacher's schools from 236 to 816, and vocational schools from 149 to 494.\textsuperscript{24}

The end of World War I and the unification of China under one leadership had given China a chance to develop and for ten years, between 1928 and 1937, China was able to show some improvement in its economy, commerce, education and standard of living. Unfortunately, the effort was interrupted by the outbreak of the Sino-Japanese War and World War II. Once again, China was fighting for its survival.

Nearly all of its industries were destroyed by the Japanese during the war. The subsequent civil war between the Chinese Communists and the Nationalists after the war made the reconstruction of China and continuation of modernization programs impossible.

In summary, this third stage of China's modernization struggle was characterized by the lack of a centralized authority to effectively plan for socio-economic development. Although China showed signs of revitalization from slow but steady improvements in industrial output, in international trade deficits and educational

\textsuperscript{21} Ou-yang, 1989, supra note 8, pp. 313-314.
\textsuperscript{22} Id., pp. 315-320.
\textsuperscript{23} Id., pp. 306-309.
\textsuperscript{24} Wang, 1987, supra note 20, p. 1038.
reforms, they were interrupted frequently by civil wars between competing warlords and by wars against Japan during World War II. The need for a centralized and effective government, capable of moving toward modernization, became even more apparent in this stage. The road was paved for a Communist victory in 1949.

In all fairness, CHIANG Kai-shek should not be held solely responsible for the failure of Chinese political and economic change during this period. The political and social pressures of the time were, in fact, too much for anyone to handle. In a society like China’s, with her long cultural tradition, resistance from the traditional sector of the society cannot be taken too lightly. Some compromise had to be made if new programs of transformation were to be successful. The inability of the Kuomintang party leadership and the incompatibility of the republican political structure to deal with the traditional elites and the social structure they represented are two of the most crucial factors in the decline of Nationalist power prior to 1949 and the rise of Chinese communist power in modern China.

D. Stage Four: Socialist vs. Capitalist Approaches

The Chinese Communist victory on the Chinese mainland and the withdrawal of the Nationalists to the island of Taiwan marked the beginning of yet another chapter in China’s long saga of struggle toward modernization. The People’s Republic of China was established on the mainland, while the Nationalists on the island of Taiwan continued to call themselves the Republic of China.

Although each side insisted that they were the legitimate and sole ruler of China, there were two Chinas insofar as their approaches toward industrialization, economic development and modernization were concerned. The PRC on the mainland took a socialist approach, with a focus on the equalization of wealth through a centralized planned economy, while the Nationalists pursued a semi-capitalist approach encouraging private ownership of wealth and aggressive international trade.

The emergence of the Chinese Communists in 1918 hardly attracted any attention in the midst of warlordism and civil wars. The Chinese Communist Party (CCP) was founded in the summer of 1921; it consisted of a mixed group of genuine Marxist-Leninists, democratic socialists, anarchists and radical Nationalists. But the membership of the CCP steadily rose to more than ten thousand in 1925. A “Chinese Soviet Republic” was established in central China in 1931. By 1933 the “Chinese Soviet Republic” had control
of some sixty million inhabitants in Jiangxi, Anhui, Hubei and Sichuan.

Irritated by the growing strength of the CCP, the Nationalist government under the leadership of CHIANG Kai-shek launched numerous extermination campaigns against Soviet areas in interior China. By the end of the “Long March” in November 1935, there were about eight thousand CCP members left. Around this time, MAO Zedong emerged as a clear leader in the party. The CCP then took advantage of the second Sino-Japanese War that broke out in 1937 with a strategy of “70 percent stabilization and expansion, and 30 percent fight.”

When the war with Japan ended unexpectedly in 1945, the Nationalist government was unprepared to deal with post-war reconstruction. Inflation was running high, the Kuomintang cadres were corrupt and China’s vast rural countryside had been ravaged during the war. The CCP seized the post-war opportunity to launch major military offenses against the Nationalist forces. By 1949, the CCP had control of most regions of China, and the Nationalists had been driven to the island of Taiwan. The People’s Republic of China was officially established in October 1949.

More than forty years have passed since the split of these two Chinas. We have witnessed different results from the two competing approaches. Nationalist China on Taiwan has grown into an industrialized state characterized by a rapid economic growth rate, equal distribution of income, a high degree of urbanization and a movement toward political democratization; the People’s Republic of China has experienced difficulty in upgrading its economy and industry and has maintained totalitarian control of its people.

This fourth stage of China’s modernization effort is the main focus of our discussion in the next two chapters. I will make a detailed comparison of differential developmental paths taken by the PRC on the Chinese mainland and the Nationalists on the island of Taiwan since their separation in 1949.

To a large degree, China’s search for modernization has not been completed. Although Taiwan has been able to achieve an economic “miracle,” the struggle against backwardness and underdevelopment continues on the Chinese mainland under its Communist leadership. As long as China is divided into Taiwan and the PRC, China’s century-old mission of modernization cannot be said to be complete. Thus, it is fair to say that the fourth stage continues.
III. GENERAL CHARACTERISTICS OF CHINA’S MODERNIZATION

A. Social Change from 1850 to 1949

One of the main characteristics of Chinese civilization has been its historical continuity and societal stability. From the unification of China under Ch’in-shih-huang in 211 B.C. to the middle of the nineteenth century, China was able to repulse both internal and external threats. Although there were times when China was ruled by non-Han barbarians (e.g., the Yuan and Ch’ing Dynasties), the Chinese had believed strongly that their superior culture would not fare any problem in absorbing foreign elements and forcing the barbarians to adapt to the Chinese way of life. The Sinification process would convert foreign elements, both people and culture, into Chinese.

But the situation in the middle of the nineteenth century was different. During this time, China faced a superior culture from overseas, armed with advanced military technology and aggressive commercial and religious ambitions. With a weak central government and a deteriorating economy, the traditional Chinese social structure faced disorganization and instability.

Perhaps the most troublesome problem China faced during the period was the increase in its population. Prior to the eighteenth century, China’s population fluctuated around sixty million. The population then jumped to 143.4 million in 1743 and 313 million in 1793. By 1849, the Chinese population had reached a record 413 million. China’s population continued to grow during the late nineteenth century and the twentieth century. The first population census, taken by the PRC in the 1950s, revealed a total of 580 million Chinese.

The increase in China’s population put tremendous pressure on China’s underdeveloped and outdated agriculture. As a large portion of China is dry and uncultivated, the available curable land for agriculture planting is extremely limited. Table 3-8 shows the diminishing cultivated land per household during the period between 1887 and 1936.

Table 3-8 shows that with the exceptions of Fujian, Sichuan, Anhui, Guangxi, Yunnan and Guizhou, all provinces suffered a decline in the cultivated land each household had. Jiangsu and Zhejiang were two of the most productive provinces in agriculture, but they suffered a larger decline than other provinces.
TABLE 3-8. AVERAGE CULTIVATED LAND PER HOUSEHOLD, 1887 & 1936

<table>
<thead>
<tr>
<th>Provinces</th>
<th>1887</th>
<th>1936</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(unit: Chinese mu)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hebei</td>
<td>3.76</td>
<td>2.32</td>
<td>-1.44</td>
</tr>
<tr>
<td>Shandong</td>
<td>3.43</td>
<td>1.72</td>
<td>-1.71</td>
</tr>
<tr>
<td>Shanxi</td>
<td>5.31</td>
<td>4.19</td>
<td>-1.12</td>
</tr>
<tr>
<td>Henan</td>
<td>3.21</td>
<td>1.92</td>
<td>-1.29</td>
</tr>
<tr>
<td>Shaanxi</td>
<td>3.64</td>
<td>3.05</td>
<td>-0.59</td>
</tr>
<tr>
<td>Jiangsu</td>
<td>3.51</td>
<td>1.38</td>
<td>-2.13</td>
</tr>
<tr>
<td>Anhui</td>
<td>0.91</td>
<td>2.09</td>
<td>+1.18</td>
</tr>
<tr>
<td>Jiangxi</td>
<td>1.93</td>
<td>1.83</td>
<td>-0.10</td>
</tr>
<tr>
<td>Zhejiang</td>
<td>4.00</td>
<td>1.31</td>
<td>-2.69</td>
</tr>
<tr>
<td>Fujian</td>
<td>0.60</td>
<td>1.21</td>
<td>+0.61</td>
</tr>
<tr>
<td>Hubei</td>
<td>1.75</td>
<td>1.68</td>
<td>-0.07</td>
</tr>
<tr>
<td>Hunan</td>
<td>1.66</td>
<td>1.18</td>
<td>-0.48</td>
</tr>
<tr>
<td>Sichuan</td>
<td>0.63</td>
<td>1.97</td>
<td>+1.34</td>
</tr>
<tr>
<td>Guangdong</td>
<td>1.17</td>
<td>0.84</td>
<td>-0.33</td>
</tr>
<tr>
<td>Guangxi</td>
<td>1.19</td>
<td>1.27</td>
<td>+0.08</td>
</tr>
<tr>
<td>Guizhou</td>
<td>0.56</td>
<td>1.56</td>
<td>+1.00</td>
</tr>
<tr>
<td>Yunnan</td>
<td>1.26</td>
<td>1.45</td>
<td>+0.19</td>
</tr>
</tbody>
</table>


Moreover, there was a trend toward land concentration at the hands of landlords. Although reliable statistics are not available, it is estimated that approximately thirty percent of those who worked on agricultural land did not own their own land. The majority of Chinese farmers were tenants, farming on the land rented from large landlords. The common practice was to give 40 percent of crops as rent to landlords.

The combination of increasing population and declining cultivated land made life miserable for people living in rural China. People began to migrate to cities in search of work and a better way of life. According to available statistics, in 1928 there were 432 cities with a population of ten thousand or more; the urban population was estimated at slightly more than twenty three million, which was equivalent to 6.46 percent of the total population at the time.25

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Cities have existed in China throughout its long history. The urban way of life dominated the culture of the Tang and Sung dynasties. Traditional Chinese cities were generally of two main types: a commercial transit port that served to exchange merchandise between different regions, and a political center where the bureaucratic administration was located. Such cities as Loyang and Changan once had populations of more than one million in the Tang and Sung periods.

The new urban centers, however, showed different characteristics. The majority of those new urban centers were created under the unequal treaties China had signed with foreign nations in the late Ch'ing period. They were likely located either in east coast regions or in interior regions along waterways. It was reported that all 29 interior ports opened for commercial activities along the Yangtze River were required under unequal treaties with foreign nations. Many of the new cities were also industrial centers. Backed by foreign investors and Chinese industrialists, factories were concentrated in and around cities. Shanghai, Canton and Wuhan are all industrial and international trade centers.

New classes emerged. Chinese industrialists, capitalists, merchants and professionals began to become prominent citizens of the city. A great majority of them had contacts with foreigners. They were better educated, but nevertheless were interested in making profits through the exploitation of women and child laborers. Life for women and children was extremely difficult, characterized by long hours of work and low wages. Crime, prostitution and poverty became widespread, and conflicts between different classes frequently occurred in the city.

The great migration of the Chinese from eastern and northern regions to the Chinese interior further aggravated the suffering of ordinary Chinese. After rural farmlands and urban centers were destroyed by the Japanese during the war, China was indeed a broken nation. The Communist revolution after World War II was supposed to bring a new China. Instead, it brought more disasters and human suffering. With the exception of the separated Taiwan under the rule of the Nationalists, the dream of restoring China's greatness has not yet been reached.

B. Modernization Experience

During the past one hundred and forty years, the modernization process of China has distinguished itself in several important ways that differ from both its own traditional reform movements in
the earlier dynasties and the modernization of Japan and other developing nations. The early frustration and agony over China's inability to modernize itself have been replaced by a sense of self-respect and dignity. Taiwan's successful "miracle" demonstrated that the goal of Chinese modernization is unmistakably attainable.

Since its early search for Westernization in the mid-nineteenth century, China's modernization process shows several following unique characteristics.

1. China's modernization is essentially a process of westernization. As has been mentioned, modernization is the process of change toward those types of social, economic and political systems that have developed in Western Europe and North America from the seventeenth century to the nineteenth and then have spread to other European countries, South America, Asia and Africa. In non-Western societies, therefore, modernization is a process of what John Kautsky has called "coming from without."  

It is precisely this process of change toward those Western social, economic and political systems that China has deeply embraced during the past one hundred and forty years. The new systems are essentially foreign to China, and thus lack support from the traditional sector of the society.

Although scholars have argued that modernization and westernization are not the same process, to people of the developing societies the two terms are synonymous. This is particularly true in the case of China. The initial call for modernization in nineteenth-century China was in response to Western dominance. The Chinese had always seen themselves as the center of the world before the arrival of Western civilization. Lucian Pye said,

The Chinese understandably developed a deep sense of cultural superiority. Others might be rude and militarily vicious, but the Chinese had no reason to doubt, in spite of some unfortunate experiences, that they were culturally the center of the world, the Middle Kingdom, as they called themselves. Although during the last one thousand years of the imperial order all or part of China was ruled by alien conquerors, the Chinese persisted in feeling supremely self-asserted.  

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The Chinese strongly believe that their history had shown that Chinese civilization was so superior that it could absorb any foreign element in the process of "Sinification," or, in becoming Chinese. Thus, even when China failed to contain Westerners and lost almost every war at the hands of the Westerners in the second half of the nineteenth century, the Chinese still were reluctant to accept the fact that the West was superior. The self-awareness movement, as has been mentioned, was aimed at preserving and restoring Chinese culture while supplementing it with Western "materials." But when China lost its war to Japan, a country that had been China's inferior, younger neighbor for centuries, it was the most demoralizing blow to the Chinese superiority complex. The only reason that Japan defeated China, the Chinese leaders believed, was Japan's total Westernization.

After the defeat by the Japanese, the question was no longer whether China should adopt Western culture, but how to westernize. The necessity for an extensive westernization, involving military as well as socio-cultural change, gradually became apparent. From 1895 to 1910, they founded schools in which Western languages, mathematics and science were taught; they studied international law, established a Western-style foreign office and began to engage in Western-style diplomacy; they built arsenals and shipyards in which they could manufacture modern weapons, and introduced new concepts into military training; they sent students abroad; and, they even established an American-style republican, democratic government.

In the period under Nationalist rule, from 1912 to 1949, Western-trained intellectuals made up the majority of new Chinese leadership. On the PRC mainland, isolation from the advanced Western nations since 1949 has been blamed for its subsequent backward underdevelopment. "To catch up to the West" has been the ultimate goal in the Chinese effort toward modernization from the very beginning.

2. China's modernization is an extensive and far-reaching process of change. The second major characteristic of the Chinese modernization process lies in its extensive scope and the far-reaching consequences of its impact. Although stability and integration had been two of the most distinguishing traits of traditional Chinese social structure, China did experience ups and downs from time to time throughout its long history. Not only were there political revolutions overthrowing an old dynasty in favor of establishing a new dynasty, but also several large-scale reform movements had been
organized in various dynasties aimed at changing parts of the existing social and economic institutions. None of these movements and revolutions in the earlier history of China, however, can match the extensiveness of the attempt at modernization during the past one hundred and forty years.

Political revolutions, social reforms and other types of change in traditional China were aimed at a partial change within the existing social structure, and their main purposes were not for total destruction of the system involved, but for what S. N. Eisenstadt has called "accommodable change." Eisenstadt argued that processes of accommodable change were connected with the social condition that made possible continuous fundamental harmony in traditional Chinese society. Conflicts among different political groups were often regulated through the existing norms and activities of the major political and regulative institutions of society. Modernization, however, requires total change. It affected every aspect of the Chinese social structure: the traditional political system, Confucian ideology, moral value, religious beliefs, educational systems and economic activities were all under attack from the new system of ideals accompanying modernization.

Chinese intellectuals and political leaders eventually were convinced that a complete overhaul of the existing social structure was necessary and that the inevitable solution was westernization. They indicated that the age of resistance to Western civilization had passed; the Chinese should proceed with a wholesale westernization and a wholehearted modernization.

As the call for modernization became the supreme goal of the Chinese leadership, the family institution gradually was changed. The political system shifted from a traditional monarchy to a republican-democracy, and then to Communism. Confucianism and folk belief were labeled as backward and superstitious, and foreign education became the highest symbol of achievement. Various competing systems of Western culture dominated the new China in the period between 1912 and 1949. In short, almost every aspect of Chinese life has come under the influence of Western culture as a result of the attempt to modernize during the past one hundred and forty years.

3. Modernization in China is a revolution from the top. Although students of modernization in Western societies have generally stressed the necessity of the development of a modern attitude in the general population as a prerequisite for the modernization of society, many researchers on modernization in non-West-
ern societies have found that perhaps the most important factor in these societies is the political leadership. The political style of the leaders in a society not only affects the type and function of political structure, but also the tempo and destination of the society's economic and social transformation. C. Morse said:

If modernization is a super problem - as it is - it can be resolved only if the group in power recognizes the problem and correctly apprehends its nature, if it then creates the kinds of organizational structures required to mobilize the requisite inputs and compliances, and if it gives suitable guidance to the search for solution to the various subproblems of economic development, reinstitutionalization, and the like. 28

The basic assumption here is that modernization will be easier if the power structure is controlled by a radically centralized modernizing elite, dedicated to changing basic institutions in order to create what, in their view and that of their supporters, will be a more just and progressive social order.

The Chinese modernization experience offers a good example of modernization initiated and directed by the political leadership. As we mentioned earlier, China was forced into Westernization as the result of Western dominance in the nineteenth century. The initiation of all the programs was from the top layer of the society, the leadership; the great majority of the general population was not seriously affected by the Western threat at that time. As a matter of fact, not until the Communist revolution did the change finally reach villages and the countryside.

China did have a group of political and social leaders dedicated to modernization in the late nineteenth and early twentieth centuries. But what made China fail in achieving a quick modernization was the lack of a strong center of political leadership in planning and coordinating the various modernization programs that were quickly put into practice. Dr. HU Shih pointed out

the difference between Japanese success and Chinese failure is mainly that Japan did not lose its social center; their works were continuous and accumulative under that center, and every effort was tied to its central political organization, i.e., the Emperor. In China, we did not have

any center; everything we did often disappeared after changes in political administration. Policy, organization, and leadership were all changed. Everything had to start again from the very beginning. Nothing could be designed for a long term perspective. 29

Modern Chinese history has allowed frequent changes in national administration because it has been built entirely upon the charisma of leadership that was unstable, short-lived and troublesome in character. For instance, during the fifteen years of the Peiyang regime (1912-1927), there were seven different presidents and two vice-presidents of the republic. There were also thirty-three terms of the national cabinet in which twenty-nine different people served as premiers and/or acting premiers. From 1928 to 1949, there were fifteen different Yuan-chang (premiers) and Fu-yuan-chang (vice premiers) of the Executive Yuan (the cabinet) in the Nationalist government. The lack of continuity in national policies made long-term modernization programming impossible.

The need for stability in political leadership continued to play a crucial role in the fourth stage after 1949. This factor, perhaps more than anything else, could account for the developmental gap between Taiwan and mainland China. Political stability and an integrated leadership in Taiwan have enabled Taiwan to effectively implement its socio-economic modernization plans since 1949. In the PRC, however, a constant power struggle has made it impossible for any programmatic continuity. The political leaders’ vision of China’s future, the ability of the political leadership to commit itself to long-range developmental change, the strategy and planning the political leaders employed in developing China, and the cohesiveness of the power structure have proved to be vital in Chinese efforts toward modernization.

4. Confucianism and Modernization. The varying successes of Taiwan and the mainland in post-1949 modernization processes also reflect the role the traditional Confucian ethic played. In Taiwan, Confucian tradition is mixed effectively with modernity, while on the mainland, the suppression of Confucianism has greatly undermined efforts toward modernization.

Evidence from such Confucian-oriented states as Japan, South Korea and Singapore points to the fact that Confucianism is not by itself an obstruction to economic growth and modernization.

Although Max Weber might have been correct in blaming the Confucian lack of aggressiveness and lack of creativity for planting the seeds for the emergence of capitalism, Confucianism nevertheless has shown its great flexibility in adapting to Western capitalism.

The management of a modern capitalist economy requires a high degree of education, a commitment to hard work, a centralized political power structure, a social value on capital saving, and loyalty to one's vocation. All these are part of the Confucian ethic deeply rooted in the heart of people in East Asia. Consequently, the economic success we have witnessed in this area is no surprise. One of the main reasons that the PRC is not successfully developed economically is that it suppressed Confucianism under the dictatorship of the late Chairman Mao. The recent open-door policy of Deng Xiaoping seems to modify the Communist stand on Chinese tradition, and thus shows some promise for successful economic reform.
CHAPTER 4

TAIWAN: THE MAKING OF AN ECONOMIC “MIRACLE” AND BEYOND

I. A CHRONOLOGICAL HISTORY OF TAIWAN’S DEVELOPMENT

Taiwan is a small island, with a total land area of about 36,000 square kilometers (approximately 13,000 square miles), of which two-thirds is mountainous. Only about one quarter of the area of Taiwan is suitable for farming. It is densely populated and limited in natural resources.

The Chinese from the mainland had known of Taiwan for some time. However, the mass migration from the mainland to Taiwan did not occur until the end of the Ming dynasty, when a group of Ming loyalists under General Chen-kung CHENG (Koxinga) set up their resistance to the Manchus on Taiwan in 1662. The Cheng family ruled Taiwan for twenty years until their surrender to the Manchus in 1683.¹ For the next two hundred years, Taiwan was ruled by the Manchus, first as part of Fujian province and later as a separate Taiwan province. Taiwan was then given to Japan in 1895 after China’s defeat by the Japanese in the first Sino-Japanese war. Between 1895 and 1945, Taiwan was a colony of Japan. Taiwan was again returned to the Chinese after World War II in 1945.

When the Nationalist government retreated to Taiwan in 1949, Taiwan’s economy was in turmoil and its social order was in disorganization. Whatever the Japanese had built in Taiwan prior to World War II was almost totally destroyed. The Nationalist government, facing a possible invasion from the Chinese Communists on the mainland, had no choice but to rebuild Taiwan from scratch.

A. The Land Reform

The Nationalist government under the leadership of CHIANG Kai-shek launched a series of economic programs immediately after its settlement in Taiwan in 1949, with the goal to rehabilitate and restore agricultural and industrial production and price stability.

The effort to rebuild Taiwan began with a three-stage land reform program aiming to solve the problem of overconcentration of farm land ownership. The land reform program began with the rent reduction program of 1949, which reduced farm rent and increased the share of tenant farmers in crop yields, thus providing enough incentive for hard work. The rent reduction program set farm rents that tenants paid to landowners at a maximum of 37.5 percent of the average annual main crop yield recorded during the previous three years. The program also set the tenure of the lease to a minimum of six years.

The second step, which was launched in 1951, was to sell public land to tenant farmers. The price of public land offered for sale by the government was fixed at 2.5 times the value of the annual main crop yield, payable in twenty semi-annual installments spread over a period of ten years. At the end of the tenth year, farmers officially would be given their land titles. By the end of 1961, approximately 156,000 tenant families had acquired land through such programs.

The third step of land reform, carried out in 1953, was a land-to-the-tiller program that required landlords to sell their lands to tenant families. Under this program, each landlord was allowed to keep three chia (approximately 6.9 acres) of medium-grade paddy field or six chia of dry land. The government purchased all excess land from the landlords and resold it to the tenant farmers who were tilling the land at the time. The landlords were paid 70 percent of the land price with land bonds and 30 percent with stocks of four major government-owned industrial enterprises.

The general objective of the land reform program was two-fold: The new cultivators were encouraged to work harder because they would benefit from any increase in agricultural output, while the landlords were channeled to participate in the industrial development of Taiwan through ownership of four large-scale industrial enterprises of that time. The redistribution of land reduced the wealth gap between tenants and landlords and forced the landlords to shift their resources from land ownership to industrial investment.

The land reform programs were carried out successfully without any serious challenges. The success was achieved partly because the indigent Taiwanese landowner class was not part of the ruling elite in the Nationalist government and thus no conflict of interest existed in the power circle. Another factor that made such a peaceful transformation of land ownership possible was Taiwan's
relatively small size, which enabled the central government to control the whole island when the policy was implemented. The success of land reform then paved the way for Taiwan's great transformation later.

B. Economic Planning

The success of the land reform program laid the foundation for a modern economy in Taiwan. In the first two Four-Year Plans from 1953-1960, the continuation of agricultural programs was evident: The "land-to-the-tiller" program was earnestly carried out, irrigation systems were repaired and expanded, and breeds of animals and strains of seeds were improved. In industry, labor intensive production was encouraged to allow local products to compete with imported consumer goods, while raw material supplies and the domestic productive capacity was expanded to stabilize commodity prices and to improve the country's ability to relieve national debts. The overall objective of the economic planning during this period was to develop industry through agriculture.

The second stage of Taiwan's economic planning, goals of which were outlined in the Third, Fourth and Fifth Four-Year Plans from 1960 to the early 1970s saw a rapid expansion in economic activity. Several programs were launched during the period and were aimed at switching Taiwan's economy from an agricultural to an industrial base. These programs included specific plans to encourage investment, renovate the financial institutions and systems, and increase the pace of modernization. One important policy was the decision to place emphasis on the development of labor-intensive industries to manufacture products for export. The result was a rapidly growing economy characterized by export expansion, the increase of GNP and national income, and full employment in Taiwan by the end of the 1960s.

The fast growth of Taiwan's economy was not without problems, however. By the early 1970s, it had become clear that although the basis of the economy had shifted gradually from agriculture to industry, the industrial structure itself had undergone little transformation. Major problems included the inability of the infrastructure to accommodate the economy's increasing demands, the necessity of importing almost all basic materials and intermediate goods, the shortage of labor and rising wage rates, the growing number and efficiency of international competitors, and unbalanced foreign trade.
The need for a basic shift in economic planning was made obvious by the oil crisis of 1973 and the resulting worldwide recession. Like that of many other countries, the economy of Taiwan suffered tremendously because of steeply rising commodity prices and inflation. In order to meet the twin challenges of an outdated economic structure and spiraling inflation, the government instituted a series of far-reaching projects designed to transform Taiwan into a modern industrialized economy by the mid-1980s.

During this period, the Sixth Four-Year Economic Development Plan was terminated after only three years and replaced by a new Six-Year Economic Development Plan. This was a long-range plan to promote modern management techniques and to update industrial production methods through the Ten Major Development Projects and the Accelerated Rural Development Program.

The Ten Major Development Projects, at the cost of U.S.$6.7 billion, were aimed at the production of energy and a more efficient transportation network. Six of these projects were concerned with transportation: the construction of the SUN Yat-sen National Freeway, railway electrification, the North Link Railway, the CHIANG Kai-shek International Airport at Taoyuan and the construction of harbors at Taichung and Suao. Three projects were designed to develop heavy and chemical industries: an integrated steel mill, the Kaohsiung shipyard and a petrochemical complex. The tenth was the building of nuclear power plants to develop new sources of energy.

The Accelerated Rural Development Program was aimed at protecting farmers' earnings, modernizing agriculture, increasing farm income and employing farm workers more productively. The program included: (a) abolition of the rice-fertilizer barter system; (b) abolition of the education surtax on farmland; (c) easing of agricultural credit terms; (d) improvement of agricultural marketing; (e) strengthening of the rural infrastructure; (f) integrated use of improved cultivation techniques; (g) establishment of specialized agricultural areas; (h) strengthening of agricultural research and extension programs; (i) establishment of new industries in rural areas; and, (j) an increase in the purchase price of rice paid to farmers.

With the completion of the Ten Major Development Projects and the Accelerated Rural Development Program in 1979, the government announced a new Twelve New Development Projects to continue the country's modernization. Again, a heavy emphasis was placed on transportation with five of the twelve projects dealing with the infrastructure improvement of the island's transporta-
ition: an around-the-island railroad, three new cross-island highways, Kaohsiung-Pingtung regional traffic improvement, the second and third phases of Taichung Harbor construction and the widening of the Pingtung-Kaohsiung highways. The other seven projects included two for agriculture, two for industrial plants and three for socio-cultural development.

Although Taiwan suffered new setbacks during the early part of the 1980s due to worldwide recession and increasing domestic protectionism in the United States, Taiwan's economy bounced back successfully in the second half of the 1980s. In 1985, the government planning commission announced fourteen key projects, which required U.S.$20 billion and five years to complete. They were aimed at modernizing the Taiwan transportation and communication systems, narrowing developmental gaps between rural and urban areas, and promoting ecological protection and medical care programs. High-technology-related industries such as computer companies, electronic equipment suppliers and color television manufacturers, are now dominating Taiwan's export business.

As Taiwan's national wealth grows and the volume of foreign reserves increases, Taiwan is under pressure from abroad to open its domestic market to allow for increased importation of foreign goods and services. Because of its large trade deficit with Taiwan, the United States constantly makes demands on Taiwan to buy more. In response to such an international trade atmosphere, Taiwan's Ninth Economic Development for 1986 to 1989 established principles for liberalization and internationalization of the domestic market for foreign goods and services.

For example, during the first ten months of 1989, foreign and overseas Chinese investments in Taiwan amounted to more than U.S.$2.1 billion, an increase of 109 percent over the same period in 1988. Meanwhile, Taiwan firms invested U.S.$560 million in foreign countries during the same period, a jump of 259 percent from the year before.

In fact, capital flowing out of Taiwan into foreign nations could be much higher than the figures reported by the government, since numerous Taiwan firms sent investment capital abroad without registering with the necessary government agency, the Investment Commission. With the end of the ban against indirect investment on the Chinese mainland in 1989, Taiwan's capital investment has shifted gradually to mainland China.

In summary, Taiwan has been impressively successful in moving from an agricultural economy to an industrial economy that is characterized by a rapid and yet steady growth in economic output and in international trade volumes. Table 4-1 lists in chronological sequence Taiwan's economic planning and its average rate of growth of the gross national product since 1953.

**TABLE 4-1. TAIWAN'S ECONOMIC PLANS AND ECONOMIC GROWTH RATES**

<table>
<thead>
<tr>
<th>Economic Plan</th>
<th>Years</th>
<th>Average Rates of GNP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Economic Development Plan</td>
<td>1953-1956</td>
<td>9.5%</td>
</tr>
<tr>
<td>2nd Economic Development Plan</td>
<td>1957-1960</td>
<td>7.0%</td>
</tr>
<tr>
<td>3rd Economic Development Plan</td>
<td>1961-1964</td>
<td>9.1%</td>
</tr>
<tr>
<td>4th Economic Development Plan</td>
<td>1965-1968</td>
<td>9.9%</td>
</tr>
<tr>
<td>5th Economic Development Plan</td>
<td>1969-1972</td>
<td>11.6%</td>
</tr>
<tr>
<td>6th Economic Development Plan*</td>
<td>1973-1975</td>
<td>5.3%</td>
</tr>
<tr>
<td>7th Economic Development Plan</td>
<td>1976-1981</td>
<td>9.8%</td>
</tr>
<tr>
<td>8th Economic Development Plan</td>
<td>1982-1985</td>
<td>9.6%</td>
</tr>
<tr>
<td>9th Economic Development Plan</td>
<td>1986-1989</td>
<td>9.8%</td>
</tr>
<tr>
<td>10th Economic Development Plan</td>
<td>1990-1993</td>
<td>6.3%</td>
</tr>
</tbody>
</table>


From Table 4-1, we can see that Taiwan has carried out ten Economic Development Plans since 1953. With the exceptions of the sixth and the seventh, each plan called for completion in four years. The sixth plan was cut short in 1972 as a result of the worldwide oil crisis and the subsequent recession in international trade. The seventh plan was designed for six years, to prepare Taiwan for a longer perspective on its economic development.

The results from each of the ten economic development plans is indeed impressive. With the exception of the growth rate of the gross national product during the period of the sixth plan, which recorded a lower 5.3 percent, the other years have ranged from 7 percent in the second plan period to 11.6 percent at the height of the fifth plan period. Even in the second part of the 1980s, the growth rate was still impressive.
In March 1980, Premier Kuo-hwa YU promulgated the “Master Plan for National Development,” in which he outlined long-range developmental objectives for the ten-year period from 1980 to 1989. As part of the “Master Plan,” the objectives for economic development included: (1) a real annual economic growth rate at 8 percent; (2) gross national product in 1989 to be U.S.$125 billion; (3) per capita GNP in 1989 to be U.S.$6,200; (4) an average annual inflation rate at 6 percent; and, (5) a rate of unemployment below 1.3 percent.

The “Master Plan” also called for the proportional value of the output for technology-intensive industries in manufacturing to reach 35 percent in 1989; for export volume to reach U.S.$100 billion and the total trade volume to be U.S.$200 billion; and, to increase both government and private investment during the period to six trillion NT dollars.\(^3\) Judging from Taiwan's performance, based on the statistics available, Taiwan had successfully fulfilled its goal by the end of the 1980s.

In preparing to enter the 1990s, Taiwan’s economic planners outlined four major steps to be taken to maintain continuing economic growth. According to Kuo-shu LIANG, the President of the Central Bank of China, these four steps were: (1) expansion of domestic demand; (2) diversification of export markets; (3) foreign exchange liberalization and financial reform; and, (4) direct foreign investment, technology transfer and protection of intellectual property. Liang said,

The ROC is no longer a minor actor in world economics, and the government realizes it is in its best interests to re-orient Taiwan’s economy and assume greater responsibility for preserving an open trade system. . . . In the pursuit of more effective domestic and international growth, ROC government policy must achieve even more effective integration into the interdependent world economy.\(^4\)

A Chinese newspaper published in Taiwan in 1996 cited a World Trade Report that in 1995 Taiwan was ranked the fourteenth largest trade region in the world: fourteenth in export and fifteenth in import and that the total volumes of trade is expected to reach U.S.$300 billion by the end of the 20th century. The same newspa-
per also reported that the R.O.C. government expects the per capita GDP in Taiwan in the year 2,006 to reach U.S.$28,000.5

What makes these economic plans work is not total control by the central government over Taiwan's development, but rather that the government only outlines goals and principles for economic development, while allowing the private sector to find its own ways to implement those goals and principles. In such a system, government intervention is kept at a minimum while the private capitalists, especially small businessmen, compete and make adjustments to the open market without much bureaucratic red-tape. In the next section, we shall turn our attention to factors that have contributed to such remarkable success.

II. FACTORS IN TAIWAN'S ECONOMIC "MIRACLE"

The success of Taiwan's industrialization and economic development has received worldwide attention. Economist Herman Kahn singled out Taiwan, along with South Korea, and Japan as "heroes" of development, nations which have lifted themselves from poverty to middle-income levels in a short span of time and are now within a decade or so of becoming fully mature industrial economies.6 John C. H. FEI and his colleagues, along with Walter Galenson, also have called Taiwan's success a "miracle,"7 while Richard E. Barrett and Martin King Whyte have labelled Taiwan a "deviant case" of the dependency theory of development.8 The great achievement Taiwan has made during the past forty years in economic development is perhaps best summarized in the following statement made by sociologist Thomas B. Gold in his State and Society in the Taiwan Miracle:

I have not put quotation marks around the word "miracle" in the title of this book for the simple reason that I think the people of that island non-nation have made miraculous progress at rapid growth, structural change, improved livelihood, and political democratization. I do not mean

miraculous in the sense of a unique, nonrecurring God-given event, but rather as a wondrous recovery by dint of very human effort from a morass of destruction and despair.  

The quotation marks which we still apply to Taiwan’s economic past performance in this current study are not designed so much to question Taiwan’s great achievement, but to signify its special accomplishment and merit in the long Chinese search for economic well-being.

Taiwan’s economic “miracle” also has created intellectual debates on the factors behind its success. At least four major competing theoretical paradigms can be identified, each attempting to offer an explanation for the making of the Taiwan “miracle.”

A. Four Competing Theoretical Paradigms

1. The Political Paradigm

The discussion of the inter-relationships between state and economic transformation in Taiwan is perhaps the most popular paradigm. According to the political paradigm, the state or its political apparatus is responsible for Taiwan’s successful transformation from an agriculture-oriented economy to an industrial-oriented economy within a short period of time. It examines the style of the political leadership, the vision of the elite, the effectiveness of the state and the degree of social support for the elite in making economic growth possible in East Asia in general, and in Taiwan in particular.

This perspective is well represented by Samuel Huntington, Alasdair Clayre, Peter Evans, D. Rueschemeyer, Theda Skocpol, Cal Clark and Jonathan Lemco, Alan P. L. LIU, and Thomas Gold. For example, Clark and Lemco stipulated that economic growth in the East Asian NICs is “largely the result of political leaders becoming increasingly involved in economic affairs and,


thereby, using the state apparatus as an instrument to achieve politically defined economic objectives."\(^{11}\)

Taking a similar point of view in studying Taiwan, Gold said, "Clearly, any explanation of Taiwan's growth with stability must start with the Nationalist party-state. . . Taiwan's political elite. . . effectively led sustained economic development through several crises and maintained stability in the bargain."\(^{12}\) Gold believed that authoritativeness, autonomy and large-scale state economic activity facilitated fast economic growth in Taiwan and moved Taiwan into a developed industrialized society. Gold's view is shared by Alan P. L. LIU in his comparative study of the modernization process between the PRC and Taiwan during the past forty years.

