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Workers' Democracy vs. Privatization in China

Stephen Phillion

This article focuses on the role of 'workers' democracy' in state-owned enterprises (SOE) and workers' resistance to privatization in China today. The concept of workers' democracy has its roots in the first 40 years of labor relations under Chinese state socialism (Brugger 1976; Cliver 2005; Taylor et al. 2003), and no less so in the post-Mao period (Chen 1995; Zhang 2001). But what is its significance to Chinese state workers today? Does it enhance the development of state workers' organizational capacities? Or does it just reinforce the neoliberal policies pursued by the Chinese Communist Party (CCP)? Interviews with SOE workers' protest leaders suggest the limits of the possible when Chinese state workers reengage the concept of workers' democracy through their Workers' Representative Congresses as part of their resistance to privatization.¹

China's neoliberal turn and state enterprise workers' protests

From the early 1990s, the CCP committed itself to a neoliberal development strategy. This showed itself in a string of important policy statements declaring that the SOE sector was overburdened with social welfare obligations to workers, pensioners, and their families (Lau 1999; 1999a). The Party-State declared it could no longer afford such social debts if the Chinese economy were to develop competitively in world markets. In absolute numbers, the majority of SOEs (i.e., small and medium sized ones) would be 'let go' and left to sink or swim in private markets after the state allowed them 'autonomy.'

For the emerging class of Chinese private investors, the state's 'letting go' of small- and medium-sized SOEs was highly desirable, since it opened up more markets to competitively conquer. And from the vantage of enterprise directors and Party cadres in these firms,

1. On my experience of collecting data on Chinese workers' protests, see Phillion (2005).

the opportunities for becoming rich quickly by selling off run-down enterprise infrastructure and land to the highest speculative bidders were often irresistible (He 2000). However, for one group the consequences were very painful, namely the millions of workers in small- and medium-sized enterprises, especially those over 30. This group lost access to the social welfare provisions they had once been promised for a lifetime. Constituting a large proportion of China's working class and, more critically, shaped by the socialist ideologies that defined state workers' identities under Maoism, this section of China's working class was poised to respond with a militancy that private-sector workers rarely if ever approached. And this group contributed significantly to putting the Chinese working class at the global forefront of labor protest activity at the start of the new millennium.

In late 2000, at some 40 or more SOEs in Henan's provincial capital city of Zhengzhou, tens of thousands of Chinese workers were faced with a similar predicament: privatization on a scale evoking 'primitive accumulation.' Small- and medium-sized SOEs were run down in value through the idling or selling off of machinery and vital factory infrastructure, which invariably made it next to impossible for companies to resolve debt burdens. Those burdens became heavier throughout the 1990s with new central party policies that tied state-funded loans to enterprises' capacity to turn a profit. Tens of thousands of workers were laid off in Zhengzhou and left to fend with meager or non-existent unemployment insurance. The resentment of these state workers only grew as their situation worsened. In almost every instance, workers agreed to let 'private' companies take over their SOEs on the condition that investment in production save their jobs. Instead, these new capitalists went back on every promise made to reinvest in the companies' production, jobs, wages, and the like (Chen 2003).

The privatization mania that hit Zhengzhou in the mid to late 1990s was not a new or unique phenomenon. It was happening throughout the province of Henan and with great frequency throughout China's industrial rustbelt regions. However, one reaction stood out: the Zhengzhou Paper Factory – where workers occupied their factory and demanded something that few state-sector workers put forth when confronting neoliberal-induced disaster: the right to take direct control of their factory and administer it *democratically*. Such goals went well beyond the calls for outstanding severance and pensions from industry ministries emphasized by authors like Lee (1999) and Blecher (2005a). As a result, workers, labor activists, and intellectuals in China and abroad paid careful and excited attention to the

Zhengzhou Paper Factory, waiting to see if Chinese state workers could practice workers' democracy as an alternative to surrendering to privatization.

