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Who Created China's Economic Miracle?

Meet Chen Jinhai, Peasant-Turned-Industrialist

BY CHENG LI

SHANGHAI, China

June 1995

In his study of the socio-economic development of the United States, Daniel Bell, a distinguished sociologist at Harvard University, raised one of the most interesting questions in contemporary American history: "Who created America's economic miracle?" His conclusion, which surprised and even disappointed many, was that those who have contributed to the economic wealth in the United States, especially during the American Industrial Revolution, were usually from the poor, less-educated and "relatively uncivilized" part of the American society.

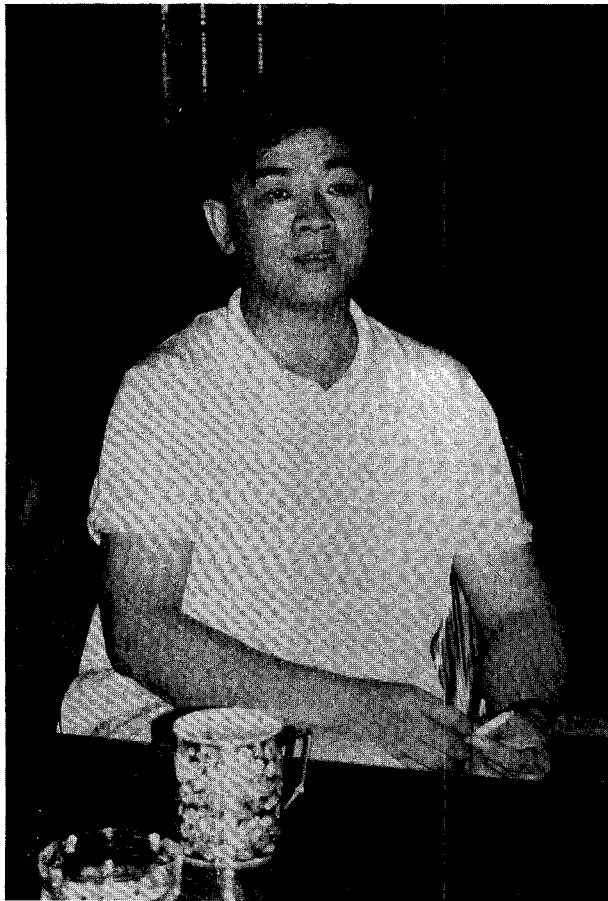
A few weeks ago, I attended an international conference in Norway on "Social Mobility in post-Mao China." During the informal discussion, Dr. Borge Bakken, one of the organizers of the conference and a leading sinologist in Scandinavia, asked me whether the conclusion that Daniel Bell made in his study of the American Industrial Revolution would also apply to today's China. Like the United States in the previous century, China now has been undergoing its own industrial revolution.

"Who has created the economic miracle in post-Mao China? Who are the real contributors to the ongoing Chinese industrial revolution?" Dr. Borge Bakken asked me. These are certainly not easy questions. They are no less controversial than the long standing questions in international affairs such as "Who ended the Cold War?" Different people can reach completely different conclusions.

If you ask Deng Xioping's children (and, unfortunately, many Western China experts as well), it is their father who created socio-economic development in China since 1978, the year in which Deng came to power. Their slogan is, "Without Deng, without China's economic reform" — that's why they use the term "Deng's Revolution" to refer to the reform era. While no one would deny that Deng has courageously changed Mao's course for the country, I often wonder whether Deng may have received more credit than he deserves. A few fundamental changes in China's economic structure are unintentional. Some remarkable economic successes in the country occurred even before Deng came to power. Rapid development of township and village enterprises in Sunan (southern Jiangsu), for example, was neither initiated nor anticipated by Deng.

If you ask the technocrats who now dominate China's central and provincial leadership, it was their scientific and technical expertise and managerial skills that brought about all the progress in the reform era. They argue that it is not accidental that the emergence of technocratic elites in China's leadership parallels the rapid techno-

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Chen Jinhai, 46, a peasant-turned-industrialist, is General Manager and Chair of the Board of Trustees of Wujiang Fiberglass Group, Inc.

logical development and economic boom in the country. Correlation, however, is not causation. As a result of my long-time study of Chinese technocrats, I have found that because of their elitist mentality, technocrats tend to be out of touch with China's reality. Their technical expertise does not necessarily lead to the economic well-being of the population, but instead may even tire

the people and drain the treasury of the country. The ongoing Three Gorges Dam project is a case in point.

Who, then, really created China's economic miracle? While acknowledging there can be more than one contributing social group, I believe that peasants-turned-industrialists have played a vital role in China's economic boom. Similar to Daniel Bell's findings in the United States, these Chinese peasants-turned-industrialists were usually from the poor, less-educated, and unprivileged part of society. They have led China's rural industrial revolution — one of the greatest industrial revolutions in human history.

In Sunan, the region where China's rural industrial revolution originated, the output value of rural industries increased 25 times, from 3.77 billion yuan in 1978, to 98.55 billion yuan in 1991.¹ Agriculture now accounts for only 8 percent of the total industrial and agricultural output value in the region, industry accounts for 92 percent. By the mid-1980s, rural industries in Sunan had successfully transformed over 3 million agricultural workers, who were 65 percent of the total labor force in the region, to non-agricultural employees.

Never in history have so many families made so much money in a single generation as have peasants-turned-industrialists on the coast of China. Some entrepreneurs have made fortunes for themselves, as they have contributed to the economic growth of the country. During the past two years, I have met several dozen rich rural industrialists, visited their homes, and listened to their life stories. Almost every time I seemed to be listening to a Chinese Carnegie or Rockefeller; I was truly impressed by both the hardships they have experienced and the successes they have achieved. Chen Jinhai, a peasant-turned-industrialist in Wujiang County, Suzhou, is one of the remarkable figures I have met.

The first time I met Chen Jinhai was in 1984. I saw him in Wujiang county where my sister and her hus-



band were doctors in the county hospital. Chen, who was already a factory director then, happened to be visiting my sister's apartment. He brought several crabs, the most treasured food in the area, to my brother-in-law as a token of appreciation for the successful surgery that he had performed on Chen's mother.

Because my brother-in-law refused to accept the crabs, Chen explained that he did not buy them, but caught the crabs himself in the river nearby. I remember that Chen said that his family used to make a living by catching crabs when he was a boy. By the age of 6, he had already started helping his parents, beginning at 4 o'clock every morning during the fishing season. He of course was no longer associated with the fishing business after he became a factory director. But occasionally, as he did that day, Chen still got up very early to catch crabs for enjoyment. I forget what else he said during that meeting, but the picture of a 6-year-old who got up at 4 o'clock every morning to go fishing moved me then, and I have remembered it ever since.

The second time I saw him was in 1990 when I made my first return trip to China after studying in the United States for five years. I revisited my sister and her husband in Wujiang. They hosted a dinner party for me at the Songlin Restaurant, the best in the county town. Chen Jinhai was among the guests they invited. He was thinner then (but not truly *thin*) and he was dressed in an expensive western suit.

My sister-in-law told me that Chen was doing very well in his business and had become one of the richest entrepreneurs in the town. At that time, I had a stereotypical view of rural entrepreneurs. These rural industrialists, I thought, usually had a couple of workshops, employing 6 to 7 workers in each. They were considered rich because they could smoke foreign-brand cigarettes, wear Hong Kong-made T-shirts, and ride red motorcycles.