Liu found that personality differences between Chairman Mao of the PRC on the Chinese mainland, and CHIANG Kai-shek of the Nationalists on the island of Taiwan, have contributed to the differential economic growth in these two Chinese societies.\(^{13}\) The strong and firm leadership exhibited by Chiang led Taiwan into a systematically developing economy, while the uncertain mood of Chairman Mao made the Chinese economy unpredictable. The current PRC leadership seems to take a similar view regarding the necessity for a strong government in mainland China's campaign for the Four Modernizations. A new "authoritarianism" that calls for a strong political leadership in mainland China was proposed earlier in 1987 by Chinese intellectuals and has gained the unofficial approval of the PRC's aging leader, DENG Xiaoping.\(^{14}\)

2. The Cultural Paradigm

The most authoritative work on the process of economic transformation in China, from a cultural perspective, was Max Weber's *Religion of China*. Weber believed, as we have summarized in Chapter Two, that there was incompatibility between Confucianism and capitalism and that China's failure to develop a rational bourgeois capitalism was due to the absence of a particular kind of religious ethic that would provide the needed motivation he found in

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Protestantism in Europe. Weber suggested that the Chinese, under the influence of Confucianism, lacked rational matter-of-factness, impersonal rationalism and the nature of an abstract, impersonal, purposive association.

Until recently, Weber's view had been taken as the leading theoretical perspective to explain the inability of the Chinese to develop a capitalist modernization. However, the success of economic transformation in such Confucian states as Japan, South Korea, Taiwan, Hong Kong and Singapore during the post World War II era, has challenged such a theory. Works by Roderick MacFarquhar, Hung-chao TAI, and Thomas Bellows\(^\text{15}\) have shown evidence that the success of economic growth in these East Asian societies is the result of their Confucian heritage.

In fact, factors necessary for the development of capitalism and industrialization exist as integral parts of Confucian ethics. They found that the Confucian call for unit cooperation, respect for political authority, mass education, hard work, stability and continuity, and adaptability are conducive for economic growth.

Lucian W. Pye, although a political scientist, believed that the secret of success in the economic development of the East Asian societies in general and Taiwan in particular rests in the Confucian tradition of group-orientation and respect for authority. Pye said that the oriental concept of authority is heavily influenced by Confucianism and that power is seen as a force residing in the person of high officials, and not in their offices or in institutions. The Confucian trust given to leaders in East Asian nations thus enables leaders to influence institutions and accommodate them for modernization.\(^\text{16}\)

### 3. The Economic Paradigm

Many economists who study Taiwan believe that the single most important factor in the success of Taiwan's economic transformation was its export-oriented developmental strategy.\(^\text{17}\) They ar-

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\(^{17}\) Vittorio Corbo, Anne O. Krueger, and Fernando Ossa, eds., *Export-Oriented Development Strategies: The Success of Five Newly Industrializing Countries*, Boulder,
gue that Taiwan's natural resources are limited and that Taiwan's economy was in chaos with high inflation and low productivity when the Nationalists retreated to Taiwan in the late 1940s; it began to show improvement in the 1960s, only when developmental strategy was shifted from import substitution to export orientation.

S. C. TSIANG attributed Taiwan's dramatic turnaround in the economy to trade liberalization, high interest policies, an increasing rate of national saving, a market-determined exchange rate, relative price stability, and foreign capital aid. Similar views also may be found in Chu-yuan CHENG's works on Taiwan's economy. Cheng, for example, found that,

from the early 1950s, Taiwan has pursued a set of developmental strategies which included four major components: (1) a peaceful land redistribution program to stimulate agricultural productivity; (2) a balanced growth policy by simultaneously developing agriculture, light industry, and heavy industry; (3) an export expansion policy to push the production frontier outward; and, (4) the creation of a favorable investment climate to attract foreign capital. Rapid economic growth is the success story of Taiwan's "miracle."

4. The World System Paradigm

For many young social scientists and intellectuals in Taiwan today, the world system theory offers a different perspective that could best explain the historical process of Taiwan's economic and socio-political growth and its current status.

The World System Paradigm was developed by Immanuel Wallerstein in the 1970s as a direct challenge to the modernization theory. The theory argues that in a world economy, no nation is self-sufficient and that the distribution of wealth and power is extremely unequal. As outlined earlier, Wallerstein's world system theory divides nations into three groups: (1) core capitalist economies - which include the United States, France, West Germany, Great


Britain and Japan - control most means of production, are relatively autonomous and stable, have great economic and military power, have complex division of labor, and produce a wide range of goods and services; (2) peripheral societies - which include most of the underdeveloped societies such as Uganda, Togo, Vietnam and Nicaragua - own little or no means of production, are dependent on other nations, tend to be politically unstable, are weak militarily and are most likely to specialize in providing raw materials for other nations; and, (3) semiperipheral societies - such as Taiwan and South Korea - are generally moving toward a diversified industrial economy and provide cheap skilled labor for core nation industries.\(^{20}\)

Frustrated by an increasing loss of Taiwan's autonomy in the world economy and by the lack of Taiwan's identity, several young Taiwanese social scientists placed Taiwan as a semiperipheral society that is dominated by such core capitalist economies as Japan and the United States.\(^{21}\) They argued that the sovereign state of Taiwan is dependent upon an evolving mixture of technology, financing, markets and education from core capitalist economies. The success of Taiwan, if any, is therefore nothing to be proud of, for it has been intentionally designed by core capitalist economies for their own purposes.

### B. Why Did Taiwan Succeed?

There is no single answer to explain Taiwan's economic "miracle." The above four main theoretical paradigms do not compete against each other. Rather, they represent four different, but complementary, viewpoints on the complexity of the process of economic development in Taiwan. A synthesis of these four theories should provide us with a better understanding of what has really happened in Taiwan. Many interlocking factors, including a capable political leadership, workable economic policies, a work ethic, effective crisis management and an international political economy, have played a role.

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21. Among them, Michael HSIAO, Chia-you HSU, and Mou-kuei CHANG are the leading figures in the advancement of dependency theory on the study of Taiwan's developmental process.
1. The Role of the State

Taiwan is not a planned economy through which the state controls the production and consumption of goods and services. Rather, Taiwan is a mixture of a planning and market-oriented economy. In such a system, the state lays out a general goal and principle serving as a guide for the private sector to follow and implement. As such, the government is a leading change agent in promoting economic development. The role of the Nationalist government is crucial in making the Taiwan “miracle.”

In 1949, the retreat of the Nationalist Government from the Chinese mainland to the island of Taiwan was a tremendous blow to CHIANG Kai-shek and his ruling Kuomintang. Not only were they defeated by the Chinese Communists on the mainland, but they were also stranded in the middle of nowhere. Taiwan was an island that was unfamiliar territory for both Chiang and his Kuomintang and was never ruled by them until then. Facing a strong threat from the Chinese Communists on the Mainland, Chiang and his Kuomintang started from scratch to build Taiwan first as a military base to prepare for “re-attacking [the] mainland,” and later as a “model province” to show off the Kuomintang’s ability in rebuilding China to prosperity. In a speech CHIANG Kai-shek delivered on August 14, 1950, he said:

To build a prosperous Taiwan is the basic pre-condition for the success of our anti-Communist and anti-Russian campaign. No changes on the international scene, nothing the Communists may do, can prevent us from trying to recover the mainland and overthrow the totalitarian Communist tyranny. What we should be worried about is whether we can build up a truly prosperous Taiwan to serve as a prototype for the recovered mainland. . . . We are confident that we can transform Taiwan into a model province, founded on Dr. SUN Yat-sen’s Three Principles of the People. It is by so doing that we can lay a solid foundation for the reconstruction of the recovered mainland.

With such determination, the Nationalist government set off a series of agricultural reforms and economic programs that eventually made Taiwan one of the "heroes" of the developing world.

Three significant features of Taiwan's political culture have contributed to industrialization and economic success. First, the Kuomintang in Taiwan has had, from the very beginning, a strong cohesive elite group whose primary common concern in the early 1950s was to resist potential Communist attacks. Prior to 1949, the Kuomintang had never been a harmonious political party. Numerous factions fought against each other constantly throughout the major part of its existence on the mainland.24 When the Kuomintang retreated to Taiwan, however, most of the dissidents and opposition were left on the mainland, where they were either killed or converted to Communists. The remaining Kuomintang members who came along with Chiang to Taiwan were loyal to Chiang, or at least hostile to the communism. Chiang was in firm control. He was the clear leader, and thus there was very little resistance to his ideology and policy. A high degree of elite cohesiveness and integration was achieved immediately after the Nationalist government's retreat to Taiwan, which made policy planning and implementation effective in the early years of Taiwan's economic transformation.

The success of the land reform program in the 1950s was partially the result of this cohesiveness and partially because of the lack of resistance from the native Taiwanese local elite. Such an elite cohesiveness has created a highly effective policy-making body, as Thomas Gold correctly pointed out, that has been largely responsible for the success of Taiwan's post-War economic transformation.25

The ability of the Kuomintang to absorb successfully the native Taiwanese local elite into its power center has also furthered such a cohesiveness. Gold refers to this effort as a "process of Taiwanization," through which CHIANG Ching-kuo "not only appointed natives to top party and state posts...but also gave prominence to the children of mainlanders raised on Taiwan."26 This process generally

26. Id., p. 114.
is referred to by local social scientists in Taiwan as a process of "indigenousness," or ben-i'u-hua.

The recruitment of Taiwanese elite and children of mainlanders raised on Taiwan has built a strong social support for the Kuomintang and its Nationalist government, as reflected in the 70 to 75 percent share of the votes received in all levels of elections by the Kuomintang candidates. 27

The second most significant feature in Taiwan's political culture that has contributed to the rapid growth of its economic sphere is the impressive power continuity of the Kuomintang. Unlike Communist China, the Nationalist government of Taiwan has never experienced any serious political crisis, either as a result of an internal elite power struggle or from conflicts arising due to leadership succession. The elite cohesiveness under the strong leadership of CHIANG Kai-shek definitely reduced potential serious political in-house fighting among the elite, which made planning for any economic and/or social development easily acceptable for all political interest groups.

With the backing of all political groups, the initiation of all developmental planning was done rapidly and efficiently. While political cohesiveness made for smooth planning, power continuity made program implementation effective. The smooth power transformation from CHIANG Kai-shek to CHIANG Ching-kuo guaranteed the government's commitment to a long-term development plan. From an investor's point of view, this guarantee was essential in any decision made to commit capital to Taiwan's economy.

The third most significant feature that had a direct impact on Taiwan's economic development was the Nationalist government's association with, and dependence on, the United States. It is a well known fact that the United States provided Taiwan both military and economic aid during the decades of the 1950s and 1960s. U.S. military aid assisted the Nationalist government in defending Taiwan from Communist attack, while the economic aid provided needed capital and technological know-how for Taiwan's development. It is reasonable to say that Taiwan's development would

have encountered more difficulties without these assistance programs from the United States.

U.S. influence can clearly be seen in the dominance of the political elite, who have been educated in the United States, in taking cabinet posts and other positions in the decision-making circle. For example, since 1949, more than 60 percent of the cabinet posts in the Nationalist administration have been occupied by those who have foreign educational backgrounds. Among those foreign educated elite, more than 65 percent were educated in the United States. The recruitment of the U.S. educated elite has provided a much needed link between the United States and the Nationalist government, a link which symbolizes the trust and cooperation between these two governments.

Moreover, the U.S. educated elite have assisted the government planners in establishing connections with U.S. experts with whom these elite studied and/or worked with while studying. Thus, Taiwan's association with the United States has also had a latent impact on its developmental path, through the adoption of an American style economic system that allows for growth of private industry. A comparison with the other East Asian developing societies will show that Taiwan's private sector has played a more active role in the socioeconomic transformation of the island than its counterparts in other Asian societies.

Clearly, the Nationalist government of the Republic of China has served as a positive force in the island's economic success. It provides an ideology to justify the need for economic reform, a strong leadership in planning and programming needed changes and creates an environment conducive to cooperation between public and private sectors. The role of the state in Taiwan's economic "miracle" thus should not be ignored.

2. **Policies of Economic Development**

In the course of Taiwan's economic development during the past forty years, many factors have been responsible for its success. The following two distinctive policies have played important roles and deserve special attention.

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a. Import Substitution and Export Expansion

In the initial stage of economic planning in Taiwan, during the late 1940s and early 1950s, emphasis was placed on reaching balanced agricultural and industrial development, a policy of "fostering industry through agriculture, and developing agriculture through industry." Land reform programs, production incentive measures and the implementation of a wage and commodity price stabilization program were all aimed at increasing productivity in agriculture and industry.

But, in the late 1950s, the domestic market started to become saturated. Economic policy was then shifted to call for import substitution and export expansion. Import substitution is a development strategy involving domestically-manufactured consumer products that have been imported. Foreign exchange earned is then used to import both consumer goods and machinery and raw materials as inputs for the new import substituting industries. Employment opportunities are thus created in the new industries, which encourages labor to shift out of agriculture and to enter the industrial sphere. John C. H. Fei explained that Taiwan, in the late 1940s, was basically a colonial economy which exported primary products to Japan and that import substitution was not only necessary for regaining the domestic market but also for building nationalism to repudiate the colonial dependency on Japan. 30

At the turn of the 1960s, the enactment of the Statute for Encouragement of Investment marked a significant turning point that liberalized economic trade and finance. Liberalization necessitated a greater participation by market forces and less opportunity for government control, which made Taiwan's entrepreneurs more competitive in the international market. The government introduced measures for improvement in such areas as foreign exchange, trade, taxation and industrial financing. These efforts created a better climate for domestic investment and export expansion.

Anne O. Krueger saw three positive consequences from the export-oriented development strategy. First, it permitted countries to take better advantage of the technological opportunities available to them. Second, it reduced pressures for government to regulate domestic markets using price controls, physical allocations, investment licensing and other interventions in all aspects of economic life. Third, in an export-oriented economy, individual enter-

prises must compete in the international market. Competition itself tends to make firms more efficient, and thus fosters growth in a nation's economy.31

In the early 1960s, taking an export-oriented strategy, Taiwan's economy took off. Because Taiwan had very limited natural and capital resources, the government established an Export Processing Zone with an area of 67 hectares at Kaohsiung Harbor in southern Taiwan in 1966 as an export incentive. The zone was open for investment by both domestic and foreign firms in order to take advantage of the island's cheap but adequately educated labor force and duty-free imports of machinery and raw materials. In return, the Chinese could gain experience in international competitive markets and in acquiring technological know-how. Although the idea of such an Export Processing Zone was first met with skepticism from a few conservative government leaders, it has not only gained acceptance from its critics, but it also has been credited as one of the main institutions in Taiwan’s successful economic development. Since then, two more Export Processing Zones were added, one located in Nantze near Kaohsiung and one in Taichung.

b. From Cheap Labor to High Tech

During the 1950s and 1960s, Taiwan’s main attraction to foreign investment was its low-cost labor. Wages paid to workers were relatively low and there was no threat of labor strikes by unions. Foreign investment in Taiwan, especially from the United States, flourished. By the 1970s, however, the worldwide oil crisis and international economic recession had shrunk the purchasing power of the foreign market, and, at the same time, mainland China and other lesser-industrialized countries began to compete against Taiwan with even cheaper labor in order to attract foreign investment. Economic growth in Taiwan in the mid-1970s experienced stagnation.

A decision was made in the early 1980s, by the government's economic planners, to transfer Taiwan's economy from labor intensive industry to capital intensive and high tech industries. The 1982 Four-Year Economic Development Plan designated the machinery industry (including electrical and nonelectrical machinery, precision, automation and transportation equipment industries) and the information industry (including computer software, microcom-

computers, telecommunication equipment and electronics) as strategic industries for further concentration and development. The government believed these strategic industries were technology-intensive, low energy-consuming and able to produce products with higher added value and market potential, which would better link Taiwan with the world market.

Industrial restructuring, which Taiwan carried out in the late 1970s and early 1980s, called for the introduction of modern technology and attention to research and development. As early as 1973, a new Taiwan Industrial Technology Research Institute was established as a non-profit research and development organization, with a mission to transfer its research findings and results to local private industry for commercialization. It also served as a coordinating agency among competing domestic companies in an attempt to reduce unnecessary and wasteful duplication. Then, in 1980, the government established a science-based industrial park near Hsinchu city to attract foreign high-technology investment. It also amended the Statute for Encouragement of Investment to provide tax incentives for research and development. Since its creation in 1986, the industrial park has developed over one thousand acres of land and has attracted more than seventy plants to its site. In 1986, the yearly export value from the sale of products made in the industrial park exceeded U.S.$400 million.32

Although a few labor intensive industries are still operating in Taiwan, the high technology industries such as the computer and its peripherals, precision machinery and instruments, semi-conductor integrated circuit, electronics and telecommunications have dominated Taiwan's export trade in recent years. For instance, sales of Taiwan-produced computer products amounted to U.S.$5.3 billion in 1988 and were increased to U.S.$6.7 billion by the end of 1989. There were approximately five thousand computer firms in Taiwan in 1989, and their products constituted about 2.7 percent of the gross national product. In 1989, sales volume of Taiwan computer products placed Taiwan in fifth position in the world. The smooth transformation of Taiwan's industrial structure has revitalized Taiwan's economy and its competitiveness in the international trade market and has enabled Taiwan to enjoy continuous economic growth.

The Tenth Four-Year Economic Plan, which was for the period between 1990 and 1993, called for improvement of the investment climate and increasing government expenditures on scientific and cultural education. The goals for the Tenth Four-year Economic Plan included: (1) an average growth rate of 7 percent through 1993; (2) an annual per capita income exceeding U.S.$11,000 by 1993; (3) a 3.5 percent or lower inflation of commodity prices; and, (4) a 2.2 percent average growth rate of employment. The council for Economic Planning and Development announced that the government would increase public expenditures, strengthen and streamline relevant laws and regulations and continue the policy of liberalization to pave the ROC's way into the ranks of developed nations.\textsuperscript{33} In addition, a National Construction Plan also called for a total expenditure of U.S.$300 billion during the six year period between 1990 and 1996 in several major projects to boost Taiwan's economic revitalization programs and the overall quality of life.

c. Confucianism and Work Ethics

The Weberian thesis of China's underdevelopment argues that Chinese Confucianism is essentially incompatible with industrialization and economic growth. Yet, the recent success of economies in South Korea, Hong Kong, Japan, Singapore and Taiwan have demonstrated clearly that there are compatibilities between Confucianism and economic growth.

Although Max Weber may be correct in blaming Confucianism for the lack of creativity and aggressiveness in pushing traditional China into developing a technological breakthrough and a capitalist economy, he fails to recognize the great potential of dynamic flexibility in traditional Confucian ethics that enabled China to make necessary adjustments throughout its long history. The focus of Confucianism lies in its stress on the achievement of perfection in human role relationships, rather than the search for individual salvation or self-realization. Since an individual's position in society is determined by his role relations with others, whenever those role relations change, individuals must change accordingly.

Viewed from this perspective, society as a unit of the whole universe must also change if other units have been changed. China may not be a great creator in technological innovation, because of its stress on conformity and integration, but China is without any doubt a great adapter in making necessary changes for society sur-

\textsuperscript{33} Free China Journal, December 17, 1989, p. 1.
vival and growth. And while industrialization and modernization might have started in the West during the seventeenth century, the Chinese civilization is now making the necessary accommodating changes as a latecomer, as exemplified in the developmental experience of Taiwan.

But, dynamic flexibility is not the only Confucian characteristic that is compatible with economic growth and modernization. There are other salient features in Confucianism that are conducive to the recent development of Taiwan as a newly industrialized society. Table 4-2 gives a concise comparison on the compatibility between Confucian ethics and the modern system of development that has been evident in Taiwan's case.

**TABLE 4-2. CONFUCIAN PRACTICES IN TAIWAN'S MIRACLE**

<table>
<thead>
<tr>
<th>Confucian Ethic</th>
<th>Taiwan's Practical Applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Family as the center of society</td>
<td>Family functioned as a change agent in Taiwan's early transformation from a traditional economy to an industrial economy. Many large corporations today are still run by family groups.</td>
</tr>
<tr>
<td>Emphasis on education</td>
<td>Taiwan has a high rate of literacy; free education is nine years.</td>
</tr>
<tr>
<td>Flexible human relations</td>
<td>The open society idea has made Taiwan businessmen excellent partners in international trade: They are friendly and cooperative.</td>
</tr>
<tr>
<td>Work ethic</td>
<td>The Chinese in Taiwan are extremely hard working. High quality is built into their work.</td>
</tr>
<tr>
<td>Free social mobility</td>
<td>Through education and occupational achievement, the people in Taiwan have been able to experience upward mobility.</td>
</tr>
<tr>
<td>Centralized government</td>
<td>The ROC on Taiwan has had a stable, effective and future-oriented government. Government has functioned as a behind-the-scene force in the development of Taiwan's economic planning.</td>
</tr>
</tbody>
</table>

As presented in the above table, Confucianism is not completely incompatible with economic growth and modernization. Factors that are necessary for the development of modernization are very integral parts of Confucian ethics. Confucianism is a secular system of norms and values that has provided socio-political sta-
bility and integration for over two thousand years. The realization of the positive aspects of Confucianism has not only made Taiwan a modernized society, but also has moved other East Asian societies to economic prosperity.

III. TAIWAN'S ECONOMY: YESTERDAY AND TODAY

So far, we have presented in descriptive terms the process of industrialization and economic growth in Taiwan and the factors that have contributed to the making of Taiwan's economic "miracle." In the following, we shall present statistical figures on Taiwan's economy of yesterday and today for a quantitative look.

If we follow the three-stage development model presented in Chapter One, the evidence shows that Taiwan had moved into the first stage of industrialization by the middle of the 1960s and into full industrialization in the 1970s. Table 4-3 contains a few major indicators of Taiwan's industrialization throughout the years.

**TABLE 4-3. MAJOR INDICATORS IN THE INDUSTRIALIZATION OF TAIWAN, 1953-1994**

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Domestic Product (NT$ Million)</th>
<th>Composition of GDP (%)</th>
<th>Growth Rates of Labor Product (%)</th>
<th>% of Labor Employed in Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>1953</td>
<td>22,863</td>
<td>34.6</td>
<td>44.1</td>
<td>17.6</td>
</tr>
<tr>
<td>1957</td>
<td>39,936</td>
<td>27.5</td>
<td>43.8</td>
<td>12.8</td>
</tr>
<tr>
<td>1961</td>
<td>69,677</td>
<td>27.6</td>
<td>42.9</td>
<td>15.7</td>
</tr>
<tr>
<td>1965</td>
<td>112,089</td>
<td>23.8</td>
<td>42.3</td>
<td>16.2</td>
</tr>
<tr>
<td>1969</td>
<td>195,940</td>
<td>16.0</td>
<td>41.4</td>
<td>19.8</td>
</tr>
<tr>
<td>1973</td>
<td>407,535</td>
<td>12.2</td>
<td>38.4</td>
<td>16.2</td>
</tr>
<tr>
<td>1976</td>
<td>701,117</td>
<td>11.5</td>
<td>39.5</td>
<td>23.3</td>
</tr>
<tr>
<td>1982</td>
<td>1,859,665</td>
<td>7.9</td>
<td>43.6</td>
<td>-0.6</td>
</tr>
<tr>
<td>1986</td>
<td>2,701,773</td>
<td>5.6</td>
<td>43.0</td>
<td>14.9</td>
</tr>
<tr>
<td>1990</td>
<td>3,878,540</td>
<td>4.2</td>
<td>53.5</td>
<td>-1.0</td>
</tr>
<tr>
<td>1994</td>
<td>6,380,200</td>
<td>3.6</td>
<td>59.0</td>
<td>5.7</td>
</tr>
</tbody>
</table>

(Sources: Kuo-ting LI, The Evolution of Policy Behind Taiwan's Development Success, New York: Yale University Press, 1988, Table 1, p. 161; Table 4, p. 168; Table 5, p. 170; Bureau of Statistics and Accounting, Statistical Yearbook of the Republic of China, 1987; Taipei: Executive Yuan, 1987, Table 12, p. 145; 1990, p. 32; 1994, p. 35; and Central Bank of China, Graphical Survey of the Economy of Taiwan District, the Republic of China, Taipei: Economic Research Department, the Central Bank of China, 1995, pp. 4-5.)

The above table clearly shows that the composition of Taiwan's gross domestic products was more agricultural-oriented in the early 1950s, but that it started to move in favor of industrial production in
the middle of that decade. Since 1960, the industry proportion of the gross domestic products outgrew the agriculture sector, while the service sector remained relatively stable. By the end of the 1960s, the ratio of industry to agriculture in gross domestic products reached 2.5 times. The annual growth rate of Taiwan’s industrial products and the percentage of labor employed in industry had consistently shown impressive increases prior to 1990. The declines in 1990, however, reflect the increasing importance of the service sector in Taiwan’s future economy; nearly 60 percent of Taiwan’s GDP is now from the service sector.

As Taiwan entered an industrialized development stage in the 1950s, its economy started to take off. The per capita income of its citizens increased from U.S.$167 in 1953 to U.S.$343 in 1969. Then, it jumped dramatically in the 1970s and 1980s, as evident in Table 4-4. The latest figure for 1993 per capita income was U.S.$9,650. Moreover, the official foreign exchange holdings also have shown steady increases since the 1970s. Currently, Taiwan holds more than U.S.$80 billion of foreign exchange.

As we have mentioned, Taiwan would not be able to enjoy such a successful economy without favorable international trade. Until the later part of the 1960s, Taiwan had a negative trade balance, i.e., importing more goods from foreign traders than exporting to them. But from 1969 on, Taiwan has enjoyed a tremendous surplus from its international trade, showing more exports than imports; it reached a peak in 1986 with a surplus of U.S.$15,625 million. At the same time, the volume of foreign investments in Taiwan has shown steady growth as well; it reached U.S.$2.4 billion in 1990. Even though the 1994 figure shows a lower foreign investment volume as a result of the internal political instability and the military threat from the PRC. Nevertheless, Taiwan is still ranked among the most attractive nations for foreign investment in the world today. Table 4-5 lists Taiwan’s international trade performance from 1953 to 1994.

Clearly, by the end of the 1970s, Taiwan had become an industrialized and economically well-developed society, highlighted by rapid economic growth and equitable income distribution. Armed with increasing national wealth, the stage was set for more extended changes in non-economic spheres that would push for sociopolitical modernization and improvement in the quality of people’s lives.
TABLE 4-4. MAJOR INDICATORS OF TAIWAN'S NATIONAL WEALTH, 1953-1993

<table>
<thead>
<tr>
<th>Year*</th>
<th>Yearly Rate of GNP Growth (%)</th>
<th>Per Capita Income (US$)</th>
<th>Household Income Distribution (Ratio of 1st to 5th)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1953</td>
<td>9.3</td>
<td>167</td>
<td>(NA)</td>
</tr>
<tr>
<td>1957</td>
<td>7.3</td>
<td>159</td>
<td>(NA)</td>
</tr>
<tr>
<td>1961</td>
<td>6.8</td>
<td>153</td>
<td>(NA)</td>
</tr>
<tr>
<td>1965</td>
<td>11.0</td>
<td>216</td>
<td>5.30</td>
</tr>
<tr>
<td>1969</td>
<td>9.0</td>
<td>343</td>
<td>4.60</td>
</tr>
<tr>
<td>1973</td>
<td>12.8</td>
<td>690</td>
<td>4.45</td>
</tr>
<tr>
<td>1976</td>
<td>13.5</td>
<td>1,122</td>
<td>4.18</td>
</tr>
<tr>
<td>1982</td>
<td>3.3</td>
<td>2,597</td>
<td>4.29</td>
</tr>
<tr>
<td>1986</td>
<td>11.6</td>
<td>3,784</td>
<td>4.60</td>
</tr>
<tr>
<td>1990</td>
<td>5.0</td>
<td>7,285</td>
<td>5.18</td>
</tr>
<tr>
<td>1993</td>
<td>5.9</td>
<td>9,650</td>
<td>5.42</td>
</tr>
</tbody>
</table>

* The years listed in this table show the beginning of an Economic Development Plan, with the exception of 1993. For details, see Table 4-1. The 1995 GNP growth rate was 6.44%, and the per capita income was $12,490, as reported in The Free China Journal, December 29, 1995, p.8.


IV. SOCIAL AND POLITICAL MODERNIZATION

Taiwan’s economic “miracle” is well known, but very few people have paid attention to Taiwan’s social and political modernization. A society can become modernized if it can look beyond economic and production-related changes and advance toward reforms in its political, social and cultural systems. Judging from Taiwan’s developmental experience, it is evident that industrialization took place first during the 1950s and the first half of the 1960s. Economic growth was most impressive from the mid-1960s to the mid-1970s, while extensive social and political modernization began to emerge in the second half of the 1970s and flourished during the 1980s.

In the “Master Plan for National Development” of the 1980s, which Premier Kuo-hwa YU promulgated in March 1980, the government outlined the following objectives: (1) to reduce the population growth rate to 1.25 per thousand by 1989 and to induce a balanced regional population distribution; (2) to establish an extensive medical and public health network and to expand public medi-
TABLE 4-5. TAIWAN’S INTERNATIONAL TRADE ACTIVITIES, 1953-1994

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports (million US$)</th>
<th>Imports (million US$)</th>
<th>Trade Balance</th>
<th>Official Foreign Exchange Holdings (billion US$)</th>
<th>Foreign Investments* (million US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1953</td>
<td>128</td>
<td>192</td>
<td>-</td>
<td>64</td>
<td>NA</td>
</tr>
<tr>
<td>1957</td>
<td>148</td>
<td>212</td>
<td>-</td>
<td>64</td>
<td>NA</td>
</tr>
<tr>
<td>1961</td>
<td>195</td>
<td>322</td>
<td>-</td>
<td>127</td>
<td>NA</td>
</tr>
<tr>
<td>1965</td>
<td>450</td>
<td>556</td>
<td>-</td>
<td>106</td>
<td>NA</td>
</tr>
<tr>
<td>1969</td>
<td>1,049</td>
<td>1,212</td>
<td>-</td>
<td>163</td>
<td>NA</td>
</tr>
<tr>
<td>1973</td>
<td>4,483</td>
<td>3,792</td>
<td>+</td>
<td>691</td>
<td>1.03</td>
</tr>
<tr>
<td>1976</td>
<td>8,166</td>
<td>7,599</td>
<td>+</td>
<td>567</td>
<td>1.56</td>
</tr>
<tr>
<td>1982</td>
<td>22,204</td>
<td>18,888</td>
<td>+</td>
<td>3,316</td>
<td>8.53</td>
</tr>
<tr>
<td>1986</td>
<td>39,789</td>
<td>24,164</td>
<td>+</td>
<td>15,625</td>
<td>76.31</td>
</tr>
<tr>
<td>1990</td>
<td>67,214</td>
<td>54,716</td>
<td>+</td>
<td>12,498</td>
<td>82.40</td>
</tr>
<tr>
<td>1994</td>
<td>93,049</td>
<td>85,349</td>
<td>+</td>
<td>7,700</td>
<td>90.40</td>
</tr>
</tbody>
</table>

*Foreign investment includes the investment made by both overseas Chinese and foreign persons.
**1993 figure.

...cal services; (3) to strengthen environmental prevention and vocational safety and sanitation; (4) to provide better care to children, the aged, the handicapped and low income families; (5) to expand the scope of insurance year by year and to develop plans for a system of national insurance; (6) to accelerate the building of public housing and improvement of peasants’ housing; (7) to expand the labor welfare program, improve the livelihood of laborers, and sponsor various vocational training courses; (8) to formulate urban and regional development plans, open up remote areas, and strengthen basic constructions; and, (9) to strengthen social organization and maintain social order.

The “Master Plan” also calls for the development of a long-term national policy on education and culture. In this section, we will focus on social and political modernization in Taiwan under the impact of industrialization and economic growth.

A. Income Distribution: Rich and Equal

One of the immediate consequences of Taiwan’s economic success was the increase of wealth among the people. Statistics show
that Taiwan's per capita GNP has increased from U.S.$402 in 1951 to U.S.$3,429 in 1986 and to U.S.$7,997 in 1990, and that per capita income has increased from U.S.$386 in 1951 to U.S.$7,285 in 1990 and has reached U.S.$10,000 in the early 1990s. The average disposable income per household in 1990 also reached a high of U.S.$19,264.

More impressively, however, was Taiwan's achievement of a more equitable distribution of income during the years of rapid economic growth. Dependency theorists have argued for a long time that, judging from the Latin American developmental experience, rapid growth in the economy inevitably would bring a wider gap in income distribution between rich and poor. Taiwan is clearly an exception to the dependency theory insofar as income distribution is concerned. The income gap between the top 20 percent and the lowest 20 percent of the population has been narrowing during the period of rapid economic growth, from a ratio of 5.33 in 1964 to 4.17 in 1980. The Gini concentration coefficient was reduced from 0.360 in 1964 to 0.277 in 1980.

The equitable income distribution also can be seen in the narrow gap between rural and urban households and between farm and non-farm households. In 1986, for example, the average household income in townships was approximately 82.9 percent of those living in the city, and village household income was 69.9 percent of those living in the city. The farm household income average was about 83 percent of that of non-farm households.

Peter Berger believes that a society's economy is successfully developed if it shows a sustained growth over a period of years and if it has an equitable pattern of wealth.34 Taiwan is a successful economy because it does satisfy these two criteria. Although there have been signs that income distribution in Taiwan has started to widen since the beginning of the 1980s, Taiwan still has the most equitable income distribution pattern among the newly developed nations. The personal income of the top twenty percent stood 5.18 times that of the bottom twenty percent of households in Taiwan in 1990. Measures are being implemented to narrow the gap, with a special focus on stopping the cumulation of wealth from urban land ownership.

B. Rapid Urbanization and Suburbanization

Demographers and urban sociologists agree that selective migration in some form should be regarded as a necessary phenomenon of all modern, highly specialized societies. Migration is an integral element of the social change process. This is particularly true in developing nations, for the newly expanded economy requires the movement of selected types of persons because new technology and industry are likely to be located in and/or closer to urban centers. Thus, it is not surprising that internal migration in developing nations tends to move from rural to urban.

In Taiwan, the rapid increase of urban population is apparent: in 1952, only 47.6 percent of the population lived in urban places with a population of 50,000 or more; in 1980, the urban population had increased to 70.3 percent of the island's total population. In other words, seven out of ten are now living in urban areas. Between 1952 and 1976, the average annual growth rate of Taiwan's population was 3.0 percent, while the rate for growth in urban places was 4.6 percent. Moreover, we also have witnessed the emergence of two large metropolitan areas with a population of one million or more: Taipei now has a population of 2.65 million and Kaohsiung had 1.5 million in 1994. When we combine the population of the four largest cities, we find that it accounts for nearly 30 percent of the island's total population, or 60 percent of its urban population. Currently, there are thirty-four cities each with a population of 100,000 or more.

In recent years, such a crowded urban population in these two large cities has forced residents to start to move to the suburbs - a process of suburbanization. Taking Taipei as an example, sociologist Kuan-cheng CHEN discovered that the distance between the average household and the central city of Taipei had increased significantly during the period between 1962 and 1979, particularly since 1970.35

The concentration of population in urban places has pushed the government to implement policies aimed at improving urban living. From 1956 to 1979, for example, the government had invested a total of U.S.$167.7 million in public housing projects in urban cities. Statistics also show that the public housing authority had built 103,248 units of apartment-type dwellings with a total in-

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In Making China Modernized

vestment of U.S.$2.8 billion. The Ninth Economic Plan, for the second half of the 1980s, called for implementation of the following projects: (1) providing more financing for public housing construction and improving the management of funds; (2) enacting incentives to encourage private investment in public housing construction, instituting loan guarantees and savings programs, and establishing regulations governing the administration of public housing and public housing communities; (3) building six hundred thousand housing units; and, (4) establishing pollution-control measures and other environmental protection measures.

Plans are now underway to develop three satellite "urban towns" near the three industrial centers of Taipei, Kaohsiung and Taichung in order to reduce the population pressures existing in these metropolitan areas. The new Six Year Construction Projects being carried out between 1990 and 1995 also included the planning and construction of a rapid transit subway system in Taipei and improvement of municipal solid waste disposal. With Taiwan's large urban population, urban planning undoubtedly will receive more attention from the government.

C. The Emergence of the Middle Class

Alongside the process of industrialization and economic growth, the occupational structure in Taiwan has shown a dramatic change, as reflected in the decline of the agricultural-related population and the increase of the industrial and service-oriented professional population. As presented in Table 4-3 earlier, Taiwan clearly has moved from an agricultural society to an industrial and service society.

One of the most significant features of Taiwan's economic growth is the emergence of an influential middle class. Chia-you HSU, in a discussion on social stratification, suggested that the middle class in Taiwan should include three groups of professions: government personnel and the staffs of educational institutions, professionals and technical workers, and administrative and managerial workers. In 1983, these three groups occupied 28.4 percent of the total employed labor force in Taiwan. Yung WEI did a nationwide survey using a subjective method; he found that more than

half of the respondents ranked themselves as members of the middle class.\textsuperscript{38}

Yun-han CHU, a political scientist, believed that Taiwan’s middle class consists of two sub-classes: the upper middle class and the lower middle class.\textsuperscript{39} According to Chu, the upper middle class members are primarily owners of small and medium enterprises, professionals, managers of medium and large enterprises, high-ranking military personnel, civil servants and university professors. They generally have control over their own means of production or are equipped with specialized knowledge or technical expertise. The lower middle class, on the other hand, consists of shop owners, operators of small businesses, clerical-level employees of private enterprises and technicians, as well as mid-level and low-level military personnel, civil servants, and school teachers. A small portion of them own their own means of production, while the rest are equipped with a certain level of knowledge or technical skill.