Workers leaders at Zhengzhou Paper believed that they were more organized than workers in other factories for a number of reasons. For one, it was a factory whose workers prided themselves on its reputation both in Henan and across China. While they faced similar conditions in terms of enterprise corruption and infrastructure corrosion, workers' leaders at Zhengzhou Paper also felt quite certain that they could, under the right conditions, restore productivity—given the enterprise's history. They also had less faith than workers elsewhere in Party cadres' willingness to resolve their issues. Workers' leaders at other factories typically held onto the hope that this or that connected cadre in Beijing would redress their local grievances.² Henan historically was a site of volatile campaigns by the 'Rebel Faction' during the Cultural Revolution. Zhengzhou Paper factory leaders received considerable advice from former 'rebels' as they strategized their protests and demands. It is evident that, at least during the critical period of factory occupation, such advice was taken seriously.³

Workers' democracy as concept and practice in China

By workers' democracy I refer to a set of concepts or practices in China that include, among others, 'democratic management,' 'elections of managers and factory directors,' 'open review of accounts by workers,' and even 'direct production control by workers.' The main institution through which this concept was promoted and (imperfectly) practiced was the 'Workers Representative Congresses' (WRCs) which, theoretically, were worker-elected committees that could challenge and even reject managers' and factory directors' production plans in state-owned enterprises. Workers' democracy, as a concept, was not unique to Chinese state-socialism. Efforts in the direction of workers' democracy had also been important in other socialist revolutionary struggles and in trying to address the contradictions of state-socialist production (Gramsci 2000; Sirianni 1982). In the Chinese case, the idea of workers' democracy provided a terrain for battles over the relations of

2. This is information that was garnered from workers' leaders at six factories in Zhengzhou.

3. I suggest elsewhere (and below) that such 'consultations' also had a role in the inability of Zhengzhou Paper leaders to actualize their more militant goals. See Stephen Phillion and Chi Hua, "A Response to Robert Weil's 'Conditions of the Working Classes in China'" at www.zmag.org/content/showarticle.cfm?SectionID=103&itemID=12366.

production under socialism from the earliest moments of the Maoist period beginning in the late 1940s. Cliver, in a carefully researched paper on the evolution of 'democratic management' (*minzhu guanli*) in Chinese state socialism (2003: 4), notes that "democratic management has repeatedly been resurrected as an essential element in everything from the Great Leap Forward to the ongoing reform of state-owned enterprises."

Distinctly non-capitalist understandings of the SOE's role in Chinese society, as a social institution responsible for maintaining job security, shaped how workers' democracy was implemented in the Maoist period. In SOEs that are vulnerable to or have undergone privatization, non-capitalist understandings of workers' democracy continue to influence Chinese workers' resistance to such conversion. This is the case despite considerable effort by the CCP, from 1978 onward, to develop a *revised* version of workers' democracy as an ideological justification for privatization-oriented policies.

The CCP's use of workers' democracy to promote market restructuring in the 1980s

Beginning in the 1980s, components of the Chinese concept of workers' democracy, such as 'democratic management' and the workers' representative congress (WRC), were deployed by Party officials (including trade union cadres) and factory administrators. In the 1980s, this meant strengthening of the role of the WRCs in the SOE:

The WRC (dismantled during the Cultural Revolution) was restored by the central government in the 1980s, when SOE managers were growing in power in many aspects and the Party organs' status and power was in decline. . . . While reaffirming the leading status of the Party organ, the government hoped the WRCs would serve as a restraining mechanism against management domination over SOEs. . . . In September 1986, the State Council issued the 'Regulations on WRCs in SOEs,' in which it states the WRCs are the basic organs for the practice of democratic management, and are for workers to exercise their rights to democratic management. (Taylor, Chang & Li 2003: 139)

Ideally the WRCs would be worker elected and would both enable review of production policies and recommend candidates for factory directorship. However, although they brought about the removal of many unpopular factory directors in the 1980s, there was little in the way of vigorous worker control or even active involvement in the WRC. In fact, an institution such as the Party-controlled union saw the WRC mainly as a vehicle to bolster its own role in finding consensus

between managers and workers. Factory directors also had a hand in controlling the WRC, since they were responsible for funding of the enterprise union staff and social welfare budgets (Zhang 2001: 94). Furthermore,

The provisions appear to give wide-ranging powers to workers ... showing the government's purpose of restraining management power. ... [However,] the WRCs were revived in an environment in which the managers had been granted more autonomy, and implementation depended on the managers' active support. ... [G]iven the close alignment between senior managers and local Party cadres in increasing the economic performance of the public sector, and particularly SOEs, the political empowerment of workers was largely ignored in the process of implementation. (Taylor, Chang & Li 2003: 140)

The WRC helped the Party accomplish purges of factory-level party secretaries who did not support Deng's market-oriented policies. However, it also provided workers with a mechanism to gain concessions from factory administrators in the 1980s and was, by most accounts, still popular with SOE workers. It was *not* associated with a policy of abandoning the SOE; in fact, the SOEs grew stronger during the 1980s in terms of government support to rationalize the declining position of China's state sector workers.

