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**NAVAL  
POSTGRADUATE  
SCHOOL**

**MONTEREY, CALIFORNIA**

**THESIS**

**THE RISE OF CHINA'S MIDDLE CLASS AND THE  
PROSPECTS FOR DEMOCRATIZATION**

by

Frederick A. Cichon

June 2007

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**THE RISE OF CHINA'S MIDDLE CLASS AND PROSPECTS FOR  
DEMOCRATIZATION**

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Lieutenant, United States Navy  
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Submitted in partial fulfillment of the  
requirements for the degree of

**MASTER OF ARTS IN NATIONAL SECURITY AFFAIRS**

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## ABSTRACT

Since Deng Xiaoping instituted economic reforms under the “reform and open” policy in 1978, the Chinese Communist Party has overseen a gradualist approach to modernizing China’s economy. A new Chinese middle class has emerged with China’s economic reforms and economic growth. According to Seymour Martin Lipset’s modernization theory, there is a strong relationship between socioeconomic development and the emergence of democratic politics. The growth of an educated middle class, according to Lipset, will demand democratization as a means to achieve more participation in politics.

This thesis assesses the validity of Lipset’s argument that socioeconomic development is likely to result in a democratic transition through the growth of a liberal middle class in the case of contemporary China. This assessment assesses how closely China’s middle class fits Lipset’s model and whether China’s middle class displays characteristics that suggest that Lipset’s framework of democratization will hold true in China.

Since spreading democracy around the world was reasserted as a long-range U.S. objective in the early 1990s, attention has focused on prospects for democratization in China. This thesis illuminates the political implications of China’s growing middle class and argues that China’s economic modernization does not guarantee democratization. This is important because the rationale for American politics of engagement with China rests in part on the assertion that economic growth over the long run may lead to China’s democratization.



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# I. INTRODUCTION

## A. PURPOSE

Since Deng Xiaoping instituted economic reforms under the “reform and open” policy in 1978, the Chinese Communist Party (CCP) has overseen a gradualist approach to modernizing China’s economy. A new Chinese middle class has emerged along with China’s economic reforms resulting in economic growth. According to Seymour Martin Lipset’s modernization theory, there is a strong relationship between socioeconomic development and the emergence of democratic politics accompanying the growth of an educated middle class that will demand democratization as a means to achieve more participation in politics.<sup>1</sup> This thesis assesses the validity of Lipset’s argument that as it applies to the case of contemporary China. How closely does the Chinese middle class fit Lipset’s model? Does the Chinese middle class display characteristics that suggest that Lipset’s framework of democratization will hold true in China?

## B. CONCEPTUAL SIGNIFICANCE

Since spreading democracy around the world became a long-range U.S. objective in the early 1990s, attention has focused on prospects for democratization in China.<sup>2</sup> This thesis assesses the political implications of China’s growing middle class and argues that China’s economic modernization may not lead to democratization. This is important because the rationale for American politics of engagement with China rests in part on the assertion that economic growth over the long run may lead to China’s democratization. However, most observers in the West misinterpreted the origins of the Tiananmen Square protest in 1989 simply as a democracy movement, rather than as initially intended to address widely perceived bureaucratic corruption and rapidly rising inflation. Protests subsided in the aftermath of Tiananmen, and many Chinese did not react to the CCP’s decision to restore economic stability by entrenching its control of the economy to control inflation.

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<sup>1</sup> Seymour Martin Lipset, *Political Man: The Social Bases of Politics* (New York: Doubleday & Company, 1960), 52.

<sup>2</sup> William J. Clinton, *National Security Strategy of the United States, 1994-1995: Engagement and Enlargement* (Washington: Brassey’s, 1995), 1.

## C. LITERATURE REVIEW

### 1. Approaches to Democratization

There are three major approaches to understanding the role of the middle class in democratization. These are Lipset's modernization theory, Samuel Huntington's study of democratization from 1974 to 1990, and Barrington Moore's structuralist theory. Lipset's variable-oriented approach rests on the overall assertion that socioeconomic development has led to the expansion of a liberal middle class in past democracies.<sup>3</sup> Moore's case-oriented approach establishes conditions that led up to past bourgeois revolutions, and helps to explain the role of the middle class: the intervening variable.<sup>4</sup> Huntington's work shows the result of modernization on democratization, particularly in Asia, following Lipset's work that focuses on Europe and Latin America.<sup>5</sup> Rather than posing these theories against one another, these approaches may work together to pose the question concerning the role of China's middle class in a prospective democratic transition.

Lipset's modernization theory derives a correlation between socioeconomic development, the rise of a liberal middle class, and democratic government. Based on studies of democratic and non-democratic states in Europe and Latin America, Lipset established requisites for democratization via modernization.<sup>6</sup> Lipset states that the strongest democratic states have strong economies, efficient agriculture, advance industrialization, and a large middle class with increased purchasing power. Weaker democracies and authoritarian states have weaker economies, labor intensive agriculture, limited industrialization, and a small middle class with less purchasing power. The theory, however, is a correlation of requisite conditions and does not suggest a direct casual relationship.<sup>7</sup>

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<sup>3</sup> Lipset, *Political Man*, 52.

<sup>4</sup> Barrington Moore, Jr., *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* (Boston: Beacon Press, 1966), 428-429.

<sup>5</sup> Samuel Huntington, *The Third Wave: Democratization in the Late Twentieth Century* (University of Oklahoma: Norman, 1992), 59.

<sup>6</sup> Lipset, *Political Man*, 52.

<sup>7</sup> David Potter, *Democratization* (Cambridge: Polity Press. 1997), 521.

Where Lipset leaves off, Barrington Moore's structuralist framework helps to identify critical features of the Chinese middle class and its democratic behavior. Structural theory emphasizes changing structures of power favorable to democratization. Moore's structural theory isolates three roads to modernity involving agrarian societies modernizing into industrial ones.<sup>8</sup> The first road is bourgeois revolution as in the United Kingdom, the United States and France. The second is a revolution from above as in the cases of Prussia, Germany and Japan. The final type of transition is peasant revolution followed in China and Russia.

Moore's predominant factors--the economic situation of the aristocracy, the relative strength and organization of the bourgeoisie, and fate of the peasant class--are used to analyze five conditions needed for democratic development.<sup>9</sup> The first condition is "the development of a balance to avoid too strong a crown or too independent a landed aristocracy." The second is "a turn toward an appropriate form of commercial agriculture, either on the part of the landed aristocracy or the peasantry." The third and fourth are "the weakening of the landed aristocracy and the prevention of an aristocratic-bourgeois coalition against the peasants and workers." The final condition is "a revolutionary break with the past." These factors help identify the middle classes' alliance either toward elites or with workers.

Moore is not the only structuralist theorist. Dietrich Rueschemeyer identifies five social classes in South American societies and their different orientations toward democratization in relation to the "changing dynamics of class power."<sup>10</sup> The push for democratization from large landlords, peasantry, urban working class, bourgeoisie, and salaried and professional classes depends on the structure and degree of state power, rather than the level of the country's socioeconomic development. Rueschemeyer's five classes are useful to help break down and categorize China's changing socioeconomic structure and to assess the effects of the suppression of protest in China.

The third approach is Huntington's study of the "third wave" of democratization. Huntington provides three explanations in *The Third Wave* on how economic

<sup>8</sup> Moore, 428.

<sup>9</sup> Ibid., 428-429.

<sup>10</sup> Potter, 20.



development provides the basis for democratization from 1974 to 1990.<sup>11</sup> First, rising oil prices world wide weakens states that had adopted Marxist/Leninist economic policies. Second, sufficient economic development is reached in other states that facilitate democratization. Finally, rapid economic development destabilizes authoritarian regimes, and compels the ruling elites to either liberalize or repress reformers. Huntington identifies the predominant economic conditions that effect regime change in the late twentieth century where Asian states experience economic growth and an expansion of the middle class.

In contrast to the proponents of the role of a middle class in leading democratization, a number of theorists suggest that a growing middle class instead strengthens the current government and the status quo. Guillermo O'Donnell labels this effect as "bureaucratic-authoritarianism," based on his studies of modernization in South America that show that "more open political systems" do not necessarily result.<sup>12</sup> Adam Przeworski has also studied Lipset's modernization theory and points out that "rapid growth is not destabilizing for democracies (or for dictatorships)."<sup>13</sup> Likewise, Francis Fukuyama suggests that "industrialization and wealth certainly are helpful in maintaining democracy."<sup>14</sup> The opposition to modernization theory particular addresses states in the early phases of industrialization and modernization, such as China. A newly formed middle class is more likely to form alliances with elites rather than oppose elites.

## **2. Perspectives on Classes and Democratic Behaviors**

There are three distinct perspectives on the implications of rise of a Chinese middle class. The first argues that an improving socioeconomic environment in China is successfully making a conservative Chinese middle class more liberal and fostering emerging democratic beliefs. The second acknowledges broadly democratic ideas among Chinese, but it does not see a significant rising liberal middle class pushing for more

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<sup>11</sup> Huntington., 59.

<sup>12</sup> Guillermo A. O'Donnell, *Modernization and Bureaucratic-Authoritarianism* (Berkeley: Univ. of California, 1973), vii.

<sup>13</sup> Adam Przeworski, "What Makes Democracies Endure?" *Journal of Democracy*, 7, no. 1 (Jan 1996): 42.

<sup>14</sup> Francis Fukuyama, "The Illusion of Exceptionalism." *Journal of Democracy*, 8, no. 3 (July 1997); 146.

liberalization, at least not yet. A third perspective acknowledges the rise and liberalization of China's middle class, but sees little prospect of a consequent liberal push to democratize China.

The first perspective is represented by David Zweig whose survey portrays Chinese in China, Taiwan and Hong Kong preferring democracy.<sup>15</sup> The survey, however, only addresses the rural Chinese population, and not the emerging class of business elites and middle class. This democratic potential encourages Bruce Gilley to conclude that China is on the brink of democratization because of the impact of globalization on China and because of the accumulating effect of the gradual economic and social reforms in China that followed Tiananmen Square in 1989. Bruce Gilley's *China's Democratic Future* suggests that prospects for democratization have grown since the start of Deng's reforms in 1978, that Tiananmen was a "near death" experience that could have resulted in elites siding with reformers, and that China's de-politicizing of the PLA and economic growth have made democratization increasingly likely should an economic crisis trigger a political crisis.<sup>16</sup>

The second perspective, including Przeworski and Pei, acknowledges universal democratic sentiments among Chinese, but does not see a significant rising liberal middle class pushing for more liberalization, at least not yet.<sup>17</sup> Commenting on the 1989 Tiananmen Square crisis, Lipset himself states that "although the demand for democracy has been a major force throughout the twentieth century, even those demanding democracy have generally placed greater stress on unity between state and society, strong and effective rule, and anti-bureaucratism than on such requisites for democratic rule as institutionalization, procedure, law, division of power, and the willingness to

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<sup>15</sup> David Zweig, *Democratic Values, Political Structures, and Alternative Politics in Greater China* (Washington D.C.: United States Institute of Peace, 2002), 39.

<sup>16</sup> Bruce Gilley, *China's Democratic Future* (New York: Columbia, 2004), 243.

<sup>17</sup> Minxin Pei. *China's Trapped Transition: The Limits of Developmental Autocracy* (Cambridge: Harvard University Press, 2006), 207.

compromise.”<sup>18</sup> This is revealing since the first camp bases much of its argument on Lipset’s work in supporting its claims that increasing liberalization is associated with socioeconomic growth.

The third perspective does not associate the rise of a middle class with a liberal push to democratize, and argues instead that the political outlook of a rising middle class will likely support and sustain the current regime. In addition to the theories of O’Donnell, Przeworski and Fukuyama, three recent views of the political outlooks of China’s changing classes are reflected in Elizabeth Perry’s *Chinese Society*, in Bruce Dickson’s *Red Capitalists in China* and in Margaret Pearson’s *China’s New Business Elite*. Dickson and Pearson both address the rise of a new business elite and business owners.<sup>19</sup> They suggest that both U.S. and CCP leaders see this as an indication that China is on its way to democratization, but the U.S. observers are hopeful and the CCP leaders are fearful. But the reality, according to them, is that this new elite is not pushing for political and social reform, but rather is concerned to safeguard its profit. Perry’s *Chinese Society* offers another view, particularly of the farmers and workers, and asserts that they are exploited and not getting rich.<sup>20</sup> Dickson and Pearson address Lipset’s modernization theory explicitly, and they argue, to the contrary, that China’s economic development is not leading it any closer to democratization any time soon.

David Martin Jones depicts the middle classes in Asia generally and in “Greater China” in particular as conservative and identifies a culture of dependency between the educated middle class and the regimes that govern them.<sup>21</sup> While Jones does not specifically address mainland Chinese, Jonathan Unger does look at the Chinese middle

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18 Seymour Martin Lipset, *Democracy in Asia and Africa* (Washington D.C.: Congressional Quarterly Inc, 1998), 65.

19 Bruce Dickson, *Red Capitalists in China* (Cambridge: Cambridge Univ. Press, 2003), 169; Margaret Pearson, Margaret M., *China’s New Business Elite* (Berkeley: Univ. of California Press, 1997), 4.