What are the salient traits of members of the middle class in Taiwan today? Hsu observed that members of this middle class are “quick in their thinking, better educated, secured [in their] financial sources, and possess a strong sense of national [sic] identity.”\textsuperscript{40} Members of this middle class are also very selfish and conservative. They are realistic and practically oriented. They look for concrete profits rather than general ideological social and political concerns. Sociologist Cheng-shu KAO observed that their “personal planning and social concerns focus primarily on matters directly relevant to the business environment. Greatest attention is paid to expanding growth capacity and manipulating the economic environment to narrowly-defined business interests.”\textsuperscript{41} Another social scientist, Chang-fang CHEN, described the personality traits of members of the middle class in an interview in the following way:

He will put much emphasis on himself and his family and try to protect what he has acquired in [sic] an exorbitant degree. He is concerned about increasing his property, being promoted, and earning a high income. His life cen-

\textsuperscript{40} Hsu, 1985, \textit{supra} note 37, p. 44.
ters on his family, and much effort is expended to provide them with everything necessary. In a sense, it is difficult to persuade him to sacrifice himself for the sake of a group. He is characterized by his indifference to society.42

Even though the middle class seems to be self-centered and material oriented, a few social scientists admitted that members of the middle class are now beginning to play a critical role in Taiwan's socio-political development. Yun-han CHU noted that "the influence of a politically awakening middle class on the island's political structure, in both the 1970s and 1980s, was closely associated with the emergence of new opposition forces and the thriving middle class-based social movements, both of which had clearly weakened the one-party authoritarian system and its public policy agenda."43 The middle class, as noted by news reporter, Richard KUAI, "now has enough channels to pressure the government to take care of the things that concern them."44 The middle class is a stabilizer in today's socio-economic order in Taiwan, and will be a change agent in the future for more social reforms and political democratization.

D. Educational Attainment

Students of modernization and developmental sociology have long recognized the significance of education as an indispensable variable in the modernization of non-Western societies. They have pointed out that education is both a cause and an effect of modernization in these societies. As a cause, education is indispensable because there are so many complex tasks within an urban industrial setting that require an ability to read and write; and as an effect, education is seen as a source of national pride and an index of societal development. It is generally true that the more education a society's population has, the higher its socio-economic development.

In Taiwan, during the school year of 1994, there were 2,484 preschools with 235,150 students; 2,528 elementary schools with 2.03 million students; 724 junior high schools; 196 senior high schools; 206 vocational schools; and, 130 institutions of higher

learning.\textsuperscript{45} In addition, there were special education programs for the handicapped and adults. The Republic of China Constitution requires that no less than fifteen percent of the national budget, twenty-five percent of provincial budgets and thirty-five percent of county and municipality budgets shall be appropriated for education.

According to government reports, the percentage the central government allocated for education was second only to that for defense. In fiscal year 1994, slightly over nineteen percent of the national budget was allocated for education, science and culture. The total amount of education expenditures by the three levels of government was U.S.$16.9 billion, of which one-fifth came from the central government.\textsuperscript{46}

In assessing the educational attainment of Taiwan, two sets of measurements are analyzed: rates of illiteracy and growth of school enrollment. Examination of the available data pertaining to these two kinds of measures reveals the relative significance of education in Taiwan. In 1962, the rate of illiteracy was 24.8 percent for those aged six years and older, but in 1994 the rate was reduced to only 6 percent. It is also interesting to note that more than half of those educated received at least a secondary-level education in 1994, with an average length of 7.9 years of schooling.

The percentage of the population over age six with a college and/or university education increased from 2.0 percent to 13.1 percent during the same period. In other words, in Taiwan today, one out of every ten people over age six has at least a college education or higher.\textsuperscript{47} Another change can be seen in the increase of student enrollments in Taiwan during the past twenty years. In 1962, the rates of enrollment were 86.4 percent of those age 6-11 for primary education, 82.4 percent of those age 12-17 for secondary education, and 3.9 percent for higher education. In 1994, the rates had improved to 97.4 percent for primary education, 88.6 percent for secondary education, and 26.3 percent for higher education in each respective age group. During the same period, the number of full-

\textsuperscript{45} Executive Yuan, \textit{Social Indicators in Taiwan Area of the Republic of China}, 1994, Taipei: Executive Yuan, 1994, p.120.


time teachers at all levels of schools also increased from 75,455 to 232,735 persons.\textsuperscript{48}

At the same time, the ratio of educational expenditure to Taiwan's annual GNP also has shown a significant increase, from 2.9 percent in 1962 to 7.1 percent in 1994. Per capita expenditure for education, science and culture in the national budget was increased from NT$187 to NT$18,204 and educational expenditure per student increased from NT$104 to NT$82,829 during the same period.\textsuperscript{49}

In summary, education in Taiwan during the past twenty years has shown improvement in both quantity and quality. This better educated population has played a significant role in pushing Taiwan toward industrialization. Economic success also has provided increased employment opportunities for the highly educated population. Moreover, an increasing number of those students who studied abroad returned to Taiwan in the 1980s and 1990s.\textsuperscript{50}

E. Health Care

Researchers generally agree that industrialization, and subsequent economic and social developments, bring improvements in the general health of a population, and that the more a society is industrialized, the more developed its medical and health-care systems become.

In Taiwan, economic growth, an increase in national wealth, equitable income distribution and other social developments have been accompanied by improving health care. The data for the period between 1961 and 1980, on both public and private hospitals and clinics, reflected steady improvement. The growth was much more impressive in the private sector. Taking 1961 as the base year for comparison, the index for public hospitals and clinics in 1980 was 108, while the index for private hospitals and clinics in 1980 was 157.7. A similar growth trend also can be seen in the increase of hospital beds. The number of hospital beds per 10,000 people has increased from 3.70 in 1961 to 43.8 in 1990. The expansion of hospital beds is attributable to the growth in the private sector of health


\textsuperscript{49} Id., 1994, \textit{supra} note 48, pp. 112-113.

and medical facilities. At the same time, the total number of medical and para-medical personnel also has increased, from 12,678 in 1961 to 91,159 in 1990, a net increase of 78,481, which represents an increase from 11.4 to 448 per 10,000 people during the period.

The steady expansion of both health and medical-care facilities and staffs have provided better health care for the general population of Taiwan. The number of physicians per 10,000 people increased from 6.0 in 1961 to 11.0 in 1990, dentists from 0.7 to 2.7, pharmacists from 0.9 to 8.8, and nurses from 1.5 to 8.9. The number of hospital beds per 10,000 people also increased, from 3.70 in 1961 to 43.8 in 1990.\textsuperscript{51} Statistics also show that in 1961 government health-related expenditures totalled U.S.$1.07 million, a figure that increased to more than U.S.$250 million in 1988.\textsuperscript{52} A nationwide health insurance was launched in 1995 to provide extensive health care to all citizens and specific residents in Taiwan.

One indicator of such improvements is the decline of the mortality rate. During the period between 1961 and 1990, the crude death rate declined from 6.6 per 1,000 people to 5.2, the mortality rate for infant children declined from 34.0 to 5.3 and the maternal mortality rate from 96.0 to 11.9 per 1,000 live births. Meanwhile, the average life expectancy has been extended from 62.3 years for men and 57.8 for women to 71.3 years for men and 77.1 years for women during the same period.

Clearly, over the past four decades, the ROC has enjoyed considerable improvement in public health. Changes in socioeconomic patterns and life styles as well as improvements in health care have affected the public health. For instance, the major causes of death were gastroenteritis and pneumonia in the early 1950s, but chronic diseases such as cancer and cardiovascular disease have become the leading causes in 1990s. Aging population, pollution and industrial hazards have become the main challenges faced by the ROC medical community.

\textbf{F. Family Change and the Status of Women}

In pre-industrialized Chinese society, the family was all-important. On the individual level, the family provided comfort, enjoy-


\textsuperscript{52} National Health Administration, \textit{Health Statistics of the Republic of China, 1988}, Taipei: Executive Yuan, 1988, p. 31.
ment and emotional support at times of prosperity and crisis; on the societal level, the family served several major functions in maintaining social order through stability and integration. The traditional Chinese family was characterized by: (1) the extensiveness of family membership; (2) the patriarchal authority of male members; (3) a controlled mate selection process; and, (4) a lower status for women in the family.

As Taiwan has undergone rapid industrialization and economic growth, the family has been greatly affected. Researchers have found several significant changes.

First, there is a trend toward the nuclear family. According to a 1983 survey, 54.1 percent of the households in Taiwan were nuclear, 23.6 percent were complex, 5.7 percent were single-parent households and 12.4 percent were single-person households. The average number of persons in a household in Taiwan in 1951 was 5.9 persons, and in 1990 it was 4.0 persons. It is clear that the family size in Taiwan is becoming smaller.

Second, marriage patterns have undergone significant changes. Romantic love has taken the place of arranged marriage as the dominant pattern in Taiwan; love is no longer viewed as potential destruction for marriage, but rather a necessary ingredient for happiness in marriage. In the process of rapid industrialization, we also see a trend toward late marriage. For instance, in 1990, the age at first marriage for men in Taiwan was 28.2 years old and for women 25.6 years old, compared to 27.0 for men and 22.2 for women in 1971. Another significant change can be seen in the increase in single women. In 1951 there were 23.35 percent of women aged 15 and older who had never been married, but the percentage for 1987 grew to 29.8 percent.

Third, the participation of women in the labor force has been increasing. In 1961, 35.8 percent of women aged 15 and older were engaged in the labor force. But, in 1990, the percentage was increased to 44.5 percent. More significant is the increase of married women working outside the home. Statistics show that 31.4 percent of married women were in the labor force in 1981 and 42.5 percent in 1990. Traditionally, Chinese women were expected to stay at home. This is particularly true of married women, for it was their husbands' responsibility to provide support. Taiwan's rapid industrialization has opened the door for women to participate in the labor force and to free themselves from traditional sex roles.

Fourth, as women's participation in the labor force increases, there is an emergence of the dual-career couple. As more than
forty percent of married women are now working outside the home, their husbands must assume part of the housework, and children are likely to spend more time with child-care providers. According to a survey of working women in 1986, one third of the children in the Taipei area, aged three or younger, were being sent to child-care.\footnote{Wen-tsung CHEN, “Marriage Tensions,” \textit{Free China Review}, Vol. 38, No. 12, December 1988, pp. 16-21.}

Finally, divorce rates have increased. In 1951, the divorce rate in Taiwan was 0.5 percent; in 1987 it was 1.2 percent. As women are now more economically independent than before, they are not afraid of using divorce as a means of escaping an unsatisfactory marriage. Two drawbacks must be mentioned here. First, women’s earnings in Taiwan are still lower than that of men; their earnings were about 64.6 percent of that of men in 1986. Women, after divorce, are more likely to experience financial hardship. Second, there is very little chance for a divorced woman to be remarried. Sociologist Ramsay SHU commented in an interview that women in Taiwan, once divorced, remain unmarried because “they are so busy working that they lack the opportunity to go hunting for a possible marriage partner. These women are also plagued with self-doubt after their failed marriages, and most are reluctant to remarry because they fear the new man might not get along with their children.”\footnote{Interviewed in Osman TSENG, “Industrialization Jolts the Family,” \textit{Free China Review}, Vol. 38, No. 12, December 1988, p. 31.}

Statistics show in 1990 that the remarriage rate for men was 32.5 percent and for women, 18.2 percent. In other words, nearly one out of every three widowed or divorced men was able to remarry, while less than one out of five women had the same opportunity.

G. Political Democratization

It is generally believed that economic growth in most developing societies cannot succeed without an effective political administration to coordinate its developmental programming. Taiwan has enjoyed a remarkable degree of political stability during the past thirty years that has been conducive to attracting foreign investments, policy consistency and predictability, and domestic capital formation. Moreover, political stability brings confidence to people in the society and encourages the emergence of nationalism
through which the improvement of the way of life, both socially and culturally, becomes part of a nation's pride. Political stability is achieved through extended political participation from the masses.

One indicator of such extended political participation is the higher voting rate in each election in Taiwan. The rates ranged from 73 percent to 80 percent in county and city council elections and from 69 percent to 80 percent in mayoral elections. Moreover, the Nationalist government in Taiwan also has held several special elections to increase the membership share of the Taiwanese in the National Assembly, the Legislative Yuan and the Control Yuan. Since the first special election of 1969, the National Assembly has added 76 new members to its total delegation, the Legislative Yuan has added 98 new members, and the Control Yuan has added 32. Although the great majority of the membership in these three legislative branches of the Nationalist government still were the "old guard" — those who were elected to their seats prior to the Chinese Communists victory on the mainland in 1949 — the special elections opened a new door for larger participation by the residents of Taiwan. These "old guards" were finally replaced in 1992 after the election of the Second Legislative Yuan. All members of the Legislative Yuan are now elected by residents of Taiwan and the overseas Chinese who hold the R.O.C. citizenship.

Another indicator of political modernization in Taiwan is the 1987 abolishment of the Martial Law and the subsequent organization of opposition political parties. Before martial law was lifted, no new political parties had been allowed to organize. Opposition members were able to participate in national and local elections as individual candidates, but not to run collectively as members of any political party. The lifting of martial law thus signifies increased political democratization in Taiwan. As of July 1989, there were 37 political parties operating in Taiwan in addition to the ruling Kuomintang party.

Among these new opposition parties, the formation of the Democratic Progressive Party presents the most serious challenge to the rule of the Kuomintang. The Democratic Progressive Party (commonly referred to as the DPP) was formed in September 1986 and immediately won 25 percent of the votes in the year-end election. Thus, although the majority of these new opposition parties are still small and lack resources and organization, they can be expected to provide people in Taiwan with a political alternative.

Faced with an increasing challenge from opposition parties, the Kuomintang also began an internal reform. In the past, party can-
candidates in elections were hand-picked by the central committee of the party, which took orders from the party president. In 1989, for the first time, the Kuomintang held primaries to select candidates for elections to be held in November. The winners from these primaries were then nominated as the party’s candidates in the general election. Under both CHIANG Kai-shek and CHIANG Ching-kuo, the Kuomintang was ruled from the top. If the current trend continues, power decentralization will take place within the Kuomintang.

The process of political democratization is exemplified by the results of the elections held on December 2, 1989. The final calculation of the results shows the Kuomintang candidates won less than 60 percent of the popular votes, while the candidates representing the Democratic Progressive Party won nearly 30 percent of the votes for the first time. More specifically, the KMT candidates won 54 percent of the votes for the Legislative Yuan, while the DPP candidates won 26 percent; in the elections for county and city mayors, 51 percent went to the KMT candidates and 38 percent to the DPP; and in the election for the Provincial Assemblymen, 55 percent went for the KMT and 24 percent went for the DPP. In addition, the DPP candidates also captured one-third of the mayoral seats, including Taipei County, which is the largest county in Taiwan and the neighboring county to the capital city of Taipei.

Two proclamations made in 1990 and 1991 have further advanced the democratization process in Taiwan. One was the conference of an extraordinary session of the First National Assembly on April 8, 1990. It abrogated provisional articles and adopted additional articles to the Constitution, which provide the president emergency powers and stipulate how the next delegates to the three parliamentary bodies are to be elected. The other was the announcement by President LEE Teng-hui that the Period of National Mobilization for Suppression of the Communist Rebellion would be terminated the following day: May 1, 1991. President Lee also abolished the Temporary Provisions and promulgated additional articles of the Constitution in accordance with the resolution adopted by the second extraordinary session of the First National Assembly. These proclamations not only laid down the legal basis for the future re-election of members to the parliamentary organs, but also paved the way for the second phase of constitutional reform to be carried out by the Second National Assembly that would be seated in 1992.
The Democratic Progressive Party (DPP) then scored a major victory in the election of the Second Legislative Yuan held in December of 1992. The candidates from the DPP received 36.1 percent of the popular votes, while the KMT had 60.5 percent. Out of a total of 119 seats through public election, the DPP candidates placed 37 in comparison to KMT’s 80 seats. The DPP is now truly a powerful opposition party. The election result has been hailed by many political observers as a major breakthrough in Taiwan’s movement toward a two-party democratic political system. Although the DPP suffered a slight setback in the election of the Third Legislative Yuan held in 1995, the decline of the Kuomintang power has become evident. With a slim majority of seats in the Legislative Yuan, compromises and negotiation with opposition parties have become a necessity.

The first ever publicly held open presidential election in Chinese history occurred on March 23, 1996. LEE Teng-hui received 53.9 percent of the votes and was elected to the presidency.55 The election marked this island nation’s successful transformation from a political dictatorship to full democracy. The election is not only a personal triumph for President Lee, but also a political “miracle” for every citizen on the island.

Democracy in Taiwan has traveled a difficult but rewarding path. Throughout the three decades from the 1950s to the 1970s, Taiwan was an authoritarian state under the iron rule of both CHIANG Kai-shek and CHIANG Ching-kuo. Now, that same authoritarian concentration of political power is cracking under the weight of the successful decentralized economy; it has ended martial law, permitted the formation of new political parties, freed the press, relaxed foreign exchange capital controls, allowed strikes and formation of labor unions, begun to attack the island’s pollution, allowed open travel to mainland China, and opened its national defense budget for public inspection. To many observers on Taiwan, the recent democratization of Taiwan’s politics clearly is the result of economic prosperity. Without any doubt, the high degree of political freedom that the citizens of Taiwan are now enjoying is the product of the island’s economic miracle.

H. Social Welfare

As society becomes more affluent with the cumulation of national wealth, the Nationalist government in Taiwan is able to pay more attention to social welfare for the less privileged population. One indicator of such concern is the increase in government spending on social welfare throughout the years. In 1962, social welfare spending by the government was U.S.$28 million and it was increased to U.S.$2,467.3 million in 1986. The increase in social welfare spending is consistent with the growth in Taiwan's gross national product volume. In 1962, social welfare spending was approximately 1.5 percent of the GNP and 7.2 percent of total government expenditures; it was increased to 3.9 percent and 15.6 percent, respectively, in 1986. Per capita expenditure for social welfare was increased from U.S.$2 in 1962 to U.S.$128 in 1986.

According to the above-mentioned figures, social welfare spending as a percentage of total government expenditures and GNP is still relatively small. However, if education and private welfare spending are included in the measurement, as defined by the United Nations, then total welfare expenditures account for approximately 34 percent of government expenditures and 8.5 percent of the GNP. Furthermore, if education, private welfare spending and other indirect government expenditures are all accounted for, total welfare expenditures account for approximately 12.4 percent of the GNP. Thus, Taiwan's welfare spending is comparable to the other advanced nations listed in the United Nations' annual report.

Two major social insurance programs have been implemented in Taiwan: The Government Employees' Insurance and the Labor Insurance Scheme. Both insurance programs include coverage for retirement and medical expenses. The number of people enrolled in the Government Employees' Insurance in 1961 was 213,419, and in 1986 the number increased to 483,473. There were also 486,664 workers covered by the Labor Insurance Scheme in 1961, but in 1986 this number rose to 4,711,969. In addition, the government also provides free medical treatment and care for the needy, poor and disabled. Between 1970 and 1981, four major welfare legislations were passed: the Welfare Law for Children in 1973; the Welfare Law for the Aged in 1980; the Welfare Law for the Disabled in 1980; and, the Social Assistance Law in 1980. A Labor Standards Law was passed in 1984 to establish a minimum wage for workers and maximum working hours for each trade. The average number of working days in 1985 was 24.7 per month. A new labor-manage-
ment council also was organized to serve as a mediator in settling disputes between labor and management.

One area of social welfare, which is clearly related to the aftermath of economic growth, is welfare for the aged. In addition to the 1980 Welfare Law for the Aged mentioned earlier, a supplementary act, the Implementation of the Act, also was passed in 1981. The enactment of these two elderly welfare acts came as no surprise, as Taiwan in the 1980s moved beyond the search for economic prosperity and entered a new stage of more extensive social reform aimed at improving the overall quality of life for all sectors of the population, particularly those of the elderly. In 1996, a program was launched in both the cities of Taipei and Kaohsiung and several provincial counties in Taiwan that paid annual pensions to all eligible elderly citizens.

Demographic statistics show that the percentage of those aged 65 and above was 2.1 percent in 1951 and had increased to 6.1 percent in 1990. If we assign 100 as the base index for Taiwan’s total population and the aged population in 1951, then the 1990 total population index would have an index of 259.2, while the aged population would have an index of 563.3. It is thus apparent that the number of the aged in Taiwan has been increasing twice as fast as the growth of the total population. The United Nations defines an aged society as having 7.0 percent of its population 65 years old or over. Taiwan will achieve that status by 1994, and its aged population will reach 20.5 percent by the year 2036. The current ratio between the economically productive age group (15-64) and the dependent age group (0-14 and 65+) is approximately 5 to 1; by the year 2036, the ratio will be 1 to 1.56

As the elderly population increases, the need for special legislation for the elderly becomes not only unavoidable but also desirable. The Welfare Law for the Aged proclaimed as its main goal “to publicize and encourage the good virtue of respecting the elderly, to stabilize the livelihood of the elderly, to maintain good health for the elderly, and to improve welfare service for the elderly.”57 Services currently provided for the elderly in Taiwan include retirement pensions, medical care, monthly allowances for low-income elderly, free and half-priced transportation, Evergreen college for the eld-

erly, senior centers, social insurance and supplementary income for the aged, free physical checkups and homemaker service. A recent large-scale survey found that the elderly in Taiwan today are enjoying good health, community relations and leisure, and a high percentage of the elderly have rated themselves either very satisfied or somewhat satisfied with their lives. The government is now considering whether to build public housing projects specifically designed for three generation families.58

V. THE COST OF MODERNIZATION: PUBLIC UNREST AND CRIME

Although Taiwan has been hailed by many developmental economists and sociologists as a successful model for rapid growth, it is not without cost. Water and air have been polluted with deadly chemicals, divorce rates have shown a steady increase, traffic problems in urban cities are almost unbearable and, worst of all, crimes have increased significantly.

A. Increasing Crime Rates

Criminologists generally agree that there is a positive correlation between modernization and the increase in crime. An extensive review of the literature in criminology clearly demonstrates that a great increase in criminality is an unavoidable consequence of economic development. Louise Shelley believes the salient features of modernization are conducive to a rise in criminal behavior in developing nations. These features include unbalanced economic growth, economic stratification, a breakdown of the traditional way of life and urbanization.59 Peter Iadicola also sees the connection between capitalism and crime. He says, “As population becomes increasingly displaced and deprived of full participation in the social order, crimes will emanate from feelings of frustration and powerlessness, as a means to satisfy basic socially defined human needs, and as an alternative path to pursue the materialist dreams of capitalist society.”60 Crime has become one of the most tangible and visible costs of modernization in Third World nations.

58. Wen-hui TSAI, "From Filial Piety to Public Assistance Programs in Taiwan and How They May Work Together." Unpublished paper presented at the International Conference on Care of the Elderly held in Hong Kong, December 8-11, 1991.
A recent survey of public opinion on the issues that deserve most concern in Taiwan today found crime control ranked highest, while pursuit of economic growth ranked eighth. Such worry is not without justification, for rates of crime in Taiwan in recent years have been increasing dramatically, and, at the same time, the forms of criminality also have been significantly expanded. According to government statistics, the crime rate increased from 34.7 cases in 1961 to 45.4 per 10,000 people in 1990. Statistics also show property crimes averaged about 67.3 percent of the total crime rate. The offender rate increased from 24.6 offenders to 42.9 per 10,000 people during the same period. Insofar as the victim rate is concerned, the figure in 1981 was 27.8 per 10,000 people; it had shown a steady increase to 43.0 in 1986; the 1990 victim rate stood as 38.8 per 10,000 people.

Although property crimes have always been a problem in Taiwan, the statistics seem to indicate that the situation is not as bad as people believe. Statistics show a decline in both crime rate and offender rate for larceny in Taiwan: The crime rate for larceny declined from 27.2 cases per 10,000 people in 1965 to 21.0 in 1990, and the offender rate declined from 12.7 persons to 11.9 persons during the same period.

A major concern has been the increase in violent crime in recent years. Early statistics are not available, but government figures show a steady growth in violent crimes. In 1981, 7.4 percent of crimes in Taiwan were violent crimes, but in 1990 it had increased to 10.9 percent.

Two other patterns of criminality are also worthy of attention: a heavy concentration of crime in urban places, especially in the large metropolises; and, a lowering of the age of criminal offenders. Although statistics on these two patterns of criminality are too unsystematic and fragmentary to allow longitudinal analysis, indications show that they are characteristic of crime in Taiwan today. For instance, the population of the four largest cities account for 47.2 percent of the total population, but their crimes account for 58.6 percent of all crime. If we could take into account crimes in medium-size cities, we have every reason to believe the ratio of urban crime would be higher than the above figure.

Crimes committed by juvenile offenders are also on the increase. In terms of offender rate, those committed by juveniles increased from 12.8 per 10,000 people in 1970 to 27.6 in 1990. Although tough measures have been taken by the government in
cracking down on crime in recent years, their effectiveness is still not yet evident.

As mentioned earlier, economic development and efforts toward modernization in Third World nations tend to increase crime rates. Five additional factors deserve our special attention here. First of all, the increase in crime rates in Taiwan is in part the inevitable consequence of an imbalanced developmental plan that has been the guiding force behind the making of the “Taiwan miracle.” Governmental development plans in the early years made no mention of planning for non-economic sectors. This is crucial, for in the process of a large scale change such as modernization, government is the only organization that has the capability and resources for coordinating a balanced development among various sectors of the society. Taiwan has been successful in economic transformation, but the lack of awareness of corresponding change in non-economic sectors has been manifested by an increase in criminality.

Another factor that has affected the pattern of criminality in Taiwan during its process of modernization is Taiwan’s peripheral status in the modern world system. There is no question that Taiwan’s economy is heavily dependent upon its ability to export industrial products in international trade and thus is more or less controlled by, and often at the mercy of, industrial core capitalist nations. Changes that occurred in the core nations have had a strong impact on Taiwan’s well-being. Multinational corporations are the central force behind the industrialization of most of the export-oriented nations like Taiwan, and they more or less dictate the nation’s developmental paths. In Taiwan, the government’s effort toward attracting foreign corporate investment seems to have eaten up its surplus, making it difficult to finance extensive investments in human and social development. Government expenditures for social welfare and crime control are far behind the pace of economic development in Taiwan.

Multinational corporations have another negative effect on a peripheral state like Taiwan by introducing sophisticated schemes

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61. For data and discussions on Taiwan’s crime and social control, the following publications will serve as excellent references: Michael J. Morser, Law and Social Change in a Chinese Community, Dobbs Ferry, N.Y.: Oceana Publisher, 1982; Taiwan Crime Statistical Yearbook, various years, published by the Bureau of Taiwan Police Affairs; Wen-hui TSAI, “Modernization and Crimes: The Taiwan Case,” Journal of Chinese Studies, Vol. 1, 1984, pp. 261-280; and, Statistical Abstract of Interior of the Republic of China, various years, published by the Department of Statistics, the Ministry of the Interior.
and tactics for criminal business activity into the society. Illegal activity and crime committed by multinational corporations throughout the core capitalist nations are well documented. Criminal practice could come directly from the home headquarters of the core or from regional offices stationed in a peripheral state. Regardless of its origin and resources, familiarity with crime by the staff and personnel of regional offices stationed in peripheral states then spreads into the general public and changes the pattern of criminality, as we find in Taiwan that a higher proportion of property crimes is related to banking violations and the outbreak of the so-called "economic crimes."

The third factor that is partially responsible for the increase in criminality in Taiwan can be found in inadequacies in the criminal justice system, particularly the police and the courts. In Taiwan, the ability of the police to solve a crime has declined in recent years as the police force is continuously understaffed, underpaid and overworked. At the same time, the nation's judiciary system is terribly outdated. The system was built in early 1920s and is now antiquated and ill-suited to the current situation of a rapidly growing economy in Taiwan. There are long delays in trials and marked inequities in sentencing. There are also newly emerging crimes that are not sufficiently covered by the law, such as computer crime and industrial espionage.

The fourth factor that has an impact on the crime increase in Taiwan is the sophisticated use of communication and transportation mechanisms in criminal activity. With the rapid growth of economy, technology and education, people become more aware of the application of such high technologies as radio, computer, and telecommunication and video equipment in criminal activity. This has not only enabled criminals to carry out their missions easily, but has also enabled them to stay undetected for a longer time than they could in the past.

Finally, changes in traditional values as a result of industrial and economic growth also may have affected patterns of criminality in Taiwan. New technology and industry are often located in and/or near urban centers that attract a large number of both skilled and unskilled workers from rural areas. As migrants leave families and other social ties behind, a new value system must be developed that is capable of coping with stress in both the workplace and crowded urban settings. Traditional social control through the family and other primary groups has lost its effectiveness on individuals in urban places. Each individual is more on his/her own for survival
with little or no help from people back home. Work alienation, materialistic temptation, urban impersonality and stress from daily urban life tends to encourage people to break the law. The increase of urban crime we mentioned earlier is a clear indication of such a problem.

What has happened in Taiwan involving criminality is not unique. An increase in the crime rate is found in many developed and developing societies. One thing is clear: Crimes in these societies are the consequence of factors in both the domestic and international environments. If Taiwan hopes to manage crime, it must effectively deal with the causes of crime on a global perspective.

B. Emerging Protest Movements

Along with the increase in crime, there also have been increasing incidents of public protest and demonstrations that have disrupted Taiwan's social order. According to a report by Chi-hwa MA, a total of 1,462 cases of public protest demonstrations were staged during the period between July 1986 and June 1987. In other words, during that one-year period of time, four such incidents occurred in Taiwan on an average day. Tzu-li Morning News reported that throughout 1987, sixty-nine different groups of people had gathered in front of the Legislative Yuan to send their petitions in person to express their respective grievances. Public unrest is clearly on the rise. During the first four months of 1988, 729 public demonstrations were staged.

According to recent government statistics, there were 566 incidents of public demonstration in 1986 with a total of 223,798 participants, while in 1990 there were 8,727 such incidents with more than one million participants. If we take 1986 figures as the base 100, the incident index in 1990 would have been 1,542 and the participant index 467. The dramatic increase is clearly evident.

The emergence of large scale collective movements — characterized by public protest, demonstration, mass petition and violent confrontation with authority — have threatened the integration of Taiwanese society.

The modernization process itself is a cause for destruction and discontent. The emphasis on such factors as rational action rather than traditional ways of doing things, the abandonment of ascriptive factors in favor of achievement factors, and the rise of universalism to replace particularism and high technological development

all upset the traditional patterns of doing things and cause structural imbalance and psychological discontent among people in the competition between sectors within a society. James C. Davis believed that major episodes of collective violence generally follow on the heels of economic prosperity. With the improving economy, a gap starts to occur between the levels of peoples' fulfilled needs and their desired ones so that they come to feel discontent about their achievements relative to their own expectations. Frustration quickly follows, and from this grows social unrest and collective demonstration.

In general, five preconditions are conducive to the emergence of collective action and social movement: (1) there is a high level of social discontent and inequality — People are dissatisfied with their current form of life and wish for a new scheme of living; (2) efforts by people to remove the source of their discontent or to improve their situation are blocked by barriers in the social structure; (3) there is contact or interaction between members of a discontented group; (4) people feel that collective action will relieve the discontent; and, (5) a system of ideology is developed that supports and justifies proposed actions. The frequent collective movements in Taiwan since the 1980s clearly demonstrate that economic prosperity alone will not prevent and/or eliminate the emergence and existence of the above pre-conditions; structural deficits are the cause.

A number of structural factors in recent years also seem to have contributed to the creation of the above-mentioned preconditions that are conducive to the emergence of collective movements in Taiwan since the 1980s.

First, the uneven development between economic and non-economic spheres of the Taiwanese society has created a state of normative lag that shows incompatibility and conflicts between modern rational economic behavioral patterns and traditional systems of values and beliefs. There is a high degree of uncertainty as a result of rapid economic growth and sudden wealth. People are caught in an anomie situation where existing ways of doing things


do not work anymore. Frustration and dissatisfaction start to spread to all corners of the society.

Second, the inability of political institutions to satisfy people's demand for a wider participation in the government's decision-making process also has produced public unrest and a series of demonstrations. As the leadership of the Kuomintang was dominated by an aging and traditional-oriented elite group, there was still a strong resistance for mass participation in politics in the 1980s. The creation of the opposition party, the Democratic Progressive Party, and the subsequent demonstrations and rallies staged by its supporters clearly demonstrate the need for immediate reform to open new channels for wider political participation by non-Kuomintang members. Although the ruling Kuomintang Party has begun a process of power decentralization, it is too little and too slow. People continue to voice their demands by demonstrating in public.

Third, the increasing differentiation of Taiwanese society has transformed Taiwan from a homogeneous society to a heterogeneous society, one in which diversity and competing value share built-in characteristics. Studies on modernization process have shown that continuous structural differentiation is evident in all modernization changes. In such a process of structural differentiation, an individual's family roles and occupational roles are separated, new categories and occupational groups emerge, women become less subordinated to their husbands than before, and the traditional ascriptive criteria of social status can be expected to break down. Although differentiation in modernization changes is designed to create a more balanced and efficient system through the newly differentiated units, it also poses new problems of integration and stability for the system involved, as the result of the loss of social control through such traditional integrative institutions as the family and kinship groups.

What has happened in Taiwan during the 1980s is the lack of effective coordination among newly differentiated units in the process of modernization. Competition exists not only between old and new institutions, but also among those newly differentiated units in society, and such competition often manifests itself in collective action. The high frequency of demonstrations and the diversification of the goals of social movements in Taiwan reflect a societal imbalance as well as an unequal distribution of resources in the later stage of Taiwan's social and economic development. Or-
ganized groups compete for scarce resources through public demonstrations.

Until now, protest movements and street demonstrations have not produced large-scale violence. The Nationalist government has shown a high degree of restraint in dealing with them, although minor clashes between police and demonstrators have broken out on a few occasions. Taiwan is clearly in a transitional stage, recently moving out of the traditional, agricultural society and entering an industrialized and modernized one. Public unrest and protest movements, if handled properly, will make society aware of existing and potential social problems, and thus will advance Taiwan even further.

C. Dealing with Developmental Imbalance

In coping with rising signs of imbalance and dislocation in both economic and social spheres, the ROC government on Taiwan launched a comprehensive and ambitious "Six-Year National Construction Plan" in 1991. Its major priorities are to rebuild the social and economic order and promote balanced development. The Plan proposes a series of large-scale public construction projects "aimed at resolving current development bottlenecks and calls for the promotion of social and economic equity, the fair distribution of the fruits of development, and improvement of the national quality of life."65 Key policy goals include: 1) raising national income; 2) providing sufficient resources for continued industrial growth, 3) promoting the balanced development of various regions; and 4) raising the national quality of life. The total cost of the Plan is set at U.S.$303 billion.

Several tough measures also have been used in the fight against the increasing crime rate and ever-rising housing price. In fighting against crime, the government has imposed severe penalties against violent crimes such as rape, murder and robbery. In dealing with the problem of ever-rising housing prices in urban areas, the government has proposed a new tax upon sellers and a new land ownership policy aimed at unlawful concentration of land by land sharks. In addition, proposals also have been made to improve the welfare of the handicapped, abused women, the elderly and children.

The ROC government believes that by working with citizens in the private sector, Taiwan should be able to come of age as a truly modernized nation in the early part of the next century, thereby achieving a miracle well beyond economic prosperity.

VI. CONCLUDING REMARKS

In this chapter, we have discussed in great detail the changes in both economic and non-economic spheres of Taiwanese society during the period after the Nationalist government's retreat to Taiwan in 1949. Many Third World nations have attempted to modernize, but only a handful of them have succeeded. Taiwan is one of these selected few. Not only has Taiwan been able to gain economic prosperity through rapid industrialization and economic growth, it also has been successful in making great improvements in the overall quality of life. Indeed, our discussion clearly demonstrates that progress in Taiwan's non-economic sphere is as impressive as its economic miracle. Although problems like pollution, crime and public unrest do exist, they are likely to be controlled in the near future. These problems should not undermine the great success of Taiwan's improvements in its people's quality of life.

Thomas Metzger and Ramon Myers believe that the Taiwan model of Chinese modernization has dealt successfully with three distinctive systemic problems long faced by Chinese modernizers ever since the mid-19th century: how to redistribute property and encourage economic development; how to combine the need for authority and stability with that for political pluralism; and how to meet the need for not only consensus but also openness to the world's sources of information.66

What has happened in Taiwan also can be of value to other Third World nations in their struggle for economic well-being and socio-political modernization. The Taiwan experience is unique in several ways.

First, Taiwan is an excellent example of successful macro-development through coordination between the state and the private sector. Unlike mainland China's planned economy, in which the state holds total control over planning and implementation of developmental strategies, the state in Taiwan, under the capable leadership of the Nationalist government, functions as an initiator in

drawing plans for socio-economic developments, while the private sector voluntarily and effectively seeks ways to implement these plans. The experience in Taiwan clearly demonstrates that the state could function as a positive modernization agent in pushing a society from underdevelopment to modernization.

Second, Taiwan's developmental experience also challenges the classic notion that political democracy must take precedence before a society can be developed economically. What has happened in Taiwan is the fact that societal democracy is more crucial than political democracy in economic development. By societal democracy, we mean freedom of occupational and geographic mobility, freedom to pursue one's own life opportunity, and freedom of private property ownership. Political democratization in Taiwan only began during the later part of the 1980s, yet the authoritarian rule under Chiang's family not only did not hinder Taiwan's development, but rather provided a very effective political machine for planning, coordinating and implementing socio-economic development. As Taiwan is now clearly an industrialized society, improvements in political democracy will function as system maintenance in preserving the fruits of past achievements.