Nonetheless, the contradictions between concepts such as workers' democracy and China's market-oriented restructuring were already apparent two years before Tiananmen. As Wilson (1987) pointed out,

Since coming to power in 1978 ... Deng ... has instituted ... measures, including wage rises and the reinstatement of piecework and bonuses, designed to counter the falling wages inherited from the Maoist era and to improve workers' standard of living. At the same time the economic reform movement poses a threat to certain institutionalized expectations held by Chinese workers about the nature of the relationship between workers and the state. ... The considerable challenge ... is to convince the majority of workers that the sacrifices demanded by the reforms will be exceeded by increased material benefits ... in the long run. (317-319)

The 1990s: workers' democracy as an ideology of privatization

In the 1980s, then, workers' democracy, with the aid of the WRC, seemed to commit the Party to SOE productivity and investment through market-based restructuring and workers' (minor) participation in SOE production decisions. The WRC seemed to reinforce the sustained role of the SOE in the Chinese economy. Some saw the surge to privatize in the 1990s, which only further accelerated

managerial 'rights,' as a threat to the viability of worker-democracy oriented reforms such as the WRC. For example, Chen (1995) argued:

[T]he WRC as an organ of power tended to decay as China's industrial enterprises accelerated their pace toward capitalist style management since the late 1980s. In many places, the director was authorized to hold supreme power to handle relationships between the state and enterprises and to deal with the increasingly complex economic environment. It is ironic indeed that, as manifested in the management structure of China's foreign funded enterprises in recent years, the development of capitalism not only undermines the foundation of Party dictatorship but also make workplace democracy suffer. (399)

One might have reasonably expected, then, that the push toward privatization in the 1990s would have even further attenuated Party support for workers' democracy. In fact, in the 1990s, workers democracy was even further promoted by the Party as a means to bolster both privatization and workers' empowerment. As such, the concept expanded beyond merely the WRC and came to embrace concepts such as 'transparency,' 'open books and accounts,' 'factory director elections,' and, in a decisively anti-bureaucratic thrust, 'autonomy' and 'direct worker takeover of factories and production.'

Although the Party's letting go of fiscal obligations to SOEs was very unpopular with SOE workers, in the 1990s workers' democracy became one important idea that the Party-State employed to ideologically rationalize this policy. Privatization accompanied by workers' democracy was pushed as one of a number of cures for a problem that Chinese enterprises did not have in the 1980s, namely, unbearably great amounts of debt. And it was, ostensibly, a cure for the problem of unemployment that workers in bankrupt state companies faced as a result.

Henan is one province that saw the privatization thrust of the 1990s implemented quite widely because of its large number of small- and medium-sized SOEs. While the policy did not immediately spell disaster for most companies, by the mid and late 1990s, especially in the aftermath of the Asian financial crisis of 1998–1999, many workers in small- and medium-sized SOEs in Henan were experiencing considerable pain that was new to their lives as 'masters of the factory.'⁴ For example, a report from the Anyang

4. On the impact of privatization on the state economy, see Raymond Lau's (2001) article on the economic consequences of the Asian financial crisis. On the limits of the 'capitalist' booms of the early and mid-1990s, see Cooper Ramo (1998) and Smith (1993; 1997).

