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The Cultural Basis of Workers’ Collective Action in a Transitional State-Owned Enterprise During a Time of Transition

Abstract: In this study the author provides an account of collective action by workers at a state-owned enterprise, based on data collected from fieldwork. The article explores the sociocultural significance of the slogan, “Protecting the factory, our home,” used by the actors in the incident. The article employs the concept of “moral economy” to explain the occurrence of collective action by workers in the former state-owned enterprises (SOEs) from a cultural perspective.

Beginning in 1995, and particularly after the Chinese Communist Party’s Fifteenth Party Congress, a decision was made to carry out thorough restructuring of the SOEs. This was accomplished through bankruptcy, liquidation, selling off, mergers, and conversion to stock companies, and pushing many small and medium-sized enterprises toward the market. This caused a reduction in state-enterprise employees from 112,610,000 at the end of 1995 to

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76,400,000 at the end of 2001,¹ a decline of 36,210,000, almost one-third of the original number. A number of research projects also show that, while the SOE reform was under way, the status of the working class declined, the workers bore the main cost of the SOE reform, and in terms both of ideology and discourse, the “leadership class” sank to a position in society that was second from the bottom.²

How did the workers respond in the face of a substantial reduction in numbers and a loss of status?³ What was the cultural basis for any collective action workers may have wanted to take? This article uses field research on the collective action taken by Z Factory workers opposing a merger to explain the cultural basis of this action and attempts to bring this collective action back into the workers’ culture.

The Background of Z Factory Workers’ Collective Opposition to the Merger

In August 2000, an Internet site carried a report on collective action taken by Z Factory workers against a merger. Our research project team went to Z Factory four times⁴—in July 2003, at the end of 2003, during Spring Festival of 2004, and in June 2004—to carry out research on this incident. We conducted a total of more than forty-five interviews with different categories of employees, and gathered a vast amount of material of various kinds.

Z Factory is located on the west side of Z city next to a highway. Established in 1958, by 1995 it was designated as a middle-1 public enterprise (*zhongyi xing quanmin qiye*). Its principal product was stationery, while it also produced paper for industrial uses. An evaluation of Z Factory’s assets in February 1998 showed that its total assets were RMB88.3 million—RMB72.6 million production capital and RMB15.7 million living capital (*shengwuo zichan*). Total liabilities were RMB59.4 million, including a bank loan of RMB26 million and interest of RMB10 million. The debt-to-equity ratio was 67.2 percent. Z Factory had 104 *mu* of property and 860 employees, including 171 retirees and 689 employees

still actively working. It is especially worth noting that Z Factory was a traditional SOE, with workers residing within the plant compound in the traditional SOE arrangement, with only a wall separating the residential area from the production area.

Z Factory's troubles began during the 1990s. Because of pollution and declining profitability year after year, in April 1995 the government closed the plant down entirely on environmental management grounds, causing large numbers of workers to be laid off and sent home. To maintain some sort of minimal standard of living for the workers, the plant resorted to selling paper pulp, maintaining only one production line. This situation lasted until 1999, after the merger, when the line was contracted out to someone else.

In June 1997, the then factory manager wanted to use some of the plant's land as collateral for a bank loan to start some kind of development project. This aroused strong opposition from the workers, with older workers and workers' representatives organizing themselves and carrying out a protest in the form of blocking traffic. This activity became the first instance of large-scale collective action carried out to protest the selling-off of factory property. This action attracted serious attention from the city government and the office with administrative control over the plant. To deal with this issue, top leadership brought in the staff and workers' representative council (SWRC) to come up with a solution, and the members of the council rejected the sale of land by show of hands.

On August 24, 1998, Z Factory was merged with H Company and re-registered as H Company's paper manufacturing subsidiary. H Company committed itself to "returning the employees' risk deposit (*fengxian yajin*) to them in three installments of 30 percent, 40 percent, and 30 percent, respectively, within one year; paying wages and living allowances currently owed to the employees; taking steps toward a resolution of issues; paying into the employees' pooled pension fund which was in arrears; and also settling employees into new jobs." The SWRC approved the merger agreement.

On October 28, 1999, the SWRC of this new subsidiary of H Company Paper Plant (the former Z Factory) held a meeting to discuss H Company's failure to fulfill the contract. The workers redefined the nature of the merger, calling it "fraudulent." They believed H Company's main intention was to sell the company's land for real estate development. The SWRC voted to demand that H Company fulfill the terms of the contract; if it was unable to do so, then Z Factory would "detach" itself from H Company and the merger would be dissolved.

At the meeting of May 17, 2000, the entire membership of the SWRC passed a resolution to "demand 'disengagement' from H Company and rescind the merger decision." During the half year that followed, relations between H Company and Z Factory employees were tense. The SWRC and employees submitted announcements, reports, and petitions on four occasions to the responsible departments in the city government, asking to have the merger dissolved. The employees' demand was clear—that the October 28 SWRC resolution be put into effect.

On June 7, 2000, the SWRC decided, in view of H Company's nonfulfillment of contract, "to take resolute action to reclaim our plant from the hands of the illegal merger partner, H Company." They launched a "Save our factory land, protect our home" movement. That day over 200 workers came to Z Factory to take part in the action. They set up a factory defense corps, closing off the factory compound, and denied entry to any H Company personnel. According to the indictment against certain workers' representatives later drawn up by the district procurator, the action was one of

forcibly occupying the administrative offices of H Company's Z subsidiary, cutting off the electricity, forcibly collecting rent from H Company's lessees, barring H Company's main gate, preventing lessees from shipping product . . . this went on for two whole months, obstructing production or administration. Posters outside the gate proclaimed such things as "Reform must mean messing around with private ownership" and "Resolutely carry out the SWRC resolution of October 28, 1999."