Chen and other guests at the dinner did not speak

much. They seemed to be more interested in hearing me talk about America — about elegant department stores in Manhattan and homeless people in New York subways; about press freedom and the international interest of the American mass media and the notoriously endless soap operas; about the increasing resale value of Japanese cars in the American market and declining "family values" in American society; etc. Chen invited me to visit his house, but I stayed in Wujiang for only a day during that trip. I told him that I would visit him next time.

"Next time," however, came five years later, in 1995. As a fellow of ICWA writing about the rise of the entrepreneurial class on the coast of China, I was eager to revisit Wujiang and to see Chen again. Chen's house is located in Songlin Town, Wujiang County, 16 miles from Suzhou. Wujiang County, with 23 towns in its jurisdiction and a total population of 772,000, is situated in the middle of the Yangzi Delta, neighboring Shanghai to the east, Hangzhou to the south, Taihu Lake to the west and Suzhou to the north. The ancient Grand Canal runs through its territory from north to south.

As a minibus took me around the town, I found Songlin Town had changed remarkably during the previous five years and was completely beyond recognition. The Songlin restaurant, at which my sister and her husband hosted dinner for me and which was then considered the best in town, had become a canteen-like place for casual meals. Many newer elegant restaurants had been established in the town. The newly built Wujiang Hotel, with its combination of modern architecture and traditional gardens, was one of the most glamorous hotels that I had ever seen, both in China and abroad. This hotel deserves, I believe, the same international recognition as the Clement Hotel in the San Francisco Bay area and the Hilton Hotel in Canberra, Australia.

In the lobby of the Wujiang Hotel there was a special



A birds eye view of Songlin Town, Wujiang County.



A map of China. Wujiang county is located in Sunan (southern Jiangsu)

map that showed the location of Wujiang County. A statement on the top of the map attracted people's attention: "In the heaven there is paradise, down below there are Suzhou and Hangzhou, between is Wujiang."

"Exaggeration?! Of course," said Xu Jinrong, Head of the Public Administration Department in Wujiang whom I interviewed in the lobby of the hotel. "Many people in the world also call the United States paradise, but the United States has poor and homeless people. Our county can proudly claim that it doesn't have any homeless people."

"The living standard of people in the county," Xu continued, "has improved dramatically in the past few years. In 1993, for example, the GNP in the county surpassed 6 billion yuan, total industrial and agricultural output was 26.7 billion yuan, the revenue was 310 million yuan — an increase of 48 percent, 52 percent, and 43 percent respectively compared to those of the previous year."

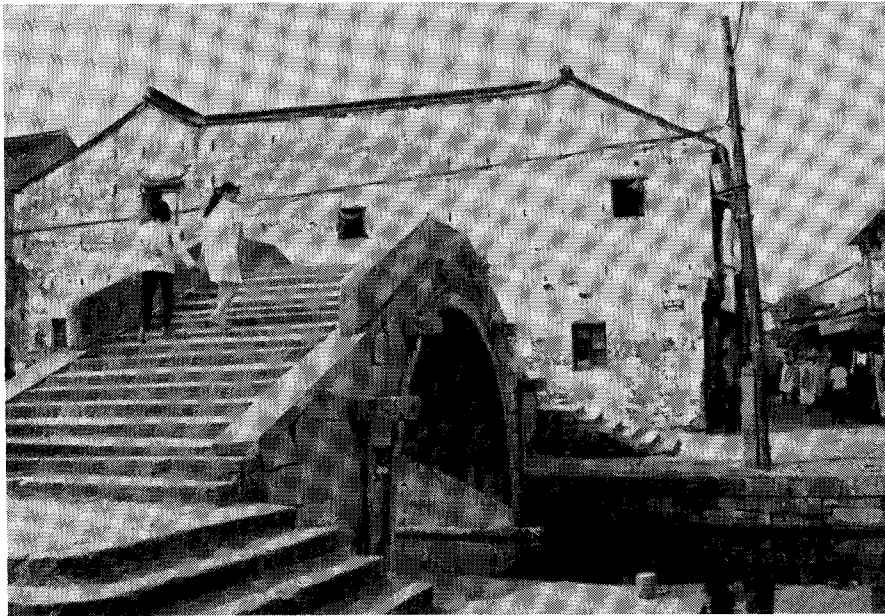
Mr. Wang, Head of the Economic Development Division in Wujiang, explained to me that the silk industry was the key traditional industry in the county. The output of silk was sixth in the nation and has been the main base for export production. Along with the silk industry, textiles, light industry, the chemical industry,

medical and health services, building materials, machinery and electronics industries also developed rapidly. In 1993, Wujiang had 900 foreign-owned enterprises and joint ventures. The total foreign investment was \$1.3 billion.

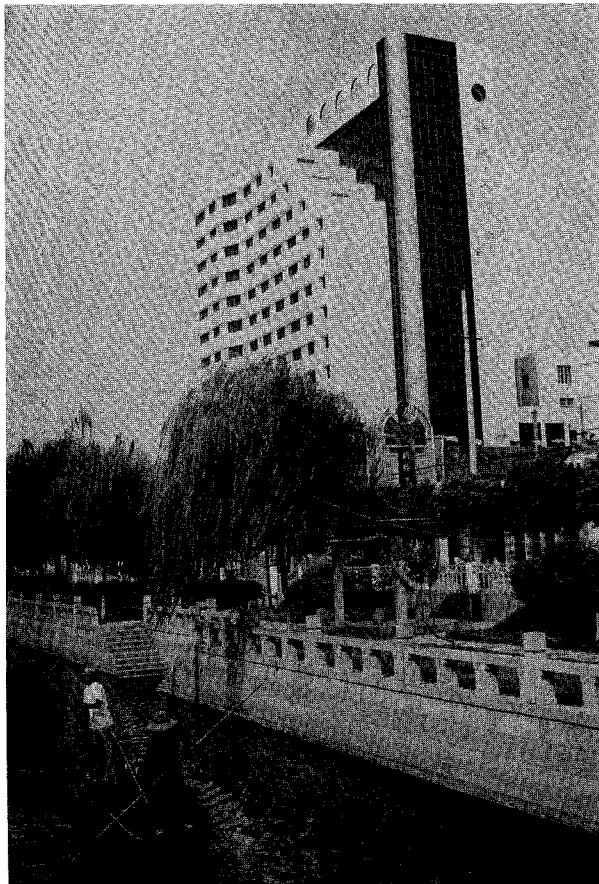
"As a result of the economic boom in the county," Mr. Xu added, "some entrepreneurs in the county have become incredibly rich by any standard."

Not until I visited Chen Jinhai's house did I realize what Xu meant by "incredibly rich by any standard." I had lived in the United States for eight years and traveled to many developed countries such as Australia, Singapore, and Denmark. I visited a few wealthy families in these countries, but I have never been in a house with as many rooms and as many entertainment features as Chen's mansion, with the exception of the White House in Washington D.C. and Longwood Gardens near Philadelphia.

Chen's mansion was built in 1987. It cost 3 million yuan, about \$1 million at the exchange rate then. Chen told me that he recently spent another million yuan for renovations. The main part of the house has a total of 1,300 square meters. The entrance that leads to Chen's mansion is nothing extraordinary. Actually one passes along a small lane with two houses on each side, in-



A view of an old part of Songlin Town, Wujiang. Many old-style houses and bridges remain.