Third, for the Third World nations to modernize, economic advancement must be established first. The Taiwan experience has shown that industrialization, economic growth and modernization must not be attempted simultaneously, for each represents a different stage of societal development. As most of the Third World nations are economically backward and poor, industrialization and its subsequent economic growth, if successfully achieved, will provide a crucial push for further changes in non-economic activities and modernization.

If we were to examine Taiwan's developmental experience more carefully, we would find that its transformation from an agricultural-oriented economy to an industrial-oriented economy was achieved in the 1960s. Economic growth was then subsequently evident during the 1970s, and a rapid socio-political modernization began in the early 1980s and continues today. The endless conflicts and human sufferings we are witnessing in many Third World nations throughout the world today could be attributed to the inability of their economic advancement prior to their struggle for socio-political modernization.

Fourth, Taiwan's developmental experience also has proved that economic growth does not create a wider gap between rich and poor and that income inequality is not an unavoidable consequence
of rapid economic growth. Although severe income inequality has been witnessed in the developmental process of Latin American societies, such a problem clearly does not exist in Taiwan. On the contrary, statistics show that income equity in Taiwan has been improved during the years of rapid economic growth, even though there has been a slight trend toward a wider gap since the 1980s.

Finally, Taiwan’s developmental experience clearly has demonstrated the significant role of an enlarged middle class in the development of economic growth and societal modernization. The large middle class population in Taiwan not only has constituted a strong force of forward-looking businessmen - a group that has pushed Taiwan into an industrialized age - but also has provided a much needed stabilizing factor in reducing income inequality between the rich and the poor. Moreover, this same middle class group also has been responsible for the current democratization of Taiwan’s political system.

What has been achieved in Taiwan could be copied in other parts of the world. Although each society has its own unique environmental problems, whether they be natural or man-made, the fact is that economic prosperity and socio-political modernization are attainable for societies in the Third World. From a macro-structural change perspective, the development of Taiwan has shown a smooth transition from industrialization to economic growth and modernization. From a micro-participation perspective, the Taiwan development process also has resulted in increased economic, societal and political participation. Figure 4-1 attempts to conclude our discussion in this chapter by illustrating interlocking relationships between these two levels of changes in Taiwan since the end of World War II.

In Figure 4-1, three major change agents have been responsible for moving Taiwan from underdevelopment to modernization: family, state and the middle class. The shift of family capital from land ownership to industrial development in the 1950s provided the initial push necessary for Taiwan’s early stage of industrialization. The state functioned in the 1970s as an efficient coordination mediator and policymaker in expanding Taiwan’s economy from agricultural concentration to export orientation; it created a favorable environment conducive to sustained economic growth. The members of the middle class who had been active participants in Taiwan’s economic growth during the 1970s became the chief advocates in the 1980s for demanding political reform and improvements in the
FIGURE 4-1. INTERLOCKING RELATIONSHIPS BETWEEN MACRO AND MICRO LEVEL CHANGE IN TAIWAN: A MODEL

<table>
<thead>
<tr>
<th>Level of Change</th>
<th>Stages of Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macro-Structure</td>
<td>Industrialization e.g., increasing use of nonanimated resources, the emergence of factory institution, increasing industrial labor force, and urbanization.</td>
</tr>
<tr>
<td>Micro-Interaction</td>
<td>Economic Participation e.g., increases in employment opportunity and wage earning, the merit-based impersonality</td>
</tr>
<tr>
<td>Agents of Change</td>
<td>State</td>
</tr>
<tr>
<td>Change Strategies</td>
<td>Reform on commercial and tax regulations, economic planning, development of public industrial sectors, export orientation, and reorganization of state bureaucracies for economic development.</td>
</tr>
</tbody>
</table>

quality of life, in order to move Taiwan into a stage new of modernization.

Taiwan is a model for development in Third World nations - not so much because of its “miracle” success, but because of the strategies Taiwan has taken in paving the road for such a “miracle.” Compared to the PRC on the mainland, Taiwan is a much better
developmental model than models from Japan, the Soviet Union or the West. What conducive factors Taiwan has as part of its development are lacking in mainland China. If the leadership in the PRC's China is looking for a modernization program with Chinese characteristics, the Taiwan experience must be taken seriously: It is more Chinese than any other model the world can offer.
CHAPTER 5

THE STRUGGLE CONTINUES: UNDERDEVELOPMENT IN A SOCIALIST CHINA

I. MAO'S NEW CHINA

A. A Chronological Account of Economic Development

At 3 p.m. on October 1, 1949, MAO Zedong and his Chinese Communist followers stood on the reviewing platform at Tiananmen Square in Beijing and declared the establishment of the People's Republic of China. A new China was born. But those new Communist leaders faced the same old problem that has troubled previous modern Chinese leaders: the underdevelopment and backwardness of China. Lucian W. Pye was correct when he said, "For the Communists, as for all recent Chinese leaders, the goals of policy have been to modernize the country, build up its economy, and re-establish China as a major world power."1

Just like other modern Chinese leaders before him, MAO Zedong was willing to accept this challenge and to work toward rebuilding China. In a speech he delivered on September 21, 1949, when he saw that victory was near, Mao said, "The Chinese have always been a great, courageous and industrious nation; it is only in modern times that they have fallen behind. And that was due entirely to oppression and exploitation by foreign imperialism and domestic reactionary government. . . ours will no longer be a nation subject to insult and humiliation. We have stood up."2 Although China had stood up, a multitude of tasks still faced Mao and his Communist Party: The legitimacy of the new People's Republic of China was still in question, for people were not convinced that life under the Communist rule would be better; the Chinese economy was in turmoil and crisis; CHIANG Kai-shek and his Kuomintang army had not been completely destroyed; the leadership of the CCP

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(163)
was inexperienced in administering a huge bureaucracy and in governing; and there was a possibility of a U.S.-Japanese alliance against China.

To tackle all these problems, Mao asked his Communist cadres and all the Chinese to lean to one side. In the early 1950s, he declared unequivocally that China would “lean to the side of the Soviet Union.” A thirty-year Sino-Soviet treaty was signed on February 14, 1950, and the Soviet Union, in a separate agreement, granted trade concessions and a $300 million loan to mainland China. In return, mainland China agreed to preserve the special privilege the Soviet Union had received from the Nationalist government. A joint Sino-Soviet administration was to be established over the railways in the northeast China and over the ports of Lushun and Dalian. A number of joint industry ventures were established in petroleum, non-ferrous metals, shipbuilding and civil aviation.3

When the Chinese Communist Party (CCP) came to power in 1949, it inherited an underdeveloped economy that had been badly disrupted by years of war, inflation, weak government, and foreign imperialism. From the very beginning, long before their final victory in 1949, the CCP was convinced that land reform was a fundamental part of the bourgeois democratic revolution. Mao himself emphasized that land reform was the starting point for all other components of the Chinese revolution. The CCP had begun a limited land reform program in the liberated areas under their control prior to 1949.

Sociologically, the CCP believed that a successful campaign on land reform in the new China would eliminate all the remnants of semi-feudalism in Chinese society and would lay the foundation for an equitable redistribution of land into the hands of tenants and farmers. Politically, a successful land reform would deprive the landlords, potentially the most hostile class against the Communist revolution, of their economic strength; removing them from the political arena would increase the support of the peasants for the new government under the leadership of the CCP. Economically, land reform was seen by the CCP leadership as a crucial means of solving the problems of underproductivity in agriculture and of ineffective production and distribution in the manufacturing industry.

The CCP enacted the Agrarian Reform Law in June 1950. An immense campaign was launched immediately against landlords, the enemies of the peasants. The entire peasantry systematically was mobilized to work with hundreds of thousands of Party members, government officials and People's Liberation Army cadres. By the end of 1952, nearly half of China's cultivated land had changed hands, involving more than 300 million peasants. The old landlords, those who were fortunate enough not to be killed during the campaign, were left with just enough land to carry on as individual farmers in the poor peasant category.

While the land reform program was designed to satisfy the peasants' demand for land, it was not in itself considered sufficient to form the basis for the upgrading of agriculture and the development of new industry. An inflationary situation was still severely unmanageable. Thus, a series of steps were taken to deal with the control of inflation. The CCP installed a new wage policy as the first step to combat the ever rising inflation. According to this wage policy, a system of wage points was introduced, whereby a day's labor was calculated in wage points, assessed in terms of bundles of commodities such as rice, wheat, coal, and edible food oil.

The second step in fighting high inflation was to impose strict control over the banking system and to subordinate all financial institutions to the People's Bank. Strict limits were imposed upon all state institutions concerning the amount of ready cash they were to retain. Private funds were soaked up through a taxation system and the circulation of foreign currency was forbidden. Strict regulations were imposed on the private ownership of all business activities. With such measures, China's once runaway inflation was controlled successfully only a few years after the revolution. It is indeed remarkable that the CCP was able to put mainland China's economy back on track within such a short period of time.

The CCP then engineered two other steps in transforming the peasants into an agrarian proletariat: the collectivization of agriculture of 1951-1957 and the commune movement that started in April 1958. The collectivization of agriculture was based on a Soviet model that called for collective farming. The CCP Central Committee issued its first draft directive in December 1951 to install mutual aid and cooperation in agricultural production. But, it was not until

1953 that it was put into practice throughout mainland China. There were three major components of the collectivization of agriculture: the establishment of mutual aid teams, the organization of elementary cooperatives and the formation of advanced cooperatives or collective farms. They were to be implemented in stages; as Mao said, "the economy of individual peasants and individual handicraftsmen who produce 90 percent of the total gross value of the national economy can and must be guided, prudently, step-by-step, and yet positively. . .in the direction of modernization and collectivization."

Mao put forth three basic arguments for the acceleration of collectivization. First, industrialization could not be carried out in isolation, separate from agricultural collectivization. Second, much of the capital needed for mainland China's industrialization would have to come from agriculture. The growth of light industry would require large-scale farming, which, in turn, would require collective agriculture. Third, the tendency toward capitalism in mainland China's vast countryside was dangerous and, if the tendency went unchecked, well-to-do peasants would get rich, while many poor peasants would become poorer. Without an accelerated program of collectivization of agriculture, capitalism would make the practice of socialism impossible.

In the beginning, a few CCP leaders believed that the collectivization of agriculture should proceed gradually and that the new government should encourage peasant initiative under the private farming system. This minority group of CCP leaders, including LIU Shaoqi and BO Yipo, saw the rising capitalistic attitude of the peasants after the land reform as a healthy development and criticized the utopian thought about the imminence of socialism advocated by Mao and his followers. But, Mao eventually won the argument. He urged the new government to launch mutual aid and cooperative movements immediately. Mao believed that if the CCP were to favor a rich peasant economy, capitalism rather than socialism would win out in the rural areas.

Thus, between the fall of 1951 and the fall of 1952, three million new mutual aid teams were organized, which pushed the total number of mutual aid teams to eight million and included nearly 40 percent of all peasant households in mainland China. Meanwhile,

from 1951 to 1952, the number of cooperatives increased from 130 to 3,644.

Although the CCP had stressed voluntary participation from peasants and recommended persuasion as the main method of implementing collectivization, cadres in many localities violently forced peasants to join cooperatives. By March 1955, the number of collectives reached 633,000, with 14.2 percent of the peasant households participating. Unfortunately, such a rapid path of collectivization of agriculture did not work as well as it was intended. On the one hand, the Chinese peasants at the time were too poor to contribute share funds and too illiterate to supply the cooperatives with qualified accountants. On the other hand, the Communist cadres who were sent to the countryside to supervise the organization of cooperatives lacked the necessary leadership experience and skills in managing the daily operations of these hastily organized cooperatives. As a consequence, the mainland Chinese economy deteriorated.

The collectivization of agriculture involved three major processes of institutional changes. The first change came with the organization of mutual aid teams in 1951. The teams were organized primarily to exchange draft animals, farm tools and manpower during the busy farming seasons, with agreeable compensation from members involved. There were two types of mutual aid teams: (1) the seasonal or temporary mutual aid teams, each of which, in general, was composed of three to five households and operated only during the harvesting or sowing seasons and was dissolved after the season; and, (2) the year-round mutual aid teams, where peasants worked together as permanent members; each of these teams normally consisted of six to ten or more households.

Economist Chu-yuan CHENG pointed out two major functions these mutual aid teams served. First, they made it possible for the poor peasants to exchange their labor for the use of tools and animals that belonged to middle-level peasants. Second, the teams forged an alliance between the poor and middle-level peasants and isolated the capitalistic rich peasants, without destroying the latter's incentive to produce.

The second major change, in 1953, was the shift from mutual aid teams to elementary agricultural cooperatives. As each cooperative embraced thirty-five households, it was seven times larger in size than that of a mutual aid team. In this new system, cooperative

members' lands were pooled together to be shared under a unified management, although each member household still retained title to its land. Privately owned tools and draft animals were under the cooperative's unified control. Wages for work were calculated on the basis of work days, or work points. Members were paid in cash and kind, according to the quantity and quality of their work. The aggregate amount of agricultural and sideline production was to be distributed by the state, the cooperate welfare funds and individual members.

In theory, the cooperative system was to be superior to the team in two major ways. First, the pooling together of land was designed to eradicate the main structural weaknesses of the old system of Chinese agriculture - small, dispersed and uneconomic holdings. The consolidation of fragmentary plots under a single management was designed to remove many boundary lines between private holdings, thereby freeing extra acreage for cultivation. Second, the reduction in the number of producing units and improved planning would enable the government to increase its control over consumption and investment. The cooperative system was considered conducive to the control of consumption and to the marketing of food grains.

However, the cooperative system had its own share of problems. Perhaps, the most serious problem laid in the difficulty of management. The pooling of thirty-five households required a great deal of planning, administration and bookkeeping. Such factors as the equality of soil, the distance between households, weather conditions, and the general willingness to cooperate in the newly-formed cooperatives had to be carefully planned and managed. In addition, most of the Chinese peasants were too undereducated to be able to manage cooperatives collectively. Another problem was found in the reward system. Since wages were determined by the quantity and quality of work from each member, based on evaluations provided by other members disputes frequently occurred that caused great antagonism between members within the cooperative.

The third major change in the process of collectivization of agriculture was the creation of the advanced cooperatives, or collectives. By the end of 1956, more than 96 percent of all agricultural households had joined cooperatives, and 88 percent of them were of the advanced type. It was estimated that by the end of 1957, mainland China's 120 million peasant households had been organ-
ized into 752,111 cooperatives, of which 668,081 were collectives. In the advanced cooperatives, a member's land and his other principal means of production were transferred from private to collective ownership without any compensation. Although a few major features, such as share funds, income distribution and payment for work, were similar to those in the elementary cooperative system, the advanced cooperative organized its members into production brigades to serve as the basic unit of the labor organization. Each brigade arranged its daily and seasonable schedules of work in accordance with the general production plan of the cooperative.

A management committee was selected at the general meeting of its members to conduct the affairs of the cooperative and a supervisory committee was selected to check on the cooperative's affairs, with a chairman to oversee all daily activities. The collectives also distinguished themselves from those of cooperatives in their size; each collective consisted of 158 peasant households, compared to 35 households in a cooperative. The stage was now set for the emergence of the rural communes.

However, problems in the collectives started to mount: The gap between the collective economy and the private sector of industry was enlarged, contradictions between the more prosperous collectives had become overt and violent, and conflicts between collectives and the state surfaced. Although mainland China's economy had shown improvement with an annual growth rate of 18 percent in industrial production and a 4.5 percent increase in agriculture during the five years between 1953 and 1957, mainland China's economy suffered a tremendous blow under Mao's Great Leap Forward campaign, which was launched in March 1958. The model communes were established in mainland China to correct problems previously found in both cooperatives and collectives. By the end of August 1958, nearly every agricultural cooperative in Henan province had been incorporated into 1,280 communes, and by September of that same year, 98.2 percent of the total number of peasant households in mainland China had been converted into 26,425 communes.

As we mentioned earlier, the average number of households per collective unit was 158. In the commune system, households per unit were enlarged to an average of 5,000. Unlike the collectives, which were basically economic production units, the com-

7. Id., p.77.
8. Id., p. 99.
munes merged peasants, workers, tradesmen, students and militia members into a single unit. The communes also ran factories, banks and commercial enterprises, handled credit and commodity distribution, undertook cultural and educational work, and controlled their own militia and political organization. The commune thus served not only as the basic unit of mainland China's agriculture production, but also as a fundamental unit in mainland China's political and social structure.

Under the commune system, private ownership of land was abolished. The commune also controlled the distribution of food; it retained the entire food supply, and members received ration tickets redeemable at public mess halls within the commune. The commune required members to eat together in public mess halls, to place their children in communal nurseries, to send sewing and mending work to the centralized tailoring teams, and to live in central lodgings after the family unit was scheduled for elimination. Laborers were organized into production teams, replacing production brigades that were active in collectives. The commune's administrative committee controlled water conservation, forestry, animal husbandry, industry, communications, political affairs, labor, security, finance, food, supplies, marketing, credit, commerce, culture, education, public health and scientific research. Both men and women were required to work without gender preference. The commune thereby provided the state with a means of complete control over the life of the Chinese in every detail. The CCP Politburo declared that the communes were the logical result of the march of events, that they were based on the ever-rising political consciousness of a half billion peasants, and that the commune system would complete the transition of private ownership of the means of production to ownership by the people.

The organization of households into communes was not restricted to rural areas. It went into effect in some cities as well, "to make the cities a little more like the countryside," as the Communists phrased it. As people from rural areas continued to move to the cities, urban communes were set up to accommodate the rapidly expanded urban population and to create opportunities for city employment. A model urban commune was established in Zhengzhou in 1958, where factories were transformed to become the nucleus of the people's communes. New satellite factories were set up around the core factory to employ dependents and process waste. All commercial and service facilities in the area were now taken over and run by the commune, and the entire neighborhood
was organized into a militia unit. Similar urban communes were established in other cities throughout mainland China; however, they were not as extensive as those found in rural areas.

In the midst of these transformations of Chinese society into a collective whole, one cannot ignore the fruitless efforts of the Great Leap Forward campaign launched in 1958. Following is Chu-yuan CHENG's account of the initiation of the launch of the Great Leap Forward:

In November, 1957, MAO Zedong went to Moscow to seek Soviet economic aid, and the Moscow meeting was followed by a decision of the Communist bloc to launch a comprehensive economic competition with the West. Upon his return to Beijing, Mao promoted the slogan of "surpassing Great Britain in principal industrial output within fifteen years." To achieve this ambitious goal, the government began to construct water conservancy projects on an unprecedented scale as the first major step to stimulate agriculture. About 100 million peasants were called to participate in the water conservancy projects for three consecutive months. Hundreds of thousands of peasants were mobilized to build roads and dredge canals, placing a great strain on the rural labor. Some 60 million peasants were assigned to build and operate millions of native-type factories and backyard furnaces.9

Such was the beginning of the Great Leap Forward. Mao believed the success from the Great Leap Forward would allow mainland China to surpass Great Britain in industrial output and the transformation of the collectives into the communes would show that the Chinese were moving ahead of Russia in becoming a truly Communist society. Lucian W. Pye, in his assessment of the campaign, said, "The Great Leap was a supreme attempt to ignore technological and physical constraints and build progress primarily on human will-power."10

Unfortunately, the Great Leap Forward not only did not work, it backfired. Within a year, China's economy suffered tremendous setbacks. Expensive machines were destroyed because of lack of proper maintenance, natural resources were wasted, mines were abandoned and hundreds of thousands of human lives were lost through starvation. According to one account, farmlands affected

9. Id., p. 97.
by drought exceeded 40 million hectares, while other areas experienced severe floods. In addition, approximately half the land under cultivation was hit by bad weather. Natural disasters and shortcomings from the Great Leap Forward were responsible for the poor yield of 1959-1961. Chinese economist LIANG Wensen described the economy of China, damaged by the Great Leap Forward campaign, in the following passage:

Consequently, from 1959 onward, agricultural production dropped spectacularly. The gross value of agricultural output in 1961 was 26.3 percent below the 1958 level. Compared with the preceding year, industrial production in 1961 dropped by 38.2 percent and in 1962 by 16.6 percent. The productivity of industrial labor in 1962 was 5.4 percent lower than in 1957, while national income declined by 14.4 percent over the same period.\textsuperscript{11}

In fact, the total population of China showed a decline of 4.5 percent during the period, reduced from 672 million in 1959 to 662 million in 1960. Although it is unknown how many of these died from famine caused by the Great Leap Forward Campaign, or how many died from natural causes, it is indisputable that ten million Chinese died between 1959 and 1960.

To prevent further disasters, the CCP finally had to retreat, even though failure was not publicly acknowledged. By the mid-1960s, the Great Leap Forward campaign was no longer implemented. The serious economic setbacks created by the Great Leap Forward Campaign forced the CCP to readjust the economy. Limited private practice in agriculture and commerce were permitted and the power of former landlords was restored to a certain degree. In January 1961, the key slogan of the Ninth Plenum of the Eighth Central Committee was “agriculture as the base and industry as the leading factor.” Beginning in the second half of 1961, the CCP planners decided to reduce the rate of growth in heavy industry and to accelerate the development of agriculture and light industry.

Thus, mainland China’s economy started to recover from a nearly fatal policy mistake, enjoying an upward trend in productivity in both agriculture and industry between 1960 and 1965. The gross value of industrial and agricultural output rose at 15.7 percent annually between 1963 and 1965, with a 17.9 percent growth rate

for industry and an 11.1 percent growth rate for agriculture. The national income also grew at a rate of 14.5 percent, and labor productivity in state-owned enterprises achieved an annual average growth rate of 23.1 percent.

Production and commerce rapidly revived and developed, and living standards began to improve. With such an impressive and speedy recovery, mainland China again seemed to be moving in the right direction, out of the darkness of the Great Leap Forward Campaign and away from extreme poverty.\(^{12}\)

However, mainland China's dream of catching up with the West and of reaching economic prosperity faded quickly in 1965 when the Great Proletarian Cultural Revolution broke out, lasting for the next ten years. The Cultural Revolution was, perhaps, the most devastating event in China's long history. For the ten years between 1965 and 1975, mainland China was in total chaos. Economically, agricultural production stagnated in the countryside, and industrial production activities in the city were interrupted while workers were engaged in factional struggles against one another. According to W. LIANG, the gross value of mainland China's agricultural output grew only 1.6 percent in 1967, dropped by 2.5 percent in 1968 and grew 1.1 percent in 1969. In both light and heavy industry, the period also showed a steady decline in production output.

The Cultural Revolution also affected the quality of mainland China's industrial output. It is generally believed that during the Cultural Revolution the abolition of regulations led to the deterioration of product quality, and the utilization of many industrial products such as agricultural machinery and chemical fertilizers declined.\(^{13}\) An official survey found that in 1978 a large portion of production-fixed assets had lain idle or had been wasted and that idle capacity amounted to one-third of the total capital construction investment in that year. The survey also found that the productivity of capital in the 1970s was only one-half to one-third that in the 1953-1957 period.

The economic effects of the Cultural Revolution were largely negative. As Perry and Wong conclude in their studies, that the Cultural Revolution agricultural policy must be judged a failure, and in industry, although gross output grew at an impressive rate of nearly 10 percent per annum during

\(^{12}\) Id., pp. 60-70.

\(^{13}\) Cheng, 1982, supra note 5, p. 403.
1957-1979, this performance was undermined by problems of inefficiency and poor coordination. Excessive investment in heavy industry and insufficient attention to the development of supporting industries and infrastructure led to mismatches between supply and demand.\textsuperscript{14}

A few Western observers have suggested, to the contrary, that mainland China's economy during the Cultural Revolution was not as bad as it had been portrayed because technology and scientific research were not interrupted severely. Such a positive assessment might have been affected by the highly inflated statistics reported. Partly as a way to secure one's position at the time of unpredictable factional conflicts, and partly as an approach to promote oneself to national production "hero," many local Chinese leaders inflated the amount of their production output in their reports to the central government. Therefore, we must be very careful in the use of government statistical reports produced during this period. Even if we agree with the positive assessment, one fact still remains true: The nation would have done much more without the interruption of the Cultural Revolution.

To revitalize mainland China's economy in the aftermath of the Cultural Revolution and the death of Chairman Mao, mainland China began experimenting with economic structural reform which included a series of important measures taken under the leadership of Deng Xiaoping:

(1) The revival of industry and the whole national economy through restoring railway transport and clearing the main arteries in the national economy. The State Council convened a national conference on railway work in February 1977, calling for the revival and development of railway transport. Plans for inland river and air cargo transportation were developed.

(2) Steps to upgrade agriculture. A conference on agriculture in December 1976 proposed the upgrading of the nation's agricultural output through raising labor productivity, promoting technological advancement and building a better transportation system.

(3) Mobilization for the further upgrading of industry. A national conference on industry was convened in May 1977. The conference proposed that state enterprises should focus themselves around production and pay attention to profits to increase revenue

accumulation for the state. As an interim measure, individuals could retain profits of a government-established production base plus a progressive share of excess earnings.

(4) Stress finance and commerce, eliminate barriers between different regions, clear circulation channels and develop foreign trade. Efforts were made to tackle such problems as financial deficits, the overstocking of large quantities of materials and the allocation of funds far in excess of needs, and resultant waste. The CCP also started to take steps to allow mainland China to re-enter world trade.

Additional measures were taken in the third plenary session of the 11th Central Committee of the CCP in December 1978. At the session, it was decided that “in the light of new historical conditions and practical experience, a number of major new economic measures must be taken to thoroughly transform the system and methods of economic management.” Among them, a proposal was made to the State Council in 1979 to raise prices by 20 percent for the purchase of state-assigned grain and to raise prices for grain purchased in excess of the quota by an additional 50 percent.

The State Council also recommended that purchasing prices for cotton, oil-bearing and sugar crops, animal products, aquatic and forestry products, and other farm and sideline commodities should be increased gradually. Urban workers were to be guaranteed that any resulting fall in price would not reduce their living standards. In agriculture, production teams and individual families were assigned state production quotas and allowed control over the disposal of any above-quota output. In industry, some state enterprises were allowed to retain a share of their profits and to sell independently the part of their output that exceeded mandatory state quotas. Markets were opened to handle the distribution of above-quota production in both agriculture and industry.

The economic reform in the post-Mao era involves the implementation of two major institutions: the responsibility system in the rural area and the designation of “special economic zones” in coastal China. The responsibility system was first introduced in 1978 and has since then spread to include nearly all production teams.

Kathleen Hartford has identified five basic types of production and compensation within the responsibility system that are currently being practiced in mainland China: (1) specialized contracts, compensation linked to output. In this system, the production team or brigade assigns contracts to teams, groups, households and individuals in accordance with a comprehensive production plan for numerous and often quite sophisticated lines of production; (2) unified management, output linked to labor. Teams assign contracts to groups or individuals under a unified production plan, and animals and larger equipment are kept under collective management; (3) production contracted to groups, compensation linked to output. This method is very similar to the second type, except that contracts are included only with task groups; (4) production contracted to households. In this system, the team retains its role in centralized production planning and unified distribution, but day-to-day management devolves to individual households; and, (5) tasks contracted to households. In this system, individual households receive contracts for fixed plots of land in return for fixed payments to the collective, which are supposed to satisfy state and collective requirements. The household keeps all other products for its own use or for sale.16

Meanwhile, the state pledged to leave the resulting division of land unchanged for at least fifteen years and replaced mandatory state purchases of grain with a more voluntary procurement contract system. Later, in 1985, Beijing also relaxed its administrative controls over the prices of many agricultural products so as to reflect a better market condition. One of the most profound impacts from the responsibility system in mainland China's countryside is that, according to K. P. Grummitt, "China's peasants are no longer collectivized but have become small farmers like any others. Neither are they any longer tied to the land (though they must remain in the rural areas), with many opting to become specialized households in such sectors as construction, transport, and rabbit breeding."17 Peasants now have more incentive to work harder, because they are allowed to retain a portion of their production outputs.

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The "special economic zones" were first established in four areas along the southeast coast in 1979. They were Shenzhen, Zhuhai, Xiamen and Shantou. The main objective of the designation of "special economic zones" was to encourage foreign investment in export projects. In these areas, the state would build modern physical infrastructures, provide a well-trained labor force and offer preferential tax rates, exemptions and holidays as incentives to attract foreign investment. The areas were also to be centers of services, agricultural processing and tourism, as well as manufacturing. They also were designed to absorb advanced technology for capital-intensive and technology-intensive industries.¹⁸ Since these measures were viewed as radical and deviated from the socialist economy mainland China had under Mao, they were initially restricted to a limited number of areas on an experimental basis. However, the "special economic zones" were expanded to Hainan and other cities in the second half of the 1980s. "Special economic zones" are an integral part of China's open door policy and a key component of the PRC's reform program. Since their establishment in 1979, the "special economic zones" have experienced spectacular growth and have had a positive effect in showcasing the stimulative effect of outward-looking policy.

Economic reform is only one part of the extensive change under the overall banner of the "Four Modernizations" campaign, which was proposed by Premier ZHOU Enlai at the Tenth National People's Congress held at Beijing in January 1975. Zhou said, "In this century, we must accomplish the all-out modernization of agriculture, industry, national defense, and science and technology, so that our country's national economy proceeds into the front-row of the world."¹⁹

DENG Xiaoping succeeded Zhou and has taken the "Four Modernizations" campaign on as his mission. In Deng's vision, mainland China must adopt a twofold policy of opening doors to foreigners and revitalizing its domestic economy to allow per capita income to grow to one thousand U.S. dollars by the year 2000. Thus, in addition to the above mentioned economic reforms, mainland China has also sent students to study abroad, abolished the commune system, replaced elderly party leadership of industrial managerial positions with younger and technologically competent

new leaders, abolished the lifelong guarantee of work in favor of a contractual system, issued a bonus incentive system for urban industrial workers, allowed for some degree of private ownership of property and the accumulation of wealth and relaxed control over the people's way of life. As a result of the "Four Modernizations" campaign, mainland China again has shown new vitality in its economy, politics and socio-cultural life.

In summary, the strategy for economic development in mainland China after 1949 seemed to be built upon trial and error, along with Chairman Mao's experience during his guerilla days. Over the forty-six year period under the PRC, economic development can be summarized in six distinct "waves": (1) economic reconstruction and land reform of 1949-1952; (2) industrialization, nationalization and collectivization campaigns from 1953 to 1957; (3) the Great Leap Forward Campaign of 1958-1959; (4) readjustment and recovery, with priority given to agriculture between 1960 and 1965; (5) the destructive Great Proletarian Cultural Revolution of 1966-1975; and, (6) the economic reforms under DENG Xiaoping's Four Modernizations of 1978 to the present.

Mainland China's economic development history is viewed as a series of "waves," because of the inconsistency and great fluctuation within and between the time periods that separate the "waves." A common expression, which is very popular among many Chinese in reference to economic performance (and political struggle as well), is "one small disturbance every five years and one large crisis every ten years."

B. The Chinese Economy, Yesterday and Today: A Quantitative Account

More than forty years have passed, and the question of whether the Chinese economy has improved needs to be answered. When the Chinese Communists took over the country from CHI-ANG Kai-shek and his Nationalist government in 1949, China was in total collapse: inflation was high, the government was corrupt, the national economy was in chaos, both the city and countryside were war-torn and the people's morale was extremely low. The CCP's ability to put the country back on the recovery track within a short two-year period after 1949 appears remarkable. The redistribution of land and other agricultural reforms immediately after the establishment of the regime during the first few years of the 1950s seemed to work and seemed destined to bring mainland China new prosperity.
Aside from this short-term achievement, however, there have been considerable disagreements among scholars about the economic situation in China under the CCP. Some feel that the Chinese Communists' achievement indeed has been impressive. Al Imfeld said, "After examining so many elements of China's model of development in isolation and in various combinations, one can only resemble [sic] the whole and ask, is it working? The answer, obviously, is yes."\textsuperscript{20} Alexander Eckstein also has a similar observation. He said, "China's economic performance must be considered as impressive. . . There is very little doubt that the Chinese economy has been growing quite rapidly."\textsuperscript{21}

However, such a positive evaluation of the mainland Chinese economy is not shared by the majority of China specialists. They suggested that mainland China is still basically an economically backward country characterized by constant ups and downs and political uncertainty. Perhaps, the most critical view on mainland China's performance is offered by those who take a cross-national comparative point of view in assessing mainland China's performance against its East Asian neighbors such as Japan, South Korea, Taiwan, Hong Kong and Singapore. In the view of these comparative development theorists, mainland China is the least economically advanced among these East Asian nations.\textsuperscript{22}

To give an overall assessment of mainland China's economic development during the past forty years, we shall let the numbers speak for themselves. Again, one caution must be repeated here. We must be aware of the inflated statistics in Chinese government reports, upon which most calculations are based.

Mainland China's performance in gross industrial and agricultural output value between 1952 and 1994 is summarized in Table 5-1. As the index for gross industrial output indicates, mainland China's growth in industrial output was indeed impressive. It rose from a mere 349 million renminbi in 1952 to 76,909 million renminbi in 1994, an index of 22,031.9 increase.


TABLE 5-1. GROSS INDUSTRIAL AND AGRICULTURAL OUTPUT VALUE IN RENMINBI 100 MILLION AND INDEX 1952=100

<table>
<thead>
<tr>
<th>Year</th>
<th>Gross Industrial Output rmb 100 m</th>
<th>Gross Agricultural Output rmb 100 m</th>
<th>Index</th>
<th>Index</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952</td>
<td>349</td>
<td>100.0</td>
<td>461</td>
<td>100.0</td>
</tr>
<tr>
<td>1955</td>
<td>534</td>
<td>160.0</td>
<td>575</td>
<td>114.7</td>
</tr>
<tr>
<td>1960</td>
<td>1637</td>
<td>535.7</td>
<td>457</td>
<td>96.4</td>
</tr>
<tr>
<td>1965</td>
<td>1402</td>
<td>452.9</td>
<td>833</td>
<td>137.1</td>
</tr>
<tr>
<td>1970</td>
<td>2080</td>
<td>787.1</td>
<td>1058</td>
<td>166.3</td>
</tr>
<tr>
<td>1975</td>
<td>3124</td>
<td>1218.8</td>
<td>1343</td>
<td>202.1</td>
</tr>
<tr>
<td>1980</td>
<td>4897</td>
<td>1888.9</td>
<td>2180</td>
<td>259.1</td>
</tr>
<tr>
<td>1985</td>
<td>8756</td>
<td>3147.9</td>
<td>4580</td>
<td>451.5</td>
</tr>
<tr>
<td>1990</td>
<td>23851</td>
<td>6834.1</td>
<td>7662</td>
<td>1662.1</td>
</tr>
<tr>
<td>1994</td>
<td>76909</td>
<td>22031.9</td>
<td>15750</td>
<td>3416.5</td>
</tr>
</tbody>
</table>


As we have pointed out earlier, mainland China’s central planning was preoccupied with industrial development, especially in heavy industry. From the statistics available in Table 5-1, mainland China’s agriculture did show improvement, from 461 million renminbi in 1952 to 15,750 renminbi in 1994, with an index of 3,416.5 during the period. However, the growth in agricultural sphere was much slower than it was in industrial output which had a growth index of 22,031.9 during the same period. Indeed, industrial growth in the 1990s has been quite impressive.

As one can see, the most dramatic increase in both industrial and agricultural outputs occurred during the decade of the 1980s, a period marked by Deng’s “Four Modernizations” Campaign. The same situation also can be seen in the increase in per capita income; it doubled during the first six years of the 1980s, compared with its previous doubling, which took almost twenty years between 1952 and 1970. As Table 5-2 shows, the per capita income in 1952 was 104 renminbi; in 1970, it was 235 renminbi. But, between 1970 and 1994, it increased by five times, from 235 renminbi to 1,260 renminbi, reflecting a dramatic turn-around in mainland China’s economy. The 1994 figure showed a per capita income of 3,679 renminbi, or U.S.$418.1, an impressive increase indeed.
TABLE 5-2. PER CAPITA INCOME IN THE PRC, 1952-1994

<table>
<thead>
<tr>
<th>Year</th>
<th>Per Capita Income in renminbi (at current price)</th>
<th>US dollar</th>
</tr>
</thead>
<tbody>
<tr>
<td>1952</td>
<td>104</td>
<td>50.2</td>
</tr>
<tr>
<td>1955</td>
<td>129</td>
<td>60.4</td>
</tr>
<tr>
<td>1960</td>
<td>183</td>
<td>91.5</td>
</tr>
<tr>
<td>1965</td>
<td>194</td>
<td>97.0</td>
</tr>
<tr>
<td>1970</td>
<td>235</td>
<td>95.5</td>
</tr>
<tr>
<td>1975</td>
<td>273</td>
<td>134.4</td>
</tr>
<tr>
<td>1980</td>
<td>376</td>
<td>250.9</td>
</tr>
<tr>
<td>1985</td>
<td>674</td>
<td>229.5</td>
</tr>
<tr>
<td>1990</td>
<td>1260</td>
<td>338.7</td>
</tr>
<tr>
<td>1994</td>
<td>3679</td>
<td>418.1</td>
</tr>
</tbody>
</table>


Judging from the impressive growth in both national gross output value and per capita income, one probably would give mainland China’s performance a positive and favorable evaluation. But one would also wonder why people in mainland China seem to have more complaints about their lives. One of the major complaints has been the rising rate of inflation. Table 5-3 shows the inflation index for retail prices, industrial goods in rural areas, and the cost of living of staff and workers. In the twenty-five years between 1950 and 1975 before the full implementation of the opening door economic policy, the inflation in mainland China was relatively manageable. Using 1950 as the base for comparison, the inflation rate in 1975 was only 131.9. But inflation rates have been growing in the 1980s and 1990s along with improvements in the economy. Also shown in Table 5-3 is a yearly rate of inflation in both rural and urban areas since 1978; the yearly inflation rate has been rising steadily since China adopted an open door economic policy.