20 Elizabeth Perry, *Chinese Society*, 2nd Ed. (London: Routledge Curzon, 2003), 7.

21 David Martin Jones, “Democratization, Civil Society, and Illiberal Middle Class Culture in Pacific Asia,” *Comparative Politics* 30, no. 2 (Jan 1998): 147.

class's dependency and support of the CCP. Unger goes further and says that "the rise of China's middle class blocks the way (to democratization)," leaving no room for interpretation.<sup>22</sup>

### 3. Taiwan as a Case Study

The case study of Taiwan shows how economic development led to one of Huntington's economic triggers that compelled the middle class to mobilize and sufficiently shift its support away from the state to force ruling elites to work with reformers. Although structurally different, the Taiwanese and Chinese middle classes share similar attitudes and behaviors that can be applied in this thesis. Taiwan's case will show why the Taiwanese kept the KMT in power more than a decade after the lifting of martial law in 1987. The implication from the Taiwan case is that even if the ruling CCP leaders were to follow the KMT's example, they could remain in power after democratization. The Chinese, like all citizens, demand services over liberties. Democratizing China would be more challenging than the CCP introducing reforms to liberalize only certain aspects of the state, society and economy. Steve Tsang's *Democratization in Taiwan* compares Taiwan and China to assess the implications for democratization in China. Laurence Whitehead suggest that democratization along the same lines as Taiwan would be difficult, but liberalization into something short of full democracy beyond gradualist reform by the CCP could be possible.<sup>23</sup>

Examining Taiwan does address questions about Chinese behavior and why the KMT remained in power years after liberalization and democratization. Linda Chao and Ramon Myers suggest the KMT maintained the popular support of the Taiwanese because the KMT established institutions to educate and employ middle class officials and because Taiwanese desired political and economic stability over the more dramatic political and social changes proposed by the opposition.<sup>24</sup>

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<sup>22</sup> Jonathan Unger, "China's Conservative Middle Class," *Far Eastern Economic Review* 169, no. 3, (Apr 2006): 31.

<sup>23</sup> Laurence Whitehead, "The Democratization of Taiwan: A Comparative Perspective," Steve Tsang and Hung-mao Tien, *Democratization in Taiwan* (Oxford: St Antony's College, 1999), 168.

<sup>24</sup> Linda Chao and Ramon H. Myers, "The First Chinese Democracy," *Asian Survey* 34, no. 3 (1994): 215.

#### 4. Opinions on U.S. Implications

The end of the Cold War revealed a number of new U.S. security concerns. The most important concern was China's commitment to nonproliferation of nuclear weapons. What has followed since is a pattern of U.S. policies intended to use economic incentives make China a responsible "stake holder" in the international community. This is based on the theory of Democratic Peace, where democracies are less likely to wage war against other democracies, and assumes a democratic China will be easier to cooperate with rather than an isolated, authoritarian China.

Kishore Mahbubani, dean of the Lee Kuan Yew School of Public Policy in Singapore, has observed that "the United States should be among the first to celebrate China's progress" but the "United States is doing more to destabilize China than any other power" with no foreseeable change in policy.<sup>25</sup> Mahbubani's observation is quite accurate and identifies a troublesome policy dating back to Presidents George H. W. Bush and Bill Clinton. Despite continued human rights violation, a growing trade deficit, and Beijing's reluctance to improve its human rights record, President Bush sustained relations with the PRC following the Tiananmen Square crackdown of 1989. President Clinton declared in his 1994 National Security Strategy that the primary US goals were to "enlarge democracy" in the world—a notion based on democratic peace theory.<sup>26</sup> Clinton reflected years later about his decision in his autobiography.

The United States had a big stake in bringing China into the global community. Greater trade and involvement would bring more prosperity to Chinese citizens; more contacts with the outside world; more cooperation on problems like North Korea. Where we needed it; greater adherence to the rules of international law; and we hoped, the advance of personal freedom and human rights.<sup>27</sup>

Clinton's policy was intended to bring the PRC into the international community according to prevailing Western norms, using China's own rapid economic expansion to crush the Chinese Communist Party authoritarian hold on its people. Much of this was

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<sup>25</sup> Kishore Mahbubani, "Understanding China," *Foreign Affairs* 84, no. 5 (September/October, 2005): 49.

<sup>26</sup> Clinton, *National Security Strategy of the United States*, 1.

<sup>27</sup> William J Clinton, *My Life* (New York: Alfred A. Knopf, 2004), 598.

based on democratic peace theory. Bruce Russett's modification of democratic peace theory attempts to resolve how this approach applies to non-democratic states.<sup>28</sup> According to Russett, the PRC has not changed much, nor does it show any prospect in the near future. But, he notes, "China's economic liberalization and marketization have caused the intensification of class conflicts that is creating a dilemma for the communist regime."<sup>29</sup> In addition to the internal issues, the PRC has no strategy to settle its dispute with a democratic Taiwan threatening to declare its independence, which heavily offends Chinese nationalism on the mainland.<sup>30</sup>

## 5. Overall Literature Assessment

Overall, the existing literature helps to evaluate the degree of democratic behavior and attitudes of China's middle class. China's middle class is expanding to 15 percent of the population and half of the urban work force.<sup>31</sup> Closed access to survey research in China makes an accurate picture difficult. In addition, the inadequacy of any single explanatory framework derived from European and South American democratic transitions requires a combination of theories to assess the likelihood of an Asian democratic transition. Even Taiwan's democratization, as pointed out by Whitehead, is insufficient to map out which route democracy may take in the mainland.<sup>32</sup>

Despite this, U.S. policy makers are basing their policies on the promise that democracy is strongly associated with modernization. Based on the literature, Lipset's theory is neither right nor is it wrong, because the middle class is either too small or dependent on the very state the theory proposes for the middle class to change. This is supported by the behavior of "greater China's" middle classes following the 1989 Tiananmen Square crisis and Taiwan's democratic transition and by the fact that the KMT remained a decade in power following the end of martial law in 1987.

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28 Bruce Russett, *Triangulating Peace* (New York: W. W. Norton, 2001), 14.

29 An Chen, "Rising-Class Politics and its impact on China's Path to Democracy," *Democratization* 22, no. 2, (2003): 156.

30 Kenneth Lieberthal, *Governing China: From Revolution Through Reform*, 2nd ed (New York: W.W. Norton & Co, 2004), 329.

31 The Economist, "To get rich is glorious," *The Economist* 362, no 8256 (Jan, 2002): 19-25.

32 Whitehead, 168.

## **D. METHODOLOGY**

This thesis describes and analyzes the behavior of the Chinese middle class from 1989 to 2005 that can be applied to Lipset's modernization theory. This thesis tests the validity of Lipset's argument that socioeconomic development produces a liberal middle class that will push for democratization by using Moore's work to determine if the Chinese middle class is liberal enough to fit in the modernization theory framework. The emergence of a middle class from a state's socioeconomic development, as described in Lipset's modernization theory, is the independent variable. The transition to democracy, as stated in Huntington's *The Third Wave*, is the dependent variable. The intervening variable is the alliance to workers, as described by Moore, formed by the middle class altering its attitude from conservative to liberal in nature. This middle class demands more participation in the government which forces political liberalization and democratization. Even assuming China meets Lipset's socioeconomic requisites, the middle class must meet Lipset's liberal requisites in order to be a sufficient push for democratization.

Because Lipset's framework alone cannot alone determine the liberal potential of Chinese society using both variable analysis in Moore's structuralist framework and Lipset's comparative approach in modernization theory, is used. Moore's structuralist approach will help characterize the Chinese attitudes and behavior in order to determine whether the Chinese middle class is liberal enough to meet Lipset's requisites.

## **E. SOURCES**

Primary sources include surveys that can give a picture of Chinese preferences regarding democracy over authoritarian rule. Primary sources and secondary sources indicate that the Chinese prefer freedom of choice. China remains undemocratic and shows no signs of democratizing from an effort led from either from below or above. Therefore, there is a difference between what China's middle class says it prefers and does prefer. This thesis is not to show that they are lying, but instead to show that their actions and behavior are illiberal, particularly compared to what they say concerning democratic beliefs.

Surveys on China's changing job market, per capita income, and auto sales can help determine growth, income, and materialistic attitudes of the middle class's lower to upper ranks. This will help to establish that the growth of China's middle class. In addition, it assesses whether Lipset's theory can be tested in China. It also establishes and tracks the growing size of China's middle class.

Secondary sources include the existing scholarly research on the rise and actions of the middle class. With no shortage of secondary sources on the growing Chinese middle class, Chinese behavior may be extrapolated to determine why the important intervening variable is silent or dormant. A number of explanations can be offered by secondary sources, including dependency, bureaucratic-authoritarianism, and rent-seeking.

## **F. THESIS SYNOPSIS**

Determining whether the Chinese middle class's outlook is liberal enough for Lipset's requisites for democratization resolves the important intervening variable that allows Lipset's modernization theory to fulfill its correlation between socioeconomic growth and democratization. If this correlation is established, the independent variable required by democratic peace theory is established, and the U.S. China policy is soundly based.

The existing evidence shows that Chinese behavior does not suggest that the growth of China's middle class will lead democratization. In fact, the evidence shows that socioeconomic growth helps sustain the current form of government, whether that government is a democratic or not, and will create a new business elite that will block further reform.

Applying historic and current behavioral evidence to Moore's framework will establish the potential of the Chinese middle class to shift its allegiance to workers and away from supporting elites. Huntington's study of late twentieth century democratization indicates that economic growth is not permanent, and a downturn could upset the requisite rate of economic growth that Lipset associates with economies in the modernization theory.



An analysis of Taiwan's initial democratic transition in 1986, spurred by a stagnant economy, will offer a comparative basis to assess how much a PRC middle class, nurtured by a Leninist regime, may push for economic and political reform. This study focuses on the dependence of modern Chinese middle classes on the state that established the social, political and economic environment for the middle class. Specifically, the Taiwan case, in which the KMT maintained its popular support 13 years after the lifting of martial law in 1987, suggests that the conservative middle class was reluctant to pursue rampant reform that could sacrifice social and economic stability. This case distinguishes the difference between what the Chinese middle class says and what it may do when it comes to the choice of democratizing or not.

This thesis assesses the validity of Lipset's argument that socioeconomic development produces a liberal middle class that will push for democratization by using Moore's work to determine if the Chinese middle class is liberal enough to fit in the modernization theory framework. This thesis will not look at democratic transition and consolidation, nor will it compare Taiwan's transition to what could happen in China. Although Whitehead argues the institutional system in Taiwan and China sufficiently differ from one another and inhibit direct comparison or application of the Taiwanese roadmap to democratization to China, the developmental history of Taiwan and developmental trends in China indicate that China's economic and social development will follow Taiwan's and the potential for democratization will increase.<sup>33</sup>

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<sup>33</sup> Whitehead, 168.

## II. REQUISTES FOR DEMOCRACY

### A. INTRODUCTION

The improving socioeconomic development in China begs observers to ask the question whether or not modernization will prompt political liberalization by the CCP enough to facilitate democratization. First, this chapter clarifies Lipset's linkage between socioeconomic development and democracy and applies it to the PRC and Taiwan. Second, this section addresses supporting and opposing developmental arguments. Third, this section quantifies the growth of the middle class in the PRC since 1978. Finally, this section ascertains whether Lipset's framework explains the political liberalization and democratization that occurred in Taiwan in the 1980s and the political liberalization that is occurring in the PRC.

### B. LIPSET'S MODEL

Lipset's model for modernization applies several categories of requisite indicators: industrialization, urbanization, education, and wealth.<sup>34</sup> These indicators were found in democratic European and Latin-American states during the 1960s. This section looks at China's current status in terms of these requisites. First, this section reviews Lipset's data on state already democratic or authoritarian at the time of *Political Man*. Second, updated figures taken between 2000 and 2006 are provided. Finally, data from China and Taiwan are compared to the previous sets of data. This process helps to assess how well China fits in Lipset's requisites for democracy.

#### 1. Industrialization

Lipset defined industrialization in regard to socioeconomic development, modernization and democratization by the average percent of males employed in agriculture.<sup>35</sup> Based on this data and the type of regimes in European and Latin American states, Lipset characterized European states as either "more democratic or less

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<sup>34</sup> Lipset. *Political Man*, 52.

<sup>35</sup> *Ibid.*, 52.

democratic,” and Latin American states as either “more dictatorial or less dictatorial.”<sup>36</sup> By 1960, “more democratic” states in Europe employed 21 percent of their males in agriculture, while the “less democratic” states in Europe employed 41 percent. “Less dictatorial” states in Latin America employed 52 percent of their males in agriculture while “more dictatorial” states in Latin America employed 67 percent.

Spain, Western Europe’s last state to democratize, employed only 5.3 percent of its population in agriculture in 2004.<sup>37</sup> In Latin America and South American, Honduras and Columbia employ the highest percentage of their populations in agriculture: Honduras employed 34 percent in 2001 and Columbia employed 22.7 percent in 2000.<sup>38</sup> The PRC employed 49 percent of its population in agriculture in 2005.<sup>39</sup> Therefore, in terms of industrialization, the PRC is less industrialized, “less dictatorial” than Latin America, and “less democratic” than Europe by Lipset’s requisites in 1960s. In 2005, the PRC is more industrialized and “more dictatorial” than Latin America and “less democratic” than Europe.

Taiwan employed only 6 percent of its population in agriculture in 2005.<sup>40</sup> Taiwan’s economy averaged in 6.6 percent in agriculture from 1980 to 1987.<sup>41</sup> Therefore, Taiwan is less dictatorial than Latin America/more democratic than Europe by Lipset’s requisites in 1960s. By today’s numbers, Taiwan is less dictatorial than Latin America and less democratic than Europe.

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<sup>36</sup> Lipset, *Political Man*, 52.

<sup>37</sup> Central Intelligence Agency. “Spain,” (The World Factbook, 2007), <https://www.cia.gov/cia/publications/factbook/geos/sp.html#Econ>. (accessed Nov 2, 2006).

<sup>38</sup> Central Intelligence Agency. “Honduras,” (The World Factbook, 2007), <https://www.cia.gov/cia/publications/factbook/geos/ho.html#Econ>. (accessed Nov 2, 2006). Central Intelligence Agency. “Columbia,” (The World Factbook, 2007), <https://www.cia.gov/cia/publications/factbook/geos/co.html#Econ>. (accessed Nov 2, 2006).

<sup>39</sup> Central Intelligence Agency. “China,” (The World Factbook, 2007), <https://www.cia.gov/cia/publications/factbook/geos/ch.html#Econ>. (accessed Nov 2, 2006).

