Economic Development Obstructing the Democratization in China

-All Wealth Is Not Stimulating Democracy

Simon Berg
Abstract

China is the country in the world with the strongest economic development for the last three decades with an average economic growth of 9 percent annually. The country is very controlled and the government is in power of the media as well as the Internet. But according to the modernization theory China should be a democracy. The theory is presenting a correlation between economic development and democratization. When a country gets wealthier it is at the same time developing education that brings democracy to the people. These two variables are the most important in the theory.

I am testing the modernization theory looking at China as a deviant case, and have found out that the result is not following the theory. Even though it is economically developing, there is a lack of democratization. Since the government in China is very structured and strong, the one that is gaining most from the economic development is the Government in relationship to the democracy. In this case, all wealth is not gaining the democratization; the government is still in control of the population.

Key words: China, Democracy, Modernization Theory, Economic Development, Democratization
Words: 9724
# Table of contents

1 **Introduction** ...........................................................................................................1  
  1.1 Purpose and Question ..........................................................................................1  
  1.2 Material ..............................................................................................................2  
  1.3 Method ................................................................................................................3  
  1.4 Operationalization .............................................................................................4  
  1.5 Demarcation .......................................................................................................5  

2 **Theory** ....................................................................................................................7  
  2.1 The Modernization Theory ..................................................................................7  
    2.1.1 Education ......................................................................................................8  
    2.1.2 Wealth .........................................................................................................9  

3 **China** ....................................................................................................................11  
  3.1 Economic Development ......................................................................................11  
    3.1.1 Economic Reform ........................................................................................12  
    3.1.2 Investments ..................................................................................................13  
  3.2 Reduced Poverty ..................................................................................................14  
  3.3 Democratization or the Lack of Democratization .............................................15  
  3.4 Growing Middle Class .......................................................................................18  
    3.4.1 Media ..........................................................................................................19  
    3.4.2 Internet and Mobile Users .........................................................................19  

4 **Conclusion** ...........................................................................................................21  

5 **References** ...........................................................................................................23
1 Introduction

The economic development in China the last decades has been extraordinary. From being one of the world’s poorest countries some decades ago, China today is one of the most economic developing countries. The pace that China has been having in developing to a new superpower is rare in the global comparison. From 1978 to 2006, the economy in China grew with an average rate of 9 percent a year (Smith – Todaro 2009:193). Under that period there have been several economic crises, but China has still managed to continue growing with that exceptional speed. That is what make China interesting, the unique speed of economic growth, and the fact that China is the most populous country in the world. The market that China presents is the largest in the world. The international power that China is having, being a permanent member of the Security Council in the United Nation, having a very large army and the influence China has over smaller countries makes this case interesting just because it has not democratized even though the modernization theory is telling us that it should have. What the theory says is that when a country modernizes and the economy is growing, there is just a matter of time before it becomes democratized. The theory is saying that there is a correlation between economic development and democracy. What makes this thesis interesting is that China still has an authoritarian government in a one-party state. Economic development is one of the most important factors in the process of democratization in South Korea that transformed from authoritarian to democratic government. In China, the political status is still the same, as it was after the revolution in 1949; the Communist Party of China (CPC) is in power.

There has been a reform in the economic system which is more liberalized today. I will look at China and its democratization with my focus on the two main variables that are important in the modernization theory: education and wealth. With a growing common wealth a better education is offered to the Chinese people, but without a movement toward democracy.

China has still a long way to go before it is democratized, at Freedom House ranking China has a Political Rights score of 7 and a Civil Liberty score of 6. The scale is presented so 1 is best and 7 is worst in being democratized (www.freedomhouse.org [1] 2009-10-28). China with its size and large population is one of the most lucrative markets for companies to invest in.

1.1 Purpose and Question

My purpose of this thesis is to test the modernization theory to my case, China. The theory is saying that economic developments transform a country into
democracy, and I am doing a theory-test to show that economic development not always lead to democracy. China has developed to be the strongest growing economy in the world with its high average growth for such a long period. The market in China is interesting to many foreign investors who all want to take part of the Chinese development. I will try to see if the economic development is gaining the process of democratization in China or if it is helping the government in controlling the population. I would like to show that a strong government can resist the democratic ideas even though it is developing economically. The resources have stayed within the state, still in control of where the investments are going. I believe that the economic development has gained the governmental control of people in China. To keep focus in the thesis I will use a concrete abstraction (Lundqvist 1993:63f) and use the following question as my guideline in this thesis:

Who is gaining most from the economic development, the government or the democracy?

1.2 Material

I am using secondary material exclusionary to accomplish this thesis. There is a large material written about the theory I am using and the theory is the modernization theory. I am having the original article that Seymour Martin Lipset published in 1959 about the modernization theory as a foundation. The article was revolutionary because Lipset published the correlation between economic development and democratization. I am also using modern material written by scholars in the late 20th and 21st century. They are analyzing the correlation between economic development and democratization, using and developing the original idea that Lipset presented. They are mainly using the Lipset theory and looking to it in different views. Some of the authors are positive about the theory and some are having a more critical view when developing the theory. The use of this material is important mainly because of the development in the global economy since the late fifties. Today the economy is more global and spinning faster with new technological markets. The thoughts that Lipset presented are the foundation, but not the walls above.

When I discuss the theory, I am using both scientific articles as well as literature in the area of democratization and economy. I am also discussing some of the critic against the theory, but my focus is on the two main variables that Lipset presented in his theory which are education and wealth. I am mostly using literature as well as scientific articles when I discuss democracy and democratization. The modernization theory is closely connected with democratization and democracy and can be applied to the democratization process in China.

When collecting material about what is going on in China today, I am using articles from the biggest Swedish newspaper, Dagens Nyheter as well as reports
from Non Governmental Organizations (NGO) such as Human Rights Watch (HRW). These articles are only used in the context of showing the relation in China today.