A view of the new part of Songlin Town.



The newly built Wujiang Hotel, with its combination of modern architecture and traditional garden, is one of the most glamorous hotels that I have ever seen.
Above, a view of the lobby.



The hotel garden.

Chen welcomes guests in the yard of his mansion. From the left, my elder sister, me, Chen, the executive director of ICWA, Professor Shi, and my brother-in-law.



cluding a house belonging to Chen's brother. The outside wall of this three-story mansion is decorated with light-blue glazed tile. The front yard of the mansion is small, but thoughtfully designed with small plants and flowers in every corner.

The first floor has three parts. In the middle is a living room, a tea room, a study and a few guest rooms. On the east side is a huge meeting room with a 7 meter-long table that can seat twenty-two people.

"The Chinese Communist Party could have its politburo meeting here," my brother-in-law said. China's politburo happened to have twenty-two members at that time.

"They could also bring their personal secretaries

with them if I added another circle of seats," Chen added.

On the west side are three dining rooms. Xiao Wang, Chen's wife, explained to me that one is for banquets, one for Chinese meals, and one for Western meals. I noticed that the round dining table in the banquet room could accommodate over twenty people. I had never seen such a gigantic round table.

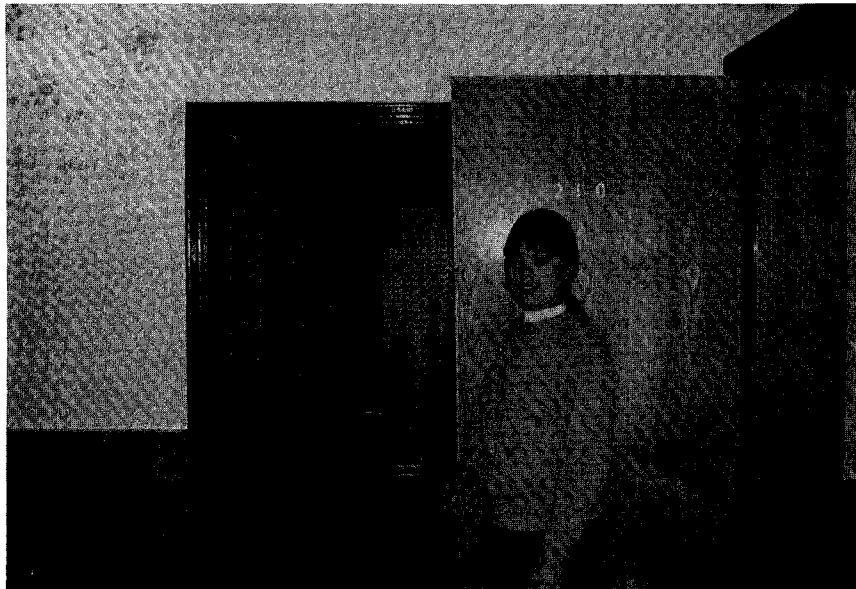
The Western dining room is not very Western, except that it has a long table and some India-style lights.

"Do you often have Western-style meals here?" I asked Xiao Wang.

"Never," she smiled, "but my husband says that we



Chen in his meeting room. This seven meters-long table can seat twenty-two people.



There are so many bedrooms in Chen's mansion that Mrs. Chen has put a number on every door — 201, 202, 203, 204, and so on.

might have American business partners in the future. We want to impress them by offering them Western food."

"Can you or your husband cook Western dishes?" I asked.

"Yes," Xiao Wang answered. "I know how to cook Kentucky Fried Chicken."

I tried not to burst out laughing and almost succeeded.

"We can hire chefs from Suzhou or Shanghai to cook Western food if necessary," Chen explained.

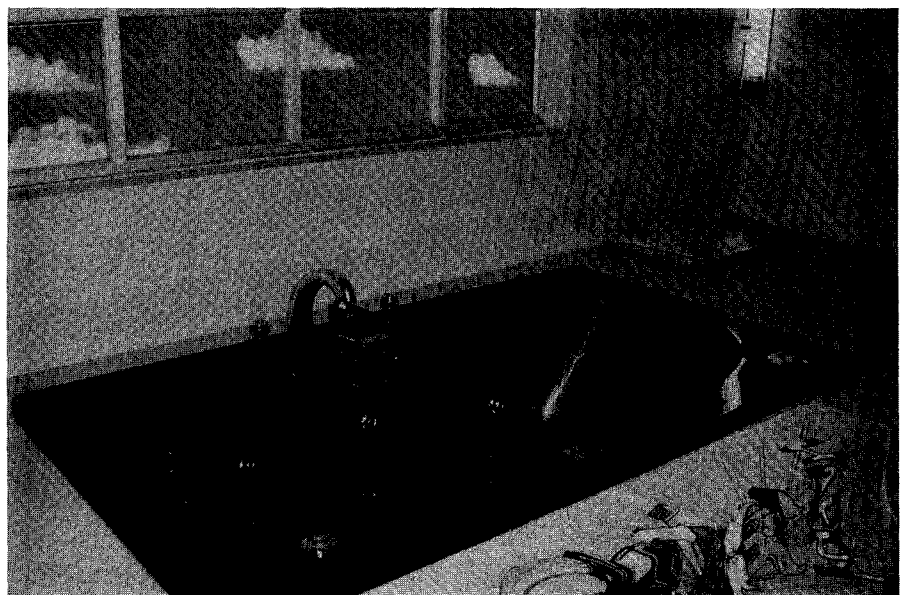
"They have money and they certainly can do that," my brother-in-law said to me.

"Sure, they can even hire chefs from Western countries," I replied.

The second floor consists mainly of bedrooms, although a large television room that can accommodate over 60 people and a small Mahjong room were also on this floor. There are so many bedrooms that there are numbers on every door — 201, 202, 203, 204, and so on.

I asked Chen how many rooms the house had. He said that he did not know. "I only know that I have bought a total of 14 large, vertical Japanese air-conditioners for the house," Chen told me proudly. "The house also has 30 televisions. Some of them are in the bathrooms."

"A bathroom with a television! What a post-modern



The bathroom of the master suite has a Jacuzzi tub, which cost \$10,000.

idea!" I said to my brother-in-law.

The master bedroom is decorated in traditional style with a huge redwood bed. The top of the bed is carved with images of dragons and phoenixes, symbolizing the everlasting harmony between husband and wife. Mrs. Chen told me that they seldom sleep in this bed, because her husband is often away on business trips and she does not like to sleep by herself in so gigantic a bed.

Not surprisingly, the bathroom of the master suite has a Jacuzzi tub.

"It cost \$10,000," Chen told me.

"Do you take a bath in this Jacuzzi tub every day?" I said.

"To tell you the truth," Chen replied, "I have never taken a bath in this peculiar tub. But many of my guests have bathed here and they seemed to enjoy it."

I visited Chen's house a total of three times during the past year, the first time by myself, the second time with the executive director of our institute, and the third time with a few British friends. My friends are always amazed that the house has so many guest rooms.

Andrew Browne, Reuters' Chief Correspondent to Shanghai, asked Chen why he needed so many guest rooms in the house.

"So many guest rooms? Actually, I feel that this house does not have enough rooms to accommodate my guests. I am going to build another, bigger house in town."