<sup>40</sup> Central Intelligence Agency. “Taiwan,” (The World Factbook, 2007), <https://www.cia.gov/cia/publications/factbook/geos/tw.html#Econ> (accessed Nov 14, 2006).

<sup>41</sup> Christopher Howe, “The Taiwan Economy: The Transition to Maturity and the Political Economy of its Changing International Status,” *The China Quarterly*, No. 148, Special Issue: Contemporary Taiwan.(Dec., 1996): 1173.

## 2. Urbanization

The second requisite Lipset identifies is urbanization.<sup>42</sup> In stable European and English-speaking democracies, 38 percent of the population resides in metropolitan areas. Of this 38 percent, 43 percent resided in cities over 20,000 people, and 28 percent resided in cities over 100,000 people. Unstable European and English-speaking democracies and dictatorships had 23 percent of their population in metropolitan areas. Of this 23 percent, 24 percent resided in cities over 20,000 people, and 16 percent resided in cities over 100,000 people. Unstable Latin-American democracies and dictatorships had 26 percent of their population in metropolitan areas. Of this 26 percent, 28 percent resided in cities over 20,000 people and 22 percent in cities over 100,000 people. Stable Latin-American dictatorships had 15 percent of their population in metropolitan areas. Of this 15 percent, 17 percent resided in cities over 20,000 people, and 12 percent resided in cities over 100,000 people.

The measurement of China's urbanization varies. Minxin Pei cites one United Nations report that estimates that 50 percent of China's population was urbanized in 1998 while another report estimated the 39 percent in 2002.<sup>43</sup> Despite the discrepancy, China's population is certainly urbanizing rapidly. Barry Naughton has also tracked the change in China's urbanization since 1978.<sup>44</sup> First, China's cities are physically expanding into the countryside. An estimated 10 percent of China's population resided in urban areas without an urban residence passes in 1978. This number is expected to increase to 60 percent by 2020. Finally, the number of small towns has increased from 2,660 to 20,374 from 1982 to 2001.

Assuming over 51 percent of China's population resides in urban areas does not mean China has urbanized sufficiently as democratic European and Latin American States. The high number of Chinese employed in agriculture and unemployment rate between 9 and 20 percent suggests that the large numbers of Chinese in urban areas are not completely urbanized in the same manner Lipset described in *Political Man*.

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<sup>42</sup> Lipset, *Political Man*, 53-54.

<sup>43</sup> Pei, 2.

<sup>44</sup> Barry Naughton, *The Chinese Economy: Transition and Growth* (Cambridge: MIT, 2007), 128.

### 3. Education

Lipset's third requisite is education, primarily measured in terms of literacy rates.<sup>45</sup> Stable European and English-speaking democracies had an approximate 96 percent literacy rate. Unstable European and English-speaking democracies and dictatorships had an average 85 percent literacy rate. Unstable Latin-American democracies and dictatorships had an average 74 percent literacy rate. Stable Latin-American dictatorships had an average 46 percent literacy rate. From this observation, Lipset states that democratic states have higher literacy rates than non-democratic states.

China's literacy rate was reported as 90.9 percent in 2002.<sup>46</sup> Taiwan's literacy rate was reported as 96.1 percent in 2003.<sup>47</sup> Europe's lowest literacy rate is reported by Greece as 97 percent.<sup>48</sup> Latin America's literacy rate ranges between 76 percent, reported in Honduras, the lowest, and 97 percent in Argentina, the highest.<sup>49</sup>

Despite whatever high education credit China is given or gives itself, its high literacy rate in terms of modernization is meaningless. The quality of education and utilization of education is highly questionable since China's industrialization places it "more dictatorial" than Latin America and "less democratic" than Europe, and China's population remains either employed in agriculture and unemployed then urbanized.

### 4. Wealth

Finally, Lipset looks at a state's economic growth and the social impact on the working and middle classes. Stable European and English-speaking democracies had an average per capita income of \$695. Unstable European and English-speaking

<sup>45</sup> Lipset, *Political Man*, 53.

<sup>46</sup> Central Intelligence Agency. "China," (The World Factbook, 2007), <https://www.cia.gov/cia/publications/factbook/geos/ch.html#People>. (accessed Nov 2, 2006).

<sup>47</sup> Central Intelligence Agency. "Taiwan," (The World Factbook, 2007), <https://www.cia.gov/cia/publications/factbook/geos/tw.html#People>. (accessed Nov 2, 2006).

<sup>48</sup> Central Intelligence Agency. "Greece," (The World Factbook, 2007), <https://www.cia.gov/cia/publications/factbook/geos/gr.html#People>. (accessed Mar 16, 2006). Greece reported a 97 percent literacy rate among the countries categorized as the Europe Union in the CIA's World Factbook.

<sup>49</sup> Central Intelligence Agency. "Honduras," (The World Factbook, 2007), <https://www.cia.gov/cia/publications/factbook/geos/ho.html#Econ>. (accessed Mar 16, 2007).

Central Intelligence Agency. "Argentina," (The World Factbook, 2007), <https://www.cia.gov/cia/publications/factbook/geos/ar.html#People> (accessed Mar 16, 2007)

democracies and dictatorships had an average GDP of \$308. Unstable Latin-American democracies and dictatorships had an average GDP of \$171. Stable Latin-American dictatorships had an average GDP of \$119.

Another indication of wealth is the purchasing power of individuals and the accessibility of utilities and media.<sup>50</sup> Stable European and English-speaking democracies had 205 telephones, 350 radios and 341 newspapers per 1,000 persons. Unstable European and English-speaking democracies and dictatorships had 58 telephones, 160 radios and 176 newspapers per 1,000 persons. Unstable Latin-American democracies and dictatorships had had 25 telephones, 85 radios and 102 newspapers per 1,000 persons. Stable Latin-American dictatorships had had 10 telephones, 43 radios and 43 newspapers per 1,000 persons.

Of the estimated 1,313,973,713 people in China in 2006, 123 million, or 9 percent of the population, use the internet. 351 million, or 26 percent of the population, use telephones. 438 million, or 33 percent of the population, use mobile cellular phones.<sup>51</sup> In 2005, China has the largest population of mobile phone users, and the third largest population of internet users.<sup>52</sup>

Of Taiwan's 23,036,087 people, 13.5 million, or 58 percent of Taiwan, use telephones.<sup>53</sup> 22.2 million, 96 percent, use cellular phones. 13.21 million, 57 percent, use the internet. This makes Taiwan the world's 22nd largest population of mobile phone users in 2006, and the 20th largest population of internet users in 2005.<sup>54</sup> By comparison, of Europe's 486,642,177 people, 238 million, 48 percent of Europeans in

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<sup>50</sup> Lipset, *Political Man*, 54.

<sup>51</sup> Central Intelligence Agency. "China," (The World Factbook, 2007), <https://www.cia.gov/cia/publications/factbook/geos/ch.html#People> (accessed Mar 12, 2007).

<sup>52</sup> Central Intelligence Agency. "China," (The World Factbook, 2007), <https://www.cia.gov/cia/publications/factbook/rankorder/2151rank.html> (accessed Nov 14, 2006).

<sup>53</sup> Central Intelligence Agency. "Taiwan." (The World Factbook, 2007), <https://www.cia.gov/cia/publications/factbook/geos/tw.html> (accessed Mar 12, 2007)

<sup>54</sup> Central Intelligence Agency. "Taiwan," (The World Factbook, 2007), <https://www.cia.gov/cia/publications/factbook/rankorder/2153rank.html> (accessed Nov 14, 2006).

2005, used telephones.<sup>55</sup> 466 million Europeans, 95 percent in 2005, used mobile cellular phones. 247 million, 50 percent in 2006, used the internet.

### **C. SUPPORTING AND OPPOSING ARGUMENTS**

Lipset's study of the correlation between economic growth and democracies is not perfect. Over the years, supporting and opposing arguments have emerged and clarify the socio-economic dynamics of the end of the twentieth century. First, Huntington's study of the "third wave of democratization" examines the period since Lipset's study, and it includes Asia. Second, Adam Przeworski has established that the correlation between sustained economic growth and sustained democracy also applies to economic growth-sustaining non-democratic states. Finally, Minxin Pei examined the impact of sustained, rapid economic growth on a lagging social and political system in China. Huntington, Przeworski and Pei make a study of the validity of modernization theory in modern day China feasible.

#### **1. Huntington's Argument: Supporting**

As important as Lipset's work is to the study of modernization and democratization, his *Political Man* studied Latin-America and Western Europe in the 1950s. Huntington and Pei provide a more up to date study of the economic development that occurred in Asia in the second half of the twentieth-century. Huntington's *The Third Wave* helps to explain the democratization in Taiwan in the 1980s.

According to Huntington, "an overall correlation exists between the level of economic development and democracy, yet no level or pattern of economic development is in itself either necessary or sufficient to bring about democratization."<sup>56</sup> Huntington provides three explanations of how economic development provided the basis for democracy from 1974 to 1990.<sup>57</sup> First, the rising oil prices worldwide weakened states that had adopted Marxist/Leninist economic policies. Second, sufficient economic development was reached in other states that facilitated democratization, particularly by

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<sup>55</sup> Central Intelligence Agency. "European Union," (The World Fact Book, 2007), <https://www.cia.gov/cia/publications/factbook/geos/ee.html> (accessed on Mar 12, 2007).

<sup>56</sup> Huntington, 59.

<sup>57</sup> Ibid., 59.

spreading values associated as democratic through education and creating new sources of power outside of the government.<sup>58</sup> Finally, rapid economic development destabilized authoritarian regimes, and states were compelled to liberalize or repress reformers.

Huntington identified a specific range of per capita GNP correlating with the democratization of states from 1974 to 1990.<sup>59</sup> Prior to the “third wave,” only one democratic country had a per capita GNP less than \$250. Three countries had per capita GNPs between \$250 and \$1,000, and five countries had per capita GNPs between \$1,000 and \$3,000. Finally, 18 countries had per capita GNPs greater than \$3,000. During the third wave of democratizations, between 1974 and 1989, the number of democratized or liberalized states had doubled.<sup>60</sup> Two countries democratized or liberalized in this period and had per capita GNPs less than \$250. 11 countries had per capita GNPs between \$250 and \$1,000. 16 countries had per capita GNPs between \$1,000 and \$3,000. Finally, two democratized/liberalized countries had per capita GNPs greater than \$3,000.

Despite the rapid economic growth in China since 1978, China’s per capita GDP today falls below Lipset’s and Huntington’s requisites in terms of GDP. Today, China’s per capita GDP is report to be \$7,600 as of 2006, ranked 109 of 229 countries.<sup>61</sup> Taiwan’s per capita GDP is 29<sup>th</sup> in the world, at \$29,000. The European Union is 34<sup>th</sup> with \$29,400. The European per capita GDP ranges from Luxembourg’s second place ranking of \$68,800, and Russia’s 81<sup>st</sup> ranked \$12,100.

China’s economic growth, expansion of the middle class and spending power and the initial development of an economic base for democratization does explain why Taiwan democratized during the “third wave” and China did not. According to Huntington, “a chain or funnel (choose your metaphor) of causation exists; and international, social, economic, cultural, and, most immediately, political factors all operate, often in conflicting ways, either to facilitate the creation of democracy or to

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<sup>58</sup> Huntington, 65.

<sup>59</sup> Ibid., 62.

<sup>60</sup> Ibid., 62.

<sup>61</sup> Central Intelligence Agency. “China,” (The World Fact Book 2007), <https://www.cia.gov/cia/publications/factbook/rankorder/2004rank.html> (accessed Mar, 12 2007).



sustain authoritarianism.”<sup>62</sup> Therefore, while Huntington explains how and why states democratized during the “third wave,” the same dynamics found from 1974 to 1989 are not guaranteed to explain China’s prospect for democratization.

## **2. Przeworski’s Argument: Opposing**

Not every state liberalized sufficiently to facilitate democratization from 1974 to 1989. Lacking any of Huntington’s three economic factors initiating democratization, the PRC remained unchanged in the “third wave” era. First, oil price hikes did not cripple the PRC economy. Second, the PRC did not achieve the economic basis to facilitate a transition to democracy. Finally, rapid economic growth and problems in the late 1980s failed to weaken the CCP into liberalizing enough to facilitate democratization.

Therefore, Adam Przeworski’s argument that “rapid growth is not destabilizing for democracies (or for dictatorships),” is true.<sup>63</sup> Although South Korea and Taiwan democratized during the 1980s, the PRC managed economic and political reform and endured public protest in the 1980s and 1990s. First, the PRC expanded its access to oil supplies around the world. Second, the CCP entrenched and slowed its efforts to modernize and reform following the economic crisis that fed into the Tiananmen Square incident in 1989. Finally, the CCP’s efforts to control the economic effects that destabilized the status quo in other states during the “third wave of democratization” renewed economic growth at a slower, more manageable pace.

## **3. Pei’s Argument: The Reality in China**

Pei’s work on trapped transition provides a look at China’s economic development since 1978 as a developmental autocracy and identifies weaknesses in the Chinese economic development.<sup>64</sup> First, China’s rapid economic growth and lagging reform of its political system had created an environment in which the ruling elites have the power to initiate any regime change and where there is no incentive to democratize. Second, gradual reform can not be sustained indefinitely because of rent seeking and

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<sup>62</sup> Huntington, 39.

<sup>63</sup> Adam Przeworski, “What Makes Democracies Endure?” *Journal of Democracy*, 7, no. 1 (Jan 1996): 42.

<sup>64</sup> Pei, 207.

“mounting costs of inefficiency incurred by path-dependent partial reforms.” Finally, China’s corruption and inability to monitor itself makes the state more likely to turn into a predatory state than a developmental state.

In contrast to the work of Lipset and Huntington that studies the growth and role of the middle class, Pei concludes that any democratic transition in China will be initiated by elites.<sup>65</sup> Unlike the peaceful transitions seen in South Korea and Taiwan, Pei does not foresee elites joining those who may seek to transform the political system.