To describe the Chinese development I am using both articles and literature. Michael P. Todaro and Stephen C. Smith’s book Economic Development are describing a case study of China. Larry Diamond is a well known scholar in the area of democracy and democratization. Diamond has published many books about the subject and is an important author for my thesis. Jean Grugel, professor of politics at the University of Sheffield and Andreas Schedler are also used, to mention some. I do not only use written material. I will use some of the most acknowledged websites, Freedom House that annually presents a table over the freedom in the world, and are working as a database to see changes in democratization, Reporters Sans Frontières who are publishing a table of Press Freedom, CIA’s world fact book and some of the under organizations in the United Nation. They are presenting good statistic material about democracy and facts about China.

1.3 Method

My method is to do a deviant case study and I do that as a theory-testing case-study of China. By taken part of written secondary material I have studied the case of China. The method I use is a deviant case study. I will analyze my case with written material to test if the theory is working and I will compare the results with my case, China. This is an empirical method which tells us how it is (Teorell – Svensson 2007:99ff). I use my deviant case study combined with an explaining analysis as method. I use a qualitative instead of quantitative method and that is motivated because I work with one case, a deviant case, and I use the central parts in the written material (Esaiasson – Gilljam – Oscarsson – Wängnerud 2007:237ff).

I have been elaborate when I studied the written material. I am trying to test if the modernization theory is working to my case, trying to understand how it is and why the result isn’t democracy. China is interesting because it is one of the most important countries in the international politics. With one of the largest economies, one of the largest armies and the largest population in the world, it is interesting to see how the correlation is between economic development and democratization in China (www.cia.gov [1] 2010-01-05).

The thesis is having a character of being a theory-testing case study of a deviant case. The thesis is my interpretation of the written material. At first I will present the modernization theory and what it presents. Then I will look at China’s economic development, and how it has developed, looking at the modernization theory. After that I will present some of the democratization, or lack of democratization in China. Final, I will summarize the facts and discuss the result I have come up to in the conclusion.
1.4 Operationalization

To accomplish this thesis operationalization has to be done to some main expressions. China is a *deviant case*. Hence, there is no other country in the world like China. The exploding economic growth for the last three decades, and the fact that there has been no change in the politics makes China unique. There are other facts that make China a deviant case; it is the most populous country in the world, it is the world’s 3rd largest country geographically and China is not following the modernization theory that says that a country that modernize and has an economic growth will be democratized.

*Democratization* is the movement toward democracy, in this case liberal democracy. The modernization theory is the theory that I use in my theory-testing study, it is presented in the chapter about theory. *Economic development* is what it sounds like; the development in the economic area. When I use the term *democracy*, I refer to liberal democracy, defined by Larry Diamond.

To count as a liberal democracy there are different criteria that should be fulfilled by the country. Larry Diamond uses ten different components that are significant for liberal democracies:

- Control of the state and the states key allocations and decisions lies with elected officials. There are no democratically unaccountable actors or any foreign powers that are affecting the control of state. The military is not having a free role; they are under control of elected civilian officials.

- There are independent judiciary, parliament and other government institutions. The executive power is constrained, constitutionally and in fact by these.

- No groups are denied from forming parties and participating in elections. The elections are uncertain, there are different alternatives in the elections, and the opposition is significant in the numbers of votes.

- Cultural, religious, ethnic and other minorities are allowed to exist. They are allowed to speak their own language and practicing their culture without being prohibited.

- The citizens are having the opportunity to organize themselves in independent associations and movements, beyond parties and elections.

- Freedom of press and media. There should be independent and different sources of information to which citizens have access.

- Individuals have freedom of belief, opinion, speech, discussion, publication, demonstration, assembly and petition.

- All citizens, under the rule of law, have political and legal equality.

- Individual and group liberties are protected by an independent and nondiscriminatory judiciary. And the decisions are respected by other centers of power.

- Citizens are by the rule of law protected from torture, terror, exile, unjustified detention, and undue interference in their personal life. Not only by their state but also by organized nonstate or antistate forces (Diamond 1999:11f.).
Freedom House is using almost the same criteria when they annually rate political rights and civil liberties for the nations in the world. Freedom House uses 25 different questions, 10 of the questions are about political rights and 15 questions are about the civil liberties in the actual country. There are different topics of the questions such as independence of the media, religious freedom, corruption, the right of political parties to function, independence of the judicial system, and women's rights. Freedom House use a 7-point scale, with a rating of 1 indicting the most free and 7 indicating the least free countries. At 2009 rating China is a not free country (http://www.freedomhouse.org 2010-01-02).

1.5 Demarcation

By making a theory-test with the modernization theory, the purpose is to test if the theory is applicable to the case. The conclusion is to see how China has developed and how the status of democracy is today. To make the thesis I had to demarcate it and have chosen to focus on the connection in the modernization theory between economic development and democratization.

There are many interesting areas in the lack of democratization in China. Here are some of the areas that are worth to be mentioned, but I will not go deeper into them. One of the areas is the leadership in China. They have managed to get away from the persona-cult that Mao Zedong was. China is a country ruled by the regime in form of the Communist Party of China (CPC), instead of just a leader. This makes the government much more stable than if the leadership is tight connected to a person. To change leader is not a problem now, and the Communist Party of China do not have to worry about instability when a change is necessary.

China is one of the five permanent countries in United Nations Security Council with the right to use veto in the decision-making. The members in the Security-Council also has another privilege, they are all nuclear-weapon states. China is one of five countries that are allowed to have nuclear-weapons (http://www.un.org 2009-12-30). The size of their army and the fact that China has nuclear weapons are two factors that are speaking against involvement from an external part in democratizing the country, like the United States are in Iraq and Afghanistan.