The employees maintained their activities to defend the factory until August 8, 2000, the day that has gone down as the "August 8 Incident." On this day at 8:00 the main gate of Z Factory was surrounded by 500 public security and armed police officers. At the time, over forty people, mainly consisting of retirees or workers' family members, were stationed to defend the factory. During this law-enforcement action, more than twenty people were taken away by the police, interrogated, and subsequently released. Workers who heard about this and swarmed toward the gate were also taken away one after the other. The day before this happened, worker Li, a workers' representative who had been a very active participant in the action, had been arrested.

From August 30 to September 1, 2000, a work team from the city government, led by the chairperson of the Z city labor union, called a meeting of all plant employees to elect new representatives to the SWRC. This meant that they disbanded Z Factory's Sixth SWRC. A new council of fifty-eight workers' representatives was elected at the meeting; this became the first SWRC of H Company's Z subsidiary. The membership of this new council was basically the same as that of the former Z Factory's council, even including worker Li. Among the council's proposals was the following:

H Company shall, under the supervision of the SWRC, either completely comply with the *Merger Agreement* within a limited period of time or, otherwise, withdraw from the merger. The workers' representative council shall have the right to appoint and dismiss the factory head, the general manager, and mid-level cadres, and to put into force a system of democratic governance of the factory through the SWRC.

On October 16, 2000, the second meeting of the First SWRC was convened to discuss details pertaining to the dissolution of the merger with H Company. The fifty-three representatives who attended voted unanimously in favor of the motion to "dissolve the merger."

On January 7, 2001, Z Subsidiary and H Company, under the mediation and supervision of the city work team, reached an agree-

ment to dissolve the merger. This stated that, after the merger had been dissolved, Z Subsidiary would accept “the condition that it would not revert to state-owned status and that it would as quickly as possible reevaluate its current net assets, after which it would, according to applicable national policies, allocate an amount to each individual staff and worker and set up an employee-stock-ownership company.”

In August 2003, Z Subsidiary’s workers’ representative council elected a board of directors, registered its capital, and established M Company. In February 2004, M Company and H Company undertook negotiations concerning such detailed issues as liabilities. At present M Company still retains the Z Factory facilities and 104 *mu* of land, but is burdened with debt. The main issue facing it is still how its workers are to survive.

The Moral Economy of Workers in Traditional State-Owned Enterprises

There are a number of threads in the story of the Z Factory workers’ collective protest that can be analyzed, and most important of these are two essential questions. The first concerns the organizational aspect of workers’ collective action—how the SWRC, as the workers’ legitimate organization, also became an important organizational basis for the collective action.⁵ The second concerns the cultural foundation or source from which collective action is derived: What sort of force can make workers who have already dispersed come together again in solidarity?

This article proposes that a concept of moral economy exists among the workers in traditional state-owned enterprises (TSEs), a concept that consists of an interpretation by workers who had worked during the Maoist era (which can be taken to extend to the time around 1980).⁶ Their concerns to survive in the current environment derive from their understanding of the relationships in the ownership of the means of production, which in turn determines their beliefs and views on social righteousness, justice, and fairness. These beliefs and views have an ideological quality im-

bued with class awareness. This concept can be understood by James C. Scott's moral economy of the peasant. Scott believes that rebellions by farmers in Southeast Asia are an artifact of

moral economy, which is based on their "safety first" logic of survival, their idea of economic fairness and their pragmatic definition of exploitation—and this governs their view of which demands concerning what they produce can be endured and which cannot. This moral economy of theirs is representative of farmers in other places as well—and if I can prove this, we can have a fuller understanding of the moral foundations of the political activities of farmers. Taking it a step further, we can understand how during the colonial period the transformation of the central economic and political structure systematically violated the farmers' view of social equality.⁷

Interviews showed that Z Factory workers held common views concerning such things as their own survival, the nature of the merger (the relationship between workers and the means of production), the role of the government, and so on, which were linked to their life and production experience in a SOE. The workers used their traditional experience to explain their current situation. Thus these workers would not only come up with explanations that differed from mainstream ideology but would question the mainstream ideology's legitimacy, feeling outraged and finally resorting to action. With this in mind, this article will attempt to gain an in-depth understanding of the moral economy of workers in traditional SOEs by examining the process through which they came to participate in collective action.

From the Maoist Era to the Era of SOE Reform

Destruction of the Principle of Reciprocity

The process of SOE reform is essentially one of pushing small and medium-sized enterprises toward the market, and whether this reform is carried out through closing down, stopping production, mergers, or structural transformation, the workers always go through a crisis of survival, an experience that contrasts with the "survival assurance" (*shengcun baozhang xing*) model of factory

governance that workers lived through during the times of the Maoist era. SOE governance during the Maoist era that protected workers' livelihoods led to workers' dependency upon the factory. The relationship between factory and worker was based on reciprocity, with workers never experiencing a crisis of survival, hence in this article the traditional SOE system is referred to as the "survival assurance" model.