Having seized political power through the barrel of a gun, a formerly revolutionary party, such as the CCP, is unlikely seek its own demise through voluntary reform. However, a developmental autocracy’s overriding goal of self-perpetuation is ultimately imperiled by the self-destructive dynamics found in nearly all autocracies: low political accountability, unresponsiveness, collusion, and corruption.<sup>66</sup>

#### **D. QUANTIFYING THE GROWTH OF CHINA’S MIDDLE CLASS**

Since 1978, there has been a general increase in per capita income and a shift in employment trends in China. Although just over half of China’s population works outside of agriculture, 21.6 percent of the population works in industry and 29.3 percent works in the tertiary service sector.<sup>67</sup> Combined with an unemployment rate of that ranges from 9 to 20 percent, and a comparably small class of business entrepreneurs, the size of China’s middle class small compared to the size in democratized states.<sup>68</sup> By comparison, Taiwan’s economy has a 4.1 percent unemployment rate and Europe has a combine rate of 8.5 percent.<sup>69</sup>

The increase in wealth in China does indicate that individual Chinese are attaining more purchasing power to buy cars and televisions and gaining access to services such as cellular mobile phones and the internet. The increase in income partially validates

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<sup>65</sup> Pei, 19.

<sup>66</sup> Ibid., 208.

<sup>67</sup> Fang Cai, Albert Park and Yaohuj Zhao, “The Chinese Labor Market” (Paper prepared for the 2<sup>nd</sup> Conference on China’s Economic Transition, Pittsburg, November 7, 2005), 51.

<sup>68</sup> Central Intelligence Agency. “China,” (The World Factbook, 2007), <https://www.cia.gov/cia/publications/factbook/geos/co.html#Econ>. (accessed Nov 2, 2006).

<sup>69</sup> Central Intelligence Agency. “China,” (The World Factbook, 2007), <https://www.cia.gov/cia/publications/factbook/geos/tw.html#Econ> (accessed Nov 14, 2006).

Lipset's and Huntington's arguments that industrialization and modernization in the twentieth century has led to economic growth that has played an important role in the democratization of authoritarian states. In China's case, the CCP has mitigated the impact of the economic effects that destabilized other Asian states and lead to regime change, and the economic growth, while stunning, is still small when compared to other democratic states.

On the other hand, Pei's argument helps to validate Prezworksi's argument. The economic growth in China is empowering the CCP and is not compelling China's elites to liberalize China. The small size of the middle class and the historic tendency of the middle class to be politically conservative early in the economic development phases suggest that the middle class will not be leading any revolutions any time soon.

## **E. CONCLUSION**

Although Lipset and Huntington have demonstrated that there is a correlation between economic development and democratization, both conclude that economic development does not lead to rapid democratization. In the case of China, China does not meet Lipset's requisites for economic development supporting a democracy. China is gradually getting closer the requisites outlined by Lipset, but fails to meet them. Therefore, China does not have what Huntington defines as the "economic basis" to support the trend of democratization seen in Asia during the "third wave" of democratization from 1974 to 1989. In addition, Pei describes a China where liberalization has stalled. In the case of Taiwan, Lipset's requisites for economic development supporting a democracy were met

Modernization and economic growth, however, have a greater chance of sustaining the power of the current regime rather than causing a regime change. Unless one of Huntington's three economic triggers occurs, the current regime stays in power. Therefore, China's economic growth supports the CCP and not democratization. Furthermore, Taiwan's economic growth does not explain its democratization.

China is transitioning to a state that will meet Lipset's requisites. Despite this socioeconomic development, the prospect of a democratic transition is unlikely.<sup>70</sup> Taiwan, another Chinese state that has democratized following a period of industrialization, modernization and socioeconomic development, shows that meeting requisites alone does not make a state democratic or initiates democratization. Therefore, the middle class initiating liberalization of a state is the intervening variable in the relationship between socioeconomic development and democratic states.

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<sup>70</sup> Pei, 17.

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### **III. CHINA'S MIDDLE CLASS IN DEMOCRATIZATION**

#### **A. INTRODUCTION**

This chapter looks at the middle class as the intervening variable in Lipset's modernization theory, the correlation between economic growth and democratic government. First, the traditional role of the middle class in previous regime changes according to Barrington Moore's work on the bourgeois role in democratization is examined. Second, an assessment of China's middle class is made to determine if it is sufficiently liberal to suit Lipset's framework by determining what the types and roles of various Chinese social classes through Dietrich Rueschemeyer's five social classes associated in democratization. Finally, this chapter examines how an insufficient middle class contributes to the failure of democratization prior to, during and after the initial stages of a regime change during Huntington's "third wave" of democratization. This chapter then assesses whether China's middle class is a viable driver of democratization in a country that has yet to sufficiently establish the economic basis for democratization identified by Lipset and Huntington.

#### **B. THE ROLE OF THE MIDDLE CLASS IN DEMOCRATIZATION**

Moore's work has described a number of outcomes regarding the role of the middle class in regime transformation. One outcome involves middle class leading a revolution that results in democratization. Other possible outcomes are fascism and communism as a result of insufficient modernization and distortions in the relation between the peasantry and elites. Moore's study is still relevant in the case of China, where almost half the population is employed in farming, where there is and a growing social and economic divide between the haves and have-nots.

China and Taiwan's fulfillment of Lipset and Huntington's economic requisites shows that the correlation between economic development and democratization is not adequate enough to explain Taiwan's democratization and to suggest China's prospects for democratization. Historically, Moore has observed "no bourgeoisie, no democracy,"

that there can be no democracy with out a middle class.<sup>71</sup> Lipset and Huntington have also studied the impact of industrialization on the formation of the middle class and its role in democratization. Huntington states: “economic development promotes the expansion of the middle class: a larger and larger proportion of society consists of businesspeople, professionals, shopkeepers, teachers, civil servants, managers, technicians, clerks and sales workers.”<sup>72</sup>

In the case of China, Pei has observed a rapid change in the domestic socio-economic development in China. As Lipset and Huntington have outlined in their democratization studies in the twentieth century, China is experiencing an associated growth in its middle class as its economy grows.

In measurable terms of economic development and social change, China’s achievements have been unprecedented in speed, scale and scope. Additionally, as market-oriented reforms have made the Chinese economy less state centered and more decentralized, economic development has turned Chinese society from one that was once tightly controlled by the state, into one increasingly autonomous, pluralistic and complex.<sup>73</sup>

There is a problem with the correlation between economic growth and democratization. Huntington observes that “democracy is premised, in some measure, on majority rule, and democracy is difficult in a situation of concentrated inequalities in which a large, impoverished majority confronts a small, wealthy oligarchy.”<sup>74</sup> Based on this observation, Huntington surmises that democratization is more likely in an agricultural state such as nineteenth-century United States or twentieth-century Costa Rica and is less likely in a state with a substantially large middle class that has formed following sustained industrialization and economic growth.<sup>75</sup> Huntington concludes that the middle class in a state’s early phases of industrialization and economic growth is not necessarily a force for democracy.<sup>76</sup>

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<sup>71</sup> Moore, 418.

<sup>72</sup> Huntington, 66.

<sup>73</sup> Pei, 1.

<sup>74</sup> Huntington, 66.

<sup>75</sup> *Ibid.*, 66.

<sup>76</sup> *Ibid.*, 66.

This follows the false logic that if there can be no democracy without a middle class, and if there can be no middle class without economic growth, then there can be no democracy without economic growth. However, Przeworski, Huntington and Pei have established that economic growth and a middle class do not necessarily lead to democratization. Therefore, if economic growth is affected by one of Huntington's three economic effects of the "Third Wave," then the middle class, like economic growth, stops growing and begins to recede. This statement more accurately describes the events that took place in Taiwan. Asian values, Confucian beliefs, and Chinese nationalism aside, the economic impact on the middle class initiated a push for economic and political reform where the state would be more responsive to the needs of the people and, more importantly, business.

### **C. WHO IS CHINA'S MIDDLE CLASS**

Dietrich Rueschemeyer identifies five social classes in South America and examines the different orientations toward democratization in relation to the "changing dynamics of class power."<sup>77</sup> The push for democratization from large landlords, peasantry, urban working class, bourgeoisie, and salaried and professional classes depends on the structure and amount of state power, rather than the state's socioeconomic development. Rueschemeyer's five classes are useful to help break down and categorize China's changing socioeconomic structure and so to understand the effects of the crackdowns on protests in China.

For the major part of the Twentieth Century, China consists of three predominant classes: the landlords, peasantry and urban working class. Today, Rueschemeyer's landlord class can be associated with the CCP. Since the CCP has the largest stake in maintaining control over the land and its arbitrary allocation of it to new domestic and foreign industry, the CCP has the largest role as the most anti-democratic force.

The peasantry has played a large role in China's Twentieth Century history and politics. After all, Mao defeated the nationalists and consolidated his power during and after China's civil war with the support of the peasantry. Despite the hardships suffered during the Great Leap Forward, China's peasantry, according to Rueschemeyer and Potter,

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<sup>77</sup> Potter, 20.



“have an interest in democratization but have acted rarely on their own in support of it.”<sup>78</sup> This appears to be the case for the foreseeable future as more and more Chinese peasants participate in limited rural elections.<sup>79</sup>

Although not the smallest of the three classes, the urban working class has not been a driving force for union rights and suffrage because of the communist social “iron rice bowl” system. The economic reforms of the late 1990s forced China’s state-owned enterprises either to become more competitive or to close down, with unintended results.<sup>80</sup> First, this has produced a large number of unemployed urban workers. Second, it has also left the employed and unemployed without welfare and healthcare. Finally, typical social and political pressures from the urban working class that China did not have to face during communism are emerging, and a race has begun to see who will control the inevitable push to liberalize: the urban working class, the elite land lord class, or the middle class.

China’s middle class, what Rueschemeyer refers to as the “salaried and professional middle class,” is between 9 and 33 percent of China’s population, based on an estimate using purchasing power and on use the internet and mobile cellular phones. The desire to support democratization is based on the strength of the working class.<sup>81</sup> If the working class is weak, the middle class supports democratization to strength its own status. If the working class is strong, the middle class is less likely to upset the status quo.

The primary economic interest of the bourgeoisie as a class lies in the development and the guarantee of the institutional infrastructure of capitalist development – in the institutions of property and contract, in the predictability of judicial decisions, in the functioning of markets for capital, goods and services, and labor, and in the protection against unwelcome state intervention.<sup>82</sup>

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<sup>78</sup> Potter, 21.

<sup>79</sup> Zweig, 39.

<sup>80</sup> Sue Williams. “China in the Red,” *Front Line* (first aired on Feb. 13, 2003 on PBS) <http://www.pbs.org/wgbh/pages/frontline/shows/red/> (accessed April 1, 2007).

<sup>81</sup> Potter, 21.

<sup>82</sup> Dietrich Rueschemeyer, Evelyne Huber Stephens, and John D. Stephens. *Capitalist Development and Democracy* (Chicago: University of Chicago Press, 1992), 61.

## 1. Liberal versus Conservative

The last Chapter assesses that China has not yet met Lipset's social and economic requisites that are usually found in existing democracies, but China's situation is improving and its middle class is expanding. However, in the beginning of the Twenty-first Century, China's middle class is too conservative to fit Lipset's model. According to Huntington, an expanding and conservative middle class is typical in most economies in the early stages of modernization. Lipset accounts for this trend and explains that the desire for a stable relationship between the state and society is usually more important among those who desire democracy.<sup>83</sup>

This remains the case in China 17 years after Tiananmen Square. The middle class in China owes its existence to the growing economy before the state. As long as the state continues to choose policies that encourage economic growth and social stability, the middle class will remain loyal to the state. If the state is unresponsive to the middle class and the economy, the middle class will seek someone who represents their interests.

The emergence of China's middle class and its conservative attitude has not gone unnoticed.<sup>84</sup> Both U.S. and CCP leaders see this as an indication that China is on its way to democratization, but the CCP has taken steps that ensures social and political stability. The CCP in a post-Mao era remains relevant by allowing party members to own businesses and new business owners membership in the party Giving new business owners. Workers in the city have the opportunity to accumulate wealth and to become an essential middle class in China's modernization. Peasants are allowed to elect local officials. According to Dickson and Pearson, modernization of China's economic development is not leading it any closer to democratization.<sup>85</sup>

In addition to displaying a conservative and loyal attitude toward the state, China's middle class is an instrument of suppression. The disintegration and shift of the social functions of the PRC to privatized sectors is empowering the expanding and

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<sup>83</sup> Lipset, *Democracy in Asia and Africa*, 65.

<sup>84</sup> Dickson, 4.

<sup>85</sup> *Ibid.*, 4.

conservative middle class. The Chinese rising in power within the business sector are more invested in the security of the market and economy rather than democratization for workers and farmers.<sup>86</sup>

Perry's *Chinese Society* offers another view, particularly of the farmers and workers, and asserts that they are exploited and not getting rich.<sup>87</sup> Costs originally for social programs are no longer paid for by the PRC and are not being assumed by the private sector that pockets the profit. Peasants, the power base of Mao's China, are not as large of a class or important in the PRC in the beginning of the Twenty-first Century. Furthermore, local elections in agriculture communities have provided an element of representation that helps the PRC maintain the status quo and avoids any further push for democratization among peasants.

By 2006, China's middle class is conservative. The assumption that the Chinese are naturally conservative and are more conservative than other nationalities is misleading although there is evidence that portrays Chinese middle class in Hong Kong, the PRC and Taiwan as dependant and loyal to the government.<sup>88</sup> According to Lipset and Huntington, a conservative middle class is typical in any state as long as the economy, state and society are stable. Taiwan, as assessed in Chapter 4, is a case where a conservative Chinese middle class pushed enough for democratization without revolution. Although they are conservative, the Chinese are clearly capable of demanding democracy.