The fact that Beijing arranged the Olympics in 2008 gave the regime legitimacy to their work. A strong critic was focused on the lack of human rights and press-freedom. But China accomplished the games and the results in marketing China as a country for the future went well. The Olympics is often used to be a friendly way to influence countries with the democratic spirit. It is often said that the Olympics in Seoul 1988 in combination with the economic development in South Korea was a major fact in the transition from military dictatorship to democracy in South Korea (deLisle 2008:52 f.).

China is the 3rd largest country in the world and the most populous with a population over 1.338 billion. To manage a change of government in a country
this size is hard thou a national unity. According to Dankwart A. Rustow’s theory in democratizing a country using four steps the most important is national unity (Rustow 1970:350ff.). The only country with almost the same size of population, that has democratized, is India. A big difference between China and India, is the economic difference, China is much more developed than India were at the time for democratization. Another big difference is that India had an external power that was in control, the British Empire. There are no such things in China today with a very homogenous population; over 90 percent are Han Chinese (https://www.cia.gov [1] 2010-01-02).

When the wealth has become higher in China, a problem with the environment has come. China is today the largest polluting country in the world and is the world’s biggest carbon dioxide emitter. I do believe that this is a problem, not only for China, the whole world is suffering from the carbon dioxide and the lack of responsibility to the environment (http://www.guardian.co.uk 2010-01-06). China is working with the problem and is building industries that are friendlier to the nature, but it is not connected to the eventual correlation between economic development and democratization.

The reasons why I don’t go deeper in these different areas are mainly because of the limited size of the thesis, and that the correlation between the growth of economy and democratization are what interests me. I will use some of the factors in the part where I describe China though they are all factors that affect China’s process in becoming democratized.
2 Theory

There is no ultimate theory that is working generally for democratization. There is no ‘iron law’ that tell us how a country can be democratized. If there was, then there would not be any authoritarian governments left in the world. One of the theories that have been used and discussed most frequently, in combination with democratization, is the modernization theory. Seymour Martin Lipset first presented the correlation between economic development and democratization in 1959, when he published his article, *Some social requisites of democracy: economic development and political legitimacy*, in American Political Science Review.

The theory that I will work from is the modernization theory. It is the one that tells us that economic development, globalization and market capitalism takes countries from autocracy and get them in to the family of democracies. The thought of an automatic development from autocracy to democracy just because of the economic development is common in the thinking of western leaders. The focus in this thesis will be at the modernization theory. I will start to present the origin of the theory and what it stands for. How it can be applied to China, and how it is working to my case.

2.1 The Modernization Theory

The theory of modernization is rare in one way, it has sustained almost unformed since it first was presented by Lipset in 1959. There has been a development in the way the modernizationists of today use the theory. The focus has become wider, and they do not claim direct causality between democracy and capitalism (Grugel 2002:50). Democracy is connected with development as well as many other variables, but my focus is on the economic development in the form of modernization theory.

The fact that democracies has emerged in the modern world of capitalism is an attempt of theorizing modernization. The theory try to specify what factors that are important for the democratization, and that strengthens the modernization theory (Grugel 2002:48f.).

Lipset is presenting capitalism as the source of democracy. Lipset also mean that when the state has developed its economy, globalized and in the second wave democratized, the chance of sustaining democratized is greater (Lipset 1959:75). But first the country needs to be democratized. More modern research about modernization shows that there is no linear relationship: the probability to democratize does not automatically increase when the development level rises.
Graeme J. Gill has his point when he says what really matters are the per capita income level. For countries in a middle income range, neither very poor nor rich, the probability to transform into democracy is highest. In a country like China, where the per capita income is above this middle income range the probability to democratize is so low that any increases in wealth has no effect in democratizing (Gill 2000:3).

Lipset use some different variables to correlate economic development, capitalism and democratization and the two main variables are wealth and education. That is why I focus at these two variables. These are important in the phase of being democratized (Lipset 1959:75ff.). I will later discuss how these factors are in the case of China, and how they are connected to the economic development.

The different variables that Lipset use in his research are only presenting a correlation between economic development and democratization. He is not presenting causality. His research shows correlation between democracy and a range of developments, but it does not show a multivariate analysis where the independent causal correlation significance of each variable is tested and controlled for the other variables. To Lipset’s defence it must be mentioned that his research was made before multiple regression analysis was employed by the social sciences (Diamond 1992:94).

With the lack of causality he is not taking every variable in concern; the modernization theory is in that way too narrow-minded in its presentation. Is it democracy that follow economic development, or is the economy developing when a nation is getting more democratic? That question is Lipset not taking care of (Teorell – Svensson 2007:27ff.).

Recent research about the modernization theory, Epstein et al. uses new data, new technique and they leave the old dichotomous classification of states for a new three-way classification. They are presenting the fact that partial democracies are maybe the most important and least understood regime types. There are not only two kinds of states, there are except for democracy and authoritarian a middle way, the partial-democratic government. Leaving autocracy is not the same as entering democracy. There are many factors that should work before a country become democratic and they are presenting a more positive opinion about the modernization theory than the one Przeworski et al. presents. They think that a higher incomes per capita increases the likelihood of democratic regimes, both by strengthening consolidation of democracies and promoting transitions from authoritarian regimes to democracies (Epstein et al. 2006:551ff.).

2.1.1 Education

According to Lipset, the heart of democracy is capitalism, because it leads to wealth, which is one of the two most important variables to become democratized (Grugel 2002:47).
Wealth gives a high consumption which leads to an educated middle class. That will, as Lipset writes, lead to a greater knowledge in democracy:

Education presumably broadens men’s outlooks, enables them to understand the need for norms of tolerance, restrains them from adhering to extremist and monistic doctrines, and increases their capacity to make rational electoral choices (Lipset 1959:79).