"An even bigger house?" both Andrew Browne and I asked.

"Yes," Chen answered. "I have already leased the land for building. It will be completed in a year. You are welcome to visit when it is done."

"Are these guests your friends, or your business customers?" I asked.



The master bedroom is decorated in traditional style with a huge redwood bed.

"My business customers are also my friends," Chen replied. "My business customers are usually from Shanghai, Nanjing, Beijing, Tianjin and Guangzhou. They travel all the way to Wujiang to make a deal with me. I should treat them as friends, shouldn't I?"

"You are a shrewd business man," Andrew commented semi-seriously. "You first let them get completely relaxed in the Jacuzzi tub and then you ask them to sign a contract with you?"

Chen smiled, but did not say anything.

The most glamorous part of the mansion is on the third floor. It consists of a large ballroom with a complete, up-to-date hi-fi equipment. The ballroom has a huge screen with seven television monitors, which can show eight Karaoke CDs simultaneously. There



The ballroom has a complete set of imported hi-fi equipment. "Everything in this room is from abroad except us — hosts and guests," Mrs. Chen said.

were a total of 80 seats available around the dance floor. The bar serves cocktails, X.O. cognac and foreign wines. Mrs. Chen told me that everything in the ballroom is foreign-made: hi-fi equipment, television sets, lights, wine glasses — even the napkins.

Chen told me that he often entertains local officials here. I tried to imagine how much Chen, local officials, and his business customers enjoy "Western culture with Chinese characteristics." Like many other private entrepreneurs in the country, Chen obviously seeks to emulate the life styles of the rich and famous in Taiwan and Hong Kong, if not Western countries.

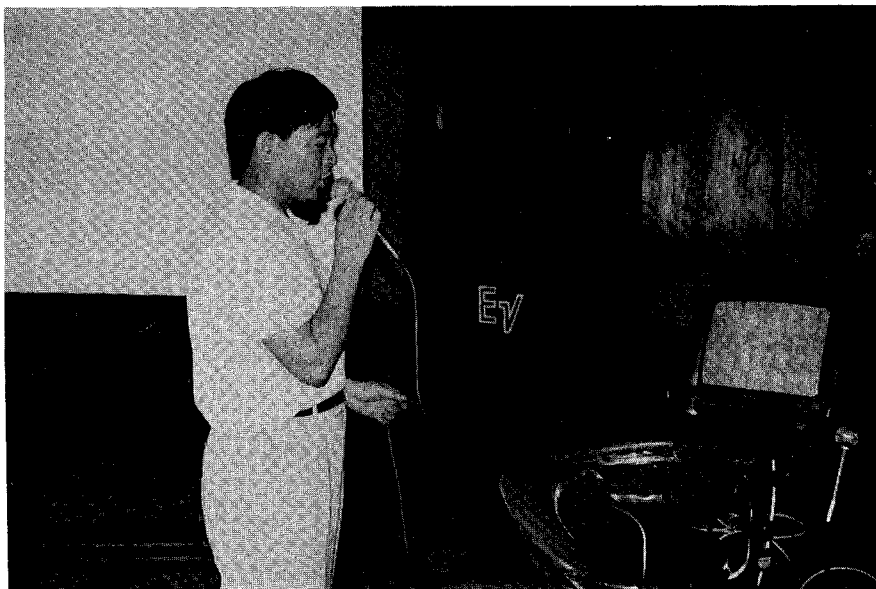
I had lunch in Chen's house twice (both meals were served in his Chinese-style dining room). Both times Chen also invited several other guests, including Shi Songsheng, a retired engineer, and Mr. Xia, an official

in charge of bank loans from a local bank. Shi, in his mid-70s, could speak very good English. He was Chief Engineer in China's Ministry of Material Industry and a professor in an engineering school before his retirement. Engineer Shi had visited many Western countries, including two trips to the United States. He started to work for Chen after he retired from his post in the ministry.

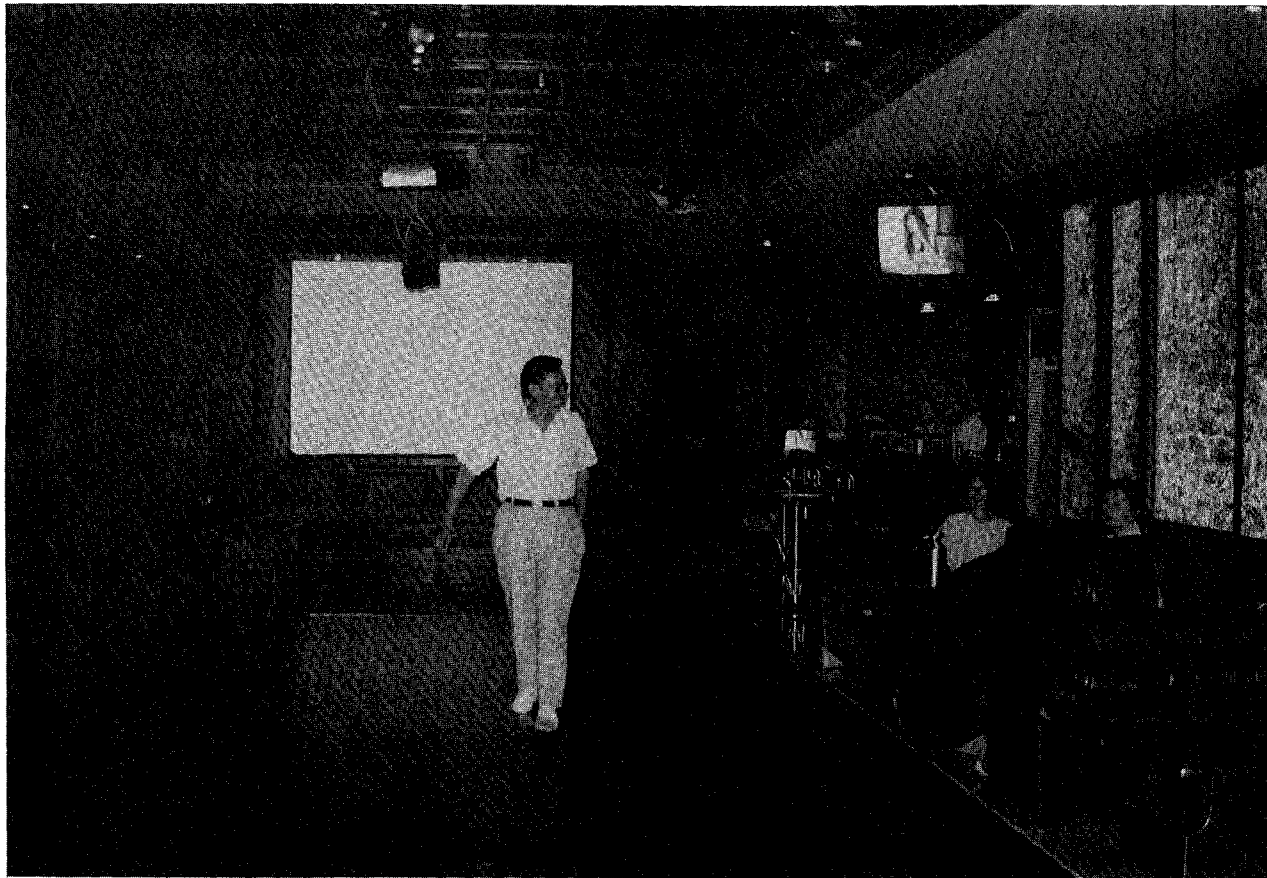
"Because of Engineer Shi's expertise," Chen told me, "our factory's products are superior to our competitors."