It is thus clear that although per capita income might have increased during the past ten years, the high inflation rate has made people’s lives difficult by decreasing personal purchasing power.

As we have mentioned, the major policy change in mainland China’s economic development strategy in the 1980s opened the door for trade with foreign nations. Table 5-4 shows that the increase of trade volume in the 1980s was much more impressive than in the thirty years prior to that decade, as mainland China re-en-
TABLE 5-3. INFLATION INDEX IN THE PRC

<table>
<thead>
<tr>
<th>Year</th>
<th>Retail Prices</th>
<th>Retail Prices in Urban Areas</th>
<th>Retail Prices in Rural Areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950=100</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1950</td>
<td>100.0</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>1955</td>
<td>119.5</td>
<td>126.0</td>
<td>101.0</td>
</tr>
<tr>
<td>1960</td>
<td>126.5</td>
<td>131.3</td>
<td>102.7</td>
</tr>
<tr>
<td>1965</td>
<td>134.6</td>
<td>141.2</td>
<td>97.2</td>
</tr>
<tr>
<td>1970</td>
<td>131.5</td>
<td>141.2</td>
<td>100.0</td>
</tr>
<tr>
<td>1975</td>
<td>131.9</td>
<td>148.6</td>
<td>99.0</td>
</tr>
<tr>
<td>Preceding Year=100</td>
<td>100.7</td>
<td>100.7</td>
<td>NA</td>
</tr>
<tr>
<td>1980</td>
<td>106.0</td>
<td>107.5</td>
<td>NA</td>
</tr>
<tr>
<td>1982</td>
<td>101.9</td>
<td>102.0</td>
<td>NA</td>
</tr>
<tr>
<td>1984</td>
<td>102.8</td>
<td>102.7</td>
<td>NA</td>
</tr>
<tr>
<td>1986</td>
<td>106.0</td>
<td>107.0</td>
<td>106.1</td>
</tr>
<tr>
<td>1988</td>
<td>118.5</td>
<td>120.7</td>
<td>117.5</td>
</tr>
<tr>
<td>1990</td>
<td>102.1</td>
<td>101.3</td>
<td>104.5</td>
</tr>
<tr>
<td>1992</td>
<td>105.4</td>
<td>108.6</td>
<td>104.7</td>
</tr>
<tr>
<td>1994</td>
<td>121.7</td>
<td>125.0</td>
<td>123.4</td>
</tr>
</tbody>
</table>


tered the international trade community. Unfortunately, the trade imbalance also has become unbearable. During the 1980s, the trade imbalance was heavily in favor of foreign import. In 1980, mainland China suffered a trade deficit of U.S.$1.28 billion, it reached a record trade deficit of U.S.$14.9 billion in 1985. Then, it started to level off during the second half of the 1980s. By the end of the decade, the trade deficit had been cut to U.S.$3.7 billion. Although there was a huge deficit in 1993, the 1990s in general have been years of trade surplus.

The Chinese economy was in total crisis prior to the establishment of the People's Republic of China. The forty years of PRC rule has improved the economy somewhat, but it is generally agreed that mainland China's economy would have been better if it had not been for constant power struggles and policy mistakes. Economic plans in Mainland China under Mao was short sighted and extremely naive.

Under the leadership of DENG Xiaoping, mainland China's economy has performed relatively well during the past ten years. However, in order for the economy to continue to grow, the new leadership must redirect mainland China's development. Mainland
TABLE 5-4. THE PRC'S INTERNATIONAL TRADE, 1950-1994  
(per current $US 100 million)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports</th>
<th>Imports</th>
<th>Total</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1950</td>
<td>5.5</td>
<td>5.8</td>
<td>11.3</td>
<td>-0.3</td>
</tr>
<tr>
<td>1955</td>
<td>14.1</td>
<td>17.3</td>
<td>31.4</td>
<td>-3.2</td>
</tr>
<tr>
<td>1960</td>
<td>18.6</td>
<td>19.5</td>
<td>38.1</td>
<td>-0.9</td>
</tr>
<tr>
<td>1965</td>
<td>22.3</td>
<td>20.0</td>
<td>42.5</td>
<td>2.1</td>
</tr>
<tr>
<td>1970</td>
<td>22.6</td>
<td>23.3</td>
<td>45.9</td>
<td>-0.7</td>
</tr>
<tr>
<td>1975</td>
<td>72.6</td>
<td>74.9</td>
<td>147.5</td>
<td>-2.3</td>
</tr>
<tr>
<td>1980</td>
<td>182.7</td>
<td>195.6</td>
<td>378.2</td>
<td>-12.8</td>
</tr>
<tr>
<td>1985</td>
<td>273.5</td>
<td>422.5</td>
<td>696.0</td>
<td>-149.0</td>
</tr>
<tr>
<td>1986</td>
<td>309.4</td>
<td>429.1</td>
<td>738.5</td>
<td>-119.7</td>
</tr>
<tr>
<td>1987</td>
<td>395.0</td>
<td>432.0</td>
<td>827.0</td>
<td>-37.0</td>
</tr>
<tr>
<td>1988</td>
<td>475.2</td>
<td>552.7</td>
<td>1027.9</td>
<td>-77.5</td>
</tr>
<tr>
<td>1989</td>
<td>525.4</td>
<td>591.4</td>
<td>1116.8</td>
<td>-66.0</td>
</tr>
<tr>
<td>1990</td>
<td>620.9</td>
<td>533.5</td>
<td>1154.4</td>
<td>87.4</td>
</tr>
<tr>
<td>1991</td>
<td>719.0</td>
<td>638.0</td>
<td>1357.0</td>
<td>81.0</td>
</tr>
<tr>
<td>1992</td>
<td>850.0</td>
<td>806.3</td>
<td>1656.3</td>
<td>43.7</td>
</tr>
<tr>
<td>1993</td>
<td>917.7</td>
<td>1039.5</td>
<td>1957.2</td>
<td>-121.8</td>
</tr>
<tr>
<td>1994</td>
<td>1210.4</td>
<td>1157.0</td>
<td>2367.3</td>
<td>53.4</td>
</tr>
</tbody>
</table>


China must also improve its socio-political condition in order to become receptive to the new economic environment. Whatever current achievements have occurred could be short-lived, however, if people still will be subject to political harassment and ideological control. The Communist system of rule gave people a relatively equal share of property ownership during the thirty years following 1949. But it failed to motivate people to increase production. The current active economy on mainland China clearly demonstrates that some sort of compromise between communism and capitalism is needed to provide incentive for higher productivity from the people and for further economic improvement.

II. FACTORS BEHIND CHINA'S UNDERDEVELOPMENT

During forty years of Communist rule, mainland China has undergone seven economic plans. Each of these plans was intended to upgrade the Chinese economy and to improve people's living standards. Yet, the dream of a modernized China has not been fulfilled.
What went wrong? Clearly, there is no single factor responsible for mainland China's underdevelopment. Each economic development strategy, the personality of the leadership, the rule of the state, domestic demographic factors and the international economic climate are all in one way or another responsible for mainland China's underdevelopment. Some of these factors will be examined in this section.

A. Economic Development Strategy

Until the mid 1970s, mainland China was not a market-oriented economy. It had a socialist economy in which state planning centers developed and implemented economic goals. During the past forty years of the PRC, mainland China has adopted seven Five-Year Plans. The First Five-Year Plan was adopted for the period 1953 to 1957. The main goal was to establish a base for socialist industrialization. The Plan was centered on giving priority to the development of heavy industry. One hundred fifty-six key projects were planned and implemented to promote the technological transformation of the economy and to build a secure base for further industrialization. The result was mixed. Although the gross value of industrial output in general showed steady growth, agricultural output and light-industrial production suffered. By the second half of this First Five-Year Plan, emphasis on heavy industry shifted to a more balanced growth for industry and agriculture.

The Second Five-Year Plan, from 1958 to 1962, was marked by the "Great Leap Forward" Campaign from 1958-1960, with a one-sided emphasis on the rapid development of heavy industry, especially the production of iron and steel. Large amounts of material and labor were invested in heavy industry at the expense of agriculture and light industry. Millions of peasants abandoned farming to make steel by indigenous methods. As a result, agricultural production dropped spectacularly.

The Third and Fourth Five-Year Plans coincided with the outbreak of the Cultural Revolution. Again, the emphasis was on the development of heavy industry. The annual steel output target for the end of the Third Five-Year Plan was set at 20 million tons and for the end of the Fourth Five-Year Plan, 35-40 million tons. But, these targets were never fulfilled, as production outputs declined and people's enthusiasm for work declined.

After the death of MAO Zedong and the overthrow of the "Gang of Four" in October 1976, the Fifth Five-Year Plan was adopted for 1976-1980. This was a time of readjustment, consolida-
tion and improvement of the nation's economy. Proposals were made to produce 400 millions tons of grain, 60 million tons of steel, 250 million tons of oil, to develop 120 large and medium-size projects, and to import large amounts of modern equipment and technology by the end of the Sixth Five-Year Plan (1981-1985).

More specifically, the Sixth Five-Year Plan called for: (a) a planned annual average increase of 4 percent in industrial and agricultural production; (b) an increased output of agricultural production, textile and other light industrial goods as well as manufactured goods for daily use; (c) readjustments in the direction of heavy industry and its product mix; (d) extensive technical renovation aimed mainly at energy savings; (e) a unified, organized national force of scientists and technicians; (f) intensified construction of national defense and the national defense industry; (g) a reversal of the downward trend in state revenues and a balance in revenues and expenditures and in credit receipts and payments; (h) an increase in international trade and imports of advanced technology; (i) rigid control over population growth; and, (j) intensified environmental protection.23 But even with the technological assistance from abroad, these targets were again much too high and too unrealistic. Wensen LIANG commented that “if 1958 can be characterized as a year of excessive haste based on ‘indigenous’ methods, then 1978 was one of haste based on ‘imported’ methods. The result compounded the difficulties facing us during the period of economic readjustment that was initiated in 1979.”24

The Seventh Five-Year Plan, which started in 1986, was completed in 1990. Premier ZHAO Ziyang outlined three major tasks at the National Conference of the CCP on September 19, 1985. He said,

There are three main tasks in the period of the Seventh Five-Year Plan. First, to create a sound economic and social environment for the smooth progress of the structural reform. Second, to speed up the construction of key projects, the technological transformation and intellectual development, in order to provide the material and technological conditions necessary for continued economic and

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social development in the 1990s. And third, to continue to improve the people's living standards.  

Zhao went on to divide the period of the Seventh Five-Year Plan into two stages: "In the first two years, the emphasis will be on controlling social demand in general to solve the problems of overly rapid growth rates, excessive investment in fixed assets and sharp increases in consumption funds. . . . In the next three years, investment in construction will be increased according to the circumstances prevailing then." The annual growth rate of mainland China's total industrial and agricultural output value during the period was projected at 7 percent and the growth of GNP was also set at 7 percent. The Chinese leaders believed that the fulfillment of these targets would increase mainland China's economic strength in the 1990s.

The Eighth Five-Year Plan, which covered 1991-1995, was announced in December 1990 as part of China's Ten Year Grand Plan toward the end of the decade. The plan called for (a) at least a yearly six-percent GNP growth; (b) stabilizing unbalanced economic development; (c) the improvement of technology and management efficiency; (d) the development of agriculture, energy sources, transportation, and raw material production; and, (e) to reassure the necessity of the open-door economic policy. The main goals in the Eighth Five-Year Plan were to sustain economic growth and to control rising inflation rates. Table 5-5 lists mainland China's eight Economic Plans in chronological order.

The main purpose of a planned economy is to coordinate all aspects of economic activity and development so that they can be implemented and achieved according to a pre-established goal. Mainland China is a centralized, planned economy through which developmental targets and guidelines are realized. LIU Suinian, a Chinese economist, said, "A good state plan must ensure that the initiative of the enterprises and the rational development of the economy are closely linked. In practice, enterprises will look to the state plan for guidance so that they can bring their activities into

TABLE 5-5. PRC's ECONOMIC PLANS AND THEIR PERFORMANCE

<table>
<thead>
<tr>
<th>Plan</th>
<th>Period</th>
<th>Annual Growth Rate of National Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st Five Year Plan</td>
<td>1953-1957</td>
<td>8.9%</td>
</tr>
<tr>
<td>2nd Five Year Plan</td>
<td>1958-1962</td>
<td>-3.1%</td>
</tr>
<tr>
<td>3rd Five Year Plan</td>
<td>1966-1970</td>
<td>8.4%</td>
</tr>
<tr>
<td>4th Five Year Plan</td>
<td>1971-1975</td>
<td>5.6%</td>
</tr>
<tr>
<td>5th Five Year Plan</td>
<td>1976-1980</td>
<td>6.0%</td>
</tr>
<tr>
<td>6th Five Year Plan</td>
<td>1981-1985</td>
<td>8.3%</td>
</tr>
<tr>
<td>7th Five Year Plan</td>
<td>1986-1990</td>
<td>8.5%</td>
</tr>
<tr>
<td>8th Five Year Plan</td>
<td>1991-1995</td>
<td>11.1%</td>
</tr>
</tbody>
</table>


line with the needs of the state and the society.”28 If the primary goal of central planning is balanced and proportionate growth, then we must say mainland China’s economic development still has several significant problems.

First, a good state plan does not guarantee success. It still needs to be implemented effectively. Since 1949, mainland China has adopted several methods to implement its state plans with mixed results. Moreover, the shift from one implementation method to another also causes problems.

Second, the state planning agencies must have reliable sources so that any plan designed will not be totally unrealistic and unattainable. In all existing centralized planned economies, an extensive information-collection network is a prerequisite for constructing a plan. Although mainland China established its State Statistical Bureau in October 1952, its effectiveness is questionable due to the frequent changes in the political winds.

Third, there is an inherent conflict between planning agencies and enterprises. Planners have a strong interest in economizing on raw materials and in guaranteeing that output will be maximized. On the other hand, enterprises want to protect themselves against the risk of not fulfilling the output plan, and thus have strong tendency to demand low output quotas and high input requests.

Fourth, although mainland China has had a central planning system since 1953, a highly centralized command system has never been put fully into effect. The performance of the planning system during the past forty years has proved to be mixed. Mainland China’s vast territory, inefficient transportation and communication systems, illiterate population, regionalism, lack of experience in the CCP leadership and changes in political ideology all have undermined the effectiveness of centralized planning.

Fifth, a centralized planned economy is often rigid, lacking flexibility in dealing with sudden changes in economic activity. Because it is pre-established and centrally controlled, it does not have the ability to respond quickly to such sudden changes as natural disasters and international trade fluctuations. The problem of bureaucratic redtape is likely to be more serious in a centralized planned economy than it is in a market-oriented capitalist economy.

All these problems are further complicated by the lack of reward and incentives given to lower-level administrators and work-unit leaders. Often, goals outlined in state plans are ignored unless there is built-in reward. As a result, mainland China’s economic performance, which is based on a centralized planning system, has not worked well. A certain degree of decentralization of economic planning and implementation thus becomes necessary to improve mainland China’s economic performance.

Attempting to deal with the problems inherited from their state economy, China is currently taking a more relaxed approach toward economic planning. One of the main differences between the pre-1975 and the post-1975 economic planning is the trend of decentralization in the initiation and implementation of economic policies. Since 1990, the CCP has officially endorsed the Socialist market economy in which the party-directed ideology plays a much diminished role in the economic development program. As a consequence, the regional governments now enjoy a greater degree of autonomy in investment and in making foreign trades which, in turn, has revitalized China’s economy in the 1980s and the 1990s.

B. Mao’s Leadership and the Role of the State

As we mentioned before, the role of the state could be crucial in the development of the economy in any society. An effective and modern-oriented government could serve as a positive change agent in promoting economic growth and modernization. On the other hand, a corrupt and conservative government could undermine any attempt to upgrade a society’s economy and culture. This
is particularly true in a society like mainland China’s, whose style of economic development is built upon a centralized planning system that requires a strong and effective government.

Until his death in October 1976, MAO Zedong was the unquestioned leader of the CCP and a semigod in the mind of the Chinese populace on the mainland. Even though he was challenged by other Communist leaders from time to time throughout his lifetime, Mao stood tall and above everyone else. Mao’s ideology and style of government dictated the fate of mainland China. Thus, the failure of mainland China’s development must be attributed in large degree to Mao.

Like many of his contemporaries, MAO Zedong witnessed China’s continuing civil wars and its frequent humiliation by foreign invasions. He also was exposed to a wide variety of modernization schemes in his youth. But, the influence of LI Dazhao finally converted Mao to Marxism. Although Mao agreed with Marxism and Leninism on the claim that economics is the foundation of human civilization, he did not accept their notion that the machine would eventually shape history. Rather, Mao believed in human will-power as the final decisive force in shaping economic development and that politics, not machinery would always command economies. Such thinking became the overriding basis for policy guidelines in China under Mao under the Communist victory in 1949.

In Mao’s China, ideology was the leading force in the class struggle as well as in economic development. Chu-yuan CHENG suggested, “Of all the factors affecting the Chinese economy, the primacy of ideology probably has had the most profound impact.”29 Therefore, it is no surprise that the ups-and-downs of mainland China’s economic development in the post-1949 period reflected changes that occurred in ideology. During the land reform of 1949-1952, mainland China’s entire peasantry rallied behind Mao in the fierce class struggle against the bourgeoisie, and again in the Great Leap Forward Campaign, where 100 million Chinese worked in the construction of irrigation projects while another 60 million operated backyard blast furnaces to produce steel and iron. Ideology was the driving force.

From MAO Zedong to DENG Xiaoping, China’s leadership has been built upon what Max Weber has called a charismatic authority. Weber defined the concept of “charisma” as:

A certain quality of an individual personality by virtue of which he is set apart from ordinary men and treated as endowed with supernatural, superhuman, or at least specifically exceptional powers, or qualities. These are not accessible to the ordinary person, but are regarded as of divine origin or as exemplary, and on the basis of them the individual concerned is treated as a leader.  

In other words, a charismatic leader must claim by words or deeds that he possesses magical powers, revelations, heroism or other extraordinary gifts. A charismatic leader, therefore, must continually convince others that he is really extraordinary and superhuman. Failing to do so, a charismatic leader will lose his followers, as well as his authority. Very often, charismatic leadership emerges in a situation that calls for extreme action in a time of crisis. By virtue of his extraordinary qualities, the charismatic leader challenges an established practice. Born in crisis and nourished by radical change, charismatic leadership is unstable and also short-lived because it builds upon a self-proclaimed personality.

Unquestionably, MAO Zedong was a charismatic leader. Not only did Mao himself believe he was someone special, but so did nearly everyone in mainland China. People gathered and worked frantically under banners such as “Long Live Chairman Mao,” “Under the Direction of the Great Chairman Mao,” and “Following Our Great Revolutionary Teacher Chairman Mao.” Mao’s charismatic legacy is best reflected in the following passage taken from the memoir of YUE Daiyun, a female Chinese faculty member at Beijing University. She recounts her emotional excitement when she sat with Mao and other CCP leaders in the reviewing stand at Tiananmen Square on October 1, 1963:

and through the crowd walked Chairman Mao flanked by his top officials. Passing among the rows of guests, he came up to our family as we waited breathlessly, shaking all of our hands, even the children’s. . .I had seen Chairman Mao’s picture so many times, but in real life he was taller and more imposing than I had imaged. . . . I gave myself over to the extraordinary thrill of those moments. All the suffering I had undergone seemed worth this personal encounter with the man I regarded reverently as the savior of my country. . . . When I left Tiananmen Square, a new passion burned within me. The euphoria of that mo-

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ment renewed my sense of purpose. As the days passed and I recalled the touch of Chairman Mao’s hand clasping mine, so large and warm, I felt a compelling desire to do something for my leader and my country. Once again believing that a bright future lay ahead of us, I pledged to devote myself with fresh energy to the cause of the revolution.  

Mao’s ideology reached its peak during the Cultural Revolution of 1966-1968, when it was treated as a state cult. In the words of Lucian Pye,

Each day students were gathered together and harangued by their leaders on how MAO Zedong personally was counting on them to save the revolution. Mao worship became almost hysterical. The rallies throughout the country, but particularly in Beijing, became great outbursts of emotion involving waving, singing, and often crying students.

Mao and his Red Guards believed that the ideology they proclaimed could solve all of China’s sufferings. A man with Mao’s stature certainly could lead China to prosperity and political sovereignty. The whole country was behind him and ready to do whatever he asked. Unfortunately, Mao’s concept of a continuing class struggle made steady and stable economic growth impossible. Moreover, Mao was naive in believing that people would work for nothing. He accused those who advocated material incentives as being the class enemy. Chu-yuan CHENG pointed out that the economy usually suffered deeply in China when material incentives were ignored and egalitarianism dominated such as in the Great Leap Forward, the Cultural Revolution, and the Gang of Four periods. Cheng concluded that the egalitarian policy was at the root of China’s stagnation.

In short, Mao’s ideology and style of governing are two of the main causes of China’s underdevelopment. Economic reforms, such as wage increment, profit sharing and privatization of commercial activities in the “Four Modernizations” Campaign under the

33. Cheng, 1982, supra note 5.
current leadership of DENG Xiaoping in the post-Mao era, show significant departure in many ways from Mao’s way of doing things, even though such deviation is publicly acknowledged. Economically, mainland China is now much better off under the new economic reform policy than it was under Mao.

Nevertheless, one has to be cautious in assessing the current short-term economic improvement. There is one striking resemblance between Mao and Deng. Just like Mao, Deng attempts to rally the whole nation to faster modernization around his vision of China’s future. Any policy built upon a charismatic leadership is always dangerous, especially if the leader is aging. Several questions remain to be answered. Will Deng be able to maintain his charismatic leadership for the rest of his life? Will Deng’s successors be able to enjoy similar charismatic leadership? The transformation from Mao to HUA Guofeng, after the death of Mao in 1976, witnessed the difficulty of the succession of charismatic authority from one leader to another and the inherited instability of a polity built upon such an authority. The resignation of Deng’s two apparent successors, HU Yaobang and ZHAO Ziyang, and the 1989 mass student demonstration are an indication of mainland China’s political future; troubles definitely lay ahead.

C. Mass Mobilization and Economic Instability

Part of the difficulty in maintaining long-term political stability and economic planning in China since 1949 arose from the Chinese leaders’ reliance upon mass mobilization in the campaign for economic development and social reform. A mass mobilization campaign in China is a movement, often conceived at the top of the power structure, which encourages and promotes active participation by the masses in collective action, for the purpose of supporting a particular leader, policy or program. James WANG observed, “Rarely has an important policy or program been launched without a mass campaign to support it.”34 Mao and his followers, including DENG Xiaoping, believed in the significance of returning to the masses whenever something important needs to be done. Table 5-6 lists all the major campaigns launched during the forty-year history of the People’s Republic of China.

But economic and socio-political development built upon mobilization campaigns is extremely dangerous. Sociological and psy-

<table>
<thead>
<tr>
<th>Mass Mobilizations (Years)</th>
<th>Targets</th>
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</thead>
<tbody>
<tr>
<td>3. Anti Counter-Revolutionaries Campaign (1955)</td>
<td>Former KMT members.</td>
</tr>
<tr>
<td>5. Anti-Rightist Campaign (1957)</td>
<td>Intellectuals.</td>
</tr>
<tr>
<td>7. Socialist Education Campaign (1963-5)</td>
<td>Corrupt cadres in the rural area.</td>
</tr>
</tbody>
</table>

chological studies of various forms of collective behavior have all revealed that crowds acting collectively are highly emotional and difficult to control. In each of the mass mobilization campaigns in mainland China since 1949, verbal accusations and humiliations, political executions and factional struggles have become dominant features. Moreover, the original goals of the campaign were often lost during the course of the movement, and attention shifted from organizational reform to attacking individual victims. Evidence from the mainland clearly shows that mass mobilization campaigns have failed to promote any successful economic or socio-political development during the years since 1949.

Although problems such as large population, isolation from the outside world, low educational attainment within the population, lack of technological know-how and absolute poverty have all created obstacles in mainland China's efforts toward economic development, political instability, the charismatic nature of Chinese political leadership and weaknesses in mass mobilization campaigns might well be considered the most damaging shortcomings. With nearly 80 percent of its population still engaged in agricultural activities, mainland China can hardly be classified as an industrialized nation. Its economy has not shown a long-term, steady improvement that would justify its status as a nation moving toward economic growth, the second stage in our analytical scheme of the transition from tradition to modernity outlined in Chapter 1.

III. SOCIAL STRUCTURE AND SOCIAL PROBLEMS

A. Labeling Process and Social Problems

In our theoretical, analytical scheme, we treat modernization as a consequence of both industrialization and economic growth. We suggest that a society in Third World nations will move smoothly into the modernization stage only after successful accomplishment of the earlier two stages. As mainland China today is struggling with underdevelopment, social and political reforms that move a society toward those characteristics common to modernized societies do not exist.

Problems and obstacles in mainland China are many. But they are defined by the government. The definitions are given in a process of labeling through which the authority and the powerful group apply labels to an issue, such as “problematic,” or to an individual, such as “enemy of the people.” In this process, the “problematic” label is applied to any issue that is contrary to the interests of the
authority, and the powerful group, and the "enemy" label is given to an individual whose behavior does not conform to the rules of the authority and the powerful group.

In mainland China, the labelers are the *ganbu*, or the cadres, especially the *gaogan*, or the high-ranking cadres. In our earlier discussion of mass mobilizations, we found that rectification seemed to be a predominant theme. Mass mobilization campaigns were used to rectify or correct individual behaviors or social attitudes which did not conform to the rules defined by the authority and the power established by a single leader like Mao or Deng.

In Mao's mind, only the working poor were "people," the rest were non-persons. Bourgeois businessmen, the industrialists and traders were denounced as non-persons. These non-persons could become "people" if they adopted Mao's ideology and if Mao needed them. A label was applied to any individual or group who did not agree with Mao. When Mao asked people to "draw a clear line," he meant the line between him and the rest of the country. Criticism and self-criticism were used to reveal men's faulty reasoning and to educate them with Mao's thoughts. In mainland China, applying a label to deviant nonpersons seemed to be a favorite means in denouncing Mao's (as well as other leaders') opponents. Such a label as "left deviationists," "right deviationists," "monsters and ghosts," "capitalist roaders," "poisonous weeds," and "paper tigers," were applied to various groups of individuals who either disagreed with or opposed Mao's ideology. Mao was the labeler. No one other than Mao himself could change Mao's decision. Unfortunately, Mao's application of labels was so arbitrary that very few people could safely remain on Mao's side permanently.

Mao's simple-minded vision also dictated mainland China's policies on social problems. During his lifetime, Mao launched numerous campaigns attacking the sicknesses of Chinese society such as bribery, tax evasions, corruption, capitalism, inefficiency, bureaucratization, waste, poverty and class inequality. The Great Leap Forward Campaign was Mao's way to lead China into an industrialized age, while the Cultural Revolution was aimed at blocking China's gradual erosion into capitalism. Mao's naivete was also responsible for the population of mainland China we see today. Mao was never comfortable with machines and technology; he held a firm belief that human will was the essence of all civilizations. Therefore, the more human power a nation has, the more it will progress.
Mao believed in a theory of "human hands," viewing the population as representative of human power to work and produce, not as "human mouths" to eat and consume. Population was never a problem in Mao's mind, and the CCP under him at times rejected outright any kind of population control policy. The incident of MA Yinchu, as described in Richard Bernstein's *From the Center of the Earth*, reflected the difficulty of proposing a policy contrary to Mao's thinking:

In 1957, one of China's leading economists, MA Yinchu, at the time president of Beijing University, proposed at the Fourth Session of the First National People's Congress that a birth control campaign become part of the mass-education curriculum. Ma, for his pains, was branded a "rightist." He was disgraced and driven from the university and remained for twenty years an object of official contempt.35

As a result of Mao's stubborn view on population, mainland China's population nearly doubled in thirty years, from 541,670,000 in 1949 to 917,899,000 in 1975, as seen in Table 5-7. With the exception of 1960, due to the destruction from the Great Leap Forward Campaign, mainland China's population has shown a rapid increase. Only in recent years after Mao's death has population growth started to receive the government's serious attention: A "one-child" family policy has been launched to attempt to control mainland China's population. Nevertheless, China still has the largest population in the world today with a count of 1,198,500,000 in 1994.

The application of labels to social problems based upon one's own conviction and belief was not limited to Mao himself, however. DENG Xiaoping, twice the victim of Mao's labeling tactic, is currently following Mao's footsteps in applying labels to those who do not agree with his Four Modernizations program. Criminals in Deng's China are those who either resist the Four Modernizations program or exhibit behaviors that are incompatible with the modernized social order defined by Deng.

In an article published in the *People's Daily*, on October 8, 1984, the writer accused those who resisted Deng's program as anti-Communist Party, because they still mistakenly held Mao's belief that politics could be used only for destruction and class struggle.

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When Mao was alive, the "capitalist roaders" were deviants and anti-revolutionary. Today, the "capitalist roaders" (they are now being called the "reform clique") like Deng and his followers are in power and are the leading force in mainland China's current push for economic reform; Mao's ideological supporters are being labeled deviants.

Under Deng, three kinds of anti-modernizationists are currently under attack: (1) those who rose to power during the Cultural Revolution; (2) those who hold factional separationist ideologies; and, (3) those who disturb the social order undermining Deng's modernization movement.

The World Journal reported that an estimated ten thousand deviants and criminals have been executed in mainland China, and an additional one hundred thousand people have been sent to labor camps since 1984.36 Without an institutionalized judicial system, the punishments given to offenders sometimes are politically inspired in the name of national development.

Of course, criminals in mainland China today are not necessarily all victims of Deng's new ideological shift from Mao's ideology to a pragmatic approach. An increasingly large number of criminals come from those who misuse or abuse their privileges by

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taking advantage of the rapid change under the banner of the Four Modernizations. This group of criminals is likely to be composed of higher and middle-ranking cadres who have access to newly acquired wealth or, as the Chinese Communists put it, “polluted by the capitalist mind.” In a speech DENG Xiaoping delivered in April 1982, he admitted that the number of “economic criminals” is large. He said,

Their misdeeds are more serious than the crimes exposed in the days of the movements against the “three evils” and the “five evils.” At that time, people who had embezzled 1,000 yuan or more were rated “small tigers” and those who had embezzled 10,000 or more, “big tigers.” Today, we have many cases of very big tigers. . . . There are many appalling cases of embezzlement or other damage to the national interest.37

A recent national Party document revealed the existence of three corruptions commonly found in higher and middle-ranking cadres: (1) the illegal buying and selling of controlled goods; (2) the illegal raising of prices without permission; and, (3) unlawfully receiving money and gifts. All these acts were labelled anti-modernizational, and thus were cracked down on. Unfortunately, racketeering by government officials and high ranking CCP cadres was so widespread that it ignited student demonstrations in the spring of 1989, to demand that government take action against corrupt officials.

It is clear from the above discussion that the authorities in mainland China, often the supreme leaders like Mao or Deng, first gave a definition to a problem by making a distinction between revolutionary (acceptable) and anti-revolutionary (rejected). Then, a label was applied to an individual or an issue so that it could turned into a target for denunciation in the national campaign. The deviant or problem label would only be taken off when those in authority changed the definition. In 1980, an elaborate rehabilitation ceremony was held at the Great Hall of the People in Beijing to remove the label from LIU Shaoqi, the former head of state and Mao’s chief rival for many years, as “the archreactionary capitalist roader” and to restore his family’s standing. Again, in 1985 the CCP announced it successfully had rectified twenty million Chinese who previously were labeled “enemies of the class.”

Blaming the victim as the cause of current problems is often involved in the process of labeling a person or a group of individuals. Such a tactic is now commonly used by the authorities in mainland China to explain the failure of China's economic development and the deterioration of the Chinese social order. The current Chinese leaders have attributed all socio-economic problems to the "Gang of Four" and the "Red Guards." These two groups are said to be the real cause of mainland China's underdevelopment.

The "Gang of Four" were JIANG Qing, WANG Hongwen, YAO Wenyuan, and ZHANG Chunqiao, who rose to power during the Cultural Revolution and dominated mainland China's political scene until the death of Mao. But, in 1980 the "Gang of Four" was put on trial for crimes against the state. They were blamed for the "ten terrible years" of the Cultural Revolution and were accused of conspiring to overthrow the political power of the dictatorship of the proletariat. The Four had "brought false charges against LIU Shaoqi and persecuted him;" they had "framed and persecuted" other outstanding revolutionary heroes and national leaders; they had "incited beating, smashing, and looting, shipped up [sic] violence, and trumped up false charges, persecuting and suppressing large numbers of cadres and people;" and, they had instigated armed clashes and plotted armed rebellion. The "Gang of Four" were blamed for crippling the Party and the economy, the educational system, the arts and sciences, and a generation of youth.

A similar fate also has been fallen the "Red Guards," consisting mainly of youths aged 12 to 20 who followed Mao's order to "bombard the headquarters" during the Cultural Revolution. Today, the former "Red Guards," who are now in their thirties and forties, are a lost generation in the Chinese social and political scene. They are labeled the "extreme leftists." They are also the victims of their own early actions. Most of them were poorly educated as a result of the closing of schools during the Cultural Revolution and many of them are now in jails throughout the country because they grew up during the Cultural Revolution, a time of normlessness and lawlessness. In answering the question as to why mainland China has not been able to modernize, most of the Chinese today would say that it was the fault of the "Gang of Four" and the "Red Guards." In this process, blame is placed on the victims as the cause of mainland China's inability to modernize and of mainland China's increasing social problems.

In a group-oriented society like mainland China, the effect of labeling is tremendous. On the individual level, the "deviant" label
extends far beyond the individual himself, to his family, relatives, friends and associates. On the societal label, the "problematic" label is applied to a social condition that is supposed to push the whole society toward the rectification of that condition. Since the authority has the ultimate power to label who is deviant and what is a social problem, it is often arbitrarily defined.

B. Marriage and Family

For the Chinese, family is everything. On the individual level, the family provides comfort, enjoyment and emotional support in times of prosperity and crisis; on the societal level, the family serves several major functions in maintaining social stability and integration. As the central institution of traditional Chinese culture and society, the family started to feel the effect of the collapse of traditional Chinese political-systems in the early twentieth century. For instance, various field researchers in urban and rural China found indications of an increasing unwillingness among young couples to accept arranged marriages, an awareness of the suffering of women in the family and society, and a preference among the younger generation for a nuclear family.

When the Communists took over mainland China in 1949, families throughout China were in a state of chaos after more than several decades of internal and external warfare, floods, political oppression, famine and widespread epidemics. MAO Zedong, who had never appreciated Confucian teaching, seized this opportunity to launch attacks on all traditional Chinese institutions, including the family.

The CCP's effort to revolutionize the Chinese family system was formalized with the enactment of the Marriage Law in 1950. The aim of the Marriage Law was to establish a "new democratic marriage, which is based on free choice of partners, on monogamy, on equal rights for both sexes, and on protection of the lawful interests of women and children." On the surface, the Marriage Law seemed to recognize the husband-wife relationship as the foundation of the new Chinese family; however, it subordinated personal sentiments of love and mutual attachment to loyalty to the CCP and the state.

The CCP theorists saw that there was a fundamental conflict and incompatibility between collectivism and familism. Between 1956 and 1957, people's communes were introduced. By establishing community canteens, nurseries, kindergartens and homes for the aged, the CCP transferred to the communes most of the eco-
nomic functions that previously belonged to the family. Chu CHAI and Winberg CHAI, in their remarks on the effect of the communes, said, "Worst of all, the family has been scattered: children are delivered to community nurseries; aged parents live in the 'homes of respect for the ages'; families move into barracks; in some localities, even wife and husband live in different dormitories."38 Under the commune system, people had to be ready to be located and relocated according to the needs of the state.

The deathblow to the structure of the Chinese family and society perhaps was dealt by the Cultural Revolution in the 1960s. As discussed, mainland China was in total chaos during those years; almost everything was turned upside down and everyone was turned against everyone else. It was a time when husbands divorced their wives for fear of political persecution, young children dragged their parents onto the street and humiliated them in front of large crowds, and family members were sent to remote labor camps far away from each other. It was a time of madness. Marriage and divorce were often a matter of political necessity. The family was almost nonexistent during these disastrous ten years of the Cultural Revolution.

However, under Deng's "Four Modernizations" campaign, the family has begun to recover. Several patterns are emerging within the marriage and the family institutions in today's mainland China.

1. Declining Family Size and the Aging Population

Perhaps the most significant change in the Chinese family on the mainland in the 1980s was the decline in family size as a result of the "one-child" policy. Under Mao, mainland China's population increased by 400 million in twenty-five years, with an annual growth rate of more than twenty-five per thousand. Realizing the tremendous burden that such a huge population places on the economy, the CCP leadership launched an ambitious family planning campaign to limit each family to one child. Under this new one-child policy, couples who agree to have only one child are allocated extra living space, extra ration coupons, free education and health care and salary increases. In contrast, if a couple has a second or third child, the family loses all benefits and faces a possible cut in wages and promotion opportunities.

Contraception is practiced among women throughout the nation, and involuntary and forced abortion is performed once a second pregnancy is discovered. By mid-1982, fifteen million Chinese couples with one child each had pledged to have no more. They have received “only child glory certificates,” entitling them to the special benefits noted above. The average family size thus has declined from 5 persons in the early 1960s to 3.8 persons in the 1980s.