With this quote Lipset says that an educated middleclass are more willing to be open towards the democratic idea and thought in other words people will be working for democracy. In the tolerance to opposition, ethnical and racial minorities and the democratic view of multi-party instead of one-party system the most important individual factor is education. Hence, it is important to build a state that do not accept extremist parties, and that is made by having a high level of education. All Lipsets statistic material are pointing towards that education is far more significant than income and occupation (Lipset 1959:79).

In 2007 China had 1.423.380 researchers according to UNESCO Institute for Statistics. That is the second largest amount of researchers in the world after United States. It is an increase of 16.3 percent from 2006. China is having interest in research and that is one of the most important areas they are investing in (http://stats.uis.unesco.org 2010-01-05).

But there is a connection between income and education. A higher income works as an accelerator toward a more educated and thereby a more accepting population. With an educated population the probability of a surviving democracy is increased, and the effect of income is much stronger and survives when education is controlled (Przeworski – Limongi 1997:166).

2.1.2 Wealth

The second variable that Lipset focus on to verify economic development in leading authoritarian states toward democracy is wealth. Capitalism is very important for countries to start the process towards democratization. A modern society is a product of capitalism and the modernization theory is a theory of change that says that it sees democracy as an outcome of capitalism (Grugel 2002:47).

Dictatorships often focus on economic development and earning money. They do want to have wealth. That is why they are necessary to generate development which leads to education, and that produces workers that are more effective. Development gives education which gives knowledge of democratic thoughts. The importance of supporting dictatorship so they can get capitalistic could be the way to make them democratic. With development even poor countries can democratize (Przeworski – Limongi 1997:177f.).

Zehra F. Arat is following the capitalistic thread and presents her idea that a modern democracy can only occur under certain conditions of capitalist industrialization. She is also referring to Karl Marx about the importance of the
bourgeoisie as a major force in emerging democratization. To build up a strong bourgeoisie the need of wealth is very important (Arat 1988:21)

Lipset present the idea that increasing wealth not only is related causally to the democracy development in a way of changing the social condition of the workers. He says that it also affect the political role of the middle class. The change is in the shape of the stratification structure, it shifts from an elongated pyramid with a large lower class base, to a diamond shaped structure with a larger middle class. Lipset says that a more important middle class have a stronger influence in the political society, by penalizing extremist parties and rewarding more moderate and democratic parties (Lipset 1959:83).

To have the standard increased generally in a country will affect the tolerance of norms in the population to be more generous for democratic principles. The general level of wealth also affects the possibility in the country of building a universal norm. Uniting the people, and building an effective bureaucracy which is a condition for a modern state (Lipset 1959:84).

But wealth is not only stimulating democratization. Markets can both support and undermine democracy. When the authoritarian government in China earns a greater income, it gives them more resource to strengthen their power in controlling the state and the population. All wealth is not being positive to the process of democratization. To soften the authoritarian government it is necessary that the state control over economy is weakened. Lucan A. Way writes in Andreas Schedler’s book that a sign of a state being strong authoritarian, is that state actors are having the power over large sections of the economy (Way 2006:170).

China has a capitalistic society with a strong consuming population. This leads to a growing middle class which have a better education. According to the theory it makes them to be more accepting to new ideas such as the democratic thoughts. They should be more accepting to other ethnical groups, religions as well as a multiple-party system instead of the one-party system. These are the main thoughts of the modernization theory. Wealth is giving education which is giving democracy.
3 China

When Mao Zedong died 1976 after being the leader of People’s Republic of China for 27 years, since the revolution 1949, a new era started and the economy developed in China. Mao Zedong had his very structured idea of how the economy should be ordered. He used a plan-economy. But even though the economy was pretty much standing still during his years in power Mao Zedong had an idea about the education in China and the importance of it:

In transforming a backward agricultural China into an advanced industrial country, we are confronted with arduous tasks and our experience is far from adequate. So we must be good at learning (Zedong 1979:266).

The economy in China has approximately grown at an average rate of 9 percent a year for the last three decades (Todaro – Smith 2009:193). I will now present some important factors from the period 1978 till today, and the development in wealth and education, which are the two main variables in the modernization theory for a state that is authoritarian to transform into democracy.

3.1 Economic Development

East Asia has been the region in the world that has been most successful in developing strong economies. Most of the countries in the region have seen their per capita income increase eightfold for the last 30-35 years, and the economic crisis taking place 1997-1998 more looks like a blip (Stiglitz 2003:2).

In China when, earlier mentioned, the death of Mao Zedong occurred in 1976 something happened. Only two years later a reform of the economy was activated. This reform is the reason that made China one of the world’s fastest growing economies. By leaving the, by state controlled, system of plan-economy, and going towards a more open market with elements of privatization and foreign investors taking part of the Chinese market, China started an exceptional speed of growth. Between 1978 and 2006, China had a speed of developing and growth in economy of an average 9 percent annually (Todaro – Smith 2009:193). It should be noticed that there has been financial crises some of the years in between, in the late 80’s and early 90’s when the global market was weak, as well as the years with the crash of the IT market, China has still managed to keep an average growth of 9 percent a year.
<table>
<thead>
<tr>
<th>Year</th>
<th>GDP-growth</th>
<th>5-year moving average</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>10,1</td>
<td>9,2</td>
</tr>
<tr>
<td>2005</td>
<td>10,4</td>
<td>9,6</td>
</tr>
<tr>
<td>2006</td>
<td>11,6</td>
<td>10,2</td>
</tr>
<tr>
<td>2007</td>
<td>13</td>
<td>11</td>
</tr>
<tr>
<td>2008</td>
<td>9</td>
<td>10,8</td>
</tr>
<tr>
<td>2009</td>
<td>8,2</td>
<td>10,4</td>
</tr>
<tr>
<td>2010</td>
<td>8,9</td>
<td>10,1</td>
</tr>
</tbody>
</table>

The table made by Asian Development Bank (ADB) is showing, in percent, the GDP-growth and the 5-year moving rate in China, the yellow area is a forecast. The table is showing that even though there is a global financial crisis, China is one of the world’s fastest and most growing economies. The annual growth is a bit lower than some years ago, but it is still strong (http://www.riksbank.se 2010-01-06).