"And because of your friendship with Banker Zhang," I teased, "you are able to obtain many loans from the local bank?"

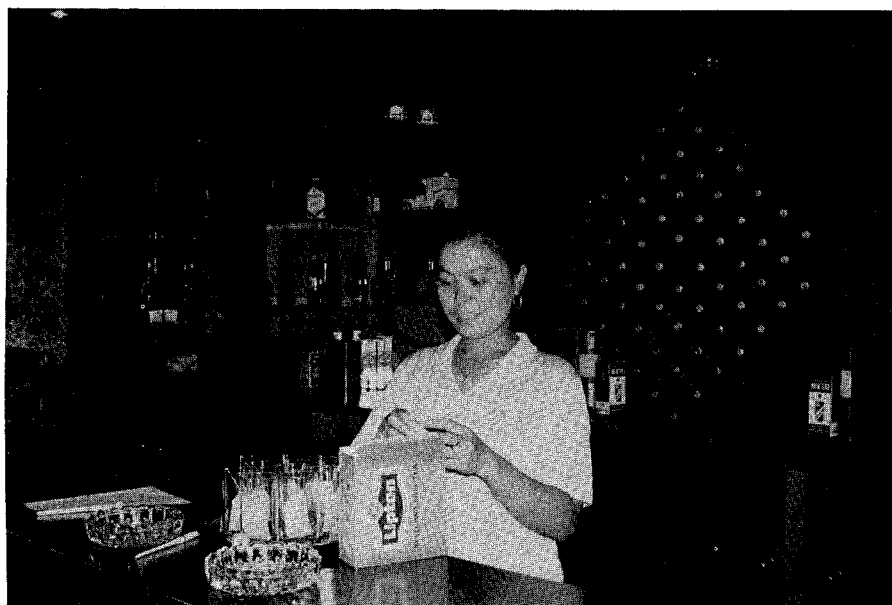
"How do you know that?" Chen said.



Karaoke — Chen's favorite entertainment.



The most glamorous part of the mansion is a large ballroom, which has a huge screen with seven television monitors. The ballroom can show eight Karaoke CDs simultaneously. There are, all together, 80 seats available around the dance floor.



Mrs. Chen prepares Lipton's English tea for the guests in one of the bars in the house.



Lunch at Chen's house. The hosts serve the guests river crab, eel, turtle, snake, shark's fin and many other dishes. Any one of these dishes is equivalent to the monthly salary of an ordinary worker in China. A river crab costs about 200 yuan in a restaurant in Shanghai, but at least 30 crabs were served at Chen's lunch party.

"Mr. Chen is a very kind and generous man," Banker Xia said to the people at the table. Every one agreed with him.

How could one not agree with him, I wondered, as the hosts served the guests river crab, eel, turtle, snake, shark's fin and many other dishes? Any one of these dishes is equivalent to the monthly salary of an ordinary worker in China. A river crab costs about 200 yuan in a restaurant in Shanghai, but there were at least 30 crabs served at Chen's lunch party.

"When I came to Wujiang last time, you brought my brother-in-law a few crabs that you caught. Did you catch all these crabs yourself at dawn today?" I joked.

"Are you teasing, Dr. Li?" Chen responded. "It would be considered extremely lucky nowadays if a person could catch one or two adult crabs each day. I no longer go catching crabs. I ordered these from the local market."

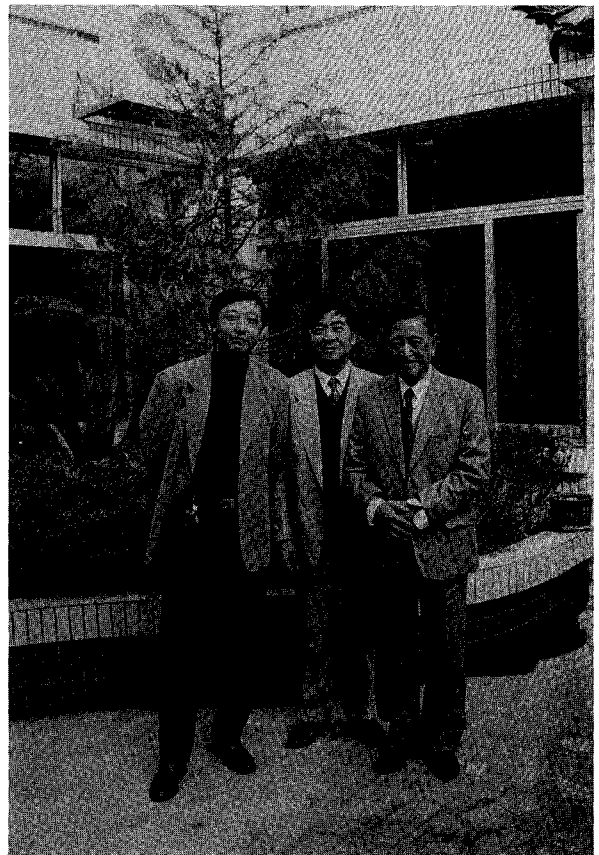
During the lunch, I noticed that Chen himself did not eat crab at all. When I asked him to have one, he said that he doesn't eat crabs.

"You have a marvelous redwood bed, but you have seldom sleep in it; you have a Jacuzzi tub, but you have never taken bath in it; now you are telling me that you don't eat crabs though you helped your parents catch crabs at the age of six. Can you tell me why?" I asked.

"I am not accustomed to these nice things, Dr. Li." Chen seemed somewhat embarrassed. "But I am happy to entertain my guests this way."

Seeing I was still puzzled, Chen said to me. "You probably don't know my family background."

"No, will you tell me more about your life?" I told



*Industrialist Chen, Banker Xia (left) and Engineer Shi
"A friend in need is a friend in deed."*

Chen that I would like to write a story about him and introduce a self-made Chinese entrepreneur to Western readers.

After lunch, Chen and I retreated to one of his guest rooms. He was born to a poor peasant family in Peng-

dong Village, he said, one of the poorest villages in Wujiang, in 1949. When he was a young boy, his father was a farmer without land. Therefore his father built dikes to "make" land from marshes. His mother, a migrant from northern Jiangsu, planted rice on the land, which had a very low yield. So the family had to make its living by fishing and catching crabs. His parents had five children, three sons and two daughters. Chen Jinhai was the eldest child in the family.

The family lived in a straw shed (*caopeng*) for over twenty years after 1949. They planted rice, but could not afford to eat rice themselves; they caught crabs and fish, but always sold all of their catch to the State or in the market. For many years, the family ate rice chaff (*daokang*) mixed with grasses.

For the Spring Festival, the most important holiday in China, the family would have a meal of pork and rice, though the whole family could afford only two pounds of pork. Chen Jinhai would have a new jacket and pants made by his mother, because he was the eldest child in the family. His brothers and sisters, however, would not have this privilege. Instead they would "inherit" the clothing that was too small for Jinhai or his or her immediate elder brother or sister.