However, certain serious side-effects of the one-child policy have emerged, such as an increase in both female infanticide and selective abortion where the sex of the unborn baby is known to be female. Mainland China today is still a patrilineal society in which the family name is carried on by male family members, and the one-child policy poses a problem for such a cultural belief when the first-born is a female child. Estimates suggest an overall annual loss of 230,000 to 350,000 baby girls. In addition, the one-child policy often means that the single child is greatly spoiled by the parents and grandparents. As a result, numerous centers have been established throughout mainland China to better educate families in how to raise their children.

The combination of declining birth rates and increased life expectancy in mainland China in recent years, under the Four Modernizations program, has led to an increase in the proportion of elderly people in the population. Statistics show that in 1980 those aged sixty and older accounted for 5.6 percent of the total population and by the year 2025 this proportion is expected to reach 16.4 percent. Although mainland China does have a pension system for retired urban workers and party officials in the cities and a “five-guarantee” elderly welfare program for the rural aged that provides food, clothing, housing, medical treatment and burial, the programs cover only a small portion of the total elderly population.

Thus, the main responsibility for taking care of the elderly falls on the family. Traditionally, this was not a problem because the size of the family was large and the organization of clan and kinship groups was effective in providing welfare for the poor and the aged. Care of the elderly has become a serious problem for families in


recent years because small family size generally means that there are no spare hands to take care of elderly parents.

The problem is most acute in the cities where housing is almost impossible to find. A national survey carried out between July 1985 and July 1986, covering housing problems in 323 cities, discovered that living space averaged 6.3 square meters per person, with 25.7 percent of urban residents having an average space of less than 4 square meters. The survey also found that 97.3 percent of these urban households had electric lighting, 81.6 percent running water, 70 percent kitchens, 42.5 percent indoor toilets, 24.4 percent heating and 7.6 percent bathtubs. According to a report in the Shanghai Liberation Daily, the average living space per person was 5 square meters, with one-third having less than 3 square meters of living space. 41

The lack of adequate housing has forced young couples in urban areas to delay their marriages. Many newly-married couples rent apartments in surrounding rural areas or are housed in temporary apartments for up to two years before they are allocated permanent housing. A pattern of developing nuclear families also has emerged out of this lack of adequate housing for young couples unable to accommodate their parents. A survey in Guangzhou found that 66 percent of young people prefer to establish a separate household independent from their parents. Eighty percent of those surveyed in another study in a village in Shanxi province also expressed a similar preference. 42

2. Mate Selection

In traditional China, mate selection was handled by the parents; young couples were not involved in the selection of their potential spouses. Very often, they did not see each other until the date of the wedding. As traditional marriage was for the continuation of the family name, upper and middle-class parents were very careful in matching the family and socioeconomic background of their children’s potential mates, while poor parents often sold their daughters for whatever price they could get.

After the establishment of the PRC, the Marriage Law of 1950 advocated freedom of mate selection based on love and attachment and outlawed marriage through purchase. Still, parents continue to

41. Id., pp. 50-54.
influence the mate selection process. During the Cultural Revolution, political and ideological factors were the main criteria for choosing a mate.

In mainland China today, the criteria for mate selection seems to be more open and pragmatic. Young people want to choose their own mates and, at the same time, find a rich partner to marry. A survey of 173 young people in Guangdong Province shows that 80 percent want to choose their own mates and are against the idea of their parents, relatives, co-workers, teachers or party leaders making the choice for them. Ninety-five percent list love, tenderness and honesty as the three most important traits they expect from their partners. Close to 50 percent would consider the family background of a potential mate.43

In the cities, men who have technical skills and higher education are highly desirable, and in the villages wealthy peasants are the ideal candidates. The *Shanghai Liberation Daily* has reported that there have been more than 30,000 marriages between Shanghai citizens and villagers from the surrounding rural areas during the six years since 1979, far more than the 7,500 such marriages reported during the twenty-eight year period between 1950 and 1978.44 The increase in marriages between urban and rural residents can be attributed to at least two important factors: the increasing wealth of peasants resulting from the current economic policy and the difficulty of getting housing in the city. Many young mainland Chinese feel that life in rural areas under the responsibility system is as good as life in the city and that marrying someone from the countryside means immediate wealth and comfortable housing.

3. *Late Marriage and Early Engagement*

The official minimum age for marriage in China today is twenty-six for men and twenty-three for women. Many young couples are encouraged to marry late to be in line with the one-child policy and to wait for the allocation of married housing. Although marriages in the city seem to follow the government’s late marriage policy, several reports from rural areas show a trend toward an early engagement age. In a village in Hebei Province, for

example, 80 percent of young people between ages twelve and seventeen were already engaged; and among the nine-year-old children, three out of four were engaged. In another village in Shandong Province, 139 of the 299 children between ages nine and fifteen were engaged, and only nine girls age eighteen or older were not engaged in 1986. Forty percent of those registered to marry in a village in Sichuan Province in 1985 were below the legal age permitted for marriage.

Reasons for early engagement vary. One of the reasons given in rural areas is the need for labor on the private farms that are now part of the responsibility system under Deng's Four Modernizations program. Another reason is that parents want to take advantage of the liberal atmosphere in the country under the Four Modernizations and arrange for their young children to be engaged to partners with good prospects before the CCP leadership changes its mind and tightens social controls. To a large degree, early engagement is a way of getting around the government's tough control over the marriage age; it probably also means that young couples live together as husband and wife even though they are not officially married.

4. Sex Role Differentiation

The Marriage Law of 1950 and the Constitution of 1954 all guarantee women equal rights in employment and equal pay for equal work. Government statistics show a high level of labor participation among women; women account for 27 percent of CCP officials, 36 percent of the labor force, and 58 percent of medical and health personnel. There is a clear trend toward the dual-wage family in mainland China after 1949. In 1986, a study of 173 young people in Guangdong showed that a great majority agreed that husbands and wives ought to share household responsibilities and obligations equally (61 percent), and ought also to share family income and spending, household work and children's education (72 percent). Moreover, 89 percent agreed that a one child family is the ideal number.45

Nonetheless, women in mainland China today still work more hours than men do in maintaining the household. The Research Office of the State Science and Technology Commission recently surveyed 1,400 working women and found that 85 percent of them do three to four hours of housework daily, compared to one to two

hours done by husbands. The survey also found that one-third of the working women have abandoned career promotion opportunities in favor of family responsibilities. As a majority of mainland China's married women work, they desperately need domestic help. A study in Shanxi Province found that 85 percent of the women in the province urgently needed help with household burdens. As one female author commented, "in China today equality between men and women exists only in name, not yet in reality."46

5. Increase in Divorce

Divorce was rare in traditional China. Although the Marriage Law of 1950 gave women equal grounds for divorce, it was still very unusual, if not socially unacceptable, for a woman to ask for a divorce during Mao's era. However, since 1978, divorce cases have shown a steady increase. The available statistics on divorce in mainland China show that approximately 170,500 couples were involved in divorce cases in 1978, and this number increased to 417,000 in 1984.

As we mentioned before, one of the main reasons for getting a divorce during the Cultural Revolution was to avoid being implicated with spouses who had been labeled "counter-revolutionaries," "rightists," or "capitalist roaders." Researchers have attributed the current increase in divorce to several factors. Among them, the separation of husbands and wives due to the necessities of work is the most serious. An analysis of divorced couples in Shanghai in 1982 found, for instance, that 32 percent had been separated for reasons of different work locations for one to four years prior to their divorce; another 24 percent had experienced five to nine years of separation. In total, only 30 percent of those who were divorced in Shanghai in 1984 had not been separated. Husband-wife separation occurs both because of housing difficulties in the city and because of the government's job allocation policy.

Other reasons leading to divorce include marriage through purchase, rushing into marriage too quickly, smaller family size, sexual incompatibility and adultery. Analyses of divorces in several other localities also indicate that women are more likely to initiate divorce proceedings than men. It is generally expected that the divorce rate will be higher in the future as the Four Modernizations program is implemented, and that women will have more say in the decision to file for divorce. Chinese marriages may be happier in

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the future as more and more young couples choose their own mates, but they may be less stable for people in unsatisfactory marriages wanting to seek divorce.

C. Education Reform and Health Care

Two aspects of the quality of life for people in mainland China will be discussed: education and health.

MAO Zedong and his communist followers knew from the very beginning that education had to be greatly improved if mainland China was going to regain its old glory. Yet, during the forty years of communist rule, education in mainland China has frequently fallen victim to political and ideological struggles. The PRC reported that, in 1990, approximately 20 percent of the Chinese population was illiterate or semi-illiterate. The estimate given by the World Bank was higher: approximately 30 percent of the Chinese were illiterate.

During the early years, mainland China's strategy in improving education was focused on the simplification of Chinese learning so that it could be easily taught to the masses, as exemplified in the simplification of Chinese characters. The goal was to make education more accessible to people for the purpose of political indoctrination. Thus, attempts were made to reconstruct education along socialist lines and to transform it under CCP control.47

Statistically, the number of students in various levels of schools accounted for 4.76 percent of mainland China's population in 1949; it was increased to 15.69 percent in 1994. The average number of students in higher education per 10,000 population in 1949 was 2.2, in middle schools 23 and in primary schools 450. The figures were increased to 23.4 for higher education, 476 for middle schools and 1,070 for primary schools in 1994.

The improvement in education seems to be clear, as indicated by the above statistical information. However, as shown in Table 5-8, student enrollment has shown steady declines in both middle school and primary school levels since 1978. The proportion of the student population in the total population also has shown decline since 1978, as it dropped from 22.28 percent in 1978 to 15.69 percent in 1994. The only exception to this general decline was found in higher education, which saw an increase from 8.9 students per 10,000 population in 1978 to 23.4 students in 1994.

TABLE 5-8. STUDENT POPULATION IN THE PRC, 1949-1994

<table>
<thead>
<tr>
<th>Year</th>
<th>Students as % of total population</th>
<th>Average Number of Students per 10,000 Persons</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Higher</td>
</tr>
<tr>
<td>1949</td>
<td>4.76</td>
<td>2.2</td>
</tr>
<tr>
<td>1957</td>
<td>9.47</td>
<td>3.3</td>
</tr>
<tr>
<td>1965</td>
<td>18.09</td>
<td>9.3</td>
</tr>
<tr>
<td>1978</td>
<td>22.28</td>
<td>8.9</td>
</tr>
<tr>
<td>1980</td>
<td>20.78</td>
<td>11.6</td>
</tr>
<tr>
<td>1985</td>
<td>17.90</td>
<td>16.4</td>
</tr>
<tr>
<td>1990</td>
<td>15.35</td>
<td>18.0</td>
</tr>
<tr>
<td>1994</td>
<td>15.69</td>
<td>23.4</td>
</tr>
</tbody>
</table>


It is apparent, then, that the central focus of mainland China’s educational reform campaign under Deng has been the expansion of higher education, while middle and primary schools have been neglected. According to the PRC’s educational reform policy announced in 1985, mainland China’s education was to be redirected to quickly produce quality men and women and to meet the demands of the Four Modernizations. The document suggested that mainland China should implement a nine-year free education system, improve training for teachers, expand vocational schools, redesign the student enrollment policy and job assignment system after graduation from schools, and reorganize all schools under a single educational administration, the State Educational Committee.

There are many barriers that mainland China must overcome before it can successfully achieve educational reform. They include: a) a lack of funds for educational improvement; b) obsolete educational facilities; c) poor teacher salaries; d) declining rates of student enrollment in both middle and primary school levels; and, e) intervention from the Party and the central administration.48

Another important aspect of the quality of life is health care. With a huge population and extreme poverty, mainland China’s ability to provide quality health care is minimal. Modern medical

facilities can be found only in a few major cities and are available only to a select group of high ranking communist leaders. In mainland China's vast countryside, "barefoot doctors" are being used to provide on-the-spot basic health needs to rural residents, while in urban cities hospitals are often overcrowded with patients and over-staffed with essential personnel.

"Barefoot doctors," also known as "rural paramedical workers," are those who have received two years' rudimentary training in traditional and Western medicine. They are sent to the countryside to work on the field in direct contact with patients, or they are staffed in small country clinics. According to a government report, the average number of hospital beds per 1,000 population was 2.30; the physicians to population ratio was 1.54 in 1990.49 In comparison with other developed countries, mainland China's health care system is relatively underdeveloped.

Today, health care in mainland China still relies heavily on traditional herb medicines and techniques. Acupuncture is used widely to substitute for anesthetics in surgical operations. Herbal remedies such as tendril-leaved fritillary bulbs, bear's paw, the pangolin and ginseng can be found in the Chinese treatment of illnesses and diseases. Physical fitness through good diet and exercise is an essential part of Chinese preventative health care ideology and is widely encouraged.

Although the majority of Chinese people on the mainland today still rely on their families to provide primary care, the health care system in mainland China is showing improvement.

D. Status Inequality

Chinese sociologists and other social scientists always have insisted that there are no class differences in mainland China. Following the Marxian line of argument, they insisted that since the establishment of the PRC, the means of production have been owned by the people through the state and that there is no super-rich or super-poor class in mainland China. If one defines class by differences in the control of the means of production, then the above argument has some merit. Unfortunately, the class equality in the PRC is achieved through the absence of surplus; only enough goods are produced to survive.

Although there might be little difference in the economic means people possess, status inequality is evident everywhere in mainland China. In fact, mainland China is a tightly stratified society in which the social position of an individual is determined by a system of power ownership. Those who have power are placed in a dominant class entitled to special privileges and authority, while those who have little or no power are grouped in a subordinate class, living under the shadow of the dominant class. This system of stratification has been in effect ever since the establishment of the PRC in 1949.

By the terms of the Land Reform Law of June 1950, for instance, the rural population was grouped into six classes: landlords, semi-landlords, rich peasants, well-to-do middle peasants, poor peasants and farm laborers. As such, land reform was as much a political as an economic upheaval intended to emasculate the traditional village elite, the entire old rural power structure. Judith Stacey said, “the determination of a person’s class status was the momentous occasion in land reform, because it established one’s access to material rewards and political rights or vulnerability to revolutionary justice.”

The social stratification system in mainland China under rule consists generally of three main collective groups: 1) CCP party cadres; 2) members of the five “red categories”; and, 3) members of the nine “black categories.” The five “red categories” are industrial workers, lower and middle peasants, descendants of those who died for the revolution, children and close kin of CCP party members, and urban poor. The “nine black categories” are landlords, rich peasants, anti-revolutionaries, bad elements, rightists, traitors, KMT spies and sympathizers, capitalist roaders and intellectuals.

The differential treatment of members of the “five red categories” and the “nine black categories” is overwhelming. In the eyes of the CCP, members of the “five red categories” are friends and supporters of the Party, while members of the “nine black categories” are enemies of the Party and the people. Chi-cheng MING noted that education, employment opportunity, career promotion, wage scale, housing allocation, reward bonus, marriage and even

the basic human right of survival are all determined by whether an individual is classified as "red" or "black".\textsuperscript{51}

Throughout the forty year existence of the PRC, millions of Chinese individuals and families have fallen victim to the arbitrary process of labelling. Landlords and semi-landlords were labelled as class enemies in the early years of land reform and collectivization, while intellectuals and other modernizing elite were labelled as enemies of the people during the Cultural Revolution. Victims suffered physical beating, sexual assault, mental abuse and denial of educational and occupational opportunity. Under Mao's rule, the class labels carried significant social and political implications, and worst of all, these labels were inherited patrilineally. Not only were labelled individuals stripped of most political rights and subjected to attacks in each ideologically-oriented class struggle and mass campaign, but their families and children were targets of severe discrimination and harassment. The following account is told by one of the victims, as described in Nien CHENG's Life and Death in Shanghai:

"Oh, no! I was thrown out of my home by the Red Guards just like all of us," Mr. Hu told me, "And I have my share of misfortune. . . . I suffered the loss of my dear wife and my beloved mother. Both died of heart attacks during the most terrifying period of the Cultural Revolution. The hospital refused them treatment because they belonged to the family of a capitalist and I was under investigation." Mr. Hu sighed and seemed for a moment to be almost in tears. . . . "What about your children?" "With a capitalist as a father, they were all sent to work in other parts of the country."\textsuperscript{52}

Nien CHENG's own daughter, Meiping, was said to have committed suicide during the Cultural Revolution while Nien CHENG was jailed for being a capitalist. The tragedies Nien CHENG and her friend experienced were not unusual during that period; several million Chinese suffered similar hardships. Such horrifying experiences are now being counted and recounted all over mainland China in life-history publications. The power of deviant labelling


extends from individual victims to their families, friends, colleagues and co-workers. Thus, status inequality is determined by the ownership of power rather than by one’s relationship to the means of production. This was true then and is still true today under PRC rule. The recent emergence of wealthy businessmen in mainland China under the economic open-door policy has not significantly altered the PRC’s system of stratification.

E. The Call for Political Democratization

Perhaps the most significant development in the PRC during the 1980s was the increasing demand from the intellectuals for political democratization. The death of both Mao and Zhou in 1976 and the subsequent emergence of Deng brought hope for decentralization of power in the PRC’s decision-making process. Deng’s economic opening policy was seen by many Chinese intellectuals as a positive sign for political democratization and greater human freedom.

Suzanne Ogden points out several favorable conditions in the 1980s that were conducive to democracy in mainland China. First, there was an increasing awareness of global interdependency which encouraged a social and economic transformation of mainland China. Second, there was a growing awareness that mainland China was no longer superior to others; a process of self-examination had emerged. Third, there was pressure from the international community to decentralize the Chinese economy to allow foreign investment funds into mainland China. Fourth, political and economic liberation in Eastern Europe and the Soviet Union put additional external pressure on the PRC to democratize. Finally, the “Taiwan model” of democratization for both political and economic institutions had by the late 1980s made some sort of reforms necessary. Popular demand for political and economic decentralization thus was transformed into a call for political democratization in 1989.

Unfortunately, such hope for human freedom and political democratization was completely destroyed in the aftermath of the June 4th Tiananmen Square massacre. The following is a chronological account of the major events of the 1989 student demonstration that led to the June 4th massacre:

April 15: former CCP general secretary, HU Yaobang, died. Students in Beijing blamed the conservative factions within the top leadership for Hu's forced resignation in 1986.

April 17: several thousand students marched in Beijing and Shanghai, shouting such slogans as "long live HU Yaobang," "long live democracy," "long live freedom" and "long live legal rule."

April 18: two thousand students rode their bicycles to Tiananmen Square to stage a sit-in, demanding the government stop its anti-freedom campaign, allow freedom of expression, increase spending for education, make public the leaders' property holdings and appreciate HU Yaobang's contribution to the nation.

April 20: approximately 1,500 students demonstrated in Beijing after the police in that city arrested 150 student leaders. Another 1,000 students staged a similar demonstration in Nanking.

April 23: students at several universities in Beijing announced that they would not attend classes and went on strike.

April 27: over 100,000 students and Beijing residents marched into Tiananmen Square, demanding freedom and democracy.

May 13: 2,000 students staged a hunger strike in Tiananmen Square.

May 17: over one million citizens of Beijing marched in downtown Beijing, demanding freedom and democracy.

May 18: Prime Minister Li Peng met with student leaders, but refused to accept student demands.

May 20: the central government decided to call in the military to stop the student hunger strikes and demonstrations.

June 4: the Chinese People's Liberation Army sent in troops and tanks to attack students and demonstrators. Several hundred people were killed. The incident is now known as the Tiananmen Square Massacre.

Immediately after the massacre, the PRC government began a nationwide search for movement leaders and participants who were by then in hiding. Several hundred so-called "anti-revolutionaries" have been executed and tens of thousands of them have been put into jail. Many student leaders since have fled to foreign countries for safety and to continue their fight against the government.

The June 4th Massacre shocked the world. Mainland China's hope for a peaceful transformation from totalitarianism to democracy was dealt a deadly blow. Several theories have been offered, which attempt to explain the failure of the democracy movement in mainland China during 1989. Some have suggested that mainland
China was not ready for democracy, while others believe that Chinese culture is not compatible with democracy, and still others stress the lack of leadership and organization in the student demonstration movement. For whatever reason, the Chinese government under the leadership of DENG Xiaoping was able to stop student demonstrations for democracy through the use of military force. The chance for the implementation of a democratic government in mainland China after the massacre becomes even more remote.

Mainland China today remains a tightly controlled nation. As the USSR and other Eastern European Communist countries crumble, the old leaders of Chinese Communist Party in China have become more paranoid about the fate of Communism in China. Tough measures are being taken by the CCP leaders to make sure that the 1989 large scale demonstration will not recur and that democracy will not happen in mainland China.

F. New Authoritarianism and the “Anti-Peaceful Evolution” Campaign

The decade of the 1980s was a period of conflict and uncertainty. During this decade, we saw the struggles between a planned economy and market economy, between a totalitarian political order and a deteriorated social structure, between rural areas and urban centers, and between government control and democratic movements. The 1980s had begun with an excitement of openness in both economy and politics under Deng’s economic reform policy, but it ended in the bloodshed of the June 4th Tiananmen Square Massacre.

In the midst of the seemingly disorganized Chinese socio-political and economic order, a new ideology began to emerge in an attempt to restore mainland China’s integration. The young reform-oriented Chinese intellectuals on the mainland called for a belief in new authoritarianism. Under the leadership of XIAO Gongqin of Shanghai Normal University, WANG Lunin of Fudan University, ZHANG Bingjiu of Beijing University and WU Jiaxiang of the theoretician group of the CCP, the new authoritarianism

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became the predominant ideology among young Chinese intellectuals in the second half of the 1980s.

The core of this new authoritarianism is the belief that mainland China needs a strong authoritarian leadership in guiding its economic reform from a planned economy to a market economy. Many Chinese young intellectuals believe that mainland China needs a strong man and that Deng is the ideal man to lead mainland China into the twenty-first century. They argue that the new authoritarian rule by a single strong man is a small price to pay for the eventual realization of a democracy.

The followers of the new authoritarianism examined the economic success stories of Taiwan, South Korea and Singapore, as well as the failure of many other developing nations, and found that a semi-authoritarian rule of government was necessary for economic growth. They found that those developing countries ruled by a strong authority were able to achieve a much higher rate of economic growth than those ruled either by a democratic government or by a totalitarian regime. They concluded that authoritarianism was responsible for steady economic growth and socio-political stability experienced in the so-called “four little dragons.” Thus, any call for a democratic system of government in the PRC would mean instability and chaos for mainland China.

Although the new authoritarianism faced criticism from a few young radicals who demanded immediate democracy, it gained support from ZHAO Ziyang, and it was reported that DENG Xiaoping also was in favor of this line of thought. Even after the June 4th incident, the new authoritarianism remained the favorite ideology of top CCP leadership, especially those of the “Legion of Princes.”

Young Chinese intellectuals see the new authoritarianism as a transitional stage leading to eventual democracy, but the CCP leaders want to hold on to their power and preserve the status quo. The changing domestic environment and international situation have made the CCP leaders suspicious of any call for political reform. A campaign against “peaceful evolution” is at present in full swing in mainland China.

CCP leaders see peaceful evolution as a new world war against communism fought without weapons. They are worried that peaceful evolution not only will increase foreign influence in mainland

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China both economically and culturally, but also will lead to the eventual death of the communist system in the PRC. The total collapse of the Soviet communist empire and the fate of many of its leaders has had a chilling effect on the CCP leadership. In the mind of the CCP, peaceful evolution carried out by the United States and other Western nations was the main cause of the collapse of communism in most parts of the world. As a consequence, campaigns against peaceful evolution have become the government’s top priority in the 1990s.\textsuperscript{56}

**IV. CONCLUDING REMARKS**

When the PRC started its campaign toward modernization in the early 1950s, it was a victorious “party” with a vast land and population under its rule. Although mainland China was severely underdeveloped, Mao had a vision to build China into a modern nation-state within a Communist context. Unfortunately, mainland China today is still underdeveloped economically and faces social and political uncertainty similar to what it faced forty years ago.

In this chapter, we have outlined the factors that have contributed to the underdevelopment of mainland China under PRC rule during the past forty years. One lesson to be learned by all other Third World nations from mainland China’s experience is the necessity for political stability. The inability of mainland China to establish political stability has caused mainland China’s economic development policy to be short-term and unmanageable.

Economic planning fluctuated wildly with the changes in political ideology. As a result, resources were wasted, management was badly handled and long-term prospects were impossible to develop. If people in mainland China once had great hope and enthusiasm for a modernized China standing tall with Western powers on an equal footing, that hope turned to despair in the 1970s. Although Deng’s “Four Modernizations” Campaign seems to offer new hope of revitalization for mainland China’s economy, the dream for a democratic and pluralistic Chinese society died after the Tiananmen Square Massacre of June 4, 1989.

\textsuperscript{56} For a discussion on the PRC’s anti-peaceful evolution campaign, see Wen-hui Tsai, “New Authoritarianism, Neo-Conservatism, and Anti-Peaceful Evolution: Mainland China’s Resistance to Political Modernization,” unpublished paper presented at the annual Sino-American Conference on Mainland China, held in Taipei, August 16-20, 1992.
Mainland China today is still a totalitarian state characterized by economic underdevelopment and coercive political harassment of its citizens. What happened in mainland China during the past forty years is not only a tragedy for the Chinese under PRC rule, but also a tragedy for all other Third World nations, which at one time had looked to the PRC for developmental leadership. What happened at Tiananmen Square is also a terrible lesson for all Third World nations that democracy cannot be achieved without social and economic readiness.

Perhaps, China one day will regain its greatness. But it will not come without a complete overhaul of its current political and economic structure. Until then, mainland China’s human suffering will continue and its dream of rebuilding will be left unfulfilled.
CHAPTER 6

REUNIFICATION OR SEPARATION: POLITICAL-ECONOMIC CONVERGENCE AND SOCIETAL DIVERGENCE

I. CHINA SEPARATED

Throughout China's long history, there has been little national unity. There have been several long periods of diversion in Chinese history, notably the Three Kingdoms period, the Five Dynasties and Ten Nations period, and the period at the end of the Sung Dynasty. Even great dynasties like the Han, Tang, Ming and Ch'ing all experienced internal division at one time or another during their respective periods. In fact, historians have found that a truly unified China is something of an historical myth.

From a developmental perspective, there have been two Chinas during the past forty-six years. There have been several distinguished differences between the two sides of the Taiwan Strait.

Economically, Taiwan and mainland China have taken different paths in their developmental strategies, a socialist approach by the PRC mainland China and a capitalist approach by the ROC on Taiwan. One of the major differences in economic development between mainland China and Taiwan lies in the role of the private sector in these two societies. Although both mainland China and Taiwan have government-initiated planning for economic development, Taiwan is not a state of planned economy totally under the control of central planning from the state at the highest level. Economic planning in Taiwan is a mixture of state planning and private capitalist economy. The state establishes overall guidelines and objectives, while private capitalist sectors put them into practice.

Indeed, private industrialists in Taiwan have contributed as much as the state in this process of economic development; cooperation between private industrialists and the state thus has created rapid economic growth in Taiwan. In mainland China, the national interest was placed above private gain with the ultimate goal of eliminating class inequality. In such a system, economic planning is determined by national need as seen in the eyes of a few leaders at the top, not by market demand. As a result, prior to the mid-1970s, the development of heavy industry had taken priority over the pro-
duction of consumer goods and light industry in mainland Chinese economic activities.

Another major difference between the two sides of the Taiwan Strait can be found in degrees of the political stability of these two political systems. During the past thirty years, mainland China has experienced several long-lasting periods of political turmoil that have both marked by constant power struggles at the top levels of political leadership; the destructive Cultural Revolution of the 1960s and the 1970s is a prime example of this. Since mainland China is a socialist state with a centralized planned economy, political instability thus makes the implementation of a continuous economic policy impossible.

In contrast, the ROC on Taiwan has enjoyed a remarkably higher degree of political stability during the past forty years, which has enabled economic planning and the growth of private industry to be relatively free from interruption. A related factor here is that the political elite in Taiwan are much more oriented toward modernization than their counterparts on the mainland. In Taiwan, the political elite consist of groups of engineers and economists who have been trained in such advanced nations as the United States and Japan, while in mainland China the political elite are generally recruited from party bureaucrats and military leaders who are less educated and less committed toward modernization.

The third significant difference between Taiwan and mainland China in their respective approaches toward modernization lies in their willingness to adopt cultural practices that, although foreign to them, have proven to be extremely beneficial to modernization. To a certain degree modernization is still a process of westernization in which Western ideas of progress, management techniques and ways of life are introduced to facilitate developments in both economic and non-economic spheres. In such a process, the traditional way of life tends to give way to more modern and effective Western-styled institutions.

From the very beginning, after the Nationalist government retreated to Taiwan, the modernized elite saw the necessity of introducing and adapting to foreign elements. Not only did Taiwan welcome foreign capital and technical expertise from advanced nations like the United States and Japan, but it also showed quick response to changes in the international trade market. Mainland China, on the contrary, relied solely on the Soviet Union during the early 1950s, then closed its door to all outsiders for the next twenty years. The isolation caused mainland China to carry out its eco-
nomic planning behind closed doors largely on a trial-and-error basis, without any input from the outside world at a time when mainland China was in urgent need of capital and technological know-how.

Thus, the willingness of the modernizing elite in Taiwan to accommodate foreign elements and the unwillingness of the mainland Chinese elite to introduce foreign elements have resulted in differential development. The fast developmental path of mainland China since its adoption of the open-door policy in the late 1970s has further proven the necessity for active involvement in the international community.

The apparent consequence of the above differences between mainland China and Taiwan has kept the two sides apart since their separation in 1949. Military hostility and psychological wars between the two sides of the Taiwan Strait occupied the central stage of activities until the late 1980s. Except with a few minor incidents in the spring of 1996, the two sides have shown signs of conciliation. In reality, mainland China and Taiwan have been distinct political entities since their separation in 1949.

II. ISSUES OF POLITICAL REUNIFICATION

When MAO Zedong and his Chinese Communist Party celebrated their victory against CHIANG Kai-shek and the Nationalist army in 1949, the goal of China's unification under one rule was in sight. Although CHIANG Kai-shek still occupied Taiwan, the liberation of Taiwan through military means did not seem to present a problem. However, the attack by the People's Liberation Army on Quemoy and other Nationalist-held offshore islands failed later that year.

Then came the Korean War in 1950 that propelled the decision by President Truman of the United States to send the Seventh Fleet to protect Taiwan as a corollary to the defense of Korea. Three years later, the United States and the ROC on Taiwan signed the Mutual Defense Treaty to protect Taiwan from any PRC military aggression. Although mainland China initiated another attack in August of 1958 with the shelling of Quemoy, it failed to defeat Chiang and his Nationalist Army.

Between 1950 and 1970, Taiwan continued to receive support from the United States and continued to occupy the Chinese seat in the United Nations. But the General Assembly of the United Nations in October of 1971, by a tally of 59 to 55 with 15 abstentions, voted against the U.S.-sponsored procedural motion that would
have allowed Taiwan to keep its UN seat. The General Assembly
then voted to grant that seat to the People's Republic of China.
The Republic of China thus withdrew from the United Nations.

The most damaging blow to the ROC on Taiwan came in Feb-
uary of 1972 when United States President Richard Nixon traveled
to Beijing for an official visit to the PRC and a meeting with Chair-
man Mao. A joint communique was issued by the two leaders on
February 28, 1972. The so-called “Shanghai Communique” summa-
rized both the American and Chinese points of view on global poli-
tics. On the matter of Taiwan, the Chinese phrased their side of the
argument in the communique as such:

The Taiwan question is the crucial question obstructing
the normalization of relations between China and the
United States; the Government of the People's Republic
of China is the sole legal government of China; Taiwan is a
province of China...; the liberation of Taiwan is China's
internal affair in which no other country has the right to
interfere; and all U.S. forces and military installations
must be withdrawn from Taiwan. The Chinese Govern-
ment firmly opposes any activities which aim at the crea-
tion of "one China, one Taiwan," "one China, two
governments," "two Chinas," an "independent Taiwan" or
advocate that the status of Taiwan remains to be
determined.

The United States wrote its own interpretation into the
communique:

The United States acknowledges that all Chinese on either
side of the Taiwan Strait maintain there is but one China
and that Taiwan is a part of China. The United States
Government does not challenge that position. It reaffirms
its interest in a peaceful settlement of the Taiwan question
by the Chinese themselves. With this position in mind, it
affirms the ultimate objective of the withdrawal of all U.S.
forces and military installations from Taiwan. In the
meantime, it will progressively reduce its force and mili-
tary installations in Taiwan as the tension in the area
diminishes.¹

¹. The Communique was published in “Quarterly Documents,” China Quarterly,
Vol. 50, No.1, April 1972, p. 402, and cited in Jonathan D. Spence, The Search for Mod-
Although the closing sections of the joint communique clearly suggested differences between the United States and the PRC, it clearly stated that there is only one China and that Taiwan is a part of China. With the signing of the Shanghai Communiqué and the later U.S. withdrawal of diplomatic recognition from the ROC in 1979, the ROC on Taiwan was isolated further from the international arena and felt threatened by the PRC's intention to rule Taiwan. The door was tightly closed between Taiwan and the PRC for the entire decade of the 1970s.

The 1980s were a turning point in relations between mainland China and Taiwan. With the PRC's urgency to implement its Four Modernizations policy, military aggression against Taiwan seemed to be too costly at the time. Calls for political negotiation and peaceful reunification were sent by Beijing to Taiwan. As a result, there has been evidence of increasing contact between the two sides of the Taiwan Strait throughout the later part of the 1980s and into the 1990s, even though the ban on official and direct contact with the PRC is still imposed on Taiwan by the ROC. Each side continues to claim sole representation of China.

A. The Call from Beijing

The call for political unification was initiated first by Beijing. On January 1, 1979, when the United States cut off its diplomatic relations with the ROC, the PRC's Standing Committee of the National People's Congress issued a "Message to Compatriots on Taiwan," asking the people of Taiwan and the Taiwan authorities to allow contacts and exchanges between the two sides in order to pave the way for eventual reunification. This was followed by the so-called, "three links and four exchanges." The "three links" were bilateral mail, trade and transport/shipping links, and the "four exchanges" included bilateral visits by relatives and tourists, academic groups, cultural associations and sports representatives.

Then, on January 14, 1979, DENG Xiaoping said Taiwan could keep its existing socio-economic systems, continue its relations with America, Japan and other foreign countries on a people-to-people level, and even maintain its own military. But Deng insisted Taiwan must change its national flag and turn over its sovereignty to Beijing. Two weeks later, Deng said, the PRC would no longer use the

term "liberation of Taiwan" and would not use military force against Taiwan in the immediate future.

The most concrete proposal was made by Marshal YE Jianying on September 30, 1981. Ye outlined nine working principles for the reunification negotiation talks with Taiwan. The so-called "Ye's Nine Principles" were that: (1) the Chinese Communist Party and the Kuomintang should begin negotiations with equal status; (2) the two sides of the Taiwan Strait should agree on exchanges for mail, business, shipping, visitation, tourism and such activities as academic, cultural and athletic events; (3) Taiwan would be given a special region status with its own military and political autonomy and the central government from Beijing would not interfere with Taiwan's internal affairs; (4) Taiwan's current social and economic systems need not be changed and its people's life style would not be altered. Private ownership of property, house, land, business and inheritance would be allowed in Taiwan. Taiwan could continue its economic and cultural relations with foreign countries; (5) Taiwan's leadership would be recruited to occupy key national positions in the PRC to participate in government administration; (6) the central government from Beijing would assist Taiwan if Taiwan ran into financial hardship; (7) Taiwan residents who were willing to reside in China would not be discriminated against and would enjoy freedom of travel between Taiwan and the mainland; (8) Beijing would protect the investment interests of Taiwanese business on the mainland; and, (9) China's reunification is the responsibility of every Chinese, and therefore China would welcome any suggestions from Taiwan and any other person toward the final goal of reunification.3

As Taiwan was not impressed by "Ye's Nine Principles," the PRC's leader, DENG Xiaoping, made another attempt at reconciliation in 1983. On June 26 of 1981, Deng outlined his five "opinions" with respect to the reunification issue. These were: (1) after reunification, China would not send its military or administrative personnel to Taiwan; (2) Taiwan would enjoy its own independent legislative authority and adopt its own laws; (3) Taiwan could maintain its own military so long as it did not threaten the mainland; (4) Taiwan could maintain some of its rights in dealing with foreign affairs; and, (5) Taiwan could adopt a special flag and call itself "the Chinese Taiwan."4

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Such a position was later confirmed by JIANG Zemin in January 1995 in his “Eight Point Policy” on the Taiwan issue, in which Jiang indicated that anything would be negotiable under the one China principle.

As the best solution to the Taiwan problem and to reunify China, the official position of the leaders from the PRC was clearly in favor of the “one country, two systems” policy. Although China reacted violently to Taiwan’s President Lee’s visit to the United States in June 1995 and to Taiwan’s presidential election held in March 1996 by staging several rounds of military exercises, China’s position has not changed drastically from reunification through peaceful means to military invasion. The PRC signaled to Taiwan that everything was negotiable so long as Taiwan would not seek for independence and reclaim its membership in the United Nations. Mainland Chinese leaders often told friends on Taiwan who visited Beijing, “Just come to the negotiation table; then we will talk.” With the Hong Kong issue settled, mainland Chinese leaders now are eager to lure Taiwan back and to unify China.5

A chronological account of the development of mainland China’s Taiwan policy from 1979 to 1996 is outlined in Table 6-1.