### 3.1.1 Economic Reform

One of the reasons to China’s strong developing economy that has been growing for the last 30 years is because of the big national reform that started in 1978 with a new dual-track system. A very important happening for the new reform to be implemented was the trip Gu Mu, Vice-Premier, returned from after visiting five West European countries in 1978. He did not complain or comment the corruption of capitalist countries as officials used to do before. Instead he said that, for China, certain experiences of the capitalistic countries were worth learning. Accepting capitalism as a working economic idea was major to accomplish the reform (Guangyuan 2005:31).

The reform led to a more democratized goods and services market, but still with some regulations. The first markets to change were the transaction and production of many agricultural products. The new reform gave farmers right to sell their products on the free market after filling up the quotas that the state planners made. This was the beginning to open up the market in China. Later such arrangement was made in the industrial sector as well. This transformed the production system from being over 90 percents planned production in 1978 to 5 percents in 1994 (Gang et al. 1997:54).

The new dual-track system was first used in the price reform. Three different pricings were made during the transition: planned fixed prices, state guided prices, and market prices. The price reform started in two steps: by opening the free market allowed people who were willing to pay a higher price to purchase more goods and services on the market. But still, the state-rationed supply was unchanged at low fixed prices. To minimize the gap between the market clearing price and the official price, an adjustment was made. Using several price readjustments minimized the gap between the different prices as well as different
consumer subsidies. When the convergence of the two tracks took place, the difference between the official price and the planned was often negligible because of the planned transition from 1978 to 1992 so there was no price shock observed (Gang et al. 1997:54f.).

To manage the transformation of the Chinese economy the reform was introduced in one or two sectors at a time. The sectors with the largest problems were transformed last. Some sectors were changed rapidly in some years and some like the dual price system described above was changed gradually. China had no effort in transforming the economy with a shock therapy changing the whole system overnight (Gang et al. 1997:54).

3.1.2 Investments

Another important factor to China’s impressive economic growth is the manufactured exports. By adopting active industrial policies, China could push exports of increasingly higher skill and technology content. Another factor is that the Chinese government has privatized less of the state-owned companies and enterprises than in most developing countries, remaining in control of the economy (Todaro – Smith 2009:193).

The need of capital market liberalization to get foreign direct investment (FDI) is not necessary. China is the strongest example of that, because China is the largest recipient of FDI in the last couple of years, about $50 billion, even though China has not liberalized its capital markets. FDI wants a stable economic environment, and a liberalized capital market is associated with greater instability (Stiglitz 2003:13).

China’s neighboring countries, Hong-Kong, South Korea and Taiwan focused their economies into export-orientated industry when the world generally was in a phase of growing, China has made themselves interesting to foreign investors. A large wave of investment into China started in the 80’s. The eventual market of over 1 billion Chinese consumers is very attractive. China wanted investors to come, but the government wanted to have control over them. At first the market was limited; both by low income and government policies. Investors had the opportunity to develop in special economic zones on the southeast coast. The investors found that China offered a large and very cheap labor with very high skill and work habits in comparison to their income level (Todaro – Smith 2009:194).

This first period of investments lead to an activity to kick in. Investors kept coming and they were benefitting from each other. The worker’s wages was rising and the companies were allowed to set up production farther west. The poorer population from west migrated to the economic zones to work in the uprising industries. Hundreds of millions of poor farmers was given hope and expectations, which lead to restraining of the wages for an extended period (Todaro – Smith 2009:194).

The workers in China are having a high level of knowledge. The state improved and they invested money in education to remain a high level of
technical know-how. This is important for the companies investing in China, cheap labor with a good knowledge. This is also gaining the population, instead of using machines, like in South Korea that invested a lot of capital assets in factories and machine parks, the people in China are gaining wages. It is cheaper to upgrade humans by education than to replace a complete machine park. Also the government has negotiated license and business agreements helping China to gain favorable deals. Government made deals with potential investors who wanted to access China’s billion consumers by demanding and forcing them to sign partnerships with local Chinese business, transferring technology and other concessions in exchange for the right to sell their products to Chinese citizens (Todaro – Smith 2009:194f.)

Chinese government has maintained to stay in control of the investors. The consciousness that education is one of the major variables in developing, China has all the time been very eager to produce competent workers.

In 2001 China became a member of World Trade Organization (WTO). That gave China new opportunities to invest in other countries. The investments are not going one way anymore. China is developing a market outside its own borders. It is mainly state owned companies that are investing in resources like oil and gas to secure the availability of energy. The investments have gone from 3 billion USD in 2003 to over 16 billion USD in 2006. Investments mainly go to Hong Kong but a growing part of them are going to developing countries in Africa and neighbors in Asia (Larsson 2008-08-13).


3.2 Reduced Poverty

Larry Diamond is pointing at one particular spot in being able to build a democracy:

For the democratic prospect, one aspect of economic development overrides all others in importance: reducing level of absolute poverty and human deprivation (Diamond 1992:126).