One of the most memorable occasions for Chen, as he told me, was the annual village banquet for the

Spring Festival. On that occasion the village administration would order a couple of pigs killed in the People's Commune to celebrate the Chinese lunar new year. But the village government could not invite all the villagers to come to the banquet, because it would be too costly. Instead, they asked each household in the village to send one representative for this event. Each family usually selected the strongest adult with the "biggest stomach" to fully enjoy the pig banquet.

At sixteen, Chen Jinhai was selected by his family to attend the "pig banquet." Although his father told him not to eat beyond his capacity, Chen still overate.

"I was so hungry," Chen said to me, "I ate almost an entire pig leg at the banquet and then was sick for several weeks."

I have heard similar stories in China's rural areas. Some farmers even died of overeating at the Spring Festival banquet. What struck me, as Chen told me the story, was the fact that poverty and hunger were part of life for Chen and his family as recently as a few decades ago. The living standard of Chen's family has changed dramatically within one generation.

Chen started to work full-time on the farm at the age of 15. He quit school after attending junior high for two years. At 20, Chen married a peasant in the same



*Chen's family (from left): Chen's son, grandson, daughter-in-law, wife and Chen.
There is a wedding picture of Chen's son on the wall.*

village who was a year older than he. Both worked on the farm, but they earned only a total of 100 yuan annually.

After working on the farm for about ten years, Chen realized that rural work could not improve his life. Only industrial work, he thought, would rid him of poverty. He wanted to be a factory worker in a town or city. The head of the agricultural team in the village, however, was not supportive. In the view of the village leader, it was outrageous that a farmer did not want to do farm work. The leader told Chen that if he left farm work, he would no longer receive any money nor the grain ration from the village.

To raise money to live in a city, Chen decided to sell all the pigs that he and his wife raised privately and all their furniture, including a bed, a table and a few chairs. In 1973, at the age of 24, Chen left the farmland and went to Suzhou to be an apprentice in a fiberglass factory. He was told that fiberglass could be of great use for construction in both urban and rural areas. While he was in Suzhou, Chen stayed in a public bathhouse at night for two years because he could not afford to live in a hotel or to rent a room. He usually spent 0.2 yuan (6 cents) for food per day.

During those two years in Suzhou, Chen learned the technical skills and procedures for making fiber-reinforced plastics (FRP, or fiberglass, the term commonly used). In 1975, Chen heard that Wujiang Chemical Factory in Shanghai wanted to hire contract workers in fiberglass production. A contract worker could earn 36 yuan (\$12) a month. When he went to the factory for an interview, the interviewers were impressed by his knowledge of the production of fiberglass. But Chen was not hired. They told Chen the reason: he did not graduate from junior high school. Every young worker in this Shanghai factory needed to have a junior high school diploma.

Chen was disappointed. But he thought that if he could not work in a fiberglass factory in the city, he

could try to help the village or town government establish a small factory in the countryside. Chen believed that the living standard of peasants could not be greatly improved unless rural industries were developed. Most local officials, however, did not agree with Chen at that time.

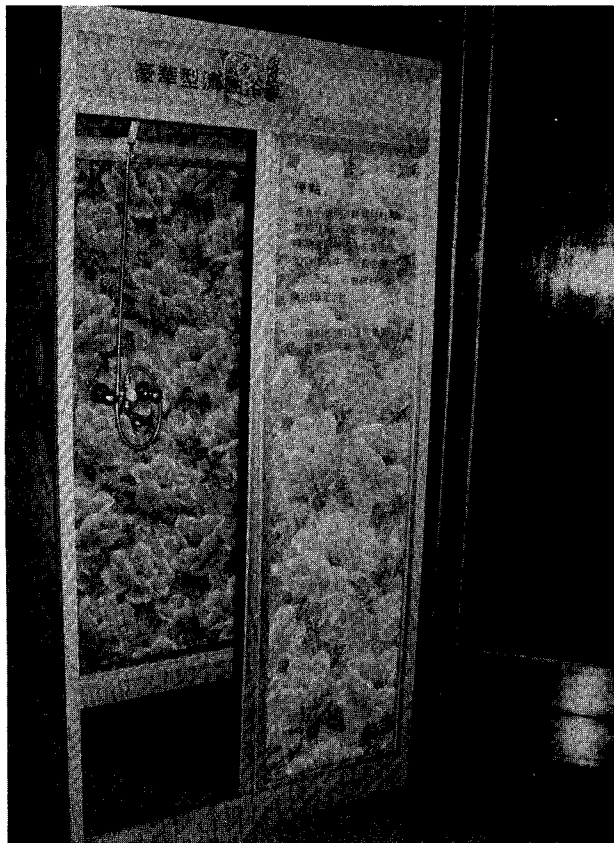
Eventually, Chen persuaded officials in a village far away from his home village to establish a fiberglass workshop. Chen was appointed director of the workshop. In the first year, the workshop had profits of 20,000 yuan. But someone in the village wrote to the administration of the People's Commune, reporting that Chen was a man who "ignored his proper occupation" and was engaged in dishonest work. The People's Commune sent an investigative team to the workshop and Chen was held in custody for several weeks.

The investigative team did not find any improper activities on Chen's part. Instead, they found that Chen was indeed a capable man who created jobs and brought wealth to the village. When Chen was released from custody, officials of his home village asked Chen to come back to establish a fiberglass workshop. The officials gave him 2,000 yuan as a total investment. An official told Chen that the village government did not have high expectations; they only hoped that Chen could make 3,000 yuan profit every year. Village officials could use these 3,000 yuan of profit for their salaries, instead of depending on the income from the agricultural work of the farmers in the village.

When the workshop was first established in 1976, there were only four workers, including Chen himself. Their capital was no more than the above-mentioned 2,000 yuan, their workplace two small rooms. Chen, however, believed that the workshop had a bright future because fiberglass, as a new construction material, had a great potential in China's market. Chen traveled to Shanghai, Suzhou and Nanjing to borrow money and to seek customers. At that time, Chen's monthly



An export product workshop in Wujiang.



*A movable bathroom made of fiberglass
—a new product of Chen's factory.*

salary was 50 yuan. He always had a box of foreign-made cigarettes in his pocket, not for himself, but for his business contacts. He himself smoked cheap domestic cigarettes.

Because of his efforts, business at the workshop grew very well. A year later Chen expanded the workshop into a factory, Wujiang Air-Conditioning Equipment and Materials Factory, which hired several dozen workers. Meanwhile, the factory became a firm in the contract-system (*chengbao qiye*), which meant that Chen needed to give the village government only about 20,000 yuan annually and he could keep the rest for the enterprises' development or for himself.

As a director of a small village-run enterprise, Chen realized that this factory needed to produce first-rate products to survive and to compete in the market. Beginning the early 1980s, Chen established business relations with many institutions doing research on building industries in Shanghai and Nanjing. He invited scientists and engineers to be consultants of the factory and paid them well.

The main product of the factory, fiberglass-reinforced inorganic composites, were widely used in air conditioning systems. Chen signed a number of major contracts, including the establishment of an air conditioning system in the Shanghai subway, the Nanjing international airport, and the factory build-

ings under the administration of the Bureau of the Shanghai Textile Industry. Each of these projects brought Chen several million in profits.