With the advent of market economics, protection of workers by the factory eroded, and survival of the self and the family became a common concern among workers as the market economy obliged enterprises to adopt a "competition to survive" model. The principle of this "competition to survive" entailed destruction of the principle of reciprocity with which the traditional SOE had provided survival assurance to its workers. The crisis of survival had become constant in the lives of the workers at Z Factory. To make a living many Z Factory workers took on informal work, entailing intense labor, long hours, and low wages. Jewelry making by the family of skilled worker Yang (female, born 1961) can provide an example. Yang started working in Z Factory after graduating from senior high school in 1980 and continued there until 1994 when the plant was forced to stop production. She said:

There are four brothers and sisters in our family, and three of us are at the plant. My parents and my two younger sisters are all here in this enterprise, and my brother is at the gear factory. A lot of families have the entire family working in the factory—about half of us, I think. When I came to the plant, we were buying straw and cutting it up with a straw-cutting machine, after which we'd steam it in a steaming chamber, and then we'd wash it, stir it, turn it into pulp, and roll it into paper with the paper-making machine. In 1994 they said we were polluting, and so the government shut us down. In 1996 someone contracted Machine No. 4, so I went there and worked for a year, and then I went to Shop No. 1880 and worked there for two years. After that they closed down the factory. I went home and sat around for a month in 2000 before I got a job in another paper plant, a small privately operated one. Since I had skills, I was considered a skilled worker. They paid piece rate, and the private operators were really ruthless toward their employees. They paid by the ton, and you worked twelve hours a day,

rested a day, and then went back to work for another twelve hours, with Sundays off. Last year (2002) when there was a shortage of electrical power, we would work for twenty hours at a time. To make money, to make a living, that's how it was, and as long as you were a bit careful about safety you got by. Right now I'm making over RMB500 yuan a month, while others are making a bit over RMB300. He (the boss) says I'm skilled and he needs me there; that basically comes to RMB150 yuan every month. He says that if I go somewhere else to work they'll pay my medical coverage (*tong chou yilaio*), and this RMB150 is considered as your medical coverage.

Yang's situation is considered comparatively good at Z Factory. As we learned, most workers got temporary jobs here and there, and during the seven or eight years when production was stopped the workers received money from the government twice, both times before Spring Festival, RMB150 on each occasion. At the same time, profit from renting out the production facilities was used to pay for workers' basic living expenses such as water and electricity (the factory, for example, paid for twenty kilowatt hours of electricity per month for the workers). Research shows that while, on the one hand, the traditional SOE's assurance of survival for the workers had almost completely crumbled, with technicians, managers, and line workers suffering through a crisis of survival together, on the other hand, the tradition of looking after workers' survival at Z Factory remained effectively in force with the basic guarantee of lodging, drinking water, and electricity for the workers.

The Workers' Outrage at Nonfulfillment of the Merger Agreement

A variety of research has shown that workers as a group experienced a decline in economic and social status, and most of them went through a process of "selection by merit" (*ze you*), a process of being "weeded out." This left many of them with no choice but to accept reality and start putting the blame on themselves.⁸ These reforms basically retained the best personnel by a process that differentiated workers into age groups and skill levels, so weakening their sense of solidarity. In contrast to this, "mergers" involving

SOEs made the SOE “tradition” suddenly much more apparent, since the SOE as a “unit,” an entity of mutual interest, was being preserved during the reform.

Throughout their difficulties with survival, the Z Factory workers were hoping that the government would solve their problem. Consequently, when H Company approached Z Factory about a merger, the workers’ hope for survival came into play. They believed H Company’s claims about paying back wages, reimbursing medical expenses, and resuming and expanding production. The workers’ representatives passed the merger agreement very quickly. This agreement was of life-and-death importance to the plant. Therefore, during the first year of the merger the workers carried out an active investigation of H Company’s background which revealed to them that H Company was a “briefcase company” with multiple government connections but no actual performance capability, whose goal in merging with Z Factory was to make money for itself by selling the factory’s 104 *mu* of land. The workers, on the other hand, viewed the “plant” or the “104 *mu*” they were holding as the “precious treasure” they could depend upon for survival during the rest of their lives.⁹

A female worker named Wang (forty-six years old at the time of the interview in 2003) said:

At the beginning the reason the SWRC voted to accept the merger agreement was because they (the H Company people) took the SWRC representatives to look at the company, and they thought that H Company was not bad at all, and everyone wanted to save Z Company so that everyone would have a bowl of rice to eat. This was something that touched on their vital interests. They made it look so good at the beginning. But after the merger they only paid our living allowance three times, and even though they had made a commitment to reimburse our medical expenses, they gathered the medical receipts and took them away but never did any reimbursing. Later we learned that they weren’t all right, that they were into real estate development and not into running enterprises, and so after less than half a year they began to make plans to move the entire plant out of Z city to a development zone, because the land occupied by the factory was valuable and the land in the development zone was cheap. What they said about

moving was empty talk—they were trying to cheat people—because even if they wanted to move us they didn't have the ability Because of this, all the employees started agitating. At first they paid us a living allowance of RMB343 a month, but later they stopped paying. Actually, the workers won't stop you selling the land, as long as you make adequate arrangements to relocate them beforehand and give everybody whatever amount of money government policy says you're supposed to—and give us the medical coverage we're entitled to. That's the least the workers will demand, since we have to survive. We absolutely must survive!¹⁰

Activities related to nonfulfillment of the merger agreement raised workers' awareness of their rights, the right to survival, and ownership rights to factory property, and the continuation of the "work unit" (*danwei*) allowed this awareness to be something shared throughout the work force as a collective awareness. At Z Factory the idea "We must survive" meant "We must rely on Z Factory to survive," so H Company's broken promise provoked anger among the workers. Though after the merger H Company had kept about forty people on the job, mostly office workers, the overwhelming majority of employees had received no benefit whatsoever from the merger, which made them very angry. Whether retired workers, line workers, or mid-level managers, they all felt they had been the victims. The sense of "moral economy" among the workers at the time clearly combined with their crisis of survival and the merger with H Company to create a sense of having been cheated, which intensified the bad feelings they had about being treated unfairly and unjustly during the process of enterprise reform and gave them a clear target for their anger. The unrelenting visits by workers to the relevant government offices give clear indication that their behavior was driven by intense anger.