City Provincial Organizing Committee in 1997 declares that early on in the enterprise restructuring process, many enterprise administrators in Anyang could not make the necessary adjustments to fierce competition under market conditions:⁵

[As a result] . . . state assets have disappeared, enterprise debts hit new heights, losses more serious than ever, and workers unpaid for long periods. Workers reacted with intense dissatisfaction and collectively demonstrated and petitioned the government for redress, in many instances demanding the recall of their enterprise administrative leaders. These factors attracted a high level of attention from the city council and government . . . Committees studied the relevant laws, and researched how, under conditions of socialist markets, democratic management could be carried out in order to improve the caliber of enterprise leaders, improve leaders' output, and fundamentally stabilize enterprise productivity and the workforce.⁶

The report then goes on to state that the city government departments and committees were united in their understanding of the role that democratic selection of enterprise administrators would play in restructuring and revitalizing failing companies. SOE debt is the catalyst of factory inefficiency, which is blamed on managers who don't appreciate the vital function of democratic management in Anyang. The principles underlying the initiative are noteworthy, namely 'transparency,' 'autonomy,' 'competition,' and 'selecting excellence.' These phrases combine concepts of workers' democracy with the incorporation of Western capitalist market precepts and forms of labor coercion, notably prominent in the 1990s excitement about globalization and lean production (Zhao & Nichols 1996).

In the 1990s, easily hundreds of reports of workers were written up in official Party-controlled trade union media organs (including the *Workers Daily*), which were filled with parallel 'success stories' for model 'democratically managed' state enterprises featuring a common thread. In this official discourse, various forms of workers' democracy were tied in with the project of privatization, whereby greater autonomy from the state enables workers to choose their own managers and they are able, through their own autonomous efforts, to save their companies from bankruptcy. Implicitly this would also

5. Anyang is a city in Henan Province, about 4 hours outside Beijing by train.

6. I cite this report and others from Henan Province because 1) below I discuss cases where workers resisted privatization in Zhengzhou (Henan's capital city) and how they used the concept of workers' democracy to do so, and 2) in my research on what I call a 'discourse' of workers' democracy (Phillion 2004), which highlighted the cases discussed below, I found the Henan report's language to be repeated throughout similar reports from official cadre media organs in other parts of China.

increase worker satisfaction with their new role of wage-workers in enterprises organized along the lines of capitalist competition. And, critically, where efforts to improve productivity failed, they were the outcome of bad (and democratically made!) decisions on the part of workers. In other words, where it frequently occurred in 1990s China, promoting workers' democracy appeared well designed to ensure that responsibility for bankruptcy and the need to privatize to 'save' the SOE could be shifted from the state onto the workers since the state was no longer a party to or expected to finance failed SOEs.

Fraudulent privatizations in Zhengzhou

Although the concept of workers' democracy was expanded and promoted in the 1990s as part of a neoliberal shift that imposed privatization on China's state-sector workers, those workers often had their own ideas about its significance as they *resisted* privatization. In 2000, 2001, and 2005, in Zhengzhou, I interviewed 10 workers' protest leaders and outside supporters on the goals and strategies they pursued when challenging privatization. In this section, patterns in the Zhengzhou cases are delineated. Then one specific case, the Zhengzhou Paper Factory, is analyzed as a case that stands out because workers' leaders fought through their reorganized WRC to demand the right to both factory property rights and workers' democratic control of production. How this fight played out bears special significance for future fights in state enterprises against privatization in China.

Workers' leaders explained that Zhengzhou's state workers and their representatives did not mobilize collective forms of resistance until the late 1990s. However, starting from the *early* 1990s, state workers in at least 40 enterprises in Henan's capital city Zhengzhou faced a predicament. Debt accumulated persistently as managers and directors transparently fell over themselves in the rush to run down the value of factories, in order to sell them off to 'private companies' that were slapped together by factory and government leaders.

In each instance, workers were laid off in large numbers or reduced to very menial jobs with little in the way of wages or social security benefits. The Central Party's national policy encouraged provincial and city-level government ministries to let go of their financial obligations to small- and medium-sized SOEs. In turn, desperate WRCs at these factories enthusiastically received proposals in the mid to late 1990s from 'private' 'companies' to merge with and/or invest in these SOEs as partners in a converted

shareholding company (*gufenzhi*).⁷ In the event of problems with the new partners, the WRC retained the power, on paper at least, to veto production plans and monitor the new enterprise boards that were formed as part of corporate stock conversion arrangements with these 'private' 'companies.'

Even though at least 40 factories in Zhengzhou deteriorated from the early 1990s and experienced shutdowns and mass layoffs, there was little in the way of collective organization to defend workers' interests. Typically, in cases of fraudulent privatization, WRCs could not do much more than secure an agreement with an ostensibly solid private company that appeared ready to save the day.