## **2. Confucius versus Realists**

According to Huntington, "Confucian democracy' is a contradiction in terms." With the exception of U.S. assistance in Japan and Philippines, few Asian states with a strong Confucian society have fully transitioned to a liberal democracy. In the case of China and Taiwan, Huntington predicted that modernization and democratization will be especially difficult.

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<sup>86</sup> Unger, 31.

<sup>87</sup> Perry, 7.

<sup>88</sup> Jones, 147.

Despite the difficulty in democratizing in a Confucian society, Confucian beliefs do not prevent the middle class from supporting democratic efforts when the working class is weak and economic problems weigh more heavily than economic growth. Taiwan provides a case where the middle class supported democratization enough to compel elites to reform and liberalize the political system, but remained conservative enough to help keep the elites in power. Since this pattern is also found in developing states in Latin America, Confucian or Asian values are not a strong enough variable to predict the role of China's middle class in the prospects for democratization.

#### **D. THE PROSPECTS FOR FAILURE**

As China transitions from communist to capitalist and as the middle class grows, the business elites will become more influential and powerful. Currently, the elites are relatively weak when compared to the CCP and to business elites in developing Latin American states.<sup>89</sup> This weak bourgeoisie may have dangerous implications for any regime change in China and following Moore's analysis could lead to either a fascist or communist state.

In addition to the rise of the middle class, to the rise of economic factors that challenge the state's rule, and to the prospect of democratization, a premature start to democratize or failure to maintain a revolution from above could lead to a new fascist regime or reversion to a stronger communist state. As observed by Moore, Japan and China experienced revolutions that ended with regimes other than democracies. In Japan, "the landlords allied themselves with the state in an industrializing effort that culminated in fascism."<sup>90</sup> In China, "the conservatism of the landlord-oriented bureaucracy served to inhibit modernization, and the peasants provided the revolutionary force that led to the establishment of communism."<sup>91</sup>

Huntington's study of the "third wave" of democratization reveals a number of states that have failed to democratize, or have democratized and reverted to another

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<sup>89</sup> Pearson, 139.

<sup>90</sup> C.E. Black. "Reviewed Work(s): *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World* by Barrington Moore, Jr.," *The American Historical Review* Vol. 72, No. 4. (Jul., 1967), 1338.

<sup>91</sup> Black., 1338.

authoritarian regime.<sup>92</sup> Weak democratic values, social conflicts triggered by an economic downturn, rapid and massive social and economic reforms, the exclusion reformists in the new regime, the emergence of terrorism or insurgency, the intervention by a non-democratic foreign government, or political unrest in neighboring states spilling over have led to reversals in democratization during the “third wave.”

## **E. CONCLUSION**

Socioeconomic development in China and Taiwan has resulted in a growing middle class, the intervening variable in the relationship between socioeconomic development and democracy. Moore explains the emergence of Western style democracy as the evolving struggle “to check arbitrary rulers, to replace arbitrary rules with just and rational ones, and to obtain a share for the underlying population in the making of rules.”<sup>93</sup> Historically, the middle class is essential for regime change to successfully end in a Western, liberal democracy.

The social and economic evolution of China so that and the small size and reluctant role of China’s middle class suggests that the PRC is not ready for democratization as described by Lipset and Huntington. A weak Chinese middle class, whether it is too small or worse not to support the opposition to the existing regime, will contribute to the formation of a fascist or a new communist state, depending on the comparative strength between the elites and peasantry by Moore’s theory. The economic stage of China, its neighbors and the international community, and the lack of democratic institutions, would also suggest that democratization, such as that seen in Taiwan, would be less likely.

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<sup>92</sup> Huntington, 290-291.

<sup>93</sup> Moore, 414.

## **IV. TAIWAN CASE STUDY: ASIAN MIDDLE CLASS AT WORK**

### **A. INTRODUCTION**

This Chapter compares the reform and liberalization process in Taiwan that led to the expansion of its middle class and its eventual democratization in the 1990s to the reforms undertaken in the PRC since 1978. Although Moore says there can be no democracy without a middle class, Lipset says there can be no middle class without sufficient economic and social development that follows industrialization. Comparing these two states may help illustrate the political impact of China's changing socioeconomic development as the KMT and CCP adopted economic and political reforms allowed Taiwan's middle class to expand and China's middle class to reemerge since the founding of the PRC. First, economic reforms facilitate industrialization and modernization. Second, political reforms liberalize the state to be more responsive to the needs of the middle class. Despite institutional and political differences, Taiwan is an adequate model for China's democratization because it shows how a Chinese-Leninist state ruled by a single party liberalized sufficiently that has allowed both sustained socioeconomic development and democratization over a 10-year period.

### **B. THE TWO ECONOMIES: THE RISE OF TAIWAN AND CHINA**

Following the Second World War and Chinese Civil War, China and Taiwan ended up on two different paths to rebuild their deteriorated economies. Each adopted similar policies to industrialize and modernize their economies: pushing heavy industry and the labor force. According to Lipset, this is the initial step necessary for the expansion of the middle class. The CCP and KMT, however, adopted different policies regarding the development of small and medium sized enterprises, and their orientation towards the global market which explains why the middle class in Taiwan and the PRC developed at different times. The comparison between Taiwan's and China's economic performance from the end of WWII up to 1996 shows how the two states adopted similar policies, but took different approaches.

## 1. The Comparison

1949 to 1978, the KMT and CCP were broadly similar in terms of political and economic ideology. Both believed in state led industrialization to modernize China for the eventual reunification. Both responded to political crisis in the 1970s with economic policies to enhance the party's control and international stature.

Following the KMT's exodus from China to Taiwan, industry in both states underwent a sweeping change in ownership. The PRC took ownership of China's heavy industries which formerly had been mainly owned mainly by the Republic of China. The KMT took ownership of Taiwan's heavy industries, which had previously been owned by the native Taiwanese following the withdrawal of Japan after WWII.<sup>94</sup> In addition, both sided with one of the two superpowers, the United States and Soviet Union.

Taiwan's economy was based on export-led industrialization and efficient small and medium-sized enterprises, with support of inefficient state-owned enterprises, made Taiwan competitive globally.<sup>95</sup> Industrialization and economic development were state priorities to balance Taiwan's financial dependency of the United States.<sup>96</sup> But large enterprises were restricted by the KMT out of fear of the creation of political rivals.<sup>97</sup> Similarly, the PRC dominated control and planning of its heavy industry for the purpose of reducing its dependency of the Soviet Union's assistance following the Nikita Khrushchev's decision to withdrawal Soviet support from China in 1960.<sup>98</sup>

State control over industry, while pushing industrialization, did have consequences in Taiwan and China. ROC attempts to expand economic growth failed with its attempt to build an auto industry and reform the petrochemical industry in the 1970s, a critical time for the KMT to legitimize its rule of Taiwan following the eventual normalization of relations between the United States and the PRC, and the loss of

<sup>94</sup> Thomas B. Gold, "The Waning of the Kuomintang State on Taiwan." Kjeld Erik Brodsgaard and Susan Young, editors, *State Capacity in East Asia: Japan, Taiwan, China, and Vietnam*. (Oxford: Oxford University Press), 97.

<sup>95</sup> Yongping Wu, *A Political Explanation of Economic Growth: State Survival, Bureaucratic Politics, and Private Enterprises in the Making of Taiwan's Economy, 1950-1985* (Cambridge: Harvard University Press, 2005), 1.

<sup>96</sup> *Ibid.*, 1.

<sup>97</sup> Yongping Wu, 2.

<sup>98</sup> Barry Naughton, *The Chinese Economy: Transitions and Growth* (Cambridge: MIT, 2007), 71.

recognition in the international community.<sup>99</sup> The CCP also initiated policies that had huge human and capital costs such as the Great Leap Forward, Third Front and Cultural Revolution.<sup>100</sup>

Events in the 1970s forced the CCP and KMT to undertake similar economic policies. Although the 1950s required the CCP and KMT leaders to push industrialization, the 1970s saw adoption of policies on both sides of the strait intended either strengthen the private sector or to create one. Loss of political recognition as a sovereign state by the international community created a political crisis for the KMT. In the PRC, Mao's death and Deng's rise to power created a new political environment that permitted sweeping reforms in the CCP, PLA and the Chinese economy.

Due to growing tension between ruling Chinese of the KMT and the Taiwanese middle class, Chiang Ching-kuo pushed for reforms in the KMT to commence the Taiwanization of local politics and to reduce growing domestic and international pressure on the KMT to end its decades long period of martial law.<sup>101</sup> Deng ushered in reforms that allowed China to transition toward a market economy. More importantly, the transition to a market economy allowed China to take advantage of the normalization of relations between the United States and PRC. This normalization opened access to Western technology and gave China the access to Western markets that Taiwan had enjoyed for decades.

The ROC established specific areas to accelerate Taiwan's export trade, resulting in the establishment of the Kaohsiung Export Processing Zone (KEPZ) in 1966. This was expanded into two additional EPZs following a 58 percent increase in the export of electronic goods between 1966 and 1971.<sup>102</sup> More than a decade later, Deng would follow with special economic zones (SEZ) to develop China's coastal industrial and economic base, reversing Mao's 1960s Third Front Movement, by which industry was transplanted to more remote interior sectors of China.

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<sup>99</sup> Yongping Wu, 4.

<sup>100</sup> Naughton, 63.

<sup>101</sup> Linda Chao and Ramon H. Myers. "The First Chinese Democracy. Political Development of the Republic of China on Taiwan, 1986-1994." *Asian Survey*, 34, no 3 (1994) 218-219.

<sup>102</sup> Richard Stubbs. *Rethinking Asia's Economic Miracle* (New York: Palgrave Macmillan, 2005), 132.



By 1996, the CCP and KMT had taken additional steps to ensure political and economic stability. Taiwan held its first presidential elections between two opposing parties, the final step towards democratizing over a decade.<sup>103</sup> The CCP, on the other hand, proceeded to allow party members to remain active in the CCP while owning new and privatized state owned enterprises and co-opting emerging Chinese entrepreneurs and business men into the CCP.<sup>104</sup> Although one state took a step toward liberalization and the other toward retaining political power, both actions were taken to preserve stability.

## **2. The Contrast**

The difference in economic growth in the PRC and Taiwan explains why Taiwan's middle class was ready in the 1980s to demand democratization, why it finally committed itself to democracy in 1996 and why China's middle class is only just beginning to emerge. Although both states went to great lengths to control their heavy industry and resources, the KMT and CCP had different approaches toward small and medium enterprises and the traditional Chinese economy. Finally, Taiwan and China had unequal access to markets and technology.

Taiwan's economy was "down stream" driven, where consumers and small enterprises drove large enterprise production.<sup>105</sup> China's economy was "up stream" driven where the state decided the use and production of resources and large industry.<sup>106</sup> The different approach largely determined the difference in economic growth between Taiwan and China.<sup>107</sup> While the KMT pushed for rapid industrialization in the face of renewed communist attacks, the traditional Taiwanese economy was not replaced. Textiles, food, and consumer goods dominated the Taiwanese economy, and remained

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<sup>103</sup> Gold, 100.

<sup>104</sup> Naughton, 105.

<sup>105</sup> Yongping Wu, 4.

<sup>106</sup> Naughton, 58.

<sup>107</sup> *Ibid.*, 58.

largely outside of the KMT's direct control.<sup>108</sup> By the 1970s and 1980s, small and medium enterprises accounted for nearly half of Taiwan's productivity and export value.<sup>109</sup>

In addition to the different approach to small and medium enterprises, the CCP resorted to policies that rapidly changed the way China's economy worked. The CCP invested large amounts of money and resources into non-traditional Chinese industry at the expense of developing China's main source of revenue, agriculture.<sup>110</sup> Furthermore, industry and large enterprises established along the coast were abandoned in favor of Soviet models.<sup>111</sup>

The KMT and CCP, functioned differently from each other. Despite bureaucratic politics, the KMT was divided into camps of the Chiang family and non-family mainlanders, and kept itself in check and was highly competitive with its industry and resources.<sup>112</sup> The CCP, however, was managed solely by Mao's discretion and was purged of leaders who attempted to circumvent Mao's economic planning with their own attempts of economic recovery following the Great Leap Forward.<sup>113</sup>

The Cold War also played a critical role in Taiwan's and the PRC's economic development and explains why the middle class formed in Taiwan earlier than the PRC. Soviet and Maoist economic models focused China's economy on inward, self-sufficient development. Western political and economic isolation of China and the Soviet bloc limited Chinese access to foreign investment, technology and markets. On the other side of the strait, Taiwan benefited from financial support from the United States, access to Western markets, technology and investment, and recognition as the legitimate government of China until the 1970s.

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<sup>108</sup> Ibid., 58.

<sup>109</sup> Yongping Wu, 4.

<sup>110</sup> Naughton, 55.

<sup>111</sup> Ibid., 55.

<sup>112</sup> Yongping Wu, 6.

<sup>113</sup> Naughton, 78.

### **3. Conclusion**

The KMT and CCP adopted similar policies but had different approaches with Taiwan's and China's small business and traditional economies. Therefore, the middle class emerged in Taiwan and the PRC at different times following the creation of the PRC and ROC. While both states dominated the control of Taiwan's and China's resources and heavy industry, Taiwan allowed small businesses to operate more freely than large enterprises. Farming was also allowed to modernize under the KMT, while the CCP imposed detrimental economic policies on China's farmers. Therefore, Taiwan's middle class formed shortly after its creation and China's never matured until more efficient farming practices and economic reforms allowed Chinese farmers to seek additional employment in the metropolitan areas.

Despite the bureaucratic politics, corruption and inefficiency, Taiwan had access to Western markets that were growing faster than communist bloc markets. But now that China has increasing access to growing Western markets, with the help of Taiwanese investment, it is conceivable that the same socioeconomic trends that occurred in Taiwan will occur in China. Although the economic policies and growth diverged following the Chinese Civil War and start of the Cold War, China's economy and economic policies are likely to intersect those of Taiwan in the 1970s and 1980s, when economic reforms eventually gave way to political reforms.

