Leadership and Reform:
The Cases of Great Britain and China

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Through the study of current reform movements in Great Britain and China I have been able to pull together several aspects of my undergraduate years.

Among the more obvious, I have taken foreign study and travel tours in both Great Britain and China; I have studied politics and economics fairly extensively (having majors in both political science and economics, as well as in history); I have studied leadership during the summer-long Leadership America program; and I will be pursuing graduate study in international relations at the Woodrow Wilson School of Public and International Affairs. I have also been able to tap into a "hot" topic of study, that being economic and political liberalization of countries such as the two presented here.

This project has proven to be large and at times overwhelming. Were it not for time and space constraints, I would have liked to go much more in-depth into the leadership styles of both Margaret Thatcher and Deng Xiaoping by discussing leadership models and their application to the current reformers and reform movements. This is certainly a topic I would like to study further.
Leadership and Reform:
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Introduction

The preoccupation of the Western press with reform in the Soviet Union has obscured equally fundamental reform movements in other countries. Two of these countries are the United Kingdom and the People's Republic of China. Given that the British and Chinese reform movements have been viable for more than twice as long as the Soviets, it is ironic that the Soviet reform program is accorded such great relative weight. Perhaps the emphasis should not be on "glasnost" and "perestroika," but rather on "gai ge" and "kai fang," as well as on "privatization."

Great Britain and China are undergoing no less than fundamental restructuring of their economic and political systems, changes serious enough to have been called revolutions. In both cases strong leadership has been directly responsible for the success of these reform movements, providing committed vision and pragmatic policies. In Great Britain, Margaret Thatcher has provided the strong leadership required to launch and sustain the "Thatcher Revolution." Deng Xiaoping has created China's "Second Revolution" with the same formula.

Without a doubt, British and Chinese societies are vastly different. The two countries are not easily meaningfully compared unless one discusses the somewhat common ground of Hong Kong. Yet both countries are
socialist, and the basis and direction of reform for both is towards more market-oriented economies. This allows for some interesting comparisons because the British and Chinese economies are quite differently structured. One is a market economy, while the other is a planned economy, and as a result the mix between private and socialized means of production is considerably different. Even with this basic difference, however, the reform movements are both headed in the same direction--towards more privatization and responsiveness to market forces and conditions. Reform has started from different points, but it is moving congruently.

What then can be the basis of comparison for the reform movements in Great Britain and China? It must be the leadership which has sponsored reform, and specifically Margaret Thatcher and Deng Xiaoping. Considering different beginning points, the reform agendas of these two leaders and the methods they use to implement reform are surprisingly similar, as are the obstacles to reform which they face. Their leadership styles are radically different, however, and this dictates the manner in which reform is implemented.

In order to predict the future of the current reform movements in Great Britain and China, one must first understand Thatcher's and Deng's ascents to their preeminent positions of power, the basis of the reform movements which they spearhead, the obstacles to permanent reform, and their leadership styles. Only then can be seen and appreciated the great impact which Thatcher and Deng have had in fostering the reform movements of their respective countries and the legacy of reform which they will leave.
The Rise to Power of Margaret Thatcher and Deng Xiaoping

The rise of neither Margaret Thatcher nor Deng Xiaoping to their preeminent positions of leadership was guaranteed. There are, however, important similarities in the conditions which they seized upon to allow them to maneuver into the positions they now hold. Most importantly, both leaders capitalized on building social malaise and combined with it their own political skill to gain support for their ideas and consequently their own leadership.

The Ascent of Margaret Thatcher

Thatcher is the longest continuously serving Prime Minister in this century, which she has accomplished by employing political acumen and not a little luck. She has needed both in order to attempt her most important political objective, which is the total dismantling of the Keynesian welfare state in Britain. From the end of World War II until 1979, the existence of a social democratic system in Great Britain was never seriously challenged, and it enjoyed multi-partisan support among the political parties. The role of the state had gradually expanded to include not only the provision of defense, security, and stability, but also a "cradle to grave" responsibility for the welfare of its individual citizens. The prevailing political consensus regarding the desirability of a welfare state was accepted by most British leaders through the 1950's and 1960's, but gradually broke down by the late 1970's.1 While it was in place, this consensus guaranteed the existence of a welfare state.

The Keynesian consensus was basically Labour Party inspired, with a shifting political middle produced by "ratchet effect." As Labour introduced
legislation which solidified and expanded the welfare state, the Conservative Party refused to dismantle these changes and in fact matched Labour policy. Labour moved again left, which was accepted by Conservatives once in office, and the process repeated. This is not to say that there was no opposition from Conservatives to liberal legislation, but that Conservatives found it politically astute to allow such legislation to remain. Some vocal Conservatives, however, desired the location of a true political center, not a consensus based upon Labour initiative and socialist compromise. Among these was Mrs. Thatcher.

It would be incorrect to imply that the breakdown of the political consensus in Great Britain in the 1970's was the result of one person or even broad-based political leadership. What then caused this breakdown? Dennis Kavanagh lists three broad factors: The climate of opinion, the coincidence of events, and political actors. Public disenchantment with relative economic decline was the prevailing climate of opinion. Britain has long been a slow growth economy, and its growth record between 1945 and 1975 was as good as any period in British history. It is relative decline, however, which determines public attitudes, and much of Western Europe and the United States and Japan were undergoing rapid economic growth at this time. Since Britain had emerged from World War II with one of the strongest economies in Western Europe, continuing a tradition of European and world financial leadership, this was particularly difficult to accept.