It was the "fraudulence" of H Company's actions that brought about the convergence of the workers' interests with regard to the justice of their right to survive; they became aware of their common predicament—that they were about to be plundered—and this awareness transcended any differences between them in skill, age, or position, and made it possible for them to take up a political struggle for their rights and interests.

Disappointment in the Government

The SOEs and the government are linked in many different ways. The psychological dependence of workers on the SOE is, in essence, a dependence on the government, since in the “moral economy” of workers in traditional SOEs the government represented the workers’ hope, and they believed that the government would not look on passively while state property was being usurped by private owners and the workers were left with nothing to eat. Yet one of the government’s main thrusts in implementing enterprise reform was to lighten their own burden, reduce workers’ dependence on the government, and increase reliance on the market. This is what Sun Liping characterizes as the relationship between the logic of workers’ collective action and the logic of the system.¹¹ Sun believes that one should analyze and understand the logic of workers’ collective action in terms of the logic of the system, and that an interactive relationship exists between the system and the workers’ action. Beneath the collective action of Z Factory workers there is a strain of profound disappointment with the government, since the “moral economy” of the workers is built on the government’s behavior.

In September 1999, when thirty-some workers went to the Bureau of Light Industry, which had supervisory authority, and to the city Party branch to present their side of the situation, one of the activists, skilled worker Zhao, returned to the plant to find himself facing “disciplinary action of suspended dismissal on one year’s probation” (*kaichu liuyong chakan yinian chufen*) due to his having

on numerous occasions made unjustified disturbances which affected normal operations, criticizing all levels of leadership without correcting his own behavior, and twice, on August 30 and September 5, participating in blocking the plant gate, illegally posting “big character” posters, helping mob the leadership, making unnecessary disturbances, gathering people together to stir up trouble, and on September 6 gathering a mob around the main gate of the city government, seriously disrupting social order and production at the factory, interfering in the normal work of Party and government offices, and all in all creating an extremely bad influence.

During July 2003 and June 2004, we conducted two interviews with Zhao. Zhao was born in 1955. He was sent down to the countryside and to the city and entered the factory in 1974 until 2000, when he was *xiagang*-ed. He opened a street stall in 1999, but the stall was removed for improperly taking up space in the street, and then he opened up a soft-drink stand. Later he fell ill and became unable to work. His wife was laid off. He has a daughter who qualified as a kindergarten teacher but could never find a regular job. She took up casual work minding stalls in a marketplace. At the time of the interview the entire family was depending on minimum-living-standard (welfare) payments for survival, with payments for the entire family amounting to RMB300 a month. Zhao said:

I wasn't the one who organized the visit to the city Party committee. That happened spontaneously. It really was spontaneous. Why did the workers do it? Because those people kept saying they were going to sell our land, and when you're in a situation like that, if you let it drag on, they just might sell it, and then what will you do? One thing was that we'd be left with nothing to support us when we were old, and another thing was that this was state-owned property, and state-owned property is a national resource, so how can a private citizen go and grab it? That's why the workers wouldn't agree. We wouldn't agree, and so after we went to the city Party committee we got to a reception office, and the reception office phoned the Bureau of Light Industry for us. People came from the bureau and told us that we could discuss this at the bureau and it would be all right. So we went. They should have told the workers' representatives their plans for after the land was sold. They should have discussed paying back the wages and living allowances owed to the workers without further delay as stated in the agreement. . . .

Who would make unjustified disturbances, anyway? I talked with them, didn't I? I want to be able to eat, and so you arrange work for me, but you don't really make it happen, right? The government has a minimum-living-standard-assurance line, but you don't pay me the minimum-living-standard allowance, so that's what I'm asking you about. I'm expressing my own point of view here, right? I'm from this factory, and I'm one of your employees, right? Under this merger—whether you agreed or not doesn't matter—the merger has already

happened, so you should act responsibly now, right? I'm just asking for a normal job! Putting it very plainly, this is a citizen's right, and if you can't arrange a job for me, then according to policy you should give me the minimum-living-standard allowance, give me the allowance.¹²

One point that cannot be denied is that during the collective action the Z Factory workers firmly believed that they had to depend on the government's reaction to the problem and that only the government would be able to solve it. Within the "moral economy" system of the workers the government was "fair" and would solve the workers' problem of getting enough to eat. Because of this, appeals to higher authority, blocking traffic, and even appeals to the authorities in Beijing were imbued with the unshakeable belief that the government would listen to the workers' views and that the government could and should protect the workers' interests. In the logic of the collective action, being aggressive by taking such action did not mean becoming adversarial toward the government, but simply giving it a "reminder" in the hope of eliciting its attention.

On October 6, 1999, when Z Factory had launched the "Movement to oppose the fraudulent merger, to save our factory, and to protect our homes," copies of a letter entitled "Z Factory Working Class's Final Deadline Concerning H Company's Ability to Honor Its Agreement" were simultaneously submitted to the Z city department of finance, the Bureau of State Property, the city judicial committee, the Bank of Industry and Commerce, the Bureau of Light Industry, Light Industry Union headquarters, public security bureau such-and-such branch, such-and-such a police station, the city's real estate transaction center, and each work unit that was renting the factory's facilities. In short, the workers presented their reasonable demands to all levels of government before taking action.

1. In the Merger Agreement, Article 502, your company committed itself to paying off, before August 24, 1999, overdue payments owed to workers totaling RMB6 million (particularly health-care premiums owed by the former company as well as all the medical expenses of

employees approved for reimbursement according to the policy of the former company). We are now one month past the deadline, and 70 percent of the amount has still not been paid. Please repay the above in full by October 24 and furnish written proof that you have done so to the authorities.