### **C. THE TWO STATES**

China's growing reliance on globalization and foreign investment to fuel its modernization has made it more susceptible to a domestic oil crisis or economic crisis and so potentially to a political crisis. Although China's growing economy helps strengthen the Chinese Communist Party's rule, Lipset's theory on modernization and Juan L. Linz and Alfred Stepan's research on democratic transition suggest that China is vulnerable to regime change. First, China has transitioned from totalitarianism to a post-totalitarian regime, with the likelihood of transition into a hard and soft authoritarian state. Second, experts agree that China is changing economically, socially and politically, and project three likely paths for the PRC to follow. Finally, although China remained authoritarian during the "third wave" of democratization, its current path to

modernization is likely to lead to a Taiwanese roadmap to limited democracy: economic liberalization that leads to an expanding middle class and an authoritarian government forced to democratize. The fact that China continues to transition and survive while other totalitarian and authoritarian regimes have collapsed suggests that the Chinese Communist Party will continue to change in order to remain in power at the expense of its brief and traumatic communist heritage.

According to Lipset, political and economic instability and crisis increase the potential of regime change or liberalization. Lipset's theory of modernization in regard to democracies describes the sustainability of a government, including non-democratic governments, with a strong economy.<sup>114</sup> Therefore, economic instability can threaten the political stability of a government. Instability will lead either to change from the losing middle and working classes or from the elites in order to prevent a political crisis.

Juan L. Linz and Alfred Stepan describe the type of regime China has in terms of Twentieth Century democratization. Linz and Stepan's research helps to pair China and Taiwan side-by-side to understand how far China is from democratization.<sup>115</sup> Taiwan's liberalization in the 1980's started when it displayed attributes of both a democratic and authoritarian regime. Its party, the KMT, had limited but not responsible pluralism and a self-proclaimed national leadership in the Republic of China National Assembly. However, Taiwan did have an existing, although limited, liberal and constitutional political institution, a self-mobilized middle class, and had free local elections with KMT and independent candidates.

China, however, remains in Linz and Stepan's post-totalitarian category of states. There is no political pluralism, there is a weakened commitment to its communist ideology, and the leadership is still self-proclaimed and empowered by the Chinese Communist Party in spite of limited, local elections. The exception to China's post-totalitarian state is the status of mobilization. Although the state remains ritualized in communist tradition, the coastal economic centers are arguably more mobilized and have to the potential to influence the authoritarian state more than the state can influence the

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<sup>114</sup> Potter, 13.

<sup>115</sup> Juan Linz and Alfred Stepan, *Problems of Democratic Transition and Consolidation. Southern Europe, South America, and Post Communist Europe* (Baltimore: Johns Hopkins, 1996), 44-45.

economic centers. This could result in China's middle class becoming more mobilized and displaying more attributes similar to Taiwan's middle class.

### **1. The Taiwanese Roadmap and how the PRC is Already on It**

The political, economic and security interests that followed 1949 allowed Chiang Kai-shek to rebuild the ROC in Taiwan under the KMT's rule without much significant opposition. With the KMT's ranks decimated following its defeat to Mao and its evacuation to Taiwan, Chiang Kai-shek rebuilt the KMT's cadre of officers and created a new middle class in Taiwan. By the 1970s, a new domestic and international environment emerged that altered the needs of Taiwan's middle class.<sup>116</sup> By the 1980s, KMT and opposition leaders responded to the increasingly mobilized middle class which led to the end of martial law, legitimacy of opposing political parties and national elections. Like Taiwan, the PRC faces similar challenges as it continues to modernize and has adopted similar solutions to addressing these challenges which suggests that a similar approach to democratization is possible.

Taiwan's democratization had three elements.<sup>117</sup> First, leaders from the KMT and Democratic Progressive Party resolved political conflicts and promoted stability. Second, a common path to political liberalization was agreed upon by the KMT and DPP. Finally, a balance between confrontation and tolerance was reached to establish a new political culture. The PRC had its share of powerful leaders and reforms that parallel the leaders and reforms in Taiwan.

A fourth element not mentioned is Taiwan's middle class. During Chiang Kai-shek's rule, Taiwan's middle class owed its prosperity primarily to the KMT. As economic and political concerns became more important than security concerns among Taiwan's middle class, the more pressure was put on the KMT to respond to growing issues of unemployment and pollution. Profitable and expanding small and medium size businesses outside of KMT ownership allowed an increasing number of independent candidates to compete against well funded KMT candidates and win local elections in the

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<sup>116</sup> Linz, 101.

<sup>117</sup> Chao, 214.

late 1970s and early 1980s.<sup>118</sup> Without the middle class shifting its favor away from the KMT and toward the DPP, leaders such as Chiang Ching-kuo, and Lee Teng-hui would never have taken the necessary steps to democratize. Furthermore, the DPP would not have agreed to such compromises with the KMT without the middle class remaining loyal to the KMT and appreciative of its compromises with the DPP. The middle class was conservative enough and liberal enough to foster conditions that provide a Taiwanese roadmap to democratization.

In addition to the fact that China and Taiwan share similar cultures, China's government is approaching an intersection that could take it onto the path of democratization that Taiwan has taken. The variables include institutional reforms and military professionalization. The first variable is the institutionalization of the government under three key KMT leaders--Chiang Kai-shek, Chiang Ching-kuo, and Lee Teng-hui--to ensure that the government remained stable. The other variable is the professionalization of the military in order to ensure the military remains politically neutral and under civilian control, especially during democratic transition.

Deng's reforms of the CCP in the 1980s are reminiscent of Chiang Kai-shek's reforms of Taiwan's KMT in the 1950s. Both leaders undertook institutional reforms necessary to survive and prosper in a competitive and interconnected global community. Unlike Chiang Ching-kuo's liberalization and ground work for Taiwanese democratization, Deng's liberalization was directed to the economic and political reformation of the PRC. Once Chiang Kai-shek moved the KMT to Taiwan, socio-economic modernization was instituted. Education and the economy were viewed as essential elements to the survival and rebuilding of the ROC in Taiwan and to the defeat of the CCP in China.<sup>119</sup> Education was required to nurture and recruit new cadres to replace party losses following the KMT evacuation to Taiwan. Economic strength was required to rebuild the military. But most importantly, education and economic modernization was required to win and maintain the support of the reluctant Taiwanese population.

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<sup>118</sup> Chao, 82.

<sup>119</sup> *Ibid.*, 215.

The second important leader was Chiang Ching-kuo, who was compelled to initiate Taiwan's liberalization in 1986.<sup>120</sup> First, he shared his father's thinking, Chiang Kai-shek, that Taiwanese democratization was essential for the KMT to complete its mission to bring democracy to China. Second, his health had deteriorated by 1986 and he realized he had to act before it was too late. Third, he had a vice president and successor, Lee Teng-hui, who would ensure Taiwan's democratic transition. Finally, international isolation and non-recognition as a state in 1979 had turned into international pressure to complete liberal democratization.

The final important leader was Lee, an educated, native Taiwanese KMT party member.<sup>121</sup> He had popular support and legitimacy to control protestors and the military to ensure protests were brief and non-violent. He consolidated party power and managed to keep a divided party united and under his rule. His efforts to continue liberalization resulted in free national elections in 1992 and presidential elections in 1996 with the KMT remaining in control until 2000.

The KMT's relatively bloodless reign over Taiwan from 1949 to 2000, survival after democratization and free elections is a testament to the KMT's policies and ideology. During the authoritarian rule of the KMT, the KMT's policies were directed to protect its legitimacy by balancing authoritarianism and democracy under the threat of communist Chinese subversion and the growing opposition movement.<sup>122</sup> The legacy of its socioeconomic policies helped the KMT maintain its majority rule over Taiwan for 14 years after liberalization because most Taiwanese viewed the KMT as the best option for stability and growth.<sup>123</sup>

Equally important to political reform is the professionalization of the ROC military. Party control over the military and government meant that the military had equal control in the government, particularly internal security. The professionalization, or neutralization of the military, was primarily due to the strong leadership of Chiang

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<sup>120</sup> Chao, 218-219.

<sup>121</sup> Ibid., 223.

<sup>122</sup> Ibid., 215.

<sup>123</sup> Ibid., 229.

Ching-kuo and Lee Teng-hui. Although it raised questions, the military never went against Chiang's liberalization, lifting of martial law, and orders to ignore the opposition party.<sup>124</sup>

Equally important, Lee marginalized the powerful and influential Chief of the General Staff Hau Pei-tsun.<sup>125</sup> By 1992, Hau had appointed 75 percent of the generals who were on active duty and repeatedly opposed further liberalization and Taiwanese independence.<sup>126</sup> Lee made three important decisions to make the military politically neutral.<sup>127</sup> First, Lee appeased the conservatives and military by delaying further liberalization and democratization until his power as president could be consolidated. Second, Lee saw to Hau's appointment as premier which forced him to leave military service and resign his commission. Finally, Lee appointed flag officers from the Air Force and Navy into senior positions to weaken the conservative army position.

These actions bogged down the former general with the new duties as premier, limited his time on military affairs, and prevented him from legally returning to military service. The KMT's poor performance in the 1992 national elections presented Lee with the opportunity to force the cabinet and Hau to resign from public office. By the 1996 presidential elections, Hau had negligible popular and military support to be a threat to continued democratization.

## **2. The PRC's Path to a Taiwanese Roadmap of Transition**

Although the PRC is defined and scarred by the legacies of Marxist, Leninist and Maoist ideologies, the CCP's capacity to undertake reforms similar to those of the KMT suggests that CCP will be able to find a way to meet the demand for democratization when it comes. Mao Zedong and Deng Xiaoping strongly advocated separate versions of communist ideology, and Mao, Deng and Jiang Zemin maneuvered and advocated different policy positions in order to advance their own interests in a ruthless struggle for personal power by exploiting ideology. Each PRC leader deviated from the ideology of

<sup>124</sup> Chao, 221.

<sup>125</sup> Taylor, M. Fravel. "Towards Civilian Supremacy: Civil-Military Relations in Taiwan's Democratization." *Armed Forces & Society* (Fall 2002) 63.

<sup>126</sup> Fravel, 63.

<sup>127</sup> *Ibid.*, 77.



Marx and Lenin for personal reasons. The ideologies, power bases, and policies of Mao's Great Proletarian Cultural Revolution, Deng's economic reforms and Jiang's "three represents" explain each leader's pursuit to consolidate personal power and security from opposition.

Following the Communist victory over the KMT in 1949 and the formation of the PRC, Mao advocated a Soviet style of communist Ideology and implemented several flawed and failed campaigns. Mao ruthlessly used communist ideology of class struggle and the Peoples Liberation Army to perpetuate a personality cult. Mao fell back on a ruthless approach with the instigation of the Great Proletariat Cultural Revolution after facing growing opposition from the party. Because of his growing political isolation, Mao launched the Cultural Revolution and employed his three bases of power: the disenchanted urban youth and students who made up the Red Guard, his control over the PLA under Lin Biao, and the personality cult guided by Jiang Qing.<sup>128</sup>

Mao's role in the CCP of final arbiter in policy created the role of Mao Zedong Thought in party policy.<sup>129</sup> Although his aura and credibility were tarnished from the failures of the Hundred Flowers campaign and Great Leap Forward, Lin Biao and Jiang Qing reenergized and elevated Mao's personality cult with the PLA. With Lin Biao's distribution of *Quotations from Chairman Mao* and the Sino-Soviet split, Lin Biao and Jiang Qing elevated Mao to religious idol status and mobilized enough popular support to launch the Cultural Revolution to remove political opposition.

Mao used the PLA to crush the Nationalists, the Red Guard, and ultimately Lin Biao's coup attempt. Prior to the Cultural Revolution, Mao and Lin increased the PLA's control over the civilian population in 1962 by ordering civilian militias formed under the PLA.<sup>130</sup> Personal control over the military was enhanced with Lin's removal of the ranking system, which weakened the officer corps and placed more power with the

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<sup>128</sup> Roderick MacFarquhar, *The Politics of China: The Eras of Mao and Deng* (New York: Public Affairs, 1997), 154

<sup>129</sup> *Ibid.*, 12.

<sup>130</sup> *Ibid.*, 127.

officers actually politically appointed to powerful positions.<sup>131</sup> Lin Biao's distribution of *Quotations from Chairman Mao* to the PLA's soldiers and recruits helped to ensure loyalty to Mao over the PLA and CCP.

Mao's Cultural Revolution was a "quest for revolutionary purity in a post-revolutionary age."<sup>132</sup> The failures of the Great Leap Forward, Mao's self imposed separation from the party meetings, and CCP's policies following the Great Leap Forward left Mao isolated and unable to reenter the post revolutionary political scene.<sup>133</sup> Since Mao wanted to remove leftist and revisionists in the party who opposed his policies, Mao encouraged party officials to be available to the Red Guard for questioning and struggle.<sup>134</sup> Once the Red Guard threatened to lose control over the revolution and threaten Mao's power base in the PLA, Mao reined in the Red Guards and unleashed the PLA on the youth and student followers. Therefore, the Cultural Revolution removed "revisionists," intellectuals, political opposition, and the masses of student revolutionaries from the PRC's cities and political centers.

The turmoil caused by Mao Zedong's power and decision to start the Cultural Revolution revealed the power that future CCP leaders would jockey to either achieve or eliminate. Deng Xiaoping used communist ideology to win support in the CCP following the Cultural Revolution and Mao's death, to mobilize support for economic modernization, and to promote reforms in the CCP and PLA. Deng preached traditional party rhetoric to win party support and began institutionalization of the PLA and to start economic reforms.

Deng advocated the ideology of socialist modernization as the next step to line with communism, but avoided the devastating collapse of Soviet Communism and to sustain party control amidst globalization. Deng's "four cardinal principles" were adherence to the socialist road, the people's democratic dictatorship, Communist Party Leadership, and Marxism-Leninism-Mao Zedong thought.<sup>135</sup> The principles ensured a

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<sup>131</sup> Ibid., 128.