Against this opinion climate came several events which contributed to the decline of consensus. Briefly, these were the collapse of incomes policies in both 1974 and 1979, the defeat of the Conservatives in two elections of 1974, spiralling inflation in 1975 and an International Monetary
Fund bailout, and strikes culminating in the "Winter of Discontent" in 1979. The "Winter of Discontent" and the election defeats of the Conservatives are especially significant. The "Winter of Discontent" effectively destroyed Labour's claims to have a special relationship with trade unions and union members. This prompted traditional Labour supporters to vote Conservative (or SDP/Liberal Alliance) and to question the prevailing consensus as appropriate for labor.5

The two Conservative election defeats in 1974 convinced this party of the need for bold initiative to regain government, and encouraged it to re-evaluate its leadership. As a result, Thatcher stood against incumbent Edward Heath in 1975. Her advisors, primarily the late Airey Neave, purposely underestimated her backbench support so that party members would feel safe in voting for her as a "protest" vote against Heath. Coupled with genuine supporters, these votes gave her an unassailable lead on the first ballot, and she was elected on the second. The Thatcher camp had shrewdly taken advantage of party disarray and weak leadership, and had parlayed it into a shadow government.

When in 1979 James Callaghan's Labour government was defeated due to public discontent (caused by the reasons previously discussed), Thatcher became the new Prime Minister. Her own political prowess combined with luck (her ascent to power coincided perfectly with the beginning of descent of the social democratic consensus) to thrust Thatcher into Britain's highest elected position.

The Ascent of Deng Xiaoping

Deng Xiaoping also capitalized on circumstances and combined with them his own political skill in order to become Chairman of the Chinese
Communist Party. Top officials in China are not popularly elected, and the selection of leaders is not institutionalized. Leaders gain high office through coalition building and support. Therefore, Deng has had to be politically adept just to obtain and keep power, much less to lead his country over the course of fundamental economic and political reform.

Chairman Mao Zedong died in 1976. The Chinese political system had become under Mao a mixture of feudalism and fascism: feudal because it was tyrannical rule masquerading as a reign of virtue, and fascist because it employed the modern techniques of political manipulation to ensure control. Mao left behind a legacy of continuous class struggle, belief in the "cult of personality" which was really merely an extension of the traditional "emperor cult," and a ruined economy among other niceties. While he lived, his authority was unquestioned. The breakdown of the Maoist consensus, however, unlike the Keynesian consensus in Great Britain, was sudden. Even though Mao suffered from Parkinson's disease and was in debilitating health before his death, he held unbridled power until he died. No one could maneuver into position to succeed Mao without a severe power struggle. The succession battle was thus immediate and fierce upon Mao's death. The situation was exacerbated by the fact that Premier Zhou Enlai, China's second most powerful, had died earlier in the year before Mao.

Mao had picked Hua Guofeng as his successor, but Hua was a compromise selection and he was lacking a broad base of support or even a major constituency. Before Hua could take control of Chinese politics, he had first to neutralize the "Gang of Four," lead by Mao's widow. The "Gang of Four" were committed to Maoist ideas of continuous revolution and class struggle, and Hua moved against them by staging a preemptive coup. Hua's
legitimacy rested on his proximity to Mao, and he was thus reluctant to disavow Maoist policies. To reject Mao would be to undermine his own political base, which in any case was weak, and to make himself ripe for forced premature retirement. He held the three formal leadership positions in the party, state, and military bureaucracies, which had not even been accomplished by Mao. Hua lacked the informal bases of power, however, that in the end count for more than the official titles in the personalized and noninstitutionalized Chinese political system.

At the time of Mao's death, Deng was in internal exile in south China. In order to realize his ideas for reform, he first had to regain political favor and power. His strategy was threefold: securing formal rehabilitation as a member of the party's highest level leadership; developing a viable alternative to Hua's economic and political programs and securing their adoption; and gradually building the support necessary to gain the party Chairmanship. 1978 was a year of crucial importance, as Deng and many of those committed to economic and political reform secured political rehabilitation. This was endorsed by the Third Plenary Session of the 11th Central Committee of the Chinese Communist Party in December. Deng was reappointed to the positions he had held before the purge of 1976 which sent him into internal exile for the second time. Even more significantly, at this session the plenum explicitly endorsed several key elements of Deng's reform program and implicitly supported many others. This reflected growing dissatisfaction with Hua's slow pace of rehabilitations from the disastrous Cultural Revolution. Henceforth, the task of economic modernization would replace class struggle as the focus of the Party's work.
While continuing to work for the acceptance and implementation of economic and political reforms, Deng began to strengthen his own power base and to remove Hua's supporters. His approach was gradual, first securing the appointment of his own supporters to influential administrative positions in the party, government, and army. Here he used his own vast personal network developed over many years in party and army service. Deng also worked for the removal of Hua's supporters and where this was not possible, he pushed for the creation of new agencies (such as the Party Secretariat) to dilute the influence of Hua and his supporters.

By the 12th Party Congress in 1982, Deng and his colleagues had gained control of the Politburo, and Deng replaced Hua as party chairman. Gains were consolidated in the Secretariat and the Central Committee at the National Party Congress in 1985. The Standing Committee of the Politburo, which is China's most influential policy-making body and is composed of five men, was given a Dengist majority at the 13th Party Congress in October, 1987. Currently, Zhao Ziyang, one of Deng's strongest supporters, is the Party Chairman, the position which Deng gained in 1982 and then retired from in 1987 to promote the idea of generational change among leaders from the Long March era. Deng's only titular position is chairman of the powerful Military Affairs Commission, although he remains China's most powerful man.

Deng, like Thatcher, was able to capitalize on favorable circumstances, making sure that through his own political maneuvering he put himself into position to gain leadership when favorable circumstances arose. As can clearly be seen, opportunism and political acuity mark both politicians. It is these factors which they have combined to gain their
countries' highest positions and to launch both Britain and China on the road to fundamental economic and political reform. The combination of sharp political antennae matched with opportunism has so far helped to ensure the success of their reform programs.