Chen's Wujiang Air-Conditioning Equipment and Materials Factory has now developed into Wujiang Fiberglass Group, Inc., in which Wu serves as both General Manager and Chair of the Board of Trustees. The group has seven factories, hiring over 350 employees. Chen's brothers, sister-in-law, and his brother-in-law have been appointed directors of these factories. The group has continued to be a firm in the contract-system — Chen gives the local government a fixed amount of money every year according to the contract and he can keep the rest for his firm or for himself.

Chen's Wujiang Fiberglass Group, Inc. has a total of 15 million yuan in registered capital. The annual output value of the group is 40 million yuan. A new 6,000-square-meter workshop with modern equipment and a 2,000-square-meter office building are under construction. Meanwhile, Chen has established joint ventures with Shanghai and Nanjing companies. The products made in his factories are now exported to Japan and Southeast Asian countries.

All these developments have had a strong impact on his personal life. A former poor peasant has now become a rich industrial entrepreneur. Chen and his family have left the village and settled down permanently in the county town. A few years ago Chen divorced his first wife (a friend of his told me that Chen gave his ex-wife 50,000 yuan as her compensation). He married Xiao Wang who is from northern Jiangsu and 16 years younger than Chen.

"Twenty years ago, I was looked down upon by village officials." Chen said to me as I asked him about how he felt about changes in his financial condition and social status.

"Village officials used to consider me a man with no occupation, no socialist consciousness, no concern with collective development in the village," Chen explained. "But look at me now, I have contributed to local collective development more than anyone else in the village. I have not only created several hundred jobs in the town and brought several million yuan revenue to the local government, but have also built four bridges and four miles of flood-free road around the village. Several years ago, local communist officials wanted to recruit me into the communist party. But I told them that I would have no interest in politics. What Chinese farmers are really interested in is economic prosperity.

"Over ten years ago," Chen continued, "I gave a total of 40,000 yuan to all of the farmers in our village as an annual bonus. In 1989, my factory gave 550,000 to help neighboring villages get rid of poverty. Recently, I donated 100,000 yuan for commercial development in the town and 30,000 yuan for the construction of No.

318 National Expressway. In addition, I have donated money to elementary schools and clinics in Wujiang County several times.

"I don't mean that I have brought all the changes to the village and the town in which my factories are located," Chen said to me. "But I have certainly contributed to the prosperity of my native land."

Seeing I did not comment, Chen asked, "Am I too arrogant? I am not an educated man. I don't know how to say things properly. Do you agree with what I have just said."

"Yes, I do agree with you," I replied. "Actually, I thought that you have also contributed to the economic development of urban areas such as Shanghai."

Chen's story is by no means unique. Former poor peasants with little education constitute a significant portion of China's emerging entrepreneur class. According to a comprehensive survey of 1,440 private entrepreneurs conducted by China's Academy of Social Science in 1992, 53.5 percent of entrepreneurs in rural areas were former peasants (see Table 1). A majority of entrepreneurs come from peasant-family backgrounds. Entrepreneurs whose father's occupation was that of peasant account for 68.9 percent. Almost half of them (47 percent) did not receive education beyond the level of junior middle school. About 10 percent of entrepreneurs went only to elementary school (see Table 2).

A number of factors — the pressure to pursue a nonagricultural career, market opportunities, the availability of cheap laborers in rural areas, structural changes in the Chinese economy and entrepreneurship — all contribute to the success of peasants-turned-industrialists like Chen Jinhai. They already form a distinct social stratum in today's China. The emergence of this social stratum reflects the dynamism of social mobility in the country.

One may reasonably argue that the rise of private entrepreneurs has also led to increasing disparity and social tension in Chinese society. Government officials, particularly at the grassroots level, have an ambivalent attitude toward private entrepreneurs. On one hand, they need entrepreneurs to enliven local economies and bring jobs and prosperity to the region (and to officials themselves as well). In recent years, about 5,400 private entrepreneurs were selected to be deputies of the People's Congress and 8,600 were appointed to be members of the Political Consultant Committee, both above the county level.³ Among them eight deputies and twenty-three committee members were at the national level.

On the other hand, government officials feel their political power and social status are threatened by private entrepreneurs. They cannot accept the reality that

Table 1: Previous Occupation and Father's Occupation of China's Private Entrepreneurs (Percentage)

Occupation	Previous Occupation	Family Background (Father's Occupation)
Peasant	53.5	68.9
Cadre (officials)	17.0	7.9
Industrial Worker	11.6	7.9
Technical Personnel	4.1	3.5
Peddler & Small Business People	6.1	—
Commercial Worker	2.7	6.0
Soldier	0.7	—
Others	<u>4.1</u>	<u>5.8</u>
Total	100	100

Source: Lu Xueyi and others "Woguo shiyou qiye de jingying zhuangkuang yu shiyou qiye zhu de qunti tezhen" (Operational conditions of private enterprises in China and the group characteristics of private entrepreneurs) *Zhongguo sheyui kexue* (Social Sciences in China), No. 4, 1994, p. 70.

Table 2: Educational Background of China's Private Entrepreneurs

Educational Level	Percentage
Illiterate	1.0
Elementary School	9.9
Junior Middle School	36.1
Senior Middle School/Technical School	35.9
Two-Year College	11.7
College	4.7
Post-Graduate	<u>0.6</u>
Total	100

Source: Ibid, p. 70.

some private entrepreneurs in their villages, towns or counties earn ten times or even a hundred times more than their incomes. Cases of official discrimination against private entrepreneurs are widespread.⁴

While entrepreneurs like Chen Jinhai accumulate their wealth at a rapid pace, social resentment against them has also become acute. According to a survey recently conducted by the Department of Sociology at People University, most people perceive that China's private entrepreneurs have a negative role, rather than a positive one, in society. Respondents tended to use the Chinese traditional concept "heartless rich" (*weifu buren*) to refer to the newly rich class. In an evaluation of the most important groups contributing to the socio-economic development of the country, rich private entrepreneurs were ranked second from the bottom. Only 20 percent of respondents believed



Chen, a poor peasant twenty years ago, is now an urban industrialist and a millionaire. The dramatic change in his life reflects the fundamental change in social structure, economic redistribution and power relationships in Chinese society. The miracle that Chen has created for his life is also part of the economic miracle of China.

that members of the rich entrepreneur class made their fortunes by legal or proper means.⁵

Chinese intellectuals — those who have graduated from college — seem to be particularly resentful about the rapid rise of private entrepreneurs. They often use the term “misplacing the body above the brain” (*naoti daogua*) to express their dissatisfaction. For them, it was “abnormal” and unfair that those “country bumpkins” have become rich. It would be “normal” and “balanced,” from their viewpoint, if those who work with their brains had incomes several times more than those who work with their hands.⁶

The tension between intellectuals and private entrepreneurs is understandable. As David Goodman, a distinguished Australian scholar in Chinese studies observed, “compared to the other countries of East and Southeast Asia, China’s new rich do not include the professional middle classes: civil servants, academics, public intellectuals, lawyers, doctors and the like.”⁷

In addition, traditional Chinese society, which was dominated by the gentry-scholar class, tended to look down upon peasants and to devalue the role of mer-

chants. Education has long been a main ladder for upward social mobility. The rapid emergence and increasingly important role of peasants-turned-entrepreneurs in the past decade has challenged this tradition and changed the social structure of the country.