Only after about a year or two of layoffs and lost production did any mobilization of workers in these three cases take place. Workers formed committees, sometimes with no tie to their WRCs, which demanded that the government ministries help compel the 'private partners' to invest in production and uphold other elements of their conversion contracts. Suffice it to say these met with little in the way of substantive changes, aside from occasional 'government working committees' that drew independently formed workers' committees into bureaucratic talks and negotiations that promised to address the conflict. Resolutions found were short-term payments to workers that met subsistence needs for a month or two, but which did not challenge the right to enterprise property enjoyed by the phantom 'corporate' boards that ran countless companies into the ground across the Zhengzhou municipality.

Even though the situation of workers in these factories grew increasingly desperate, the level of militancy was generally low, and demands rarely went beyond economic ones:

During the 1980s [workers] were taken care of, which was their main concern. As long as things went well, they just left management matters to representatives and authorities. They had little real motivation to become more involved in the affairs of managing the company. So really the WRC was not that active in representing workers' interests as much as helping out cadres with management-related issues. Therefore, it was not until very late that workers realized that relying on the company leaders was not a viable option, even though the leaders had already abused them for years through layoffs and corruption.⁸

7. 'Private companies' is put in quotes because in actuality these so-called 'companies' were phantom entities slapped together by corrupt government cadres and factory administrators. They had no history of production of anything aside from certificates that declared said 'companies' to exist as 'private enterprises.'

8. Interview with *Zhengzhou Paper* leader He, Zhengzhou, September 2000.

At critical junctures, workers saw their situation not only as urgent but gravely threatening their very identities as state workers. Not only did corrupt factory leaders and outside 'companies' lay waste to the factory infrastructure; eventually, workers caught wind of their plans to sell off the factory land to speculators in high-rise condominiums or malls. Soto (2000) argues that land in developing countries is a possession that rural producers often cling to, in order to fight for what are regarded as still relevant communal obligations. In the case of urban Chinese workers in Zhengzhou, the land their factories occupied had an especially charged value, since it was the last remaining possession that materially sustained their claim to social protections as state-sector workers. For state workers, in Zhengzhou and in many similar cases around China, land commodification equated to the disintegration of their very social identity under state socialism. Additionally, as Ching Kwan Lee (2000) found in her case studies of unemployed workers' protests in northeastern China's rustbelt, Zhengzhou workers and their leaders drew on nostalgic memories of a past era of state socialism that appeared time and again in their narratives of injustices against SOE workers. They also drew on a changing *liberal* notion of 'rights' in the legal sphere. However, in the Zhengzhou case, state workers often used liberal legal concepts to fight for what they perceived as *socialist* obligations to state enterprise workers in crisis (Lee 2007). To varying degrees, workers in Zhengzhou claimed that corrupt outside interests had illegally privatized their enterprises and disregarded basic principles of workers' democracy encoded years earlier in corporate stockholding conversion agreements.

The hopes and failures of workers' democracy: Zhengzhou paper factory workers' challenge to privatization

Prominent China labor scholars such as Lee (1998; 1999; 2007) and Blecher (2003;2005a) have cast doubt on the capacity of state workers to provide the basis for significant challenges to the logic of neoliberal development in China. The history of workers' democracy in 1980s and 1990s China recounted here might seem to suggest only more of the same. In most of the roughly 40 Zhengzhou cases where workers faced fraudulent privatizations, their battles were instigated through a WRC. However, these battles, even when violent, generally ended with settlements negotiated around claims for severance and pensions. Payments were usually minimal and symbolic at best.

The workers' battle at Zhengzhou Paper, a factory established in 1958 that employed over 1,000 workers at its height in the early

1990s, stood out against the trend. At Zhengzhou Paper, a very high level of grassroots reorganization of the WRC took place when its crisis struck. The workers' approach to their struggle indicated a willingness not only to battle for economic settlements with the government, but to fight for a more radical vision of workers' democracy. This example could serve as a model for other nearby and similar worker-led struggles for retrieval of SOE factory property.