The British Reform Movement

"Thatcherism" as a philosophy holds three main tenets. The first is a hostility towards the premium placed on gaining agreement by consensus which marked British politics before 1979. The second is the implementation of policies designed to strengthen the state while freeing the economy. Finally, Thatcherism seeks to rebuild British prestige abroad through the maintenance of a higher pro-Western, anti-Soviet profile. In practice, the heart of Thatcherism lies in economic reform as the basis for additional reform. There are four main planks to Thatcherite reform. They are: a reduction in the increase in the money supply to reduce inflation; a reduction of the public sector and the encouragement of a market-oriented economy through privatisation, removal of business regulations, and the sale of council houses; the freeing of the labor market through "responsible" trade union practices; and the restoration of government authority in British society. These four planks clearly join the concepts of a strong state and a free economy, which is the essence of Thatcher's personal philosophy.15

Before Thatcher and her supporters could begin to implement economic reform, she had to fully dismantle the social democratic consensus through
public acceptance of government spending restraints. This occupied much of
her government's first term. By the end of her first term, there had been a
noticeable change in the political climate, as the public had begun to accept
strict limitations on government size, spending, and abilities. The public no
longer blames unemployment on government (which continues to baffle
Labour). This was the most significant educative effect which Thatcher had
on the electorate.16 The strongest evidence that Thatcher's first term
changed the entire nature of the British perception of politics is that later
budgets have ignored the previous central point of contention, which was
the need to end or lower employment. Public expectations have been
effectively lowered.17 This was the first part of reform.

How was this change in public perception achieved? When Thatcher
took office in 1979, inflation was 13.4%, and this rose to 21.9% in 1980.
Inflation was the most pressing problem, and it was to be fought even at the
expense of short-run unemployment increases. Indeed, unemployment rose
from 1.2 million to 3 million from 1979 to 1987, which is prohibitive by
British standards.18

Britain's primary economic problem is its sluggish relative growth
rates, and stimulation needs to come from a lessening of inflation. High
inflation rates drive up interest rates and decrease investment spending.
This lessens competitiveness and productivity internationally. Also, high
inflation skews resource allocation with inaccurate relative price levels,
and this has negative effects on investment and production. Unfortunately,
a reduction in inflation through a lessening of government spending also
temporarily increases unemployment. Due to the high level of unionization
in Britain and the presence of union-imposed minimum wage levels,
unemployment is longer and harsher than is really necessary given perfectly competitive labor markets. Accordingly, labor and trade-union reform have been added to the political agenda. Inflation, however, has been the primary concern.

The British public began to accept higher unemployment as a result of Thatcher's sustained attack on the welfare state and the consensus which upheld it. If government was going to cut inflation, it would have to allow unemployment to rise. Thus not both inflation and unemployment could be completely the government's fault. The budget of 1981 proposed the removal of £4,300 million out of the economy and £13.5 to £10.5 billion out of the Public Sector Borrowing Requirement. This budget represented in economic policy the true strategic beginning of the introduction of Thatcherism into government.19,20

The argument for a spending reduction is that a high rate of economic growth allows for the provision of a welfare state, but when growth slows as in the United Kingdom, this provision is difficult if not impossible. When welfare needs can no longer be met, resentment builds against the state in those who are used to social programs.21 The welfare burden of the state must be cut (in order to cut expenditures, decrease inflation, lower interest rates, and stimulate investment) to reinvigorate the economy. To accomplish this while at the same time limiting public dissent from those opposed to cuts in social services, the Thatcher government has stressed market-based forms of provision. In a word, this means privatization.

Privatization is one of the changes most closely associated with Thatcherite reform. Such giants as British Airways, British Gas, British National Oil Corporation, British Petroleum, British Telecom, and Jaguar
Cars, among a host of other formally government-owned operations, have been sold to private owners. Owner transfer is usually by stock offering.

Privatization has often met with strident opposition. Currently, a major thrust of privatization by the Thatcher government is aimed at the National Health Service. The emphasis is to increase the private sector's health-care capacity to pay for the sick, and thus lessen the burden on the state. The NHS, though, is Britain's "sacred cow," and it is the most visible success of the post-war welfare state according to many Britons. The government's efforts have been met by protests and strikes by health care professionals and others who fear a reduction in the size of the health care industry. The road to reform, especially in this realm, has been rocky.

Another thrust of privatization is in the sale of council houses to tenants. The idea of selling council houses is one that might have been invented solely for Thatcher, and the relevant Act of Parliament making it possible for tenants to buy their own homes at up to a 50% discount of market value was passed by 1980. There are economic and political justifications for the sale of council housing. Economically, the savings on program administration and maintenance more than offsets the paper loss which government takes by selling the houses at half their market value. Politically, fully sixty percent of the over one million tenants who had purchased their homes between 1979 and 1983, and who had voted for Labour in 1979, intended to vote Conservative in the 1983 election. This has been an issue of great personal interest to Thatcher, and she has approached it with "religious enthusiasm" and "moral zest." There are other reforms which Thatcher's government is undertaking. Perhaps the most significant is her reform of the civil service, to which the
Thatcher government has displayed no deference. As Geoffrey Fry writes,

The heavily unionized career civil service's self-interest in high levels of public expenditure wedded it to the Keynesian consensus, and made the service a natural target for economic liberals in the Conservative government.

The Thatcher government has asked two things of the British civil service, which are precisely the reforms which are occurring in the Chinese government under Deng. First, it should be leaner and more efficient. Second, it should revert to the subordinate role in governing the country which constitutional theory has assigned to it. In the first year of Thatcher's first term, the number of civil service employees was cut from 732,000 to 705,000. By April, 1988, this number had fallen to 593,000. This assault has included a determined attempt to change the culture of the civil service in addition to cutting its numbers. It is now expected to manage policy developed at the Cabinet level, rather than initiate policy for Cabinet approval, a reform recommended by the Fulton Committee Report of 1968. A new pay system developed by the Megaw Committee in 1981 linked pay increases with market considerations and the taxpayers' abilities to pay. The unionized civil service had to be defeated in a bitter strike in 1981 in order for it to accept these reforms. This is a good example of Thatcher's confrontational and combative leadership style, which will later be discussed at length.