The tensions and disparity mentioned above are certainly not unique to China — they exist in virtually all societies. Countries with different political systems, however, have different means to deal with these issues. Some depend on legal means and tax systems while violent conflict results in others. It remains to be seen by what means China will deal with the increasing disparity in society and how the tension between private entrepreneurs and the other social strata will be handled.

Entrepreneurs like Chen Jinhai surely have their problems and weaknesses. I do not intend to portray Chen as a flawless hero. A careful reader of this report will not fail to notice my reservations about Chen and his life style. Yet, I found Chen to be a man of great talent, courage, diligence and vision. The dramatic change in his life reflects the fundamental change in social structure, economic redistribution and power relationships in Chinese society. The mira-

cle that Chen has created for his life is also part of the economic miracle of China.

"Did you expect all these changes that have occurred to you in the past twenty years?" I once asked Chen.

"No, not at all," Chen replied. "Let me tell you a dramatic but true story, Dr. Li. As I told you before, I once went to a Shanghai factory to look for a job as a contract worker about twenty years ago, but I was rejected on the basis that I did not have a junior high school diploma. A few months ago, the general manager of the same Shanghai factory came to my office in Shanghai to discuss potential cooperation between his factory and my firms.

"During the informal chat, the general manager asked me about my 'professional background,' I told him that I did not have any 'professional background' and actually I did not even graduate from junior middle school. The general manager probably wanted to please me so that I would sign the contract with him. He told me that he was amazed by the fact that I had been very successful in my business without any professional training.

"'What would you have been,' the general manager said, 'if you had received a good education?'"

"A contract worker in your factory at 36 yuan a month!"

□

NOTES:

1. For a detailed discussion of Sunan and its rural industries, see the author's series of reports: "Sunan: Where the Rural Industrial Revolution Changes China's Landscape."

2. *Zhojia yu qiyejia* (Writer and entrepreneurs), June 20, 1985, p. 1.

3. Li Xinxin, "Zhongguo shiying jingji fazhan zhong de wenti ji duiche" (Problems and measures in the development of China's private economy), *Jingji yanjiu* (Economic research), No. 7, 1994, p. 43.

4. Jia Ting and Qing Shaoxiang, *Shehui xinqunti tu'anmi—Zhongguo shiying qiyezhu jiecheng* (An exploration of new social groups), Beijing: Zhongguo Fazhan Publisher, 1993.

5. *Wenzhai Zhoubao* (Digest weekly), Dec. 26, 1994, p. 1.

6. Hu Xianzhong, "Naoti daogua xintuan" (Further exploration on the problems of unbalanced payments for intellectuals and workers) *Jilin daxue xuebao* (Jilin University journal), No. 5, 1993, p. 8.

7. David S. G. Goodman, "Economic Reform: China's New Rich: Wealth, Power and Status," *Access China*, Dec. 1992, p. 19.



The television room of Chen's mansion. The mansion has a total of 30 televisions; some of them are in the bathrooms.

Current Fellows & Their Activities

Bacete Bwogo. A Sudanese from the Shilluk tribe of southern Sudan, Bacete is a physician spending two and one-half years studying health-delivery systems in Costa Rica, Cuba, Kerala State (India) and the Bronx, U.S.A. Bacete did his undergraduate work at the University of Juba and received his M.D. from the University of Alexandria in Egypt. He served as a public-health officer in Port Sudan until 1990, when he moved to England to take advantage of scholarships at the London School of Economics and Oxford University. [The AMERICAS]

Cheng Li. An Assistant Professor of Government at Hamilton College in Clinton, NY, Cheng Li is studying the growth of technocracy and its impact on the economy of the southeastern coast of China. He began his academic life by earning a Medical Degree from Jing An Medical School in Shanghai, but then did graduate work in Asian Studies and Political Science in the United States, with an M.A. from Berkeley in 1987 and a Ph.D. from Princeton in 1992. [EAST ASIA]

Adam Albion. A former research associate at the Institute for EastWest Studies at Prague in the Czech Republic, Adam is spending two years studying and writing about Turkey's regional role and growing importance as an actor in the Balkans, the Middle East and the former Soviet bloc. A Harvard graduate (1988; History), Adam has completed the first year of a two-year M. Litt. degree in Russian/East European history and languages at Oxford University. [EUROPE/RUSSIA]

Cynthia Caron. With a Masters degree in Forest Science from the Yale School of Forestry and Environment, Cynthia is spending two years in South Asia as ICWA's first John Miller Musser Memorial Forest & Society Fellow. She is studying and writing about the impact of forest-preservation projects on the lives (and land-tenure) of indigenous peoples and local farmers who live on their fringes. Her fellowship includes stays in Bhutan, India and Sri Lanka. [SOUTH ASIA/Forest & Society]

Hisham Ahmed. Born blind in the Palestinian Dheisheh Refugee Camp near Bethlehem, Hisham finished his A-levels with the fifth highest score out of 13,000 students throughout Israel. He received a B.A. in political science on a scholarship from Illinois State University and his M.A. and Ph.D. from the University of California in Santa Barbara. Back in East Jerusalem and still blind, Hisham plans to gather oral histories from a broad selection of Palestinians to produce a "Portrait of Palestine" at this crucial point in Middle Eastern history. [MIDEAST/N. AFRICA]

Sharon Griffin. A feature writer and contributing columnist on African affairs at the *San Diego Union-Tribune*, Sharon is spending two years in southern Africa studying Zulu and the KwaZulu kingdom and writing about the role of nongovernmental organizations as fulfillment centers for national needs in developing countries where governments are still feeling their way toward effective administration. She plans to travel and live in Namibia and Zimbabwe as well as South Africa. [sub-SAHARA]

Pramila Jayapal. Born in India, Pramila left when she was four and went through primary and secondary education in Indonesia. She graduated from Georgetown University in 1986 and won an M.B.A. from the Kellogg School of Management in Evanston, Illinois in 1990. She has worked as a corporate analyst for PaineWebber and an accounts manager for the world's leading producer of cardiac defibrillators, but most recently managed a \$7 million developing-country revolving-loan fund for the Program for Appropriate Technology in Health (PATH) in Seattle. Pramila is spending two years in India tracing her roots and studying social issues involving religion, the status of women, population and AIDS. [SOUTH ASIA]

William F. Foote. Formerly a financial analyst with Lehman Brothers' Emerging Markets Group, Willy Foote is examining the economic substructure of Mexico and the impact of free-market reforms on Mexico's people, society and politics. Willy holds a Bachelor's degree from Yale University (history), a Master's from the London School of Economics (Development Economics; Latin America) and studied Basque history in San Sebastian, Spain. He carried out intensive Spanish-language studies in Guatemala in 1990 and then worked as a copy editor and Reporter for the Buenos Aires Herald from 1990 to 1992. [THE AMERICAS]

Teresa C. Yates. A former member of the American Civil Liberties Union's national task force on the workplace, Teresa is spending two years in South Africa observing and reporting on the efforts of the Mandela government to reform the national land-tenure system. A Vassar graduate with a *juris doctor* from the University of Cincinnati College of Law, Teresa had an internship at the Centre for Applied Legal Studies in Johannesburg in 1991 and 1992, studying the feasibility of including social and economic rights in the new South African constitution. While with the ACLU, she also conducted a Seminar on Women in the Law at Fordham Law School in New York. [sub-SAHARA]

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