2. Rescind the wrongful disciplinary action you have imposed upon three workers.

3. If you still have the honest intention and the ability to bring Z Factory back into production and make it capable of pursuing independent development, please be sure to respond by providing incontrovertible proof of this.

Otherwise, if you again make claims that cannot be substantiated, once more you will prove you used fraudulent, illegal methods to attain the merger, showing lack of good faith and lack of ability to carry out the commitments you made in the Merger Agreement, you will be automatically dissolved. . . . When that time comes, the working class from our paper mill will take control and put all assets of Z Factory under our care and custody.

In summary, as they tried to grapple with their own survival, the workers also evaluated their relationship with the merger partner and the government and formed their ideas of “bold and forthright” justice and the right to be able to eat. In relation to H Company’s fraudulent behavior and the government’s reaction, Barrington Moore’s words are apposite: “People’s sense of fairness certainly has a rational and pragmatic basis, and deviating from this basis may require deception, while seriously deviating from it requires violence.”¹³

The “Movement to Save Our Factory and Protect Our Homes”

Moral Economy Raised to the Level of Production Relationships

In October of 1999 presentation of the slogan “Our movement to oppose the fraudulent merger, save our plant, and protect our homes” directly defined the workers’ action as an action in which

“the working class acting in the spirit of the master will take control and put all assets of Z Factory under their care and custody.” Flowing from this, the moral economy of the Z Factory workers began to assume a direct connection with ownership of the means of production, with the ideology of traditional SOEs, represented by ideas such as “Workers are the masters of factory assets” becoming an important resource that was effectively utilized to give the collective action ideological legitimacy.

The views of worker Li, an active participant, toward this “movement” played a very important role. Li was born in 1942, came to work in the plant in 1972, and continued to work there until he retired in 2004. He said:

You can say I’ve spent my whole life in this plant—that is, I’ve depended on this plant all my life. So, you could say that everyone, once they’ve been here a long time, has a certain feeling for this plant, and now with all this enterprise reform going on, the feeling becomes something . . . something really basic, an extremely important thing. I’ve been at this plant for decades, and when we first came we were laborers, and after being laborers for a while I got to be workshop foreman (*chejian zhuren*), then after that technician, then department head, and my highest position was deputy factory manager in charge of production and technology, and then, later on, I was the assistant chief engineer.

At the end of 1992 I returned to Guangdong province [since there was no work in Zhengzhou, he had gone to work in Guangdong while officially remaining an employee of the paper mill], and I stayed there for five or six years, working in state-operated factories, private factories, three-capital factories—I worked in them all. In the beginning, two older workers were heading the activities, and I didn’t get involved. Later on an older comrade said to me, “They’re going over by the city government—go to the main door of the government offices and take a look.” I said, “Why should I?” and he said, “Just take a look. Everyone should show some concern about what happens in this factory.” What he said made sense. Well, I stayed. I didn’t go back to Guangdong any more. I went, took a look, and got dragged into it. The moment I went through some of the material they had, I realized that there were some problems with the legal procedure. After that they noticed I had joined in, and since at the time they needed people with some educa-

tion they began to contact me regularly and asked me to write lots of different things—lots of propaganda material, education material, and all sorts of things to be submitted to higher levels. From this point on, I felt myself drawing closer to the workers in the factory. Once I had joined in, I developed my own line of thinking, and “Let’s vow to take our factory back!” became my ultimate goal. That was the only way—we couldn’t let them keep tinkering and meddling around the edges; we had to take our property back, we needed to take charge—that was my line of thinking. I began to instill this kind of thinking into the others, and, you know, while this was going on, the two old Communist Party members who had been providing some leadership in the beginning had goals that were different from mine, so finally there was a split between us. . . . Their goal was that as long as the merger agreement was carried out, that was good enough. They were more concerned with the present. But, bit by bit, they came around to accepting my approach—that we should take [the factory] back . . . and resume our master status. If you turn it over to them they will sell it, you’ll lose the plant, and you’ll become homeless. Later on everybody began to believe that my view made sense, and so all the workers accepted it and rallied around one slogan.

“The movement to save our factory and protect our homes” won unanimous acceptance among the workers. That the plant was their “home” was what would have been called an unspoken understanding during the Maoist era, and under the rubric of “home” the moral economy of the workers rose from the experience of poverty and being cheated to the level of the relationships of production. Worker Li said:

This is a state-owned factory. And the workers are masters of the state, so this is a political issue. If you want to do restructuring at this factory, why don’t you let the workers speak their piece? This is a political issue, yes, a political issue and an economic issue, too, because under the SOEs we workers had the “number one” position. All the surplus value has been taken away—yes, and now all of a sudden no one’s taking care of things anymore. How are you going to resettle this group of people, and how are you going to assure them of a livelihood? This problem has to be solved politically, and these are the two things that need doing: first, the merger partner has to pay up the plant’s debts, and second, the plant employees have to be resettled. That’s it: two things.¹⁴

An SWRC report entitled “Concerning the True Story and Basic Causes of the Serious Clashes Between Employees of the Former Z Factory and the Merger Partner’s Boss” includes the following:

The property of Z Corporation’s legal person originally was state-owned property, and was therefore the property of the people. Moreover, all the employees of this paper factory, who are members of all the people or manifested as a group in the form of the SWRC, still firmly retain their responsibility to monitor the legitimacy of any transfer of ownership regarding corporate property that may result from the merger, and this is clearly specified in Article 16 of the Constitution and Article 9 of the Industry Law. Workers’ representatives from the council at the former Z Factory are adequately empowered under law to seek justice from the paper factory corporation’s legal representative, certain persons from H Company, and others who resort to power instead of legal means. How can this be a world where people are allowed to cheat you, but you aren’t allowed to put up resistance? Furthermore, each employee is an independent human entity under the civil law, and provision after provision in the merger agreement establishes a relationship in civil law for the merger partner such that the merger partner is the debtor and each worker is a creditor. In view of the dual positions—collective and individual—under civil law as described above, upon discovering that the merger partner undertook the merger in bad faith, that this partner’s company defrauded the new company of corporate property and did not fulfill its obligations as debtor, but took action prejudicial toward its creditors, [the workers] have, under Article 114 of the Civil Code (*minze tongfa*), which concerns defense of one’s own property, undertaken action to retake possession of the plant and our rights to it, so as to ensure no further encroachment on our legitimate interests, interests which derive their legitimacy from unspoken convention. This is a positive sign that we have become aware of the true nature of the working class and the continued viability of the socialist system.

On June 7, 2000, the workers began concrete action to take back plant property. The SWRC issued a statement entitled “Declaration of Practical Action to Rescind the Merger and Take Back the Paper Plant.” The declaration began with quotes from talks by the leadership and citation of a variety of rules and regulations under the title “Quotation Concerning Policy and Regulations,” and these

“quotations” immediately established a foundation in law for the workers’ collective action.

- “State property belongs to the whole citizenry. State property is sacred and may not be usurped.”—Civil Code
- “Neither the government nor supervisory bodies may directly distribute corporate property.”—Regulations Regarding Supervision and Management of SOE Property [Guoyou qiye caichan jiandu guanli tiaoli]
- “We cannot watch thousands, millions, and hundreds of millions of yuan in state-owned assets and the blood and sweat of the people flowing into the hands of criminals and simply turn a blind eye.”—Zhu Rongji
- “In mergers we must strictly prohibit ‘forced marriage.’”—State Trade Commission Document 97/257
- “In mergers enterprises should adhere to the principles of voluntary participation, mutual benefit, and provision of compensation. The state shall ensure that the workers shall maintain their place as masters and that their legitimate interests shall be protected by law.”—All People’s Ownership System Industrial Enterprise Law [Quanmin suoyouzhigongye qiye fa]
- “The exercise of democratic powers by SWRC representatives shall not be suppressed, encumbered, or retaliated against by any organization or individual.”—People’s Ownership System Regulations for Enterprise Workers’ Representative Councils [Quanmin suoyouzhigongye qiye zhigong daibiao dahui tiaoli]
- “The range of matters which are within the competence of the SWRC to decide may not be altered without the council’s agreement.”—People’s Ownership System Regulations for Enterprise Workers’ Representative Councils

The Z Factory workers’ action shows that explaining the work-

ers' crisis of survival in terms of production relationships can inspire people and stir them to political action. In contrast to earlier demands by the workers that H Company honor the contract, the logic of the workers' demands had shifted to wresting decision-making power back from the merger partner and, rather than begging for a bowl of rice, they were going to take control.

Ultimately the workers' action forced the government's hand. The city government work group mediated, resulting in dissolution of the merger, as long as the factory did not revert to state-owned status, re-evaluate its net assets, and set up an employee-ownership stock company. The workers did not really return to the home they imagined—the "SOE." The merger agreement, however, was declared to be bankrupt. The merger partner, faced with worker resistance, had no choice but to abandon attempts to develop Z Factory. Mr. Wen, consultant for the merger partner, said:

That opposition by workers could break up a merger already operating for a year under signed contract is something that could never happen in the West, in Guangzhou, or in Shanghai. Workers at this plant have their own tradition, but they're really much too backward in their outlook. This is something that can never happen in a market economy. And this is also why this city has had such a difficult time with reform.¹⁵

Without doubt, "an impossible incident" had been compellingly presented in Z city at Z Factory!

Conclusion and Theoretical Discussion

The Historical Continuity of Culture

The collective action at Z Factory shows that relying on ideology from the Maoist era may succeed in getting workers to unite to oppose mergers predicated on sacrificing workers' interests to the market economy. This phenomenon may be explained using transition theory or other sociological theories, but this article stresses the cultural basis of the workers' collective action and analyzes the historical continuity of culture, which in this instance mani-

fested itself through the moral economy of the workers.

First, collective action by workers in traditional SOEs differs from collective action in other countries, or in privately operated or foreign-owned enterprises in China, importantly because SOE workers have a distinctive cultural tradition, a tradition molding their common understanding of their present situation and providing a political and cultural rationale for collective action by them.

It seems certain that more than forty years of the politics of state-owned factories or “the new Communist tradition”¹⁶ can form important ideological underpinnings for mobilizing workers to action as reforms shift the economy toward the market. At Z Factory the union and the SWRC provided the organizational underpinnings necessary for the workers’ collective action, with the plant itself being viewed as the “home” of “a community for working and living together,” and the ideology of workers as heads of this “home” providing a cultural basis for their collective action.

In the relationship between the workers, the government, and the merger partner, the moral economy of the workers—their interpretation of their predicament regarding their survival—naturally had links to Maoist ideology, and revealed not only the workers’ attachment to the economics of survival but also internal connections at the level of production relationships between worker and factory. The Maoist ideological tenet that “The worker is master” not only described the political status and a position in society through which survival was assured that workers enjoyed during the Maoist era, but, even more, it served as a rationale for political mobilization when workers rose to oppose the social Darwinism of the market economy. Traditional ideology gave legitimacy to the way workers explained their own collective action while it permitted them to question, challenge, and oppose the legitimacy of having private capital merge with SOEs in a market-economy environment.