As the civil service situation shows, economic decentralization has not been matched by concurrent political decentralization. This holds true in China, also. For instance, the Conservative government has shown no interest in the devolution of Northern Ireland, much less Scotland and Wales.
Some explain the phenomenon in the following way. The freeing of market forces in the economy is bound to create a need for a strong state in a narrower sphere of activity. Law and order must be strengthened rather than weakened by a parallel process of political and economic decentralization. Raymond Plant writes,

'It may be that part of Mrs. Thatcher's skill as a politician lies in the fact that in economic policy she appeals to the individualistic, free-market, neo-liberal interests of the [Conservative] party, whereas in social and constitutional terms she is much more of a traditional Tory anxious to preserve a unified national state and traditional values."

There is a gap between New Right liberalism on economic issues and authoritarianism on social issues. People have a high degree of personal liberty, but society as a whole is not permissive.

In sum, Thatcherite reform can be expressed as changing the consensus regarding the role of government to a Lockean framework. Thatcher's reforms point to the time when government will again only provide the framework of law and financial stability within which individuals can make their own economic decisions. This framework is marked by fair taxation rates, a stable currency, and economic investment free from arbitrary government investment.

The Chinese Reform Movement

The reform program of Deng Xiaoping is surprisingly similar, although many differences in specifics exist. In Deng's own words, the objective of
reform in China is to build "socialism with Chinese characteristics." Indeed, Deng intends reform to lead to more prosperous socialism, rather than capitalism. Reform must follow according to the "four cardinal principles" which Deng has established: commitment to Marxism-Leninism-Mao Zedong thought; Communist Party leadership; socialism; and the existing state structure. These are the parameters of reform.

The objectives of Deng's reforms are to modernize the Chinese economy and to quickly make up for the ten lost years of the Cultural Revolution. Accordingly, greater preference is to be given to consumerism; centralized authority in economic planning is to be greatly reduced; significant price reform is to be pursued; there is to be a closer connection between productivity and reward; and managers are to be given more freedom in resource usage. In short, the Chinese are experimenting with market socialism. The economic constraints are to be loosened, but not removed. As one Chinese says, the bird-cage must be enlarged but never thrown away.

The underpinning of the current reforms is liberalization: granting society more autonomy from the state, allowing political discourse and intellectual activity more freedom from doctrine, ensuring more autonomy from the party for both government officials and economic managers, and freeing economic activity from rigid adherence to a mandatory state plan. As in Thatcherite reform, Deng is attempting to open the Chinese economy wider to free-market forces and to reduce the role of government in Chinese society. Additionally, Deng is attempting to redefine the role of the party in China and its relationship with government. The reforms are relative—the reformers remain committed to fundamental Leninist principles that limit
economic and political liberalization--but reform is no less fundamental or far-reaching than in Great Britain.

As with Thatcher in Britain, Deng has had first to alter the prevailing political consensus in China before he was able to begin implementation of reform policies in earnest. Rather than the Keynesian consensus, Deng was faced with rigid political ideology which potentially limits options for reform. In addition, Deng was faced with Maoist policies handed down from Hua Guofeng which were ideologically based, and to repudiate these would in effect repudiate Mao. Even now this is politically dangerous, and Deng, known for his pragmatism, would not make this mistake. Somehow a method had to be found which would ideologically justify reform without repudiating Marxist-Leninist-Mao Zedong thought. Accordingly, Deng has portrayed Marxism as changing rather than static, and he has talked of "enriching and developing" Marxism rather than repudiating it. In fact, Deng cannot repudiate Marxism, even if he wants to (which he does not), because this ideology gives the party, and subsequently Deng, an important source of legitimacy.37

There are ways around this, though. The daily newspaper Renmin Ribao wrote in 1984, "We cannot expect the writings of Marx and Lenin of that time to provide solutions to our current problems." Later, this was amended to read, "...provide solutions to all our current problems." (italics mine) 38 Marxism has been portrayed as a process when applied to specific problems, and in fact it simply sets limits on those policies that can receive serious consideration rather than dictating specific policies.39 The main task of the party therefore is to promote modernization and reform, rather than to undertake continuous class struggle and revolution.
This seems to reject the Maoist concepts of uninterrupted revolution and class struggle, and in fact it was an implicit rejection. At the 13th Party Congress in October, 1987, Zhao Ziyang presented for the first time a detailed theoretical argument to defend Deng's reforms against the growing charges of abandonment of Marxist-Leninist-Mao Zedong thought. Zhao said that China was currently in the "primary stage" of socialism. He conveniently neglected to mention Mao's assertion that China had reached an advanced stage of socialism. Therefore, said Zhao, "Any measure conducive to developing production can be considered to be Socialist." Reform continues because ideological consensus has been forged according to the prevailing constraints.

Deng has realized that price reform must be the keystone for his policies of economic reform, because without price reform, most of the other reform measures will be ineffective or result in further misallocations of resources. China's price system is based on price controls for all commodities, and because these controls have been in place for many years, the true value of consumer goods in China is really much higher than the price of the goods. The removal of price controls would therefore cause immediate and crushing inflation as goods are revalued at their true values to consumers. Revaluation is shown by immediate price increases. Regardless of the difficulties in price reform, and there are many, Chinese leaders are terrified of the prospect of even limited inflation. It was inflation which finally defeated the Kuomintang government, and the current leadership does not want a repeat of 1949. As in Britain, inflation can be politically disastrous. This presents a major problem, because in order to institutionalize true market reform, the
Chinese must install a more accurate pricing system, yet to do so would guarantee inflation. Until true market prices for all goods are established, though, the Chinese economy will be inefficient.

Another major reform sponsored by Deng is to change the relationship of the party, government, and military. The reduction of planning in the economy necessitates a smaller role for planners. The role of the Communist party in China has been reduced, as direct intervention by the party in the economy has decreased. The differentiation between the party and government is now more distinct than it has ever been in China. The relationship has changed so that now the party role is to set and supervise broad policy directives, to provide ideological and political leadership, and to serve as societal inspiration. Government has taken over many of the functions of specific policy implementation. Interestingly, this is exactly what is occurring in Thatcher's Britain, where government is making policy and providing ideological and political leadership, while the civil service is charged with carrying out the policy.