The crisis at Zhengzhou Paper began in 1995 when the factory, because of debt and the existence of one workshop that violated environmental regulations, was ordered to temporarily halt production. By the end of 1997, the factory had endured almost three years of plant closure, except for three workshops that were rented out to private businesses. Over 80% of the original workforce was out of work. When workers' representatives received word that there were several companies willing to merge with Zhengzhou Paper, they expressed enthusiastic interest in any company that could save their SOE. On November 26, 1997, the WRC held a special meeting to meet with four merger candidates. Of the four, Fenhua Inc. attracted the WRC members' interest and unanimous approval as merger partner. Fenhua's leaders made a merger offer that promised to revive production and restore all employment positions, back pay, and pension obligations. In a nutshell, Zhengzhou Paper workers proceeded to await the implementation of the merger agreement, which, after eight months of waiting, was finally approved by the Light Industry Ministry, officially transferring registration of Zhengzhou Paper assets to Fenhua Inc., making Zhengzhou Paper now one of Fenhua's subsidiary companies.

In May of 2000 Fenhua, after many months of denying workers subsistence payments, retirement pensions, and health insurance contributions, insisted that the only hope for workers to receive what was owed them in back payments and wages was to accept the selling of the land on which Zhengzhou Paper was situated. By June the stakes were clear in the eyes of the WRC and rank and file. There was little reason to believe Fenhua's claim that selling off the land would result in the workers retrieving lost payments or the revival of profit-making productive activities. Indeed, it was transparent that Fenhua's intention was to bankrupt the factory, thereby legitimizing the death of Zhengzhou Paper as a SOE unit altogether, and profiting from the sale of the land to real estate developers. The WRC and rank and file had already, by this point, petitioned government ministry officials in small and large groups over 30 times since the merger, with no change in the situation.

On June 7, the WRC held a mass meeting and declared its intention to occupy the factory until the city forced Fenhua to return ownership of the Zhengzhou Paper back to the WRC. From this date until August 8, Zhengzhou Paper workers kicked Fenhua representatives out of the factory and collected rent payments from the one workshop that was still in production.

The occupation lasted a little over two months. When workers' leaders approached the Working Committee formed by the city government to seek a resolution to the standoff, they were told that the committee was unable to resolve the workers' problem, that their action was illegal, and that in any event they were just taking orders from superiors. On August 7, two workers' leaders were detained and subsequently arrested by the police. On August 8, a force of some 500 police officers was amassed at the factory gates, forming a human wall that led to the factory, dispersing those inside and surrounding the factory, thus enabling Fenhua representatives to retrieve locked files and damaging documentary evidence of wrongdoing since the merger. Thereafter, some 40 workers were detained and questioned. In September, the Working Committee ordered the Zhengzhou Paper workers to hold new elections to their WRC. The workers reelected the two worker leaders who were in jail at the time. The WRC continued to put out resolutions calling for the immediate release of the two leaders and for ownership of the factory to be turned over to the WRC. By March of 2001 the city agreed to turn over ownership rights to the WRC, nullifying Fenhua's relationship with Zhengzhou Paper.

On the one hand, Zhengzhou Paper workers saw the battle to recover factory land and assets as part of the struggle for the alternative of workers' democracy that would resolve the conflicts arising from privatization. This is significant, insofar as it indicates that within the state sector of the Chinese working class, economic concepts are not all that inform protests against privatization. The more radical vision extended beyond Zhengzhou Paper. A workers' leader fighting the privatization of the Yibiao Air Conditioner Factory declared to a fellow worker leader during an exchange on strategy:

Goddamnit! This is what it all comes down to; what we are doing *now* is what we should have been doing years ago, organizing a real WRC that is actively involved in factory matters, the whole factory. This we must do better in the future, our lives, our jobs hinge on our abilities to do so.⁹

9. Interview with worker leader #2, Air Conditioner Factory, Zhengzhou, September 2000.

However, the ideals of workers' leaders who led battles against privatization in Zhengzhou rarely developed to the point of formulating a plan for democratically administering production. To the contrary, workers' leaders at Zhengzhou Paper seemed to view both the ideal and the concrete practice of workers' democracy as part of their struggle against privatization. During interviews workers' leaders laid out ideas on how they could do more than struggle to secure severance or pension payments; they could also help assure employment by managing whatever future production took place. In other words, neither subordination to state ministries nor submission to capitalist markets need be the outcome of their battle, so long as principles of workers' democracy – through collective ownership and control – were the foundation of future enterprise activity. An interview with a WRC leader of the 2000–2002 battle for repossession of factory property rights underlined the importance of reinvigorating production with worker democracy as the alternative to corruption:

We know that the only way we can remain strong is to keep our WRC independent *and* responsible to the workers. We only have power if they are active in the decision making in the future. That is what we have that those who want to take away our factory don't enjoy. If we don't keep that as our fundamental means for fighting for our rights, we will have nothing. That means this factory is truly the workers' factory and what they decide is what goes.¹⁰

This belief in the WRC's role as both an *independent* organization *and* one that would actively enable workers was, according to workers' leaders, a means to preserve socialist values against market-dominant ones. That such thinking could be found in the Zhengzhou Paper case indicates that Blecher's (2005a) and Lee's (2007) skepticism as to the consciousness of this sector of the working class might require some rethinking.¹¹ Nevertheless, the workers encountered a serious *structural* barrier to their strategy, namely, assumption of the enterprise debt that years of factory managerial and municipal corruption engendered. In a nutshell, the lack of state support put Zhengzhou Paper

10. Interview with Workers' Leader Lin, Zhengzhou Paper, November 2000.

11. For the sake of clarity, I am not trying to argue that there is no reason for such skepticism. Blecher and Lee both make strong and documented arguments for their estimation of workers' class consciousness in China. Indeed, in the remainder of this article concerns about the limits of the Zhengzhou case are laid out. However, I also believe that there remain possibilities for strategizing how to realize the hope of a more radical (if idealistic) version of workers' democracy as a means to fight privatization in China's private sector. This would require more research in the future. For general remarks on the state of Chinese working-class consciousness, see Blecher (2005b).

workers' leaders in a position of not knowing where to find the capital necessary to invest in production in order to provide state enterprise workers with social and job security.¹² This pushed some leaders¹³ in the direction of consigning their futures to restructuring along lines of corporate shareholding once rights to factory assets and land were restored to the WRCs:

We'd like to convert the company to a shareholding form to receive financing for the enterprise once we've revived production. Of course we would like to secure funding from the state, but we recognize that there is no way we will be a candidate for that given our size and past history of debt. Our main obstacle right now is that we can't claim the factory as ours, therefore little progress can be made in protecting the workers' rights to subsist.¹⁴

Unfortunately, the idea of seeking private stock purchasers as a means to save the factory contributed to undermining the WRC that had led the struggle for repossession of the factory for almost five years after the 2000 factory takeover. Because the debt problem would not be forgiven by the government banks, WRC leaders' confidence in their original plans for direct worker ownership and control diminished with every passing day. 'Realism' began to set in, as did the tendency to engage in factional blame games within the WRC. A marked turn away from their earlier ideals was revealed in the frenzied attempt by WRC representatives to find outside private investors to resolve their debt problems, in lieu of relying on workers' collective shareholding and investment as a means kick-start production at the factory.¹⁵ Interviews conducted in August 2005 reveal that a labor activist from Beijing frequently met with the Zhengzhou Paper WRC in 2002 to persuade them to stick to their plan to rely on worker control

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12. Similarities with Russian cases of SOEs studied by Simon Clarke (1993; 1996) that have 'converted' to 'capitalist' markets only to face the quandary of lacking capital and needing to resort, therefore, to non-capitalist means to survive are striking. The Catch 22 that the factory debt put workers' leaders in is summed up very well in an article in *Guangdong News*, "Zhengzhou Zaozhichang Daipojuede Gaizhi Nanti" (Restructuring the Zhengzhou Paper Factory: An Unresolved Saga), www.southcn.com/weekend/economic/200410280022.htm.
 13. Indeed, the leader quoted above was one of the more militant of the leaders interviewed in Zhengzhou. It should be noted that, as Sharyn Kasmir (1996) argues quite persuasively about the Mondragon Cooperative example, democratic management models can quite effectively be hooked up to lean-production-oriented 'team management' strategies by capital to *subvert* the potential of actual worker self-organization.
 14. November 2000 interview with Zhengzhou Paper WRC chair.
 15. By this point (2002), the economic situation of the remaining workers available to 'invest' in their factory, equally or not, made such a plan barely an option.

of the factory through equal ownership of stock and democratic management:

This is what was most frustrating because this inclination to look to private investors for investments in the factory after the WRC retained its property rights to the factory is what undermined their solidarity. Many regarded the WRC's internal battles as a result of personality clashes. That certainly had something to do with it. But there was more to it than met the eye. Instead of turning to the workers to debate and decide on different options, they took it upon themselves to find outside sources of capital and invariably that led to WRC representatives identifying with the goal of bringing in private investors instead of strengthening their bond with workers. While I advocated strongly for making the issues known to the workers and letting them debate what route to go, in the end the representatives went each their own way frantically trying to win outsiders' interest in the factory and not involving workers in that process. This is what really led to the failure of the WRC to carry through their original plan to implement worker control of the factory after taking it back from the fraudulent 'private capitalists' who stole it from them.¹⁶

There was one other factor that added to the detour from the WRC's road to worker-controlled production after the battle to win back factory property rights was won, namely the politicized orientation of older local¹⁷ cultural revolutionaries who were interested in establishing a relationship with the various SOE workers' leaders who organized collective actions against fraudulent privatization in Zhengzhou from 1999 onward. However, their involvement, although most welcome from workers seeking outside support, added to the difficulties in developing the conditions needed to promote campaigns for worker controlled factories:

Activist Lai: These older supporters who were activists in the Cultural Revolution have sought to rebuild a type of militant political atmosphere that they lived through 40 years ago. That's all well and good, but by not prioritizing what the workers' movement needed in Zhengzhou to grow through the establishment of real models of actual worker-controlled alternatives to privatization, they caused harm to the workers' leaders.

Question: How so?

Activist Lai: Their interests were in building their own social movement, primarily by encouraging workers' leaders to join their Mao Anniversary Movement.¹⁸ There's no better gift to the police than to politicize the workers'

16. August 2005 interview with activist Lai, Beijing.

17. By 'local' I refer to those from Zhengzhou and nearby cities within a radius of about 40 miles.

18. This refers to activities in Zhengzhou every September 9 to commemorate Mao on his birthday by marching to one of the few remaining statues of him and handing

movement in this fashion; it gives them the perfect excuse to round up workers' leaders. At a time when leaders are needed to develop the base of the workers' movement, their potential is wasted in jail *and* the general public comes to associate the workers' protests with taboo political causes, which they naturally fear.¹⁹

The outcome of the struggle at Zhengzhou Paper had special importance for other SOE WRCs in Zhengzhou, insofar as it had the greatest potential to create an alternative to the general (nationwide) paradigm of workers' overall defeat or resigned acceptance of future privatization. The WRC is and remains a potential mechanism which, if organized independently of enterprise administrators or the Party, can be employed by Chinese workers to defend their interests (Unger & Chan 2004; Chen 2005). However, it meets a definite limit unless it implements a more thoroughgoing practice of workers' democracy, diverging from official ideology. In cases where WRCs are saddled with old debts *and* ever more competitive conditions for loan procurement, the possibility of defending the interests of Chinese SOE workers by unequal stockholding arrangements remains minimal at best.

Conclusion

To date, in no cases have workers' representatives in Zhengzhou found a way to overcome the debt problem such that their claim to the factory's assets might encompass a plan to renew production under their democratic control. While openings to world markets have, ironically, made possible the worker-led initiatives toward this end in China, capital in the same breath imposes itself as a very real barrier to the development of such goals. Further, as we have just noted, ideological limits on the part of the workers' leaders themselves have prevented the creation of viable alternatives to privatization. There are precedents historically, as recent as those in Argentina, of workers recovering state assets from corrupt or absentee owners, and reinvesting in worker-controlled production (see Ranis 2005). Such a step could also, under the right conditions, inspire a political movement in China against globalization projects that disregard workers' basic need for job security (Tabb 1999).

The state sector is still dominant in the Chinese economy, and the notion of job security as an ideological value is not likely to disappear

out leaflets criticizing the Party for departing from his policies and becoming corrupted by capitalism.

19. *Ibid.*

any time soon (Hassard et al. 2002; Lo 1999; 2002). Whether or not Chinese state workers' leaders and their supporters can build strategically on these conditions will determine the viability of workers' democracy as an instrument for resisting the coercive restoration of capitalism.

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