<sup>132</sup> MacFarquhar, 148.

<sup>133</sup> Ibid., 154.

<sup>134</sup> Ibid., 185.

<sup>135</sup> Ibid., 341.

peaceful and secure transition of power for Deng and opened the possibility of reforming socialism away from pure Mao Zedong thought and party control over the government and PLA.

Deng's power, like Mao, relied on support of the PLA. Deng sought to separate the party from government. The death of Mao and marginalization of Hua Guofeng underscores the need for reforms to ensure the professionalization and political neutrality of the PLA. To ensure continued support to Deng's policies of reform and institutionalization, he removed conservative CCP and PLA influence. First, Deng created a state Military Affairs Commission to parallel the party's MAC.<sup>136</sup> Second, Deng sought to retire aging PLA hardliners, both within and outside of the PLA, and reorganized the PLA by reassigning security responsibilities from the PLA to the People's Armed Police.<sup>137</sup>

After gaining sufficient support from the CCP and PLA, Deng established the special economic zones that helped China's economy to modernize to current global standards in order to meet the Chinese people's need for material wealth and improved livelihoods, and necessary for continued legitimate rule under the CCP.<sup>138</sup> Deng's reforms in the CCP and PLA helped to institutionalize the succession in the CCP and allowed Jiang Zemin, a Shanghai party member, to succeed Deng after two handpicked successors for the top CCP position failed. A relative political outsider, Jiang perpetuated Deng's economic and political reforms with the "Three Represents" and consolidated his power with the promotion of Shanghai party members. Due to Deng's success in retiring, reforming and institutionalizing the CCP, Jiang continued Deng's economic reforms and central Communist party rule. Jiang has overseen the modernization of the PLA and reaffirmed the PRC's position opposing Taiwanese independence.

China has both suffered and benefited from the power struggles of Mao Zedong, Deng Xiaoping and Jiang Zemin. Ideology served each leader by mobilizing the Chinese to secure a safe political environment for the leader to consolidate power. Ideology

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<sup>136</sup> MacFarquhar, 343.

<sup>137</sup> Ibid., 377.

<sup>138</sup> Lieberthal, 130.

served an important role in the Mao's pursuit for personal security and power, and it aided Deng's and Jiang's use of reforms for institutionalization to prevent another Cultural Revolution that nearly destroyed China from within. Mao's Cultural Revolution elevated his personality cult, dissolved the growing opposition from the failure of the Great Leap Forward, and dispersed the disenchanted youth and students throughout the countryside. Deng's reforms disestablished the power base that Mao and would be-Mao's relied upon to control, consolidated power with the CCP following Mao's death and ensured continued CCP rule amidst political and economic reforms and avoided conservative and PLA intervention. Jiang sustained CCP legitimacy, consolidated his own power from his Shanghai base of power, and perpetuated Deng's economic reforms for modernization with the "three represents."

### **3. Conclusion**

Despite any institutional differences between Taiwan and the PRC, Taiwan's democratization is an excellent case to study because of the economic and political policies used by the KMT and CCP to strengthen political and security interests have resulted in the expansion of a middle class that owes its loyalty to the economy over the government. As a result of these policies, the middle class in Taiwan and China started at different times in the Twentieth Century, but will eventually end in the same way: instruments of democratization. The KMT facilitated the creation of a cadre of middle class for political and security reasons since 1949. The CCP imposed detrimental policies that prevented the creation of a middle class until Deng's reforms in 1978. However, the economies of Taiwan and China have superseded the state's ability to control the growth of the middle class. Therefore, the middle class owes its allegiance more to the economy than the state.

The KMT established the middle class, but a change in policy resulted in an expanding middle class that owed its loyalty more to the success of Taiwan's economy rather than to the success of its government. The CCP never developed a middle class, but a middle class is emerging and expanding along with the PRC's emerging and

expanding economy. Only after the CCP and KMT imposed policies conducive to economic liberalization did the middle class expand into the numbers and liberal potential outlined by Lipset.

## V. REPLICATING TAIWAN'S ECONOMIC DEVELOPMENT

### A. INTRODUCTION

Although Taiwanese and Chinese leaders have adopted economic and political reform policies to adapt to the economic and political realities faced by most authoritarian states during the “third wave” of democratization, the combined experience from observing the developmental states of South Korea, Japan and Taiwan offers several lessons learned that should be considered in any future policies that deal with nation-building, economic aid, trade and democratization. First, there are differences between Japan, South Korea, Taiwan and China. Second, there are similarities between Japan, South Korea, Taiwan and China. Third, there is a correlation between U.S. policy and the growth of the developmental states. Understanding the conditions that compelled Taiwan's leaders to liberalize Taiwan's economy, and subsequently expand its middle class, helps understand the challenges faced by China's middle class before it can democratize.

There are differences between Japan, South Korea, Taiwan and China that supports the belief that no one model explains the economic growth in the developmental states. The histories, politics, and business structures and practices in Japan, South Korea, Taiwan, and China are too varied to make accurate comparisons among these East and Western economies or comparisons among Asian economies.<sup>139</sup> Japan and South Korea are dominated by large, business conglomerates. Taiwan is dominated by small and medium businesses.

On the other hand, there are similarities that can help understand how and why the developmental states did expand economically when other states did not. First, government intervention was tailored to meet each state's repeated domestic and national security challenges. Second, international intervention was tailored to support each state to develop a stable governing regime or authoritarian state. Finally, each state pursued its own path to economic liberalization and democratization.

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<sup>139</sup> James H. Raphael and Thomas P. Rohlen. “How Many Models of Japanese Growth Do We Want or Need?” *Behind East Asian Growth: The Political and Social Foundations of Prosperity*, edited by Henry S. Rowen (New York: Routledge, 1998), 294.

## **B. THE ROLE OF WAR**

According to Richard Stubbs, the role of “hot” wars during and after World War Two and the Cold War “significantly shaped the political and economic institutions that emerged in Japan, South Korea, and Taiwan.<sup>140</sup> From this observation, Stubbs offers five lessons from the developmental states.<sup>141</sup> First, the Cold War in Asia and the Korean War were essential in the rapidly changing global political economy. Second, national security concerns about external and internal threats are important to the international global economy. Third, political, economic and social factors are important in how and why the global political economy emerged. Fourth, institutions, whether effective in anticipating or reacting to crisis, were important contributors to promoting stability, continuity and coherence in domestic and global political economies. Finally, unlike Latin America, Central Asia, South Asia, Africa and the Middle East, “the sequence of wars that engulfed East and Southeast Asia was a unique occurrence and is the decisive factor which drew capital into East and Southeast Asia and provided the motive for the creation of strong states”

## **C. THE ROLE OF THE UNITED STATES**

Since the end of the Second World War, the United States has had a profound impact in the economic development of Northeast Asia. U.S. Cold War policies responsible for stabilizing the economic and political reconstruction of Japan, South Korea and Taiwan, and the isolation of China eventually evolved and forced the developmental states to pursue more robust policies. The change in U.S. policy at the conclusion of the Vietnam War forced Japan, South Korea, and Taiwan to reevaluate economic planning and political rule. In addition, U.S. military presence withdrawal from Asia following the Vietnam War signaled the U.S. intention of protecting its own interests at the expense of the autonomy of the Northeast Asian developmental states.

Each developmental state found itself in a situation where it could not longer rely on U.S. support. Following the U.S. military pullout from Vietnam, the end of the

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<sup>140</sup> Richard Stubbs. *Rethinking Asia's Economic Miracle: The Political Economy of War, Prosperity and Crisis* (New York: Palgrave Macmillan, 2005), 218.

<sup>141</sup> *Ibid.*, 238-240.

Vietnam War, and the reduction of U.S. forces from South Korea, Japan, South Korea and Taiwan realized that the United States could not be relied upon in the defense of Northeast Asia.<sup>142</sup> Japan was never notified ahead of time of President Nixon's efforts to normalize relations between China and the United States. President Nixon redeployed troops out of South Korea. The United States shifted recognition of China's sovereignty to the PRC and away from the ROC.

Each developmental state has found the United States to be an obstacle. Politically, each is not a "normal" state. Each is militarily closely aligned with the United States, with the exception of Taiwan. Taiwan cannot make itself independent. South Korea cannot unilaterally negotiate with North Korea. Japan cannot sever its post-world war two legacy. Economically, each state has had to comply with U.S. economic policy terms of liberalization that has not proven beneficial. Only China weathered the 1997 Asian Financial Crisis, primarily because its currency was not convertible. Finally, the WTO, IMF and U.S. efforts to aid economies following the Crisis proved more effective in rebuilding U.S. business interests' confidence and less effective in fixing the problems that created the crisis.

#### **D. ROLE OF THE STATE**

Although David Kang states there is no single explanation for the economic growth and democratization in Taiwan and South Korea, there are similar instances of government and international intervention that can help policy makers determine the best approach to producing the desired result of economically stable democracies in Northeast Asia.<sup>143</sup>

Neo-classical explanations attempt either to down play the state's involvement or to blame the state for intervening and slowing down economic growth.<sup>144</sup> Kang points out that the state was the central player in the developmental state's economy.<sup>145</sup> First, the states have the power to provide subsidies. Second, the state controls the banking that

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<sup>142</sup> David C. Kang, "South Korean and Taiwanese Development and the New Institutional Economics," *International Organization*, Vol, 49, No. 3 (Summer, 1995), 584.

<sup>143</sup> Kang, 587.

<sup>144</sup> *Ibid.*, 558.

<sup>145</sup> *Ibid.*, 559.



is capable of extending loans. Third, the state and elites have control and ownership of the business eligible for subsidies and loans. Finally, the capability of keeping costs down by depriving the labor force of a complex social welfare system.

Japan's modernization during the Meiji period was possible due to the perception of a foreign threat, the use of nationalism, and the lack of domestic opposition.<sup>146</sup> Raphael attributes this to a homogeneous population, strong national identity, and the state's ability to manipulated personal ambition into patriotism.<sup>147</sup> Therefore, the likelihood of Japan's success, planning and modeling spreading to the rest of Asia is unlikely.<sup>148</sup>

South Korean and Taiwanese modernization was possible due to the existence of an external threat that allowed the state to provide incentives for industrialization and to rationalize direct intervention in political and economic domains."<sup>149</sup> Kang states that internal and external threats to the elites' power strongly compelled their developmental strategies. First, the state made concessions and gave incentives to elites and businesses to develop large and heavy industry.<sup>150</sup> In the case of South Korea and Taiwan, the governments were spending 4 to 5 percent and 12 percent of their annual GDPs in defense respectively.<sup>151</sup> Second, the perception of an attack reduced domestic opposition to authoritarian rule.<sup>152</sup> In addition to increasing the external and internal security, investors' confidence was increased and permitted stability for financial investment.<sup>153</sup>

As important as the beginning of the Cold War and end of the Vietnam War were to the developmental states, the end of the Cold War era ushered in a new stage where developmental states liberalized both economically and politically. Faced with a

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<sup>146</sup> Raphael, 293.

<sup>147</sup> Ibid., 293.

<sup>148</sup> Ibid., 294.

<sup>149</sup> Kang, 587.

<sup>150</sup> Ibid., 584.

<sup>151</sup> Ibid., 585.

<sup>152</sup> Ibid., 585.

<sup>153</sup> Ibid., 584.

diminishing external threat, opposition to authoritarian rule was unimpeded. As a result, South Korea and Taiwan commenced democratization in the 1980s.

## **E. THE ROLE OF ECONOMIC AND NON-ECONOMIC FACTORS**

Kuznets claims that there is an East Asian economic development model and that it is replicable when five economic factors are taken into consideration: high investment ratios, small public sectors, competitive labor markets, export expansion, and government intervention in the state's economy.<sup>154</sup> With the exception of over-crowding and scarcity of natural resources, the economic characteristics are controllable and are designed to overcome the handicaps of lack of resources and population control.<sup>155</sup> Furthermore, the replication of the economic growth depends on the recreation of the same historical events and non-economic characteristics.<sup>156</sup>

Finally, there is the prospect of an unplanned, controllable economic variable such as the 1997 Asian financial crisis. Such an event tests the effectiveness of policies and institutions. In the case of the developmental economic model of East Asia, it did not respond well enough to an economic crisis such as the 1997 Asian financial crisis.<sup>157</sup> Kuznet's explanation is the inherent nature of the Asian institutions anticipating problems rather than being structured to react to them.<sup>158</sup>

## **F. CONCLUSION**

The East Asian developmental states demonstrate the following lessons learned in economic modeling. First, despite the differences among the developmental states, Japan, South Korea and Taiwan grew economically. Second, external and internal security threats forced elites to protect their interests. Third, the United States helped to shape the security picture in East Asia. Fourth, the state arranged incentives for

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<sup>154</sup> Paul W. Kuznets. "An East Asian Model of Economic Development: Japan, Taiwan and South Korea," *Economic Development and Cultural Change*, Vol. 36, No. 3, Supplement: Why Does Overcrowded, Resource-Poor East Asia Succeed: Lessons for the LDCs?. (Apr., 1988), S34-S35.

<sup>155</sup> *Ibid.*, S35.

<sup>156</sup> *Ibid.*, S35.

<sup>157</sup> Yung Chul Park. "Does East Asia Need a New Development Paradigm?" *Brookings Trade Forum* (2002), 225.

<sup>158</sup> Kuznet, S35.

industrialization and business expansion. Finally, the role of history and non-economic factors provide uncontrollable variables when considering replication of the economic model.

The East Asian developmental states demonstrate the following lessons learned in economic modeling. First, Lipset's theory on economic growth sustaining a democratic or non-democratic state is valid. Second, real economic growth and planning only comes after an economic problem. Third, resource-poor states with national security concerns are more likely to implement a successful developmental state strategy.