Government, too, has been reformed. Deng's stated goal in 1981 was to reduce the government bureaucracy by "several million people." This coincides as well with Thatcher's desire for civil service personnel reduction. Furthermore, both leaders are attempting to replace generalists with experts and professional managers in their governments. The military has also been given a more defined role as older, politically oriented officers have been retired and its role has become more professional. In short, the army is now concerned primarily with soldering. The influence of the military was reduced so that it would not have such sway in crisis situations. Currently, Deng is chairman of the Military Affairs
Commission, indicating both the continuing importance of the military to political success as well as the need to have strong civilian control of the military.

Perhaps more importantly, Deng has taken his reforms to the people in the form of higher wages and a higher standard of living. The Chinese system of production was and is based on quotas. Each producer was given a quota which the state determined according to its perceived needs. This product was then taken by the state, and the producer was given a base wage which neither changed nor was determined by the amount or quality of production. The inefficiencies inherent in such a system are immediately obvious, as there is no incentive or reward for higher production rates or higher quality goods. Deng is attempting to change this. He has first implemented reform in the agricultural sector among individuals and collective farms. Quotas remain, but anything which can be produced above the quotas can be sold privately at any price the market will bear. The producers are then able to keep their additional income, which they add to the base wage given to them by the state. Deng is now attempting to move this reform into the cities and industrial sector of the economy.

In the less than ten years since the beginning of this limited market-based reform, the per capita income of peasants has increased from 132 yuan to 352 yuan, and that of non-peasants has increased from 383 yuan to 865 yuan.45 This rapid rise in income is a direct result of reforms which allow producers to sell goods in excess of production quotas at market-bearing prices. The population is given a vested interest in the continuance of economic reform. In essence, the effect is to expand private markets and to "guarantee them as inviolate."46
Another market reform is the abolition of the "iron rice bowl." The iron rice bowl is the concept of a guaranteed job with immediate tenure. Workers are hired but not fired, promoted but not demoted. This naturally causes great inefficiency and needs to be eliminated.

Finally, Deng's China has begun to enter international markets. China's emergence from isolationism is calculated to allow it to follow a course of import substitution. Import substitution is a policy whereby modern technology and equipment are imported so that a country is able to produce its own goods rather than importing the finished goods. This has worked well for a number of other countries, notably the five "economic dragons" of the Pacific Rim. Problems which internationalization is causing are vulnerability to world economic fluctuations and a widening balance of trade deficit. This is cause for concern among China's leaders, and may in fact be an obstacle to increasing international trade opportunities in China for Westerners.

Obstacles to Reform

In China, a new consensus has formed, and the question is not should there be reform, but how much and how fast? The reform coalition has divided into radical and moderate wings with the removal of the Maoists and restorationists (led by Hua) from central party and state leadership. The radicals desire greater reform quicker, and tend to be younger and highly ambitious. They are lead by Deng, Zhao, Wan Li, and until recently, Hu Yaobang. Moderate reformers tend to be older and more cautious and are led
by Chen Yun, Peng Zhen, Hu Qiaomu, and Deng Liquin.48

The main concern and obstacle to the reformers, both radical and moderate, is whether reform can be accomplished without sacrificing any party authority. Although Deng has helped limit party influence in daily life, he has no interest in diminishing its authority in any way. The idea is to modernize and marketize, but not to liberalize. Reform is second in importance to the maintenance of the party grip over policy.49 Thus the make-or-break issue for reform is whether the economy can be modernized without a concurrent modernization of politics.

The answer seems to be "no." The only way to run a modern economy is to allow large numbers of managers to make independent judgements according to market conditions.50 These decisions have traditionally been made by the party. Once managers begin making economic decisions for themselves, they will be less willing to have political decisions made for them.51 As the Economist writes, "There can be no economic pluralism without political pluralism. In a one party country, this seems to pose a large obstacle."52 And again, "A pluralist political system is essential for a free-market economy."53

Here is a dilemma. China wants to liberalize its economy, but it cannot without liberalizing its political system and embracing political pluralism. This would challenge the party authority, however, and is thus clearly unacceptable. Ergo, China cannot liberalize its economy.

This logic seems plausible, but is not necessarily. Recall the image of the birdcage. China's leaders have never desired a free-market economy nor will they ever embrace capitalism. Deng wants "socialism with Chinese characteristics." He is not interested in capitalism--he is a committed
Marxist attempting to improve his system. Therefore, if one does not desire a free-market economy (as Deng does not), one does not need to have a system of political pluralism. Political pluralism is necessary only to the extent that economic liberalism is desired. In fact, Deng realizes this. He has implemented market reform, but his economy still is and will always be planned. Only the mix of socialism in the economy will change.

Deng has implemented political change commensurate with the economic change. The beginnings of a legal framework have been implemented, and pejorative political and class labels have been removed from the population. Labels such as "rightest," capitalist roader," and "counter-revolutionary" have been lifted from approximately three million citizens. The role of the state has become more predictable and less arbitrary. Citizens have greater freedom of belief, expression, and consumption, and the party places less emphasis on securing commitments to Marxist principles from non-party members. Perhaps most telling, intellectuals are now welcomed into government to help run the country rather than being scorned and persecuted as they were under Mao.54

Real limits to change exist, however. China will not likely ever have free and open elections (there are some local elections now, but all candidates are selected by the party), and there will be no political pluralism as this would certainly challenge party authority. Those looking for a capitalist China or even a China patterned after a Western European social democratic model are likely to be disappointed.