In that case China should be the most democratic state in the world since China has reduced the poverty most dramatic in the world. The number of poor people has fallen from 53% in 1981 to 8% in 2001. In numbers, those are 400 million fewer inhabitants living in extreme poverty in China today than two decades ago, and that China got over 400 million new potential consumers. The Chinese reduction in poverty is greater and faster than anywhere else in the world (Todaro – Smith 2009:193). But still, over 200 million people live with under one dollar a day, and about half the population lives under two dollar a day (Ljunggren 2008:2).
United Nations Development Program (UNDP) has since 1990 annually published the Human Development Index (HDI). The index is a global definition of well-being. HDI looks beyond GDP which is a strict economic indicator. HDI provides three-dimensions of human development. The first dimension is living a long and healthy life, measured by life expectancy. Second dimension is an indicator of how educated the inhabitants are, measured by adult literacy and gross enrolment in education and third is about having a decent standard of living, measured by purchasing power parity (PPP) income (http://hdrstats.undp.org 2009-12-17).

When HDI is getting better in China the probability to democratize is higher. Lipset says that education may not be the sufficient condition in democratizing. He is saying that his data is showing that education is close to being necessary in the modern world and is using illiteracy as a factor for telling us that the countries that are more democratic have a lower level of illiteracy. Illiteracy is one of the threats to development. If the population cannot read and write, they are having much more problem in understanding and practicing the democratic idea (Lipset 1959:80). The illiteracy rate in China is 6.7 percent and China is at the 56th place out of 151 countries at the Human Development Report annually presented by UNDP (http://hdrstats.undp.org 2009-12-17).

Some critics to the index are that it is not taking any care of the countries human development. The index is not including important indicators such as gender or the income inequality. Respect for human rights and political freedom are also not included. But it is showing the human progress and the relationship between well-being and income (http://hdrstats.undp.org 2009-12-17).

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>HDI</td>
<td>0.553</td>
<td>0.556</td>
<td>0.608</td>
<td>0.657</td>
<td>0.719</td>
<td>0.756</td>
<td>0.763</td>
<td>0.772</td>
</tr>
</tbody>
</table>

To get the correct image of the index it is important to examine the changes over time. The HDI is giving a trend in which direction the country is going. In China between 1980 and 2007 the HDI rose annually by 1.37 percent from 0.533 to 0.772 today. Maximum of the scale is 1.0. China is placed 92nd out of 182 countries with data. Norway is number one having a HDI value of 0.971 (http://hdrstats.undp.org 2009-12-17).

3.3 Democratization or the Lack of Democratization

China is a Not Free country according to Freedom House. The political right score is 7, which Freedom House rates:

Countries with a rating of 7 have few or no political rights because of severe government oppression, sometimes in combination with civil war. They may also lack an authoritative and functioning central government and suffer from extreme violence or warlord rule that dominates political power (http://www.democracyweb.org 2010-01-02).
Since China is having a stable government and there are no civil war taking place this means that the governmental restrictions and control of the different areas that gives the population political right are very restricted. The same party has ruled China for the last 60 years without elections.

Freedom House gives China the civil liberties score 6, and the description to that are:

Countries with a rating of 6 have heavily restricted civil liberties. They strongly limit the rights of expression and association, and there are almost always political prisoners. They may allow a few civil liberties, such as some religious and social freedoms, some highly restricted private business activity, and relatively free private discussion (http://www.democracyweb.org 2010-01-02).

It is interesting that China has reached a GDP – Per Capita (PPP) level that is above 6 000 USD. That is connected to the probability if China will be democratized. Przeworski and Limongi published an article in World Politics, Modernization: Theories and Facts 1997. The article tells us how probable it is for dictatorships remaining. If the theory of democratization developing from economic growth is true, transition would be more likely when authoritarian states reaches higher levels of development. It is increasing but only until the level reaches 6 000 USD. Above that, dictatorships are becoming more stable as the countries become more affluent, they will survive as authoritarian states (Przeworski – Limongi 1997:159f.). Samuel P. Huntington presented the idea already in 1991, and it says that:

In poor countries democratization is unlikely; in rich countries it has already occurred. In between there is a political transition zone; countries in that particular economic stratum are most likely to transit to democracy and most countries that transit to democracy will be in that stratum. (Huntington 1991:60).

An answer to why China did not transit in this period could be the Tiananmen Square massacre in 1989 when the People’s Republic of China’s own army killed unarmed students and intellectuals who occupied the Tiananmen Square for several weeks, cheering for democracy. It was a shock for the population that their own army fired and killed unarmed civilians. The protests came up in a time when many communist governments fell, mainly in Eastern Europe. The numbers of killed and wounded are until today not known. But it has been estimated to a couple of hundreds dead and thousands of injured. The whole massacre showed the population that the government is not allowing demonstrations against them (http://news.bbc.co.uk 2010-01-06). This might be a reason why the demonstrations against the government have been calmer during the last two decades.

The conclusion that they present is that democracy is not a product of economic development. Democracy is or is not depending on political actors pursuing their goals, and that it can be initiated at any level of development.
Economy only plays a role when democracy already is established. But when it has become a democracy the chance of survival is greater in a wealthy country (Przeworski – Limongi 1997:177).

In 1999 Larry Diamond published his book Developing Democracy Toward Consolidation. Diamond presents a discussion that China will be a coming democracy, but he is skeptical that it will be democratized in the close future. Now, ten years later I can accept him being skeptic. He is thinking about a growing middle class in China, that they will be more educated and has a higher level of acceptance to democratic ideals and that it will lead to democracy. But he then thinks that China will remain as an authoritarian state with control over the civil society and the human rights (Diamond 1999:265).

Diamond has two different scenarios that can make the state to stagger. At first if there will be economic troubles and that it will undermine the stability of the Communist Party Rule (Diamond 1999:264f.). China has built up a system that the quotas for buyers and seller when they are filled, the goods are free for sale at market-determined prices. This has given the consumers a control over their assets which has led to a strong incentive for firms to have a high improved efficiency and increased output. This is a covering for the system so the export still is high and the market alive (Todaro – Smith 2009:195f.).