The working-class culture established during the Maoist era is worthy of attention, because it may become the cultural basis for workers uniting under market-economy conditions or an important rationale for political mobilization. In his discussion of the

formation of the English working class, E.P. Thompson places special emphasis on how this class maintains political and cultural continuity:

The formation of the working class is not only a matter of economic history, but also a fact of political and cultural history. . . . The changing production relationships and labor conditions of the Industrial Revolution . . . were imposed on Englishmen who had been born free. The thinking of these Englishmen who had been born free had been formed by Thomas Paine or the Methodist tradition. Those who worked in the factories or wove hosiery were continuing the tradition of Bunyan, they were keeping alive people's memory of the rights of villagers, they were perpetuating the idea that all men were equal before the law, and they were also continuing the traditions of their trades. They were the object of the propagation of populist religious beliefs, and they were also the creators of a new political tradition. The working class was formed by others, while at the same time it was forming itself.¹⁷

Second, a familiarity with the moral economy of workers in traditional SOEs helps explain why workers during times of reform often resort to "collective nonaction." Concerning this point some scholars believe that workers' nonaction is due to "absence of an organization," since reform of the SOEs encroached upon workers' interests and included a whole range of measures that entailed harsh treatment of workers, such as mass layoffs, loss of benefits, worsened working conditions, and so on. While workers were losing effective protection from the state, lack of an organization of their own led to daily victimization by market forces and dictatorial management.¹⁸ Some scholars believe that SOEs used a policy of "selecting the best to take up positions" (*zeyou shanggang*) to rob the laid-off workers' protest action of its momentum, because segregation of workers by age and skill level relegated laid-off workers to the position of those who had "lost out," so losing the ideological base to engage in discourse to claim their rights.¹⁹ Other scholars believe that the workers decided to go along with the process of reform through such behavior as obeying, withdrawing, and pouring out their individual feelings. This sort of compliant behavior was a rational choice for the workers as rational actors

in that particular situation.²⁰ It is apparent that this collective nonaction on the part of the workers occurred in the context of market-economy logic and that the power of the workers disintegrated in the face of the competitive ideology of market economics. What makes Z Factory different is that when the merger incident occurred, Z Factory had preserved its organizational form as a “work unit” intact, allowing employees to maintain a “community consciousness” (*gongtongti yishi*) or the “concept of home” (*jiayuan linian*) in their daily lives. As enterprise reform carried out dismemberment of “communities” through layoffs, early retirement, selective hiring, and other measures meant to impose the logic of market economics, the working class found it hard to unite in the short term. The force of the market clearly wrought destruction on the traditional SOEs’ sense of “community,” though it strengthened the workers’ attachment to their “communities” as well. At the same time, when mergers entailed acceptance of workers’ interests, the logic of market competition became feasible. If, however, mergers were based upon the premise of completely denying workers’ interests, then they lost their legitimacy and allowed the workers to invoke the power of their traditional culture to give them solidarity.

The American economist Mancur Olson views collective action in terms of the collective interests it represents as embodying two kinds of game. One of these is collective action in which the interests involved are compatible, and this is a positive-sum game, whereas the other is collective action in which the interests involved are mutually exclusive, and this is a zero-sum game, which involves “distributive” issues.²¹ When we take this viewpoint in asking whether workers will launch collective action, we see that if H Company had been able to factor the interests of Z Factory workers into the system they were putting into operation, then the workers would have lost some of their urge to protest. When the workers were kept out of the new distribution of benefits, then it was no longer a positive-sum game, since the workers felt they were now dealing with looters. This to some extent also explains why the result of the merger was so mixed. As far as Z Factory was concerned,

the merger partner brought in outsiders to keep control over all forms of power while it destroyed the power structure and interests-based relationships of the original “community.”

Third, taking the historical viewpoint, while the collective action at Z Factory was small in scale, it was, nonetheless, significant. That it was able to attain its ultimate goal tells us that there is still some room to maneuver in this process of market reform. No matter whether the Chinese government is a “government of centralized power” (*jiquan de zhengfu*) or a “strong government” (*qiang zhengfu*),²² its power and its will to govern are not monolithic and rigid, since where diverse interests are in conflict the government’s goals are equally diverse. Consider the dual goals of reform and stability: Which has priority and which has the greater importance? The workers’ collective action at Z Factory illustrates the point that when workers face threats to their own interests they are able to utilize the discourse on “social stability” strategically to exert some degree of control over the rate and direction of enterprise reform. This recalls something Pei Yili [Elizabeth Perry] said when discussing the legacy of China’s labor movements: “Communist Party members . . . will soon understand, when state power is consolidated at the national level, the state cannot discount the fact that the existence of a politicized force constituted by the workers cannot be ignored. Quite the contrary, they will inevitably face a number of new contradictions.”²³ As a matter of fact, it is not so much the workers’ actions per se but the possibility of their collective action that puts pressure on the government, which means that if the government could stand in the workers’ shoes to understand and closely examine the moral economy of the traditional SOE workers, they would also tacitly recognize its legitimacy, and even if they use the logic of market economy to persuade the workers, they will understand that the moral economy of traditional SOE workers comes from a cultural foundation and a historical wellspring that are formidable, and that it is a force that cannot be ignored.