Unfortunately for the party, the Chinese population--at least its students--may not so readily accept only limited reform. Massive student protests in the Winter of 1986 directly contributed to the fall of Deng's
selected successor, Hu Yaobang, and cast the future of the reform movement in doubt. These protests convinced Deng to put reform on hold to consolidate his own position, which contributed to the cyclical pattern of reform and liberalization and then retrenchment and retrogression which has plagued the Chinese reform movement. This cyclical pattern of reform can be attributed to the differences within the reform coalition over how far and how fast reform should proceed.\(^{55}\) Any premature protests for additional reform, which are perhaps inevitable, will seriously jeopardize the future of reform by causing a retrenchment by the party. Protests for additional reform must ironically be seen as an obstacle to further reform.

Of overriding importance to Chinese leaders is that party authority cannot be questioned. Most worrisome to them is the prospect of "Polish disease," where demands for increased political liberalization from the populace must be neutralized. The current freedom offered to ordinary citizens in their daily lives is dependent on the continued restraint and indifference of the party and state, rather than on any permanent grant of rights and immunities to the Chinese people.\(^{56}\) An increasingly important aspect of Chinese politics will be the interaction of popular pressures for liberalization with the party's desire to maintain a monopoly of power.\(^{57}\)

Other structural impediments to reform exist, such as the possibility for inflation, unemployment, balance of trade deficits, increasing crime rates, corruption and graft, and the list goes on. These are inconsequential, however, when compared to the major impediment to reform, which is straight Communist Party politics. If Deng's reforms can survive the political game, and he continues to outflank his more conservative opponents, his programs should continue well after his death.
Due to the lack of a one-party system in Britain, one would think that Thatcher's reform program encounters different obstacles to implementation. In fact, and perhaps not surprisingly given the other similarities between British and Chinese reform, they are quite similar. The largest and strongest impediment to Thatcherite reform, aside from re-election, comes from the British civil service. As previously discussed, Thatcher and her civil service have a strained relationship at best mostly due to the Prime Minister's insistence upon a lessening in both size and importance of the civil service. Even if Thatcher and her government desired like-minded policy, the working relationship would be strained and policy difficult to implement. Compounding this, however, is the fact that Thatcher and her civil service hold philosophically opposing views. For example, the Foreign Office, for which has been reserved her most strident criticism, is primarily Eurocentrist, whereas Thatcher is Atlanticist in orientation (Britain's relationship with the United States outweighs its relationship with Europe). The Foreign Office strongly supports the European Economic Community, while Thatcher has repeatedly called for cuts in British contributions to this organization. The Foreign Office is conciliatory towards the Soviet Union, but Thatcher is staunchly anti-Soviet.

Because the government bureaucracy is exempt from market conditions of labor, and therefore has a vested interest in the continuance of the Keynesian welfare state, it is fundamentally opposed to economic liberalization. Since the role of the state is being questioned, the civil service feels under attack. When a government has so coherent a view of its goals, the civil service becomes a machine to implement policy, not to help formulate it.\textsuperscript{58} Thus the civil service is losing both influence and prestige,
which naturally sets it against Thatcher's reform program. This is a serious obstacle to reform.

Additionally Thatcher, like Deng, faces significant (although lessening) dissent among members of her own political party. She has labelled these dissentors "Wets," a term which now is in general usage to describe Conservative critics of Thatcherism. As Deng attempts to end the use of pejorative political labels such as "capitalist roader" in China, Thatcher increases their use. This is consistent with their respective leadership styles, which will shortly be discussed.

Although the "wets" are strong and hold influential positions--many such as Peter Walker, James Prior, Sir Ian Gilmour, Frances Pym, and Christopher Soames among others hold or have held important cabinet posts--they are divided and lacking agreement on major issues. Thatcher's position as Prime Minister is secure, because her cabinet opposition is internally divided, as is the opposition from the backbenches. She has skillfully manipulated the appointments of wets, moreover, to guarantee that they are not allowed in positions which would directly affect budgetary consideration. This is crucial, since it is through the budget that Thatcher is able to implement her ideas regarding economic liberalization. Since her supporters man the purse strings, the presence of wets on the Cabinet is not as destructive as it may appear, and in fact allows her to claim wide representation and hearing among Cabinet members.

Opposition from the civil service and Conservative critics are the two major impediments to the implementation of Thatcherite reform. There are others. Among these are the structural impediments which are faced by China, including and especially unemployment and inflation. Similarly, an
election defeat would not much help the cause of reform, although this point is irrelevant for four more years. An election defeat is certainly conceivable, however, especially if unemployment remains high and economic growth remains relatively sluggish. But if the economic indicators continue to improve, Margaret Thatcher could become the longest serving Prime Minister in British history, and her program of reform will have permanently changed the nature of British politics.

The Leadership Styles of Deng and Thatcher

Despite the fact that the actual reform programs and obstacles to reform in China and Britain have many similarities, the leadership styles of Deng and Thatcher are radically different.

Above all, Deng is mindful of the nature of Chinese politics. He has only been able to affect as much reform as he has because he has built a strong base of support underneath himself. He has not been able to implement his reform program due to his occupying any elected office or due to any title which he holds. He has had to build a dedicated constituency which will support both him and his reform program. Were this base to erode, Deng would be ripe for removal in the same manner as Deng himself displaced Hua Guofeng.

Deng exercises leadership by building consensus. He delegates heavily, and in fact remains fairly uninvolved in the "dirty-work" of politics. Because the reform movement is split between radical and moderate reformers, Deng must always maintain a working consensus. He has
attempted to strike a balance between the two wings of the reform movement, although in ways which usually support the radical reformers.\textsuperscript{61} This relatively hands-off leadership style is not only effective, but also necessary. Deng cannot become too involved with individual reforms, because if they are unsuccessful and he has backed them with his personal prestige, he will fall along with the reform program. Instead, he can blame unsuccessful reforms on subordinates, such as Hu, who become "fall-guys" for reform. This keeps Deng's reputation untarnished, as well as allows him flexibility of action. As Harry Harding writes,

\begin{quote}
This detached posture preserves Deng's ability to intervene to correct the errors of his subordinates and maintain consensus in the party to preserve support for the overall reform program.\textsuperscript{62}
\end{quote}

Deng's hallmark is pragmatism. He has abandoned ideological dogma and adopted pragmatism, which has in fact always been his key to survival and repeated success after being purged twice by the party. In his own words, "For us, [reform] is something new, and we have to grope around to find our way....Our method is to sum up experience from time to time and correct mistakes whenever they are discovered, so that small errors will not grow into big ones."\textsuperscript{63} Because his motivation is pragmatic rather than ideological, Deng's leadership style is consensual and based on compromise. This has served him well in the Chinese political game.