Diamond also presents the scenario that if China won’t democratize and continue to be an authoritarian state with a lack of human rights, the solution is that China should be separated from trade relations and that China has to develop human rights to continue with trade. But this could lead to a new cold war in Asia (Diamond 1999:271f.).

Diamond is keen to use a quote from his book Democracy in Developing Countries: Asia from 1989, were Sung-joo Han is writing that “democratization is the necessary ticket for membership in the club of advanced nations” (Han 1989:294) when he presents his idea of the importance between trade and democracy. Diamond give examples of political elites who democratized their nations because they saw no alternative, these are Greece, Spain and Portugal. They all had to democratize to become members of European Economic Community (EEC) that later transformed into the European Union (EU). Other big organizations that are using democratization as a factor are International Monetary Fund (IMF) and the World Bank (WB). They are important international creditors and do not lend money unless countries move their government toward democracy (Diamond 1991:15f.).

A trade embargo towards China, forcing them to be more democratic and give the people more human rights was an idea that could have worked. But since 2001 China is a member of WTO. The membership has given them better opportunities to carry on trade with other members of WTO. They also gain lucrative contracts with countries in continuing trade (Larsson 2008-08-13).

There are critics against the modernization theory that it can both support and undermine democracy, the idea of west ruling the world are not topical anymore. West are so dependent of Chinas production and export that west cannot ignore China. Further the modernization theory is not taking care of politics. It should be criticized for being too concerned of structures and assuming that people whether
class, groups or individuals are reduced to material or other conditions (Grugel 2002:49).

A way in remaining control of the people in China, and give them the impression of a government that do not accept corruption, which is a big problem, is a trial against over 600 persons accused for corruption, bribing and counterfeiting. It is both criminals as well as persons from the police force that are arrested (Petersson 2009-10-12). Another example that China has its population in an iron-grip is that the persons who started demonstrations and riots in the summer of 2009 now has been given their sentences. Six persons are facing death penalty and one is having lifetime imprisonment (TT 2009-10-12). It is ok to demonstrate as long as it is pro-government. The government is also use methods to frighten the population from opposing the government. One of China’s most famous pro-democratic writers Liu Xiaobo was imprisoned for over a year without a trial. Liu Xiaobo was detained for several months by the police before he was formally arrested. Liu Xiaobo has worked for democracy and against the Chinese one-party system since late 80s (http://www.hrw.org 2010-01-07). Liu Xiaobo was taken to court 25 December 2009 and got the sentence of 11 years in prison for being “incitement to subvert state power”. This is a vague and common accusation against members of the opposition (TT 2009-12-25).

3.4 Growing Middle Class

One of the most important factors to confirm the modernization theory is that the middle class are growing. When the wealth in the country rises, and the poverty is sinks, a middle class takes place. They receive better education and by that, they get knowledge of democracy and democratization. In China the education is controlled by the government, even though the illiteracy rate is low, they do learn what the government wants them to learn. Lipset and later on Diamond argued that a middle class has a stronger influence in the political society (Lipset 1959:83, Diamond 1999:265).

The middle class learned in 1989 that the government do not accept pro-democratic demonstrations when the Tiananmen Square massacre was a fact. That stopped the democratization process for the years that followed.

The opposition is regulated by the government. Freedom to assembly is not a freedom in China. The government has control over the organizations that try to come together. When the population tries to learn about democracy they are not allowed. The censoring of media and Internet is widely spread. It is a must to have approval from the state to have something published (http://www.freedomhouse.com [2] 2010-01-07).

The income gap in China is very big. The populations that are living in the urban areas are earning about four times the income the rural workers earn. An explanation is that more than half of the Chinese exports are generated by foreign owned companies. Since the state control where they are allowed to build up their
industry it gets concentrated to the cities and the economic zones. China has one of the world’s most askew distributions of income (Ljunggren 2008:1f.).

3.4.1 Media

China is placed at the unflattering position 168 out of 175 countries at the Press Freedom Index annually presented by Reporters Sans Frontières and China works as the world’s biggest prison for journalists, not only reporters even bloggers are imprisoned (http://www.rsf.org 2010-01-07).

The control of media are very strict in China. The Chinese government has always trusted less to mechanical or administrative censorship. They use fear to induce self-censorship in the population. They let the people look inside themselves to guess what the government might not like has, been printed in to the population. Everybody knows what subjects that are forbidden areas: the Tiananmen massacre, Falun Gong movement, Tibetan or Uyghur independence, corruption (Kurlantzick – Link 2009:16).

Freedom of the press remains extremely restricted, and the ones that are allowed to cover news are the state-run media outlets that report in a selective manner, and restrict other media to report. Media coverage of criticism of CPC top leaders and the repression of minorities are censored. Almost all publications need a state approval to be published (http://www.freedomhouse.org [2] 2010-01-07).

Freedom of movement for foreign journalists are regulated but during the Olympics in 2008 they were allowed greater freedom of movement, still they are not allowed to report about sensitive areas. Many foreign journalists are blocked, harassed and even assaulted when they work in China (http://www.freedomhouse.org [2] 2010-01-07).

3.4.2 Internet and Mobile Users

Internet is one of the factors that scholars use as a variable in the research of democratization. The main opinion is that the possibilities Internet gives to its users in contact, and getting information is a probable way to start a democratization process in states that are authoritarian. Internet is also a way for non-democratic states to spread their words and affect the users with propaganda. The government still believes that they are in control of Internet in China, and use Internet to improve both economic growth as well as Party control (Shie 2006:215ff.).

China was first connected to the World Wide Web in 1993, the Internet has grown. At first only 2 000 used Internet in 1993, the number has increased to over 221 million users in 2008 and China is today the country with most Internet users in the world (www.svt.se 2010-01-07).