In the case of Japan, South Korea and Taiwan, Przeworski's assessment of modernization empowering both democracies and non-democracies alike is valid. Particularly for South Korea and Taiwan, the unwavering political support and financial aid prior to the Vietnam War resulted in states with little democracy and little need for successful economic planning. Following the end of the U.S. involvement in Vietnam, U.S. political and financial involvement in Asia diminished, and Japan, South Korea and Taiwan were forced to reconsider their economic planning. Taiwan and South Korea had to maintain legitimacy and enhance economic growth at a time when the U.S. was the least likely to support them. Finally, the lack of natural resources and the end of the imperialism era forced Japan, South Korea and Taiwan to create more powerful export industries and to utilize the large, educated work force and favorable ties with the West.

Although a homogeneous population and a Confucian belief system are mentioned as factors, these are irrelevant unless categorized. East Asia's advantage in homogeneous population and Confucianism is relevant due to the era. Without the tribal issues of Africa, religious tensions of the Middle East, and a new peace between China and the United States, East Asia was the most stable and peaceful area in the world that could provide cheap exports at a competitive price. In the U.S. Global War on Terrorism, this remains the case.

Therefore, the United States needs to do the following concerning the lessons learned from the developmental East Asian states. First, government intervention to establish stability and security over the economy is good. Government intervention aimed at maintaining or expanding corruption is not. Second, international intervention

to convert developmental economies and states into permanent western economies and states is good. International intervention aimed at saving the West's financial interests at the expense of Asia has proven to be ineffective in solving the inherent weaknesses in the developmental economies.

China's prospects of following the same path of economic growth as Japan, South Korea and Taiwan are increased if the lessons are followed, and the historical, economic and non-economic events are closely reproduced. This requires the continued perception of an internal and external threat to the PRC, the active involvement of the United States and other international players, and the PRC's intervention in the development of China's economy. Just as the Cold War in Asia was filled with contradictions, the post-Cold War era will be dominated with contradictions and compromises essential to the continued development of China's political economy.

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## VI. CONCLUSION

### A. INTRODUCTION

Since Deng Xiaoping instituted economic reforms under the “reform and open” policy in 1978, the Chinese Communist Party has overseen a gradualist approach to modernizing China’s economy. A new Chinese middle class has emerged with China’s economic reforms and economic growth. According to Seymour Lipset’s modernization theory, there is a strong relationship between socioeconomic development and the emergence of democratic politics accompanying the growth of an educated middle class that will demand democratization as a means to achieve more participation in politics.

This thesis assessed the validity of Lipset’s argument that socioeconomic development is likely to result in a democratic transition through the growth of a liberal middle class in the case of contemporary China. This assessment determined that China and China’s middle class does not yet fits Lipset’s model, and that China’s middle class displays characteristics that suggest that Lipset’s framework of democratization will not hold true in China until the economic basis in China strengthens and the middle class grows.

Since spreading democracy around the world was reasserted as a long-range U.S. objective in the early 1990s, attention has focused on prospects for democratization in China. This thesis will help illuminate the political implications of China’s growing middle class and argue that China’s economic modernization does not guarantee democratization. This is important because some people in the West misinterpreted the origins of the Tiananmen Square protest in 1989 simply as a democracy movement, rather than as initially intended to address widely perceived bureaucratic corruption and rapidly rising inflation. Protests subsided in the aftermath of Tiananmen, and many Chinese did not react to the CCP’s decision to restore economic stability by entrenching its control of the economy to control inflation.

## **B. PROSPECTS FOR DEMOCRATIZATION**

Although Lipset and Huntington have demonstrated that there is a correlation between economic development and democratization, both conclude that economic development does not lead to rapid democratization. In the case of China, China does not meet Lipset's requisites for economic development supporting a democracy. China is gradually getting closer the requisites outlined by Lipset, but fails to meet them. Therefore, China does not have what Huntington defines as the "economic basis" to support the trend of democratization seen in Asia during the "third wave" of democratization from 1974 to 1989. In addition, Pei has identified a situation in China where liberalization has stalled. In the case of Taiwan, Taiwan meets Lipset's requisites for economic development supporting a democracy.

Modernization and economic growth, however, has a greater chance of sustaining the power of the current regime rather than causing a regime change. Unless one of Huntington's three economic triggers occurs, the current regime stays in power. Therefore, China's economic growth supports the CCP and not democratization. Furthermore, Taiwan's economic growth does not explain its democratization.

China is transitioning to a state that may meet Lipset's requisites that democratic states have. Despite this socioeconomic development, the prospect of a democratic transition is unlikely.<sup>159</sup> Taiwan is another Chinese state that has democratized following a period of industrialization, modernization and socioeconomic development, and its experience shows that meeting requisites alone does not make a state democratic or initiate democratization. Therefore, the middle class initiating liberalization in a state is the intervening variable in the relationship between socioeconomic development and democratic states.

The socioeconomic development in China and Taiwan has resulted in a growing middle class, the intervening variable in the relationship between socioeconomic development and democracy. Moore explains emergence of Western-style democracy as the evolving struggle "to check arbitrary rulers, to replace arbitrary rules with just and

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<sup>159</sup> Pei, 17.

rational ones, and to obtain a share for the underlying population in the making of rules.”<sup>160</sup> Historically, the middle class is essential for regime change to successfully end in a Western, liberal democracy.

The social and economic situation in China and the small and reluctant state of China’s middle class suggests that the PRC is not ready for democratization as described by Lipset and Huntington. A weak Chinese middle class, whether it is too small or not supporting the opposition to the standing regime, may instead contribute to the formation of a fascist or a new communist state, depending on the comparative strength between the elites and peasantry. The economic state of China, its neighbors and the international community, and the lack of democratic institutions, would also suggest that democratization, such as that seen in Taiwan, would be less likely.

The KMT and CCP adopted similar policies, but had different approaches with Taiwan’s and China’s small business and traditional economies. While both states dominated the control of Taiwan’s and China’s resources and heavy industry, Taiwan allowed small businesses to operate more freely than large enterprises. Farming was also allowed to modernize under the KMT while the CCP imposed detrimental economic policies on China’s farmers.

Despite the bureaucratic politics, corruption and inefficiency, Taiwan had access to Western markets that were growing faster than communist bloc markets. But now that China has increasing access to growing Western markets, with the help of Taiwanese investment, it is conceivable that the same socioeconomic trends that occurred in Taiwan will occur in China. Although the economic policies and growth diverged following the Chinese Civil War and start of the Cold War, China’s economy and economic policies are likely to intersect those of Taiwan in the 1970s and 1980s, when economic reforms eventually gave way to political reforms.

Although the potential of an economically initiated political crisis and revolution from above has become more likely in the PRC, several unknowns exist. These unknowns are the level of professionalization in the PLA, the extent of economic vulnerability, and the strength of revolution from the working and middle class.

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<sup>160</sup> Moore, 414.



Although the PLA's traditional role and loyalties were shaken in the 1989 Tiananmen incident, it has not been challenged with a large scale civil unrest since Tiananmen. Although the PRC's economy and CCP's rule depends on continued stability and growth of the foreign investments the CCP survived the 1997 Asian economic crisis and continues to grow in the beginning of the 21st century. Finally, economic stability and limited media access makes assessing the volatility of the working and middle class a theoretical exercise without any hard evidence to suggest a firm answer.

The East Asian developmental states demonstrate the following lessons learned in economic modeling. First, despite the differences among the developmental states, Japan, South Korea and Taiwan grew economically. Second, external and internal security threats forced elites to protect their interests. Third, the United States helped to shape the security picture in East Asia. Fourth, the state arranged incentives for industrialization and business expansion. Finally, the role of history and non-economic factors provide uncontrollable variables when considering replication of the economic model.

The East Asian developmental states also demonstrate, first, that Lipset's theory on economic growth sustaining a democratic or non-democratic state is valid. Second, real economic growth and planning only comes after an economic problem. Third, resource poor states with national security concerns are more likely to implement a successful developmental state strategy.

In the case of Japan, South Korea and Taiwan, Przeworski's assessment of modernization empowering both democracies and non-democracies alike is true. Particularly for South Korea and Taiwan, the unwavering political support and financial aid prior to the Vietnam War resulted in states with little democracy and little need for successful economic planning. Following the end of the U.S. involvement in Vietnam, U.S. political and financial involvement in Asia diminished, and Japan, South Korea and Taiwan were forced to reconsider their economic planning. Taiwan and South Korea had to maintain legitimacy and enhance economic growth in a time when the U.S. was the least likely to support them. Finally, the lack of natural resources, and the end of the

imperialist era, forced Japan, South Korea and Taiwan to create more powerful export industry, and to utilize the large, educated work force and favorable ties with the West.

Although a homogeneous population and a Confucian belief system are mentioned as factors, these are irrelevant unless categorized. East Asia's advantage in homogeneous population and Confucianism is relevant due to the era. Without the tribal issues of Africa, religious tensions of the Middle East, and a new peace between China and the United States, East Asia was the most stable and peaceful area in the world that could provide cheap exports at a competitive price. In the U.S. Global War on Terrorism, this remains the case.

Therefore, the U.S. needs to do the following concerning the lessons learned from the developmental East Asian states. First, government intervention to establish stability and security over the economy is good. Government intervention aimed at maintaining or expanding corruption is bad. Second, international intervention to convert developmental economies and states into permanent western economies and states is good. International intervention aimed at saving the West's financial interests at the expense of the East has proven to be ineffective in solving the inherent weaknesses in the developmental economies.

China's prospects of following the same path of economic growth as Japan, South Korea and Taiwan are increased if the lessons are followed, and the historical, economic and non-economic events are as closely reproduced. This requires the continued perception of an internal and external threat to the CCP, the active involvement of the United States and other international players, and the CCP's intervention in the development of China's economy. Just as the Cold War in Asia was filled with contradictions, the post-Cold War era will be dominated with contradictions and compromises essential to the continued development of China's political economy.

## **C. CONCLUSION**

The United States has a variety of policy options to pursue with its security, economic and political interests. Washington can seek to police security on Asia as the region's hegemonic power, prevent any power from establishing its hegemony over Asia,

maintain and expand bilateral alliances in the region, end existing treaty relationships and pursue a more flexible balance of power approach to the region, or replace bilateral security treaties with a region-wide multilateral security structure like NATO.

Washington can press free trade in Asia through the WTO, trusting in the long-term benefits of comparative advantage of the U.S. economy, press fair trade with respect to Asia, shielding American labor from the loss of jobs because of low Asian labor costs and pressing for improved worker conditions and environmental progress in Asian countries, or use Economic incentives and sanction to bring pressures to bear on Asian states over security concerns and political issues like human rights.

Finally, Washington can press human rights and democratization as its foremost priority in the region, using economic and other levers to pressure Asian governments, employ quiet diplomacy and rely on NGO and private activism to bring about progress on these issues while subordinate these issues to security and economic interests, or ignore these issues in official relations with Asian states in order to avoid pressures that are destabilizing and harm security and economic concerns that promise political liberalization over the long term.

The broad objectives of the U.S. policy in Asia include the need to help establish and support liberal, democratic states that will help support the United States in the Global War on Terror and balance China. Second, ensure containment of North Korea, politically and militarily. Third, expand cooperation with traditional allies, Japan, South Korea, and Singapore. Fourth, expand cooperation with neutral states within ASEAN and Central Asia, and to establish a relationship that can evolve into an alliance in the next 20 years. Finally, support continued globalization and modernization in the People's Republic of China in order bring an end of the Chinese Communist Party's authoritarian regime.

Therefore, the United States should set aside the unilateralist policies established for winning the Global War on Terror. Since there is no prospect of either China declining in power, there is no way for the United States to act as a hegemon in Asia when states can balance U.S. power by strengthening ties with China. The United States should position itself as the better alternative to aligning with a growing and uncertain

China. It should expand on current multilateral and bilateral agreements. It should help developing Asian states to develop free market economies which will encourage liberalization, and increase the likelihood of a peaceful, democratic transition. It should employ the same principles of the ASEAN Way and prioritize strengthening trust and cooperation with Asia.

The United States should alter its National Security Strategy. First, the NSS should state U.S. preference in partnerships with democratic states. Second, the NSS should state U.S. support for democratic states. Finally, the NSS should state U.S. recognition that the transition to democracy, not independence, is an important step that the citizens must solely initiate and follow from start to finish without foreign interference.

This change in position is beneficial to the United States. First, it encourages states to transition to democracy on their own accord. Second, it encourages non-democratic states to associate with the United States while not aligning with it. Finally, it does not discourage non-democratic states from associating with the United States and balance against it. In the post-Cold War era and Global War on Terror, this policy option strengthens the U.S. position, particularly in where U.S. and Chinese interests meet.

Washington engaged in China's domestic agenda, following Tiananmen, for three reasons. First, the Cold War ended and there was no reason for Washington to protect the CCP as a Cold War ally. Second, the media coverage over the Tiananmen 'massacre' compelled politicians in Washington to address Beijing's appearance of violating the human rights of the Tiananmen protesters. Finally, Washington was forced to readdress its association with states that were not democratic and violated human rights.

Although the CCP and PLA have changed to effectively handle another Tiananmen, the next Tiananmen may be larger than 1989. Economic reforms, globalization, and socio-economic development have created new domestic pressures in China. By Lipset's requisites, China is not ready for democratization, and the CCP and PLA are incapable of handling another Tiananmen in today's standards and scale.

This is why the United States should not intervene in Chinese domestic affairs. First, intervention could initiate a regime change in China that the Chinese may not be

ready for, and therefore fail to successfully transition to a democracy. Second, the risk of a Chinese backlash toward the U.S. because of its direct or indirect involvement in a PRC regime change could harm relations between Washington, Beijing and Asia. Finally, a new Chinese regime may prove to be more harmful to U.S. interests than the CCP.

Therefore, Washington should press on with globalization and relying on improving socio-economic development to push China to a similar set of requisites that led to Taiwanese democratic initiation. Washington should not directly or indirectly support or associate itself with any Chinese democracy movements.

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