Thatcher provides a sharp contrast in leadership styles. Whereas Deng is very much a product of the system and his consensual leadership style reflects this, Thatcher has always seen herself as an "outsider" to the system. She holds no wish to belong or to be a member of the
establishment, and has departed from the "somnolent model" of political leadership which was the norm in post-War British politics.\textsuperscript{64} She once said, "For me, consensus seems to be the process of abandoning all beliefs, principles, values, and policies."\textsuperscript{65} One cannot imagine Deng uttering such a sentence.

Thatcher is a mobilizing Prime Minister. She is involved in every aspect of decision-making, and often remains actively involved in every phase of implementation. She lends personal prestige to individual reform planks. This does not present the problem as it would for Deng, because she has been popularly elected on the basis of her reform program. She could be displaced by a vote of no-confidence, but this would be political suicide for the Conservative Party. Deng does not have the option of popular election, and thus he cannot become too closely associated with individual reforms.

Thatcher's leadership style is autocratic, marked by confrontation and distrust of compromise. Her manner has been called dominating, abrasive, overbearing, and offensive. Even supporters say that "her behaviour exacerbates existing tensions in government," that she uses "conversational terrorism," and that she "fails to understand the wounding effects of her oral attacks."\textsuperscript{66} She is sharp and uncompromising when dealing with issues which she feels strongly about, although she can be ambivalent or hesitant regarding issues to which she has given little thought or when reason goes against her political instincts. At least one has said, "The key to understanding Margaret Thatcher is her ambivalence between reason and instinct, which produces hesitation."\textsuperscript{67} She is at her best under siege, when instinct runs unchecked.
In spite of the fact that she has made many enemies (along with many fervent and loyal supporters) and that even her own cabinet members resent her abrasive leadership style (Michael Heseltine said upon resigning, "This is not the proper way to carry on government."), Thatcher has been a tremendously successful Prime Minister. Like Deng, she is essentially pragmatic. Kavanagh writes, "For all the pejorative talk of her being an ideologue, she is a practical Conservative." Hugh Stephenson says, "Her rhetoric is radical, even reckless. But from the start her deeds have shown a politicians instinctive caution." Thatcher has very distinct and closely held ideas, and she pursues them fervently, but she never puts ideology above practicality. She and Deng are exactly alike in this manner. Thatcher will pick her fights, but only when the timing is right. To this end, she will use compromise and conciliation until the most auspicious time for battle. A prime example is the coal miners' strike of 1984-85. In the early 1980's when the fledgling Thatcher reform movement could ill afford a defeat by the trade unions such as had brought down the Heath government, Thatcher used compromise and conciliation to meet miners' demands. When the government was stronger in 1984 and had prepared for a confrontation (by such things as greatly increasing the coal reserves), various mines were closed and a confrontation was provoked which lasted over one year. This confrontation, however, was on Thatcher's terms and according to her timetable. Not coincidentally, the resulting strikes were broken and government claimed a great victory.

Thatcher's pragmatic approach has left her open to charges that her rhetoric is empty and that she is really ineffective. These charges have been often repeated, and in fact the levels of government spending as a
percentage of GNP have actually increased. In 1979, government spending was 43.25% of GNP, while in 1985 the figure had risen to 44%. Social security increased by 19.9%, defense by 16.7%, and health by 13.4%. Some have written that for macroeconomic policy, "Britain has had something less than a revolution," and "The vision [since 1979] has grown cloudy." These charges I think are premature. The Thatcher style is to place an item on the agenda, such as trade union reform, and then to attack only at the most favorable instance, as with the coal miners. Social security and health and defense and education are not only the largest budget items, but are also the most difficult to reform and cut. Thatcher has now set her sights on the NHS, and results will be forthcoming. Only recently has she had enough support to take on such giants of the welfare state. Her rhetoric places individual reforms on the agenda, and gives a clue as to which areas will be targeted for reform.

There is an interesting dissimilarity between Deng and Thatcher. Deng leads primarily by consensus, and he has eschewed ideology for pragmatism. This allows him to compromise and negotiate for his reform program. Thatcher, on the other hand, leads autocratically, seldom seeking consensus or even decision-making input. She is pragmatic, but ideologically bound. Both are strong and effective leaders who have gotten where they are by using their respective leadership styles. Yet one has appealed to pragmatism to justify reform and break the prevailing political consensus, and the other has appealed to ideology to justify reform and break the prevailing political consensus. In their respective societies, these have proven to be very effective formulas.
The Future of British and Chinese Reform

Clearly, Deng Xiaoping and Margaret Thatcher continue to affect significantly the politics and economies of their respective countries. Through strong leadership (albeit different leadership styles), these two leaders have begun two reform revolutions. Now the question is what will happen with these movements once their principle patrons have exited the political stage?

Deng is 83 years old, and may soon be dead. He is the Chairman of the powerful Military Affairs Commission, and his protege Zhao is the party head. Many more disciples occupy strategic positions in the party, government, and military. On the surface, this seems advantageous for reform.