China is the fastest growing IT and telecommunication market in the world. With only 17 percent of China’s total population, using Internet, of over 1.3
billion, the growth potential is extraordinary. Internet is useful because it is an opportunity to gain both wealth and education at the same time (Shie 2006:218).

China has over 400 million land-fixed telephone subscribers and over 500 million mobile phone users the total number of Chinese phone subscribers has reached more than 900 million. Information technology does attract needed foreign investors and technology (Ljunggren 2008:3).

Like the media in China there is a strict control of the citizens’ use of Internet made by the government. The government use different methods when they keep the control over the citizens. They have implemented so the infrastructure control the Internet, special rules and regulations regarded the Internet are introduced, they control the providers of Internet, flooding the Internet with approved sites. But the most important work is to block and censor Internet content, regulate public Internet outlets, and encourage self-censorship (Shie 2006:220f.).

With help from foreign companies the Chinese government has built up “The Great Firewall of China” to stop the potential openness Internet can give the population. Foreign companies help the government in creating a system where they can see what sites individuals do enter. Some of the politically sensitive Web sites that have been periodically blocked in China include those of the BBC, CNN, the New York Times and the Washington Post. Religious and ethnical minorities are also banned at the Chinese Internet, such as sites for the forbidden Falun Gong movement. The possible gold mine that the Chinese technical market presents makes the investors to follow the government’s regulations. The profits that are possible obstruct the openness and democratization. Foreign search engines as Google and AltaVista were blocked in September 2002 for several days without explanation and they are now using filter to the Internet traffic. Keyword searches on sensitive issues, the Tiananmen Square massacre is one, generally do not result with any hits (Shie 2006:224).

China has over 40 million different blogs and over 220 million Internet users. Even though there is a very big governmental control a civil society grows ‘online’, and they are discussing and take part of the democratic idea (Ljunggren 2008:3).
4 Conclusion

China as a case is very special, being the world’s most populated country, an economic growth for the last thirty years with an average of 9 percent, the same rulers in government since the revolution 1949, ruled by the Communist Party of China makes China a deviant case. Because of that, the result that I have come up to about China cannot be generalized to other cases. China is unique. But the results that I found about the modernization theory, the main correlations between economic development and democracy are applicable to other cases in the almost same position.

When I studied the different articles and literature that have been published in the subject about democratic development correlated with economic development I found out that it is not obvious with the connection. I believe that the economic growth in China is consolidating the authoritarian regime. When the Chinese government reformed the economic market they took control over the investments. At the same time they let the people have more individual control over their own spending. The reform also made the market more effective. The government earns money because the producers are producing as much as possible over the quotas to sell at the open market. This is making the economy developing and to remain active. China has become a capitalistic communist state. The government has liberalized the economic development but they do not accept foreign countries to influence the daily work of the government. They are still in control of the market. Diamond presents an alternative for authoritarian states to democratize, and that is that the largest affecting companies at the market are privatized. But China has maintained to keep these companies run by the state.

Przeworski’s and Limongi’s studies show that since the GDP – Per Capita now is higher than 6 000 USD China has stabilized the present government. The economy is growing, not only for the state; the whole Chinese population is gaining from the economic development in earning more money. When they gain more money the Chinese market with over a billion inhabitants consumes more, that gives the state even more money. China is still interesting for investors because of the low salary, high technical know-how and the amount of workers. The special economic zones in China work as a motivation for investors because of that. China made a decision that they should be invest in knowledge instead of factories and machines.

The growing middle class has better opportunity to access Internet, and that is a variable that I believe to be one of the most important if China ever will be democratized. But still the media and the Internet are much censored and the government has power over the media. This is connected to the part about education in the modernization theory. The population is allowed to read and use Internet, but only under the condition that the government presents. While the
people have a greater amount of education they are not having a wider perspective. The education is controlled by the government. When the population is supposed to be more critical to extreme parties they are still pro-communist. And as long as China can present an average economic growth of 9 percent annually people are pleased with the government.

The modernization theory does not work in this case because of the strong government. I do believe that in countries with weaker governments democratization can follow an economic development. But in China the government has kept and invested a lot of the earned money. The critic against Lipset’s work, by not comparing all different variables and not taking in concern that the economic development might follow the democratization process makes the modernization theory weak in this case. I do miss the causality in his research.

To connect with the ten different components that Diamond presents as factors to be a democratic state, China has problem in reaching the goals. There are no free judiciary, the state are in control of the media, there are no freedom of assembly, the high level of corruption make people different to the law, in the prisons torture is common, minorities are denied from practicing their own religions and culture. There are still a lot of works to be done in China before they can entitle themselves as a democracy.

Chinese government has separated the economy from interfering in politics, and they remain in control of the market. Investors, if they are interested in the Chinese market have to give the Chinese state something in exchange. They gain technological inventions and force companies to be partners with local Chinese companies.

The significance of politics is forgotten in the modernization theory. I believe that if a country can possibly be democratized, the importance of the government cannot be left aside. China has used the economic development to give an example that authoritarian states can remain stable even though, or maybe thanks to, the economic development.

The Chinese government use different criminal cases to make examples to show the population what they allow and not. Liu Xiaobo sentenced to 11 years imprisoned for being “incitement to subvert state power” and the people that now are sentenced to death penalty are clearly showing that the government does not accept initiatives against them. These long imprisonments works as a fear factor to maintain the self-censorship. People do not want to be arrested by the government.

In the modernization utopia, economic development leads to wealth and education, brings democratic values and thoughts are a utopia in the case of China. The education is controlled by the state, and the money that the government is earning gives them more control over the population. The censor of media, Internet and religion make it easier for the government to keep the control. The one who gains from the economic development is the government.

I don’t think that China will democratize in many years, especially when China is accepted in their way of acting toward their people. The dependency from the rest of the world is too big.
5 References