B. Taiwan’s Response

Taiwan, however, has not warmly received the offers from Deng and other leaders from mainland China, and has stubbornly refused to negotiate with the Chinese Communist Party for a possible reunification between the two sides of the Taiwan Strait. Taiwan insists that mainland China must abolish Communism in favor of Dr. SUN Yat-sen’s doctrine of the Three Principles of the People before it will talk to the PRC. During the Kuomintang’s 12th National Congress held in Taipei in 1981, the party resolved to seek “reunification of China under the Three Principles of the People.” President CHIANG Ching-kuo, who was also the chairman of the Kuomintang, supplemented this resolution with a “three no’s” policy: no contact, no negotiations and no compromise. Chiang later said, the “one country, two systems” policy proposed by mainland

5. For a detailed discussion on Beijing’s unification initiatives, see Cheng-wen TSAI and Chia-cheng LIN, Political Relations Between the Two Sides of the Taiwan Strait, Taipei: Institute for National Policy Research, 1989, pp. 11-116.
### Table 6.1. PRC's Taiwan Policy, 1979-1996

<table>
<thead>
<tr>
<th>Date</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>January 1979</td>
<td>The Standing Committee of the PRC's National People's Congress issued a “Message to Compatriots on Taiwan,” urging Taiwan authorities to allow contacts and exchanges between the two sides and the development of mutual economic ties.</td>
</tr>
<tr>
<td>September 1979</td>
<td>Marshal YE Jianying issued a “Nine Point Opinion” for the unification of China, urging Taiwan to allow “three links and four exchanges.”</td>
</tr>
<tr>
<td>June 1983</td>
<td>DENG Xiaoping proposed to allow Taiwan to be a special administrative region with its own system, military and judicial authority.</td>
</tr>
<tr>
<td>May 1984</td>
<td>PRC Premier ZHAO Ziyang proposed “one country, two systems” as the PRC's policy for China's peaceful unification.</td>
</tr>
<tr>
<td>June 1984</td>
<td>DENG Xiaoping elaborated on the “one country, two systems” policy as having socialism on the mainland and capitalism in Taiwan and Hong Kong.</td>
</tr>
<tr>
<td>July 1989</td>
<td>CCP Party Secretary General, JIANG Zemin, reaffirmed the PRC's stand on the “one country, two systems” policy. CCP Party Secretary General, JIANG</td>
</tr>
<tr>
<td>Zemin, reasserted that the PRC will not impose associational system in Hong Kong or Taiwan.</td>
<td></td>
</tr>
<tr>
<td>December 1990</td>
<td>The PRC President, YANG Shankun, outlined two working principles on the Taiwan issue at a national conference: (1) insisting on peaceful unification, through a “one country, two systems,” and rejecting Taiwan independence, (2) promoting a political solution through economic activities, and encouraging people-to-people exchanges.</td>
</tr>
<tr>
<td>January 1991</td>
<td>The PRC President, YANG Shankun, urged in a radio message that talks take place between the CCP and the KMT on the issue of unification.</td>
</tr>
<tr>
<td>February 1991</td>
<td>The PRC said it will not recognize Taiwan as a political entity.</td>
</tr>
<tr>
<td>July 1991</td>
<td>The PRC outlined in detail the context of its “one country, two systems” policy which was published in Luiowang magazine.</td>
</tr>
<tr>
<td>May 1992</td>
<td>YANG Shankun said the PRC will never abolish its option of using force in liberating Taiwan.</td>
</tr>
<tr>
<td>January 1993</td>
<td>PRC released its White Paper on Taiwan stating that under the principle of one-China every problem can be discussed, including the format of negotiations, participating political parties, organizations and representatives, and all the problems concerning Taiwan.</td>
</tr>
<tr>
<td>October 1994</td>
<td>JIANG Zemin, the CCP's General Secretary, told a group of visitors from Taiwan that he would not avoid meeting LEE Teng-hui if the occasion were appropriate.</td>
</tr>
<tr>
<td>January 1995</td>
<td>JIANG Zemin said he would welcome the leader from Taiwan to visit mainland China and he would be willing to visit Taiwan. JIANG also announced the PRC’s eight point policy on Taiwan issue and indicated that anything is negotiable under the one-China principle.</td>
</tr>
<tr>
<td>June 1995</td>
<td>PRC postponed the second Koo-Wang Talk scheduled to be held in Beijing in response to ROC's President Lee's U.S. visit.</td>
</tr>
<tr>
<td>October 1995</td>
<td>JIANG Zemin said in an interview with reporters from the Washington Post and U.S. News and World Report that he was ready to visit Taiwan if he received an invitation from LEE Teng-hui.</td>
</tr>
<tr>
<td>December 1995</td>
<td>On several occasions, various party and military leaders indicated that the next 15 years would be crucial to the reunification of China.</td>
</tr>
<tr>
<td>February 1996</td>
<td>A PRC Vice-Premier told a German newspaper that the current tension in the Taiwan Straits will not necessarily turn into military confrontation between the PRC and ROC.</td>
</tr>
<tr>
<td></td>
<td>A spokesman for the Ministry of Foreign Affairs, PRC, demanded that the United States not sell advanced military weapons to Taiwan and that it respect the spirit of the “Shanghai Communiqué.”</td>
</tr>
<tr>
<td>March 1996</td>
<td>PRC held a series of military exercises and missile test in the East China Sea and Fujian province in an effort to influence Taiwan's election.</td>
</tr>
</tbody>
</table>

China was a conspiracy to "eat up" Taiwan and that it cheated people from the free world.  

Although Taiwan still officially imposes its "three no's" policy toward the PRC, it started to show some flexibility after the death of CHIANG Ching-kuo in 1987. Restrictions on unofficial contacts with mainland China gradually have been relaxed since. A series of new policies toward mainland China have been initiated, which has led to a de facto thaw between Taiwan and mainland China. The ROC government on Taiwan also said it would consider a policy of "one China, two governments" in working toward the final reunification.

Perhaps the most significant breakthrough in contact between the two governments occurred in May 1989 when the ROC's Ministry of Finance, Dr. Shirley W. J. KUO, led a delegation from Taiwan to the 22nd Annual Asian Development Bank Meeting in Beijing. Although the ROC claimed that Dr. Kuo attended the meeting not as the Minister of Finance from the ROC, but as a board member of the Bank, Dr. Kuo's attendance was significant because she became the first high-ranking ROC government official to attend an international meeting held in the PRC and to meet with PRC officials face to face.

It has become evident that the ROC on Taiwan under the new president, Dr. LEE Teng-hui, has taken a more liberal policy toward the reunification issue, allowing more contacts between people on both sides of the Taiwan Strait. Several semi-official agencies also have been established to handle contact with the PRC. These include the formation of the Mainland Affairs Task Force in August 1988, the establishment of the National Unification Council by the Presidential Office in October 1990, the appointment of Vice-Premier Chi-yang SHIH as chairman of the Mainland Affairs Council under the Executive Yuan in the same month, and the inauguration of the Foundation for Exchanges Across the Taiwan Strait in November 1990. A government publication calls the new policy toward the PRC a "pragmatic adaptation".

Table 6-2 gives a summary of the chronological development of Taiwan's "Mainland Policy" up to 1996.

TABLE 6-2. TAIWAN’S MAINLAND POLICY, 1950-1996

<table>
<thead>
<tr>
<th>Date</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1981-1987</td>
<td>KMT adopted a policy of “unification under Dr. Sun’s Three Principles of the People,” and insisted on the “Three Nos” principle.</td>
</tr>
<tr>
<td>February 1988</td>
<td>President Teng-hui LEE said that there would be no talks between the two sides as long as the PRC maintains its “four insistence” policy.</td>
</tr>
<tr>
<td>August 1988</td>
<td>The Mainland Affairs Task Force is established by the Executive Yuan, with Vice Premier SHIH Chi-yang as Convener.</td>
</tr>
<tr>
<td>May 1989</td>
<td>The government approves the “Measures to Support the Democracy Movement on the Mainland.”</td>
</tr>
<tr>
<td>March 1990</td>
<td>President Teng-hui LEE said that he opposed Taiwan independence.</td>
</tr>
<tr>
<td>May 1990</td>
<td>President Teng-hui LEE insisted that talks must be carried out on a government-to-government basis, not between the KMT and CCP.</td>
</tr>
<tr>
<td>October 1990</td>
<td>The National Unification Council was established by the Presidential Office. The Council is still headed by President Teng-hui LEE. The Mainland Affairs Council was established by the Executive Yuan.</td>
</tr>
<tr>
<td>December 1990</td>
<td>The Director of the KMT’s Department of Cultural Affairs, Chi-ying CHU, dismissed Beijing’s offer to hold high and low-level “party to party” talks in Taiwan on bilateral relations and reunification under the Chinese Communist “one country, two systems” formula.</td>
</tr>
<tr>
<td>April 1991</td>
<td>President Teng-hui LEE made a proclamation on April 30 that the ROC government would end the Period of Mobilization for Suppression of the Communist Rebellion and that the ROC government would no longer be bound by constitutional decree to take back the mainland by force.</td>
</tr>
<tr>
<td>April-May 1991</td>
<td>An 18-member Straits Exchange Foundation delegation journeyed to Beijing for a formal visit. The Foundation is a quasi-official agency established for handling exchanges with the mainland.</td>
</tr>
<tr>
<td>August 1991</td>
<td>Two mainland China Red Cross officials arrived in Taiwan on August 20 for a humanitarian visit regarding a group of mainland fishermen involved in a piracy case.</td>
</tr>
<tr>
<td>April 1993</td>
<td>The Straits Exchange Foundation (ROC) delegation met with the Association for Relations Across the Taiwan Straits (PRC) representatives in Singapore. Four agreements were signed.</td>
</tr>
<tr>
<td>June 1993</td>
<td>The Mainland Task Force Group was formed in the Executive Yuan under the Premier CHAN LIEN.</td>
</tr>
<tr>
<td>July 1993</td>
<td>President Teng-hui LEE said in an interview with a Japanese newspaper that the PRC should abandon its hostile position against Taiwan and that negotiations should involve more political parties than the leaders of the CCP and KMT.</td>
</tr>
<tr>
<td>September 1993</td>
<td>President Teng-hui LEE said in an interview in the <em>Asian Wall Street Journal</em> that he would be willing to meet with JIANG in international organizational conferences.</td>
</tr>
<tr>
<td>July 1994</td>
<td>The Mainland Affairs Council of the Executive Yuan delivered its “Explanatory Notes” on the state of the relations between the two sides of the Taiwan Strait.</td>
</tr>
<tr>
<td>April 1995</td>
<td>President Teng-hui LEE released his six-point responses to the PRC’s JIANG’s eight-point policy.</td>
</tr>
<tr>
<td>July-October 1995</td>
<td>LEE and LIEN made several policy addresses in response to the PRC’s military threats to encourage people to remain calm.</td>
</tr>
<tr>
<td>February 1996</td>
<td>Premier CHAN LIEN announced that the ROC will form an interdepartmental “Decision-Making Task Force” to deal with tensions between ROC and PRC.</td>
</tr>
<tr>
<td>May 1996</td>
<td>President Teng-hui LEE said in his presidential inauguration speech that he was willing to visit Mainland China and Taiwan would never seek for independence.</td>
</tr>
</tbody>
</table>

Judging from past development, the stickiest point in the political reunification process is the sovereignty of the ROC on Taiwan. On one side is the PRC's refusal to permit Taiwan to continue to call itself the Republic of China. On the other side is Taiwan's insistence that the ROC is still a legitimate political entity representing twenty-one million people in Taiwan, and thus must be treated equally as a sovereign government if any negotiation is to take place. In his inaugural speech in May 1990, President LEE Teng-hui of the ROC on Taiwan stated the official position that

If the Chinese Communist authorities can implement political democracy and a free economic system, renounce the use of military force in the Taiwan Strait, and not interfere with our development of foreign relations on the foundation of a one-China policy, we would be willing, on a basis of equality, to establish channels of communication.\(^8\)

Since both sides thus far have been unable to negotiate reunification, several models have been proposed by scholars and politicians from both sides of the Taiwan Strait as a compromise solution. These models are discussed below.

Model A: “One Country, Two Systems.” This is the official position of the PRC on the reunification of China. As we described above, this model allows only one China, i.e., the PRC. Taiwan will be under the PRC's rule, even though it may continue its current capitalist economy and way of life.

Model B: “One China, Multisystems.” This concept first was proposed in 1980 by Yung WEI, then Chairman of the Research, Development, and Evaluation Commission of the ROC government's Executive Yuan (Cabinet). He argued that the PRC and Taiwan are not two separate states or divided nations, but represent one nation with a multisystem arrangement. The major characteristics of such a multisystem nation include: (1) the exchange of representatives from each system within the nation in its decision-making process; (2) dual recognition of each system by other nations in the international diplomatic arena; (3) membership for each system in the United Nations and other international organizations; and, (4)

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direct trade and tourism for people living within the different systems.  

Model C: "The German Model." This follows the model established by the signing of the treaty in 1972. Under this model both Berlin and Bonn mutually recognized each other’s independent sovereignty within their own domain, while internationally they enjoyed dual recognition and participation. The 1990 German reunification proved that the possibility exists in such a model for the two separate states to reintegrate into one nation.

Model D: "One China, Two Separate Administrations." Under this model, both the PRC and Taiwan would maintain the "one China" principle, but each would administer its own territory separately and independently. This would allow peaceful competition between the two administrations so that people would be able to make a choice in the future as to one of the two administrations.

Model E: "One China, Two Seats." The model suggests that the PRC and Taiwan maintain the "one China" principle, while each would have equal rights to seats in international organizations on the basis of "peaceful coexistence and competition."

Model F: "One Country, Two Governments." The main difference between this model and Model D is the withdrawal by the ROC on Taiwan of its claim that only the ROC represents the whole of China. Under this model, Taiwan would recognize the PRC's de facto control of the mainland.

Model G: "One China: the Olympic Model." In the 1984 Los Angeles Olympic Games, Taiwan decided to accept participation under the name of "Chinese Taipei," while China retained its official title as "the People's Republic of China." This is the model now used for participation by both Taiwan and China in many non-governmental international organizations. One of the main disad-


vantages of this model for Taiwan is that it has made Taiwan a regional or local entity without official status in international affairs.

Model H: "One China: The Federation." It has been suggested that the PRC, Taiwan and Hong Kong form a "federal republic of China" or a "United States of China" to allow autonomy and equal partnership.

Model I: "One China: The Commonwealth of China." Under this model, members would retain full sovereignty and independent status. There would be no central government, and members would still possess their own sovereignty, independent diplomatic relations with foreign nations and defense powers.

Model J: "One China: The Belligerent Model." Under this model, both the PRC and Taiwan would recognize the de facto condition of "belligerence" between them.

Model K: "One China, One Taiwan." This is the model for Taiwan independence. Both governments on each side of the Taiwan Strait have rejected it, but the model has been promoted by a small group of the Taiwanese living in Taiwan or abroad who have called for self-determination of the people in Taiwan and independence from the PRC.13

Judging from the large number of models that have been proposed, one can see the great complexity of the unification issue. With the exception of Model K, all of the above-mentioned models share a common component: there would be only one China. In other words, they all tend to recognize that the division between the PRC and Taiwan is merely a temporary situation in transition; China will eventually should, and will, be united. The proposed models thus are aimed at pushing for an agreeable settlement between the two sides.

Figure 6-1 gives a graphic summary of the evolution of the relations between mainland China and Taiwan. During the period before 1987, there was a total separation between mainland China and Taiwan. No contact was permitted by either side. Then, mainland China began to call for Taiwan to return to the motherland and Taiwan has responded to that call with indirect non-political contacts. However, the goal for future unification is still unsettled. Taiwan is calling for a policy of "one China, two governments," that would allow its existence as a political entity in the international area. Mainland China on the other hand has insisted on a strategy

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13. For discussions on these models, see Tsai and Lin, 1989, supra note 5.
of "one nation, two systems" that would absorb Taiwan into its political jurisdiction.

**FIGURE 6-1. THE EVOLUTION OF MAINLAND CHINA AND TAIWAN RELATIONS**

![Diagram showing the evolution of relations between Mainland China and Taiwan](image)

We so far have touched on the positions from the governments on either side of the Taiwan Strait. But what about the feeling of the people toward reunification? Since the people in Taiwan have more at stake than the people on the mainland — this will be discussed later in the chapter — let us examine a few public opinion polls taken recently on the issue of China's reunification.

A Gallup Poll, taken by Gallup's Taiwan branch in the last quarter of 1990, found that most people in Taiwan are very uninformed about the current political developments in PRC-ROC relations. About two-thirds of the 1,013 surveyed, all over twenty years of age, said they had no idea what shape Taiwan-mainland relations would take in the next decade. Half of those surveyed agreed that party-to-party talks between the CCP and the KMT should be held. Over 56 percent of the respondents also saw nothing wrong with government-to-government talks between the PRC and the ROC.14

Until now, as we have demonstrated, one of the major obstacles to negotiation between mainland China and Taiwan has been Taiwan's insistence that any talk with the mainland must be on a government-to-government basis, not between the CCP and KMT as the leaders from the mainland have proposed.15 However, the findings from the public opinion poll seem to suggest that this is not

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the issue in the minds of ordinary people in Taiwan. Moreover, people surveyed are not supportive of the Taiwan independence movement either. The general sentiment seems to be in favor of maintaining the current status quo, i.e., one China and one unofficial Taiwan.

III. ECONOMIC CONVERGENCE

It is apparent that efforts toward political reunification between the PRC and the ROC have not been successful. No direct official contact has been established between the governments. Yet, economic contacts have been increasing and have shown great potential between the two sides of the Taiwan Strait.

As we have demonstrated, Taiwan has been able to build itself into one of the great economic powerhouses in the world with a steady economic growth rate, surplus in international trade, an impressive accumulation of national wealth and an enviable volume of foreign capital reserves. At the same time, the PRC on the Chinese mainland is in great need of capital, technological, and managerial know-how for its current push toward economic reform. Taiwan's successful economic development strategies, surplus of capital, and technological and managerial skills are invaluable to the Chinese on the mainland.

A. Learning from Taiwan's Economic Miracle

Within the PRC's political propaganda machine, Taiwan had been portrayed as a poverty-ridden place with "people eating banana peels." But in 1979, YU Qiuli, then Vice-Premier, admitted for the first time that Taiwan's standard of living was "many times better than that of China." Since then, several measures have been taken to "learn from Taiwan." They include: (1) the establishment of a Taiwan Economic Research Institute in Xiamen, to collect information on Taiwan's economy; (2) the publication of a series of monographs on Taiwan's management skills; and, (3) the allowance for open discussion in magazines and newspapers on the economic developmental experience in Taiwan. Economic planners in the PRC have since then openly called for adopting certain features of the Taiwan model to "learn from Taiwan."

In his study of the economic reform in the PRC during the past decade, Professor Chu-yuan CHENG found several important features that have been adopted from the Taiwan model.\(^{17}\) Cheng lists these steps taken by mainland China as evidence of its desire to "learn from the Taiwan model." They include the establishment of "special economic zones," the promotion of small private economies, the institution of a new farm policy, the revision of the PRC's developmental strategies and the adoption of an "open door" policy. Let us further elaborate on the "learning from Taiwan" efforts:

(1) The establishment of "special economic zones" and its expansion. Cheng argued that this was an imitation of Taiwan's "special export zone" strategy. Until the adoption of this policy, the PRC's economic planning basically was built upon a principle of self-reliance, a principle that avoids any economic foreign involvement. But, in the early part of 1980, DENG Xiaoping and his economic planners decided to establish four "special economic zones" in Shenzhen, Zhuhai, Shantao and Amory to allow foreigners alone, or in cooperation with governmental agencies, to do business in these four zones. The goal is to encourage foreign capitalists (including those from Taiwan, Hong Kong, and other overseas Chinese) to invest in processing goods for export purposes. In contrast to other regions in mainland China, these "special economic zones" allow foreigners to hold sole control and ownership of a business, to employ foreigners in managerial positions, to hire or dismiss workers freely and to enjoy tax exemptions. By 1984, fourteen additional "special economic zones" had been established. Since then, the program has been expanded to many parts of the interior and coastal China.

(2) The promotion of small private economies. One of the most significant features in Taiwan's economic developmental process has been the contribution from a vast number of small businesses; they are alert, flexible and very competitive in the international trade market. In 1981, the PRC's State Council made a policy decision to allow families to conduct private business activities with a limited number of hired hands. Then, in 1983, families with private business enterprises were allowed to operate jointly. In recent years, joint ventures between government-controlled business and private business have been promoted heavily. There are more than twenty million small business households in the PRC to-

day and they are an important part of China's current economic liberalization campaign.

(3) The institution of a new farm policy. As we mentioned in Chapter 4, Taiwan was able to move into its early stage of industrialization partially because it practiced a mild land reform policy that allowed farmers to keep their own crops; the land-to-the-tiller program in Taiwan, on the one hand, encouraged farmers to increase crop production to increase wealth, and on the other hand, to transfer capital from the landowner to industrial investment. In mainland China, the collective farm system did not work to increase farm production. Thus, the PRC changed its policy in 1979 to allow farmers to sign a contract with their production unit for a guaranteed quota to be submitted to the production unit, while they could keep the surplus amount above the quota outlined in the contract.

(4) The revision of mainland China's developmental strategies. Since the failure of the Stalin model of developmental strategy that had favored heavy industry, the mainland Chinese planners have changed their strategies in favor of a Taiwan model which is characterized by balanced growth in agriculture, light industry and heavy industry. As a result, we have seen the growth of mainland China's production of consumer goods and electronic components, which in turn has helped to improve the people's standard of living in mainland China.

(5) The adoption of an "open door" policy. As is well known, the success of Taiwan's economy was built upon its open trade policy with foreign nations. Mainland China had closed its door to all major economic powerhouses in the West. However, in recent years mainland China has made several policy revisions that encourage bilateral trade with foreign nations; active involvement in international banking and trade organizations; foreign investment in mainland China; the export of cheap labor to Hong Kong and Taiwan; and, joint ventures in tourism enterprises.

B. Bilateral Trade between the Two Sides

Mainland China's attraction to Taiwan is twofold. First, Taiwan's economic developmental strategies have proven to be successful, which entitles mainland Chinese economic planners a chance to "learn from Taiwan." Second, Taiwan's tremendously large national wealth and well-trained technological and business personnel are needed by the mainland Chinese. Consequently, it is no surprise to see the rapid growth of trade and economic exchange between Taiwan and mainland China during the past ten years.
Both domestic and international developments have made trade between mainland China and Taiwan possible, if not necessary. Domestically, we have witnessed the open door policy of mainland China's economic reform that encourages trade with outsiders, including Taiwan. We also have experienced the emergence of political democratization after the abolishment of the martial law in Taiwan in 1987, which allowed "indirect" contacts with people on the mainland.

Internationally, mainland China needs to re-enter the world trade market to support its economic reform, and thereby create an environment conducive to international trade. The Taiwanese, on the other hand, view mainland China both as an investment concentration target and as a market. As world protectionism and the ever increasing wage demands by laborers in Taiwan have slowed Taiwan's international trade expansion, the declining international market size and increasing production costs have made it necessary for Taiwanese businessmen to look for alternatives. The Chinese mainland is an ideal place for low cost production and market expansion. As a result, economic and trade relations across the Taiwan Strait have developed rapidly since mainland China initiated its economic liberalization policy in 1979.

Indirect trade between Taiwan and mainland China has been conducted through Japan, Singapore, Hong Kong and other countries. Among them, Hong Kong remains the most active location for economic exchange between the two Chinas. According to the statistics compiled by the Hong Kong Census and Statistics Department, indirect trade between Taiwan and mainland China through Hong Kong was only U.S.$46.8 million in 1978, but has increased to U.S.$9.81 billion in 1994. If we take this indirect trade through other countries, the total volume definitely would be higher. Table 6-3 shows the indirect trade through Hong Kong between Taiwan and the PRC from 1978 to 1994.

Table 6-3 also shows several important points. First, the growth rates between Taiwan and mainland China have been steady in indirect trade during the period in both imports and exports, with only a brief period of interruption. Indirect trade has begun to account for a continually rising proportion of the total trade turnover for both sides. For example, according to one report, the volume of Taiwan's indirect exports to the PRC was only 0.1 percent of its total exports, but by 1993 this figure had risen to 8.9 percent. On the other hand, the volume of imports from mainland China climbed from 0.4 percent of Taiwan's total imports in 1979 to 1.4
TABLE 6-3. TAIWAN-MAINLAND INDIRECT TRADE VIA HONG KONG, 1978-1994

<table>
<thead>
<tr>
<th>Year</th>
<th>Trade Turnover</th>
<th>Indirect Taiwan Exports</th>
<th>Indirect Taiwan Imports</th>
<th>Taiwan's Trade Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>1978</td>
<td>46.8</td>
<td>0.1</td>
<td>46.7</td>
<td>-46.6</td>
</tr>
<tr>
<td>1979</td>
<td>77.8</td>
<td>21.5</td>
<td>56.3</td>
<td>-34.8</td>
</tr>
<tr>
<td>1980</td>
<td>311.2</td>
<td>235.0</td>
<td>76.2</td>
<td>158.8</td>
</tr>
<tr>
<td>1981</td>
<td>459.4</td>
<td>384.2</td>
<td>75.2</td>
<td>309.0</td>
</tr>
<tr>
<td>1982</td>
<td>278.5</td>
<td>194.5</td>
<td>84.0</td>
<td>110.5</td>
</tr>
<tr>
<td>1983</td>
<td>247.7</td>
<td>157.8</td>
<td>89.9</td>
<td>67.9</td>
</tr>
<tr>
<td>1984</td>
<td>553.3</td>
<td>425.5</td>
<td>127.8</td>
<td>297.7</td>
</tr>
<tr>
<td>1985</td>
<td>1,102.7</td>
<td>986.8</td>
<td>115.9</td>
<td>870.9</td>
</tr>
<tr>
<td>1986</td>
<td>925.5</td>
<td>811.3</td>
<td>114.2</td>
<td>696.8</td>
</tr>
<tr>
<td>1987</td>
<td>1,515.4</td>
<td>1,226.5</td>
<td>288.9</td>
<td>937.6</td>
</tr>
<tr>
<td>1988</td>
<td>2,718.0</td>
<td>2,239.3</td>
<td>478.7</td>
<td>1,760.6</td>
</tr>
<tr>
<td>1989</td>
<td>3,483.4</td>
<td>2,896.5</td>
<td>586.9</td>
<td>2,309.6</td>
</tr>
<tr>
<td>1990</td>
<td>4,043.0</td>
<td>3,278.0</td>
<td>765.4</td>
<td>2,512.6</td>
</tr>
<tr>
<td>1991</td>
<td>5,793.2</td>
<td>4,667.2</td>
<td>1,126.0</td>
<td>3,541.2</td>
</tr>
<tr>
<td>1992</td>
<td>7,406.9</td>
<td>6,287.9</td>
<td>1,119.0</td>
<td>5,168.9</td>
</tr>
<tr>
<td>1993</td>
<td>8,689.0</td>
<td>7,585.4</td>
<td>1,103.6</td>
<td>6,481.8</td>
</tr>
<tr>
<td>1994</td>
<td>9,810.7</td>
<td>8,517.3</td>
<td>1,293.4</td>
<td>7,223.9</td>
</tr>
</tbody>
</table>


percent in 1993. The situation in mainland China is similar. Mainland China's indirect exports to Taiwan were 0.4 percent in 1979 and 1.2 percent in 1993, while indirect imports from Taiwan were 0.1 percent in 1979 and 7.3 percent in 1993. Growing mutual trade dependency is evident. Taiwan is now the sixth largest trade partner of mainland China, while mainland China is ranked fifth on Taiwan's list.

Second, the impact from the student demonstration movement and the subsequent Tiananmen Square incident in June 1989 has had little impact on indirect trade between the two Chinas, as the volume in both exports and imports continues to grow. Trade with Taiwan was badly needed by mainland China at the time when the PRC was under economic sanctions imposed by the United States and other Western nations.

Third, indirect trade has favored Taiwan heavily, with Taiwan enjoying the largest trade surplus. Consider 1989 as an example: Taiwan's indirect exports to mainland China were U.S.$2.89 billion,

while its imports from mainland China were only U.S.$586.9 million. This reflects a surplus of U.S.$2.3 billion for Taiwan. Taiwan's exports to mainland China are about six times its imports from mainland China. Thus, mainland China is more an export market to the Taiwanese businessmen than an import source.

According to a recent news release from the Xinhua News Agency, Taiwan's indirect exports to mainland China consist chiefly of industrial materials, and parts and components. For instance, man-made fibers account for 39.5 percent of the total value of Taiwan's indirect exports, followed by electronic parts and components (11.4 percent), plastic raw materials (10.9 percent), and machinery and equipment (8.1 percent). Herbal medicines remain Taiwan's leading indirect import from the mainland, followed by food products, tobacco and fuel.19

Finally, the increasing volume of indirect trade between the two Chinas also reflects the need for direct trade. Governments on both sides of the Taiwan Strait have taken steps to encourage trade between the two. Taiwan is currently planning to designate two sea ports for limited direct trade with the mainland. It is generally expected that the trade between the two sides of the Taiwan Straits will show continuous growth in the years ahead. Table 6-4 lists in chronological order Taiwan's policy development for trade with both sides of the Taiwan Straits since 1984.

The steps that have been taken reflect a significant change for both sides. It is even more so for the ROC on Taiwan. Since the 1949 withdrawal to Taiwan, the ROC has regarded any contact with the mainland, be it personal or business, as "supporting the rebels," and thus within the purview of sedition. But the government stance suffered a major setback in late 1989, when the ROC Supreme Court acquitted two local businessmen of a government sedition charge for directly doing business with the PRC. The Court ruled that such activities did not constitute the crime of treason or aiding the rebels to overthrow the ROC government.

The relaxation of the travel ban to the mainland, approved by the ROC government in November 1988, represents one of the most significant turning points in relations between the two Chinas, both sociologically and economically. It is estimated that Taiwan travelers have infused some U.S.$2 billion of foreign exchange into the mainland each year. Moreover, such travel has given Taiwan

TABLE 6-4. TAIWAN’S POLICY ON INDIRECT TRADE WITH CHINA, 1984-1996

<table>
<thead>
<tr>
<th>Date</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>The government relaxed its restrictions on the importation of goods from the mainland, which permitted indirect trade with the mainland.</td>
</tr>
<tr>
<td>July 1985</td>
<td>The government announced the three principles for trade with the mainland: (a) prohibited direct trade; (b) private firms were prohibited from contacting PRC officials; and (c) the ROC government would not interfere with indirect trade between Taiwan and the mainland.</td>
</tr>
<tr>
<td>July 1987</td>
<td>Allowed indirect imports from the mainland on 29 items of agricultural and industrial raw materials.</td>
</tr>
<tr>
<td>August 1988</td>
<td>Restrictions were lifted on the indirect import of fifty categories of agricultural and industrial raw materials from the mainland.</td>
</tr>
<tr>
<td>January 1989</td>
<td>The categories of agricultural and industrial raw materials permitted for indirect import from the mainland were increased to 90.</td>
</tr>
<tr>
<td>April 1989</td>
<td>The government approved the Regulations Governing Goods from the Mainland Area and established a system for indirect import of mainland goods.</td>
</tr>
<tr>
<td>January 1990</td>
<td>The categories of agricultural and industrial raw materials permitted for indirect import from the mainland were expanded to 155.</td>
</tr>
<tr>
<td>September 1990</td>
<td>The Ministry of Economic Affairs approved indirect ROC exports to the mainland.</td>
</tr>
<tr>
<td>October 1990</td>
<td>The Ministry of Economic Affairs issued Measures for Controlling Investment and Technical Cooperation with the Mainland.</td>
</tr>
<tr>
<td>November 1990</td>
<td>Prime Minister Hou suggested that Taiwanese investments should be concentrated in Guangdong, Fujian, and Shanghai.</td>
</tr>
<tr>
<td>January-August 1995</td>
<td>ROC approved 344 applications for investment in the Mainland, worth US$0.736 billion.</td>
</tr>
<tr>
<td>February 1996</td>
<td>The Mainland Affairs Council announced that the ROC would set up a special zone in Taichung for trades with the mainland.</td>
</tr>
</tbody>
</table>

eight hundred joint business ventures with mainland China, and 10,584 individually-owned Taiwanese businesses.\textsuperscript{20}

As mainland China has become more and more dependent upon investment from Taiwan and as the ROC has relaxed its ban on trade with mainland China, direct trade between the two sides likely will be possible in the near future. It was reported recently that mainland China has established four industrial parks for Taiwanese investment; five more such parks currently are being planned. At the same time, Chinese merchant ships registered under foreign flags have been reported to be conducting direct shipping between Taiwan and the mainland.\textsuperscript{21}

Judging from the development of the past ten years, mainland China and Taiwan have established strong economic ties. Although political and ideological differences still exist, the two sides have found economic convergence through bilateral trade mutually attractive and beneficial. As long as such economic exchange does not compromise Taiwan’s security, the ROC government will not only allow indirect trade to continue to flourish, but may also consider direct trade with the PRC on the mainland. The two old enemies may now become business partners.

\textbf{IV. SOCIETAL DIFFERENTIATION}

The previous chapters described the differential development between the two societies across the Taiwan Strait since their separation in 1949. Sociologically speaking, Taiwan and mainland China are now two different societies; they are on different levels of societal growth. Taiwan is an open society that is characterized by higher education, freedom of travel, economic prosperity, advanced health care and a social welfare system, and political democratization. Mainland China is still a totalitarian society in which people’s lives are tightly controlled by the state; uncertainty and poverty still characterize Chinese society on the mainland.

Another major difference exists in the nature of social movements that have been a main force in the push for greater reform within these two Chinese societies since the 1980s. Students are the major participants in almost every social movement in mainland China. On Taiwan, students seldom collectively join any long-term social movement. University and college campuses are the main


focus of demonstrations and rallies in mainland China, while in Tai-
wan, demonstrations and rallies generally are staged outside of uni-
versity and college campuses. Moreover, in mainland China,
intellectuals such as professors and writers play the role of leader-
ship in outlining the movement’s ideology and in participating in
mass demonstrations. In Taiwan, the intellectuals act as social crit-
ics in calling attention to certain social injustices and social evils
without getting involved personally.

Social movements in mainland China and Taiwan also differ in
another respect. It seems that social movements in mainland China
tend to focus on ideological differences with vaguely defined goals.
Such movements as the anti-rightist movements of 1957 and 1959,
the Four-cleanup movement of 1964, the Cultural Revolution dur-
ing the period from the mid-1960s to the mid 1970s, the anti-West-
ern spiritual pollution campaign of 1983, and the student democracy
movement of 1987-1989 were all ideologically oriented. In Taiwan,
the movement’s goal is in general clearly defined and very specific
in focus. The social movements in Taiwan during the 1970s and
1980s all had a clearly defined goal that was attainable. Movements
in mainland China demand ideological purity, freedom and democ-
racy, which are vague and ambiguous, while movements in Taiwan
focus on such issues as environmental pollution and wage increases
that are specific and narrowly defined. As a result, social move-
ments in mainland China often draw a larger pool, but often badly
organized, of participants than those in Taiwan.

As the societies in both mainland China and Taiwan become
more advanced economically, we can expect additional social
movements to either demand more change or resist change. A final
comparison on social movements in these two societies suggests
that we should be more optimistic about the chance of success in
using such movements to push for socio-political reform in Taiwan
than in mainland China. Fear from the shock of the Tiananmen
Square Massacre undoubtedly has undermined the PRC’s effort in
promoting any significant new change that is contrary to the inter-
est of the government and its aging leaders.22

22. See Wen-hui TSAI, “Protest Movements in Taiwan in the 1980s,” The American
Asian Review, Vol. 8, No. 4, Winter 1990, pp. 116-134; YI Mu and Mark V. Thompson,
Crisis at Tiananmen, San Francisco: China Books, 1989; and, Michael David KWAN,
A. Social and Cultural Contacts

For forty years Taiwan and mainland China have been separated from each other. Until the late 1980s, people on both sides of the Taiwan Strait had been prohibited from visiting each other. Their images about the other side were built purely upon political propaganda supplied by their own governments. They really did not know each other.

The breakthrough emerged on November 2, 1987, when the ROC government in Taiwan allowed its citizens to travel to the mainland to visit their relatives. For the first time in almost forty years, those family members who were forced to separate because of the civil war in 1949 were permitted to see each other again. Since then, the ROC government also has extended visitation privileges to tourists and academicians and certain other professionals. The ROC also has accepted a limited number of visitors from the mainland.

According to a report by the ROC government, there were 243,500 individuals who applied to visit their relatives on the mainland and who were approved by the government during the first year after the policy change on mainland visitation. Among them, 209,036 persons, or 85.87 percent, actually did visit the mainland. Central Bank statistics show that between January and September 1988, Taiwan travellers to the mainland had requested U.S.$3.1 billion in foreign exchange for the purpose of travelling to the mainland. Among them, U.S.$2.17 billion, or 70 percent of that amount, was spent on gifts for relatives on the mainland. A survey of those who returned from the mainland shows that 18.74 percent spent NT$50,000 (approximately U.S.$1,800) or lower, 43.34 percent spent between NT$60,000 and NT$100,000, 23.48 percent spent between NT$100,000 and NT$150,000, and 13.44 percent spent NT$150,000 or more. The survey also reported that 36.22 percent would like to visit the mainland again, 57.09 percent were undecided and 5.55 percent would not want to visit again.

Table 6-5 presents in chronological order a list of the policy changes applicable to people-to-people contact between Taiwan and the mainland.