One must remember, though, that the line of succession in Chinese government is not institutionalized, and until it is, the continuance of reform as desired by Deng is not guaranteed. The fall of Hu illustrates the vulnerability of individuals in China to circumstance. Since the cult of personality is still strong in China, reform needs the presence of strong leadership, and it moves according to the strength of its supporters. Therefore, were Deng to die and Zhao not to have built up his own strong base of support, Zhao could be deposed and a moderate reformer such as Peng Zhen (if he remains alive) could take his place. This would drastically reduce both the depth and width of China's reform program. If Zhao is able to build his own committed constituency, and his supporters are able to obtain high level appointments, the reforms begun by Deng could continue for some time. They will only begin to slow if the party feels its authority
threatened. Then, the grip will instinctively tighten and reform will not only stop, but it may also regress to a more comfortable position. As long as China's leaders are able to reform their country without calling into question in any way the authority of the Chinese Communist Party, and as long as they continue to obtain choice appointments for their supporters, and as long as circumstances continue to favor those currently in power, and as long as a strong leader emerges to take the mantle bestowed by Deng, China's reform program will progress, even without Deng. But this is asking for quite a lot, and in fact may be asking for too much. Such are the vagaries of non-institutionalized politics.

The situation in Great Britain is not quite so precarious, primarily because Thatcher is in office for at least four more years. Yet Thatcher is certainly not immortal, and this begs the question, is Margaret Thatcher necessary for Thatcherism? Perhaps. The key, as in China, is whether reform can be institutionalized. In other words, can Thatcher create an economic liberal consensus in her government and Britain as a whole to guarantee the continuance of Thatcherism.

The center of government has already shifted right in Britain, so it appears that Thatcher has had some lasting effect on the parameters of policy debate. This can only continue while she remains as Prime Minister. If she is followed by a softer spoken, more conciliatory leader from either party, though, she may find that the political center will again shift left. But if she is successful in such things as entrenching the privatization program, she will find that her reforms outlast her, no matter how long she remains in office. If she can create a permanent vested interest in the maintenance of economic reform among the populace through such means as
the sale of council houses, she will guarantee that her programs gain permanence. The party with the most popular platform will likely receive and keep the reigns of government, and if the public has a vested interest in reform, it will continue to elect the party which stresses economic liberalism. The new consensus will then be rightist, and social democracy will be put to pasture.

In fact, this is already happening. The Labour leader, Neil Kinnock, has gradually begun to prod his party towards accepting such Thatcherite reforms as the sale of council houses. The Labour leadership realizes that if they do not begin to adopt positions more in line with popular opinion and move closer to the Conservatives, they will simply not regain office. Speculation is already to be heard about whether Labour is finished as a party, and when it will be relegated to third among parties in elections. This is precisely the speculation which Conservatives like to hear, and it may indicate the adoption of a new political consensus in Britain based upon Thatcherite reform. Were this to occur, the continuance of the current reform movement would be guaranteed.

**Conclusion**

For two countries as radically different as Great Britain and the People's Republic of China, one might be forgiven for assuming that the current reform revolutions which they are sponsoring are unalike. When coupled with the fact that the leadership styles of the principle authors of reform, Margaret Thatcher and Deng Xiaoaping, are radically different as
well, the assumption grows stronger. It is errant. Even though Britain and China started from different positions, they are undergoing very similar programs of economic liberalization. The end goal is different--China after economic reform will still be more centralized and less market-oriented than Britain before reform--but the process is congruent. Both countries are freeing their economies from government control. The changes are relative, but they are no less fundamental. Similarly, neither country or leader has shown much interest in lessening the authority of the state as economic reforms are implemented. This is to be expected especially in China, where the lessening of state authority is the same as lessening of party authority, which is unacceptable. This is a formidable obstacle to reform.

The future of reform in Britain and China will be determined by whether or not Thatcher and Deng are able to institutionalize their reform programs. Institutionalization will take two forms. First, supporters must be either advanced or elected into positions of power and influence to continue the reform movements. Second, vested interests in the population for a freer economy must be created by such means as the sale of council housing and the availability of agricultural markets for goods in excess of quotas. By virtue of their leadership styles, it will be easier for Deng to pass on reform due to his consensual and delegating style. He has led, but he has not dominated every aspect of reform, as has Thatcher. Thatcher may very well be essential to Thatcherism, not because she is the only one who can carry out reform, but because she is the only one who has. If she allows others into the decision-making process, however, she will stand a much better chance of leaving a legacy of reform. If this happens, and reform
becomes institutionalized, Thatcher and Deng will become known in their countries as the leaders who changed the prevailing political consensus towards economic and political reform. Neither Thatcher nor Deng could have higher ambitions.

2 Ibid., p. 114.

3 Ibid., p. 17.

4 Ibid.

5 Ibid., p. 19.


8 Harding, p. 53.

9 Ibid., p. 59.


11 Harding, p. 61.

12 Ibid., p. 68.

13 Ibid., p. 63.


15 Kavanagh, p. 12.

17 Ibid., p. 148.


19 Cosgrave, p. 96.

20 Ibid., p. 120.


23 Cosgrave, p. 157.

24 Ibid., p. 158.


27 Ibid., p. 102.


29 Ibid., p. 103.

30 Plant, p. 15.

31 Ibid., p. 17.


33 Plant, p. 10.


36 Johnson, p. 37.

37 Harding, p. 1.

38 Ibid., p. 186.

39 Ibid.

40 Ibid.


44 Ibid., p. 214.


46 Khan, p. 84.


48 Harding, p. 287.


53 "All I Seek, the Heaven Above and the Road Below Me," The Economist, October 31, 1987, p. 35.

54 Harding, p. 176.

55 Ibid., p. 93.

56 Ibid., p. 277.

57 Ibid., p. 201.


59 Kavanagh, p. 263.

60 Barnett, p. 44.

61 Harding, p. 91.

62 Ibid., p. 92.

63 Ibid., 87.

64 Plant, p. 91.

65 Kavanagh, p. 7.

66 Cosgrave, p. 104.


69 Kavanagh, p. 251.

70 Cosgrave, p. 34.

72 Cosgrave, p. 174.

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