As the ROC government relaxed its restraints on visitation, people-to-people contacts between Taiwan and the mainland have expanded from family visitation to cultural and athletic exchanges. From the above table, we can see that indirect mail channels were established, participation in scientific conferences was allowed, mainland residents were allowed to attend family funerals and visit
TABLE 6.5. TAIWAN’S POLICY ON CULTURAL AND SOCIAL CONTACTS WITH THE PRC, 1987-1995

<table>
<thead>
<tr>
<th>Date</th>
<th>Policy</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1987</td>
<td>The Bureau for Control of Entry and Exit began accepting applications from Taiwan residents for direct tourist travel to Hong Kong and Macau.</td>
</tr>
<tr>
<td>April 1988</td>
<td>The ROC Red Cross Society began forwarding mail from Taiwan residents to the mainland.</td>
</tr>
<tr>
<td>August 1988</td>
<td>A group of scientists from Taiwan participated in the 22nd International Council of Scientific Unions in Beijing.</td>
</tr>
<tr>
<td>September 1988</td>
<td>Mainland residents were allowed to attend family funerals and visit sick relatives in Taiwan.</td>
</tr>
<tr>
<td>November 1988</td>
<td>Members of private organizations were allowed to participate in international academic conferences, sports, and cultural activities held in mainland China by international organizations. Limited number of distinguished mainland residents and overseas mainland Chinese scholars and students were allowed to visit Taiwan.</td>
</tr>
<tr>
<td>December 1988</td>
<td>The first visit to family members in Taiwan was made by a Taiwanese soldier stranded on the mainland since 1949. Five mainland students studying in the U.S. visited Taiwan.</td>
</tr>
<tr>
<td>March 1989</td>
<td>Native Taiwanese soldiers of the Nationalist Army stranded on the mainland and their dependents were permitted to resettle in Taiwan.</td>
</tr>
<tr>
<td>April 1989</td>
<td>The Chinese Taipei Olympic Committee announced ROC athletic teams and organizations would participate under the name &quot;Chinese Taipei&quot; in international sports events held on the mainland. Teachers and employees of public schools were allowed to visit relatives on the mainland. Permission was granted for news reporting and filmmaking in the mainland.</td>
</tr>
<tr>
<td>June 1989</td>
<td>Indirect telecommunication links across the Strait began, and simplified mailing procedures were adopted for correspondence destined for the mainland.</td>
</tr>
<tr>
<td>October 1989</td>
<td>The age limit of mainland residents eligible to apply for residence in Taiwan was lowered from seventy-five to seventy in special cases.</td>
</tr>
<tr>
<td>February 1990</td>
<td>Permission for mainland visits were granted to janitors and technicians at government institutions and to workers at state-run enterprises. First generation native Taiwanese stranded on the mainland were allowed to return to Taiwan for family visits.</td>
</tr>
<tr>
<td>April 1990</td>
<td>Elected officials at all levels were permitted to pay private visits to the mainland during holidays and recesses. Cultural, educational and civilian organizations were allowed to send representatives to the mainland for visits.</td>
</tr>
<tr>
<td>May 1990</td>
<td>Mainland residents who were Relatives of ROC government officials were allowed to visit Taiwan.</td>
</tr>
<tr>
<td>June 1990</td>
<td>Travel to Taiwan was approved for mainland residents noted for their academic, cultural or sports achievements. Government officials were allowed to visit sick relatives or attend funerals on the mainland.</td>
</tr>
<tr>
<td>November 1990</td>
<td>The Executive Yuan approved the revised draft of the “Draft Statute Governing People-to-People Relations Across the Taiwan Straits.”</td>
</tr>
<tr>
<td>February 1991</td>
<td>The Strait Exchange Foundation was established. The Foundation is designed to assist the government in handling civilian affairs across the Strait.</td>
</tr>
<tr>
<td>April 1991</td>
<td>Two news reporters from the mainland arrived in Taipei. Two mainland China Red Cross officials arrived in Taipei for a humanitarian visit of eleven mainland Chinese fishermen involved in a sea piracy case.</td>
</tr>
<tr>
<td>September 1992</td>
<td>The Statute Governing People-to-People Relations Across the Taiwan Straits was enacted.</td>
</tr>
<tr>
<td>April 1993</td>
<td>The First Koo-Wang Talks was held in Singapore to discuss issues related to social and cultural exchange between the two sides of the Taiwan Strait.</td>
</tr>
<tr>
<td>August 1993</td>
<td>The First Conference Implementing Koo-Wang Talks was held in Beijing.</td>
</tr>
<tr>
<td>November 1993</td>
<td>The Second Conference Implementing Koo-Wang Talks was held in Amoney.</td>
</tr>
<tr>
<td>December 1993</td>
<td>The Third Conference Implementing Koo-Wang Talks was held in Taipei.</td>
</tr>
<tr>
<td>February 1994</td>
<td>The First Chiao-Tang Conference on non-economic issues was held in Beijing.</td>
</tr>
<tr>
<td>March 1994</td>
<td>The Fourth Conference Implementing Koo-Wang Talks was held in Beijing.</td>
</tr>
<tr>
<td>July 1994</td>
<td>The Fifth Conference Implementing Koo-Wang Talks was held in Taipei.</td>
</tr>
<tr>
<td>August 1994</td>
<td>The Second Chiao-Tang Conference was held in Taipei.</td>
</tr>
<tr>
<td>November 1994</td>
<td>The Sixth Conference Implementing Koo-Wang Talks was held in Nanjing.</td>
</tr>
<tr>
<td>January 1995</td>
<td>The Third Chiao-Tang Conference was held in Beijing.</td>
</tr>
</tbody>
</table>

sick relatives in Taiwan, teachers and employees of public schools were allowed to visit relatives on the mainland, permission was granted for news reporting and filmmaking on the mainland, indirect telecommunication links across the Strait began, elected officials were permitted to make private visits to the mainland, and the "Statute Governing People-to-People Relations Across the Taiwan Strait" has been enacted to regulate people-to-people exchange between the two governments.

In the three years after the ROC government on Taiwan opened its door to visitation between Taiwan and the mainland, more than half a million residents from Taiwan have visited the mainland, an average of 500 each day. Government figures show that 506,000 applications were approved for visitation to the mainland, 5,334 visitors from the mainland were permitted to travel to Taiwan, 333 mainlanders were allowed to stay in Taiwan, an average of 700,000 letters were sent between Taiwan and the mainland each month, and 38,000 telegraphs were reported.23 The figures provided by the Xinhua News Agency showed in 1990 a total of 923,000 visitors from Taiwan to the mainland for tourism or family visits. It was estimated that Taiwan visitors to the mainland in 1991 would reach 1,800,000 persons.24 In addition, there has been an increasing number of illegal immigrants from the mainland to Taiwan in search of work opportunity. The Red Cross groups on both sides are now handling exchanges of illegal immigrants and criminals between Taiwan and the mainland.

One question frequently has been asked by people in Taiwan: Should an advanced society like Taiwan be returned to China? In the mind of the majority of the people in Taiwan the answer is a clear "no." Several public opinion polls have discovered that people in Taiwan may not support the Taiwan Independence movement, but they were not willing to turn Taiwan over to the PRC.25

One particular opinion poll found that, among those who never visited the mainland, 18 percent believed Taiwan and the mainland would maintain their present status ten years from now, and 18.4 percent said they believed the Beijing regime would become more dictatorial, while 0.1 percent believed Taiwan would become independent.26

25. See Tsai and Lin, 1989, supra note 5.
Clearly, Taiwan residents, whether they have visited the mainland or not, do not support unification under Communist rule. They also believe the PRC will become even more dictatorial. There are several factors involving the reunification of China that have led the residents of Taiwan to take a position of resisting incorporation into the PRC.

First, poverty in the PRC has left a deep impression on Taiwan visitors who have travelled to the mainland. For the past forty years, people in Taiwan have been told that the mainland is poor, but many of them were still shocked to see for themselves the severe degree of poverty on the mainland. The living conditions of their relatives and friends on the mainland were so unacceptable that the Taiwanese visitors had to stay at the hotels in the city, instead of staying with family members in their hometown. Out of sympathy, the Taiwanese visitors gave a large amount of money and gifts to their relatives and friends on the mainland. Compared with their own wealth in Taiwan, the Taiwanese visitors saw that their relatives on the mainland had very little. As a result, the great majority of these visitors become more resistant to unification with the PRC.

Second, the Tiananmen Square Incident of 1989 has led the Taiwanese to believe that the PRC is still very much a totalitarian state in which coercive control through the use of brutal means is legitimized to protect the political machinery. Until that incident, people in Taiwan had hoped that the PRC would move toward an open democratic system under Deng’s “Four Modernizations” campaign. There were signs initially that the PRC was moving toward such a goal. Unfortunately, the Tiananmen Square Incident and the subsequent PRC crackdown on the democracy movement have made the Taiwanese more skeptical of PRC reform.

Third, government corruption on the mainland has had a negative effect on the willingness of the Taiwanese to be ruled by the PRC. Many Taiwanese businessmen have travelled to the mainland to do business with the Chinese; they have been in touch with gov-

ernment officials on the mainland and have found many of those officials to be corrupt and greedy. The Taiwanese have complained about the bureaucratic red tape and institutionalized bottle necks in economic spheres, which have made it necessary to deal with government officials through under-the-table bribery. As a consequence, the majority of Taiwanese businessmen doing business in the PRC merely view the mainland as a marketplace, not as a place to live or be governed from.

Fourth, the political democratization process in Taiwan under the new leadership of LEE Teng-hui has left a positive mark on the Taiwanese. President Lee, who has received higher education in both Japan and the United States, is the first Taiwan-born president in the Republic of China. After the death of CHIANG Ching-kuo, President Lee has moved the ROC on Taiwan from an authoritarian state to a democratic government. He announced that within the next five years, the National Assembly elected on the mainland before 1949, which had occupied those seats for the past forty years, would be replaced by a new Assembly through a democratic election process to be voted on by the residents of Taiwan. Currently, all members of the National Assembly are elected through public votes held in Taiwan. Under Lee, there has been more freedom of speech, news censorship has been abolished, there has been more travel to the mainland and other foreign nations, there has been increased political participation and a pragmatic approach toward foreign affairs has developed. Although social problems have been increasingly troublesome, Taiwan has become a better place to live, both politically and economically.

Fifth, the frequent military threats from Beijing authorities to use forcible means to liberate Taiwan have increased Taiwanese resistance to reunification with the mainland. In an attempt to undermine President LEE Teng-hui’s popularity in the March 1996 Presidential election, Mainland China launched a series of military maneuvers which included the firing of several rounds of missiles near the Taiwan coast and two large-scale military exercises in the East China Sea and in Fujian province. Although Beijing’s threats had created an uneasiness among people in Taiwan, it failed to intimidate the Taiwanese; President Lee won the presidential election with 53.9 percent of the votes. A comparison of public opinion polls taken prior to the election and after the election clearly indicated a
In Making China Modernized

growing sense of self-determination among the people of Taiwan to resist immediate reunification.28

Sixth, the majority of residents in Taiwan have lived in Taiwan for several generations; they do not have any sentimental ties to the mainland. Taiwan was given to the Japanese by the Ch‘ing government after its defeat in the Sino-Japanese War in 1895. While China was struggling with civil wars and economic poverty, Taiwan was under Japanese rule. Japanese culture and rule have had a profound influence on the Taiwanese way of life. Many Taiwanese view Japanese efficiency and work ethic in direct contrast with the inefficiency and corruption on the mainland. A return to China would mean a return to tyranny.

Finally, mainland China is simply too large. Many Taiwanese realize that whatever economic wealth Taiwan has would be eaten up by the Chinese on the mainland if Taiwan were to submit to PRC rule. Taiwan can enjoy its high quality of life and purchasing power because its population is relatively small. Mainland China has a population of over 1.2 billion, most of whom are living in extreme poverty. Under communist rule, Taiwan’s wealth could be forcibly shared with others on the mainland, which would in turn lower the standard of living in Taiwan.29

Table 6-6 compares the overall quality of life between these two Chinese societies, as of 1994.

The apparent differences in the quality of life between mainland China and Taiwan have attracted an ever increasing number of illegal immigrants from the mainland to Taiwan during the recent years. According to a recently published report, the Nationalist authority in Taiwan captured 1,712 illegal immigrants from the mainland in 1989; it increased to 5,646 in 1990, and 3,981 in 1991. It is generally agreed by Taiwan authorities that the actual number of illegal immigrants had to be larger than those captured for many of the mainland Chinese immigrants successfully entered Taiwan undetected.30 These illegal immigrants from the mainland have come to Taiwan in search of a better life.


30. Reported in the China Times (Taiwan) on January 19, 1993, p. 6.
### TABLE 6-6. QUALITY OF LIFE IN THE PRC AND TAIWAN, 1994

<table>
<thead>
<tr>
<th>Quality of Life</th>
<th>PRC</th>
<th>Taiwan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Population (10,000)</td>
<td>119,850</td>
<td>2,112</td>
</tr>
<tr>
<td>Sex Ratio</td>
<td>104</td>
<td>106.2</td>
</tr>
<tr>
<td>Urban/Rural</td>
<td>U20%</td>
<td>R80%</td>
</tr>
<tr>
<td>Life Expectancy</td>
<td>68.5</td>
<td>74</td>
</tr>
<tr>
<td>Birth Rate</td>
<td>17.70</td>
<td>15.3</td>
</tr>
<tr>
<td>Death Rate</td>
<td>6.49</td>
<td>5.4</td>
</tr>
<tr>
<td>Natural Growth Rate</td>
<td>11.21</td>
<td>9.9</td>
</tr>
<tr>
<td><strong>Economy</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employed in population over age 15</td>
<td>86.39%</td>
<td>58.04%</td>
</tr>
<tr>
<td>Distribution:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Industry</td>
<td>22.7%</td>
<td>39.2%</td>
</tr>
<tr>
<td>Agri.</td>
<td>54.3%</td>
<td>10.9%</td>
</tr>
<tr>
<td>Service</td>
<td>23.0%</td>
<td>49.9%</td>
</tr>
<tr>
<td>Per Capita Income</td>
<td>US$387</td>
<td>US$11,597</td>
</tr>
<tr>
<td>Farmer's income as % of Urban Workers</td>
<td>51.1%</td>
<td>82.1%</td>
</tr>
<tr>
<td><strong>Education and Culture</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td># of college st. per 10,000 population</td>
<td>23.4</td>
<td>226.8</td>
</tr>
<tr>
<td># of TV sets per 100 households</td>
<td>13.5</td>
<td>97.8</td>
</tr>
<tr>
<td># of radios per 100 households</td>
<td>31.2</td>
<td>NA</td>
</tr>
<tr>
<td># of newspapers per 100 households</td>
<td>4.1</td>
<td>64.5</td>
</tr>
<tr>
<td># of magazines per 100 households</td>
<td>7.0</td>
<td>16.6</td>
</tr>
<tr>
<td># of hospital beds per 10,000 population</td>
<td>23.6</td>
<td>49.0</td>
</tr>
<tr>
<td># of physicians per 10,000 population</td>
<td>15.7</td>
<td>53.9</td>
</tr>
<tr>
<td>Political system</td>
<td>totalitarianism</td>
<td>democracy</td>
</tr>
<tr>
<td>Political party</td>
<td>limited activities</td>
<td>free activities</td>
</tr>
<tr>
<td>Freedom of speech</td>
<td>limited</td>
<td>full</td>
</tr>
</tbody>
</table>


From the above comparisons, there is little doubt that the PRC on the Chinese mainland and the ROC on the island of Taiwan are two different societies, politically, economically and socially. They may have the same "Chineseness," but they have grown up with different patterns and ways of living.

The theoretical model we developed in Chapters 2 and 4 could illustrate further the different societal development between mainland China and Taiwan. If we apply the theoretical model in an evolutionary perspective to the corresponding historical period, then it is clear that Taiwan has moved into the stage of modernization, while the PRC is just beginning to enter the economic growth stage.
Sociologist Talcott Parsons’ scheme of AGIL is useful in supplementing our argument here. Parsons believed the evolitional tempo of different societies may not develop at the same speed. Some societies develop faster; others develop slower. In Parsons’ AGIL scheme, society evolves through a process of adaptation upgradings, moving from A (adaptation), to G (goal attainment), to I (integration) and to L (Latency or system maintenance). A society is underdeveloped in its evolution if it is still struggling with pure adaptation, i.e., searching for survival substance such as food and protection from natural disaster.31

With severe poverty in mainland China and economic backwardness, we could very well place mainland China in the A (adaptation) stage of the evolutionary scheme because economic survival is still the main focus. On the other hand, the past economic “miracle” Taiwan has achieved would move Taiwan into the I or integration stage in Parsons’ evolutionary scheme, in which people are adequately encouraged to perform their social roles and people are not in great conflict with each other or with society.

The above discussion thus shows that differences do exist between mainland China and Taiwan, not only in political and economic spheres, but also in societal development. Since Taiwan independence is not likely to be tolerated by the PRC, the current status quo is perhaps the best solution.

V. A MODERNIZED CHINA IN THE FUTURE

In late 1988, on the tenth anniversary of the Third Plenum that made DENG Xiaoping the PRC’s paramount leader, mainland China’s leadership faced daunting economic and political difficulties. Defensively, the leaders pointed to the tremendous gains of the previous decade as proof that the direction of the PRC set by DENG Xiaoping and his proteges was the only correct program for the future. This tactic was reminiscent of most post-1949 Chinese politics: using comparisons with China’s dismal past to highlight the benefits of current policy, and thereby buttress the authority of the current regime. Leaders also typically have used visions of a bright future to spur the Chinese people to greater efforts and sacrifices.

But as everyone knows, mainland China’s future progress will not be judged by a utopian fantasy or political propaganda, but by

its transformation from an underdeveloped and totalitarian country to a non-socialist and technologically advanced nation in which economic prosperity, political stability and social harmony are part of the people's way of life.

Carol Hamrin believes that mainland China will have to deal with four major obstacles in achieving its dream of restoring its historical greatness: the accelerating development gap caused by international economic trends; mainland China's resource/population pinch and highly uneven regional and sectorial development; the highly rigid authoritarian Leninist leadership structure and the political culture of dependency; and, a severe moral-cultural depression characterized by friction between generations and among social groups, and alienation from the regime.32

It will not be easy to overcome these four obstacles; it will require tremendous effort. The problems in mainland China today are deeply rooted in China's past. As we have discussed in Chapters 2 and 3, several factors were responsible for China's fall from greatness into despair. These factors include the nonprogressive value maintenance of the Confucian ethic, the geographical isolation of China, the cultural superiority complex, the terrifying experience from contacts with the West and other foreign nations, an ignorance of the world's political economy, political instability and a large population. Ever since the mid-nineteenth century, these problems in one way or another have blocked China's efforts toward modernization.

Yet, the successful story of Taiwan's economic "miracle" also suggests that modernization in Chinese society is not totally impossible. The traditional obstacles can be overcome if China can rally under a single effective leadership committed to modernization. Although mainland China has started to pattern its economic structure after that of Taiwan, it needs to develop a social and political structure that is conducive to a broader change in both economic and non-economic spheres of activity. Mainland China may have had some success in its economic reforms during the past ten years, but this success will be short-lived if the leadership is not willing to make changes in socio-political institutions to sustain economic growth.

Judging from Taiwan’s past developmental experience, the following changes must occur in mainland China to stimulate economic growth.

First, mainland China needs to create a new social system that allows for occupational and social mobility. Until recently, the mainland Chinese government has imposed strict regulations on the mobility of its people. Geographical movements are highly structured by the government, while occupational mobility is prohibited. However, with an open door policy and an increasingly improved economy, the PRC government must begin to permit limited movement between cities and rural areas, as well as among occupations in an attempt to restructure China's regional patterns of growth so that they are compatible with overall economic objectives. Occupational and geographic mobility are necessary in order to provide better use of human and natural resources. Fortunately, we have started to see a loosening of the restraints on mobility on a limited basis; the trend is expected to continue.

Second, mass education needs to be expanded and upgraded. During the years under Mao's rule, mainland China’s efforts toward mass education was to lower the quality of education so that it would be easier to reach the masses. The simplification of Chinese written characters and the shortened years of elementary schooling are two good examples. Although such a policy undoubtedly has enabled more Chinese to be functionally literate, the quality of education has suffered. This is particularly true in higher education, where students are poorly trained not only for advanced education but also for taking technical jobs in industries and professions.

As of 1984, only one percent of mainland China's population had a college education. Even in 1994, there were only 23.4 students for every 10,000 people in mainland China. The Taiwan experience with education can serve as a model for the PRC in its future planning for educational development. Education in Taiwan has been characterized by a high literacy rate and the development of advanced sciences and technology. For mainland China to be able to adopt Western technology and economics, it must improve its educational system: The Taiwanese model is a ready example from which the PRC can draw.

Third, highly trained and educated technical experts must emerge as new leaders of mainland China in the near future. One of the main weaknesses of the PRC's past development strategies was its reliance upon party cadres to control the decision-making process. Ideology was viewed as the supreme determinant factor in
guiding mainland China's developmental process, and technical expertise was placed under the control of the leadership of party ideology. As a result, irrational planning and programming were frequently found in mainland China's past developmental process.

The current drive toward industrialization and modernization will pave the way for technical professionals to be placed in important posts that will shape the PRC's future. Such a move also will make way for a younger leadership to emerge, as well.

Fourth, mainland China must slow down its rapid population growth. Under Mao, China's population was allowed to grow to consume the large portion of mainland Chinese resources. That condition has had serious implications, helping to lead to the backwardness of the economy and the deterioration of living standards. Taiwan's ability to control its population growth is one of the main reasons for its success in economic and social modernization.

Knowing that population must be controlled, mainland China has initiated the current "one-child policy." Although this policy is designed to curb such growth, there have been reports of ineffectiveness. In fact, the latest census shows mainland China's population at more than 1.13 billion, about 20 million more than the goal set by the government for the end of the decade. The outlook for the future remains grim, because the next five years (1996-2001) will coincide with a peak in the high fertility period.

Fifth, mainland China must expand its middle class sector. One of the most significant achievements of Taiwan's success story has been the emergence and expansion of the petty bourgeoisie or small-business class. This large middle-class population has not only constituted a strong force of economically forward-looking businessmen in Taiwan that has pushed Taiwan into an industrialized age, but it also has provided a much needed stabilizing factor in maintaining societal integration and harmony.

As mentioned earlier, mainland China was, and still is, a planned economy under the tight control of leadership from above; the current environment is not conducive to the emergence of a middle class. However, the recently permitted private enterprise practice on the mainland will create favorable conditions conducive to the emergence of a middle class characterized by small accumulations of wealth and aggressive business practices. Just like its counterpart in Taiwan, this newly emergent middle class can play a significant role in the PRC's push toward successful social and economic modernization.
Finally, as mainland China's economy begins to show improvement, general mass expectations also will rise. The PRC's political leadership will find it extremely difficult in the future to rule by coercive force. It will have to relax its totalitarian control by granting more freedom to allow the general public political input. Taiwan has responded to such a new rising demand in recent years with the relaxation of its authoritarian rules, highlighted by the abolishment of martial law early in 1987. Political freedom and democracy might not be the precondition of economic modernization, but it definitely will be one of the inevitable consequences. The 1989 Tiananmen Square Incident should not happen again. The government in mainland China must regain its legitimacy and trust from the Chinese people if its reform policy is to be carried out successfully.

VI. CONCLUDING REMARKS

For almost one and a half centuries, since it began its search for modernization, China has struggled. The Communist victory on the mainland in 1949 brought hope to the Chinese for building a new China with political sovereignty, territorial integrity, economic prosperity and freedom of human spirit. The dream was quickly replaced by the nightmare of human suffering under PRC rule.

Yet, a short distance away, the Republic of China on Taiwan has created an "economic miracle," characterized by rapid economic growth rates, income equity and increasing national and personal wealth. If we define a modernized nation as a nation of political stability and economic prosperity, then the ROC on Taiwan clearly would qualify, while the PRC on the mainland would still have a long way to go.

Ever since 1949, these two governments have been at odds with each other. Mainland China adopted a Communist mode of government and economic practice, while Taiwan adopted a version of capitalist practice in its own developmental path. The result was a great discrepancy between the livelihoods of the people and these two Chinas; this is evidenced by Taiwan's fast economic growth and relatively relaxed political atmosphere in sharp contrast to the PRC's slower economic growth and totalitarian government.

Have the PRC and ROC moved closer together so that the Chinese on both sides of the Taiwan Strait could benefit from unification? Recent changes that have occurred on both sides of the Taiwan Strait seem to suggest that a process of partial convergence is now taking place. Not only has the PRC adopted a number of
economical developmental strategies from Taiwan’s successful past experience, but it also has started to encourage the development of a pluralist society on the mainland, a society characterized by the relaxation of press censorship and private ownership of property.

Indeed, Taiwan has served as a living model for the PRC. If the current trend of convergence continues, the two sides without any doubt will show eventually more similarities than differences. This would contribute to reduced tension between the two. As the convergence perspective of modernization theory has suggested, the more a society tries to modernize, the more it will have to share in the modern rational way of life. The PRC is no exception.

Nevertheless, this is not to say there will be only one China in the near future. Several proposals have been suggested by government officials from both sides and by people from the scholarly community, as we have discussed. Unfortunately, the PRC is still very much an unsettled nation; contradictions exist everywhere in the PRC that make it very difficult for residents of Taiwan in the ROC.

Dr. King-yuh CHANG outlined the contradictions in the PRC in the following statement:

Perhaps most contradictory of all is that the Chinese Communists are politically ‘radical leftists’ and the reforms economically ‘rightist.’ How difficult it is to walk to the left and right at the same time. Gripped by the left-right contradictions and subjected to Marxist-Leninist indoctrination and the Communist one-party dictatorship, the mainland’s pace and effectiveness in promoting the recent Communist reforms is limited.33

The hope for a politically unified China has become even more remote after the Tiananmen Square Incident of June 4, 1989. Although leadership from the PRC is eager to have a unified China, Taiwan is extremely cautious in its contact with the mainland. Although Taiwan still openly insists that there is only one China and that Taiwan will not seek independence, its new president, Dr. LEE Teng-hui, is clearly in favor of maintaining a government in Taiwan, separate and free of interference from the People’s Republic.34

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34. This is not to say that President Lee advocates the Taiwan independence movement. He is very much aware of the reaction from the PRC if Taiwan moves toward
Judging from the differential development experienced between mainland China and Taiwan, Taiwan's position against a hasty reunification is quite understandable. Economically, socially, culturally and politically, mainland China and Taiwan are two separate societies. If we follow the stages of modernization outlined in Chapter 1, then perhaps we may place these two Chinese societies in the two differential evolutionary stages shown in Figure 6-2.

**FIGURE 6-2. MODERNIZATION STAGES BETWEEN MAINLAND CHINA AND TAIWAN SINCE 1949***

<table>
<thead>
<tr>
<th></th>
<th>Industrialization</th>
<th>Economic Growth</th>
<th>Modernization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mainland China</td>
<td>1970s</td>
<td>1990s</td>
<td>?</td>
</tr>
<tr>
<td>Taiwan</td>
<td>1960s</td>
<td>1970s</td>
<td>1980s</td>
</tr>
</tbody>
</table>

*The figure here shows the respective decades that Mainland China and Taiwan entered each stage of modernization. It does not imply that they had reached the same level of development within each stage.

Taking 1949 as the starting point for both mainland China and Taiwan, we find that Taiwan started to move into the industrializing stage in the 1950s, began to enjoy steady economic growth in the middle 1960s and finally entered the modernization stage in the 1980s. Mainland China did not begin its full scale effort on industrialization until the 1970s, and did not realize a steady economic growth until the 1980s. Thus, it is clear that mainland China's industrial and economic developments are approximately twenty years behind Taiwan.35

The analysis here is consistent with the arguments made by Thomas Metzger and Ramon Myers. They pointed out that the difference between mainland China and Taiwan is not just in degree, but in kind as well. Taiwan has developed faster than mainland China because of three interrelated breakthroughs: "the almost completed process of economic modernization, the rise of a fundamentally urbanized society with a large middle class, and a 'great total independence from China. President Lee's policy seems to separate Taiwan from mainland China in reality, but not in name.

35. This does not mean that it would only take another twenty years for mainland China to catch up with Taiwan. For one thing, Taiwan will not wait for mainland China to catch up: It will continue with its modernization progress. For another, it may have taken forty years for Taiwan to move into the modernization stage, but it definitely will take mainland China longer to progress because of its backwardness and style of governing.
transition’ from authoritarian rule to increasing political pluralism.”36 In mainland China no comparable breakthroughs have occurred.

From a sociological point of view, the most significant developmental difference between mainland China and Taiwan lies in changes in the non-economic sphere. Taiwan has moved into the modernization stage through the increase of personal and national wealth, democratization of the political decision-making process, the emergence of an enlarged middle class, the creation of a pluralist and civic society, and active participation in the international arena. Mainland China, on the contrary, still insists today that reform and openness will be allowed only in economic activities, and that any other attempt to change the socio-political system under Communist rule will be punished severely. The CCP leaders proclaim that militant revolution against Communist rule will be cracked down upon and that attempts to change mainland China through a “peaceful evolution” will not be tolerated. How many years are needed before mainland China can enter the modernization stage is still anybody’s guess. If China’s past history is any indication, then the movement toward socio-political reform will be slow and difficult.

The two Chinese societies have developed quite differently during the past forty years, and the ways of life of the people living under these two systems are definitely dissimilar. Unless the societies on both sides of the Taiwan Strait can share more similar ways of life, there always will be two separated Chinese societies. Until then, any attempt by the PRC to take Taiwan back through military force will be an historical tragedy. As it is presented in Table 6-7, mainland China definitely has a military force superior to Taiwan’s and thus could overtake Taiwan with an invasion. A forceful take-over of Taiwan by the PRC, however, would result in bloodshed and would destroy the great achievements of the people.

Military aggressiveness is thus clearly not the solution, and even a peaceful reunification between the PRC and Taiwan will lower Taiwan’s standard of living and turn the clock back at least twenty years. Donald J. Senese and Diane D. Pikcunas expressed this concern very well, when they said that “little will be achieved toward world peace or even the ‘Great Harmony’ of Confucius if a

TABLE 6-7. COMPARATIVE MILITARY STRENGTHS BETWEEN MAINLAND CHINA AND TAIWAN, 1996

<table>
<thead>
<tr>
<th>Military Capacities</th>
<th>Mainland China</th>
<th>Taiwan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Personnel</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Active</td>
<td>2.9 million</td>
<td>376,000</td>
</tr>
<tr>
<td>Reserve</td>
<td>1.2 million</td>
<td>1.7 million</td>
</tr>
<tr>
<td>Ships</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Submarines</td>
<td>44</td>
<td>4</td>
</tr>
<tr>
<td>Destroyers</td>
<td>50</td>
<td>38</td>
</tr>
<tr>
<td>Planes</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bombers</td>
<td>420</td>
<td>—</td>
</tr>
<tr>
<td>Fighters</td>
<td>4,000</td>
<td>365</td>
</tr>
<tr>
<td>Ballistic Missiles</td>
<td>17</td>
<td>0</td>
</tr>
<tr>
<td>Nuclear Weapons</td>
<td>300 nuclear warheads</td>
<td>0</td>
</tr>
</tbody>
</table>


geographic and political reunification means the snuffing out of the light of a free economy, political democratization, and religious liberty of almost 21 million residents of the Republic of China on Taiwan.)

In the process of modernizing China, the Chinese have experienced many setbacks and tremendous suffering. But the future seems to be brighter. The Taiwan experience has provided a successful working model for the Chinese leadership on the mainland. Since the beginning of the 1990s, mainland China has shown determination to move forward with economic reform; the overall economic quality of life has greatly improved in many regions of the mainland. At the same time, Taiwan has moved one step closer to a true democracy, in which its citizens have the power to elect government officials and legislators to represent them. The first direct election of the President of the Republic of China was held on March 23, 1996, and Dr. LEE Teng-hui was elected by winning 53.9 percent of all the eligible votes.

China will be modernized successfully if it can incorporate both sides of the Taiwan Strait into a unified state through peaceful means and if it can enjoy political stability, economic prosperity and social integration. At the same time, China must take an active role in maintaining global stability and harmony. Only then can the his-

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historical greatness of the Chinese civilization be restored and the Chinese efforts toward modernization be accomplished.
### Appendix: Selected Chinese Terms and Names

<table>
<thead>
<tr>
<th>English</th>
<th>Chinese</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anhui</td>
<td>安徽</td>
</tr>
<tr>
<td>Anqing</td>
<td>安慶</td>
</tr>
<tr>
<td>Baoding</td>
<td>保定</td>
</tr>
<tr>
<td>Barefoot Doctors</td>
<td>赤腳醫生</td>
</tr>
<tr>
<td>Beijing</td>
<td>北京</td>
</tr>
<tr>
<td>Ben-tu-hua</td>
<td>本土化</td>
</tr>
<tr>
<td>Big tigers</td>
<td>大老虎</td>
</tr>
<tr>
<td>Black</td>
<td>黑</td>
</tr>
<tr>
<td>BO, Yipo</td>
<td>潤一坡</td>
</tr>
<tr>
<td>Capitalist roaders</td>
<td>走資派</td>
</tr>
<tr>
<td>CHEN, Hsi-ching</td>
<td>陳序經</td>
</tr>
<tr>
<td>CHEN, Tu-hsiao</td>
<td>陳獨秀</td>
</tr>
<tr>
<td>CHIANG, Ching-kuo</td>
<td>蔣經國</td>
</tr>
<tr>
<td>CHIANG, Kai-shek</td>
<td>蔣中正</td>
</tr>
<tr>
<td>Chiao-Tang Conference</td>
<td>駁唐會談</td>
</tr>
<tr>
<td>Chihli Clique</td>
<td>直系</td>
</tr>
<tr>
<td>Chin-lin</td>
<td>金陵</td>
</tr>
<tr>
<td>Chung-kuo Tungmeng-hui</td>
<td>中國同盟會</td>
</tr>
<tr>
<td>Control Yuan</td>
<td>監察院</td>
</tr>
<tr>
<td>Counter-revolutionaries</td>
<td>反革命份子</td>
</tr>
<tr>
<td>Democratic Progressive Party</td>
<td>民進黨</td>
</tr>
<tr>
<td>DENG, Xiaoping</td>
<td>鄧小平</td>
</tr>
</tbody>
</table>

1 For explanations on the pronunciation, please refer to "A Note on Romanization of Chinese Terms and Names."
Digu Zhiyu
Enemies of the class
Extreme leftists
FENG, Yu-xiang
Fengjian Zhuanzhi Zhidu
Fengtien Clique
Five Anti's
Foochow (Fuzhou)
Four Modernizations
Ganbu
Gang of Four
Gaogan
Great Proletarian Cultural Revolution
Great Leap Forward
Guangdong
Guangzhou
Hainan
Heshang
Hebei
Hsing-chung-hui
HU, Shih
HU, Yaobang
Hui-pang
Huicheng
JIANG, Qing
JIANG, Zemin
<table>
<thead>
<tr>
<th>Chinese Characters</th>
<th>English Translation</th>
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<tbody>
<tr>
<td>Jiangnan (Kiang-nan)</td>
<td>江南</td>
</tr>
<tr>
<td>Kaiping</td>
<td>開平</td>
</tr>
<tr>
<td>Kang-hsi</td>
<td>康熙</td>
</tr>
<tr>
<td>Kaohsiung</td>
<td>高雄</td>
</tr>
<tr>
<td>Koo-Wang Talks</td>
<td>庫汪會談</td>
</tr>
<tr>
<td>KU, Hung-ming</td>
<td>事 鴻銘</td>
</tr>
<tr>
<td>KUO, Shirley W.J.</td>
<td>郭婉容</td>
</tr>
<tr>
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<td>國民黨</td>
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<tr>
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<td>康有為</td>
</tr>
<tr>
<td>Lanzhou</td>
<td>蘭州</td>
</tr>
<tr>
<td>LEE, Teng-hui</td>
<td>李登輝</td>
</tr>
<tr>
<td>Left deviationists</td>
<td>左傾份子</td>
</tr>
<tr>
<td>Legion of Princes</td>
<td>太子黨</td>
</tr>
<tr>
<td>Legislative Yuan</td>
<td>立法院</td>
</tr>
<tr>
<td>LI, Ta-chao (LI, Dazhao)</td>
<td>李大釗</td>
</tr>
<tr>
<td>LI, Hung-chang</td>
<td>李鴻章</td>
</tr>
<tr>
<td>LI, Peng</td>
<td>李鵬</td>
</tr>
<tr>
<td>LIANG, Ch‘i-ch‘ao</td>
<td>梁啟超</td>
</tr>
<tr>
<td>LIANG, Shuming</td>
<td>梁漱溟</td>
</tr>
<tr>
<td>LIEN, Chan</td>
<td>連戰</td>
</tr>
<tr>
<td>LIU, Shaoqi</td>
<td>劉少奇</td>
</tr>
<tr>
<td>Lungchang</td>
<td>龍昌</td>
</tr>
<tr>
<td>MA, Yinchu</td>
<td>馬寅初</td>
</tr>
<tr>
<td>MAO, Zedong</td>
<td>毛澤東</td>
</tr>
<tr>
<td>Min Tsu Chu I</td>
<td>民族主義</td>
</tr>
<tr>
<td>Min Chuan Chu I</td>
<td>民權主義</td>
</tr>
<tr>
<td>English</td>
<td>Chinese</td>
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