We can say with certainty that the collective action at Z Factory was not subversive, since the workers repeatedly stressed that it

was not antigovernment. It seems adaptive collective action rather than action that is subversive in nature. The British historical sociologist Charles Tilly has divided collective action into three historical categories. The first is competitive collective action, which principally occurs during the first stages of industrialization or urbanization and is directed against the adversary's life, wealth, or reputation. The second is responsive collective action, occurring when one group that is under threat resists action by another group. The third is preemptive collective action, which occurs when a group takes action to assert ownership over a resource it does not yet control. An example would be a movement demanding more civil rights. In Tilly's view, the long-term trend for collective action in Europe runs from competitive action during the preindustrial era, through responsive action during the nineteenth century, to preemptive action during the twentieth century. Preemptive collective action allows people's demands to be recognized within the structure of new states, and it represents the interests of newly industrialized groups and coalitions. The change from responsive collective action to pre-emptive collective action relied on the interest group that was engaged in resistance being gradually integrated into the citizenry of the state and having responsive collective action replaced by the preemptive collective action available within the system.²⁴ Applying Tilly's categories to Z Factory shows that the workers' protests constituted responsive collective action with some characteristics of preemptive collective action. On the one hand, the workers were aware that the "protection" they cherished and which the traditional SOE had provided to assure their survival had disappeared and that they were only availing themselves of a cultural tradition left over from former times to challenge the legitimacy of a newly formed interest group. On the other hand, the demand the workers raised conformed to the logic of market economics when they asserted their ownership of "state property." Taken in the latter sense, the workers' collective action was preemptive in nature, hinting perhaps at the new form struggles between interests were taking under market-economy conditions and showing us a prototype for development of a new kind of social

movement. If China is to usher in a civil society, then the forces that will be found and relied upon within it may be diverse, but China's own cultural tradition, particularly the cultural tradition from the Maoist era, will certainly constitute an important resource for bringing this society into being.

Fourth, what is the nature of the workers' collective action? Does it embody a class consciousness? Some scholars have used material gathered in Shanghai and Luoyang city of Henan province and case studies taken from the *Workers' Daily* [Gongren ribao] to show that during the reform of SOEs there was intense resentment among the workers. Nonetheless, the concept of rights they appealed to during the protests was firmly rooted in the concept of rights that was part of the planned economy system of earlier years, given that they were not yet able to redefine their rights or fight for them in the context of an ownership system that had been transformed. This means that the workers' protests against enterprise reform did not really entail clearly defined class awareness on their part, but that the current political system had limited their ability to know and defend their own interests.²⁵

China's political system has, without question, limited workers' ability to know and defend their own interests, yet under the current system the concept of workers' rights which is rooted in the era of planned economy not only has the power to mobilize people politically, but also embodies class awareness, since it provides workers with an explanation of their current situation that links their own survival to the issue of equity in the factory and explains their current predicament in those terms. Georg Lukács has pointed out that "class consciousness is not the psychological awareness of individual proletarians or their collective psychological awareness, but a feeling for the consciousness of historical position of themselves as a class. This feeling always wants to transform immediate partial interests into something concrete."²⁶ The collective action by Z Factory workers clearly shows an awareness of the change in their historical position, and their immediate, partial interests impelled them from class existence on the abstract plane to class-based action on the concrete plane. Their resis-

tance was directed toward a new sort of “persons who attain gain without labor” (*bu lao er huo zhe*) who were trying to strip them of the fruits of their labor without compensating them—a capitalist class formed from an alliance between capitalists and officials.

In Olson’s words:

When a group of people draw a conclusion from their common history (whether this is passed down from their elders or taken from their own experience), and feel and clearly state the interests they have in common, and whenever these interests are different from (and often opposed to) those of others, a class is formed. The class experience is mainly determined by production relationships, . . . the realization of class comes from cultural processing of class experience, and it manifests itself in traditional conventions, value systems, ideological concepts, and organizational forms.²⁷

Notes

1. National Bureau of Statistics, *Zhongguo tongji zhaiyao* (China Statistical Yearbook) (Zhongguo tongji chubanshe, 2002), 38.

2. Lu Xueyi, ed. *Dangdai Zhongguo shehui jieceng yanjiu baogao* (Report on research concerning contemporary social stratification) (Beijing: Shehui wenxian chubanshe, 2002).

3. Here the term “worker” is used in an inclusive sense and refers to all personnel employed in the SOE.

4. This project obtained support from the China Development Fund (Zhongguo fazhan jijinhui). Project personnel included Dai Jianzhong, Zhu Xiaoyang, Tong Xin, Long Yan, Zhu Qinghua, Wu Feng, Ma Dan, Li Wenfen, Fu Li, and Liang Meng.

5. Team member Zhu Xiaoyang wrote an article entitled “Wudu falü he zhixu jiancheng” (“Misreading” of the law and the “imagined home” in Z factory) that discusses how during conflict a workers’ representative council came to play a key role in how events evolved. Team member Ma Dan has analyzed the role the workers’ representative council played in the workers’ collective action from the standpoint of process-events (*guocheng shijian*). See the project team’s “Shehuixue dahui lunwenji” (Selected articles from the Congress of Sociologists), draft version.

6. There is a wide variety of descriptive material concerning China’s factories during the era of planned economy. This article uses the term “the Maoist era” to highlight the ideological assumption that workers in SOEs were masters of society, but not to stress the idea that the economy was a planned one.

7. James C. Scott, *The Moral Economy of the Peasant: Subsistence and Rebellion in Southeast Asia* (New Haven: Yale University Press, 1976); Chinese

translation, *Nongmin de daoyi jingji: dongnanya de fanpan yu shengcun* (Beijing: Yilin chubanshe, 2001), 4–5.

8. Tong Xin, “Shehui bianqian yu gongren shehui shenfen de chonggou” (Social change and the reconstruction of workers’ social identity), *Shehuixue yanjiu* (Sociological research) 6 (2002): 1–12; Liu Aiyu, “Guoyou qiye zhidu biange guochengzhong gongren de xingdong xuanze” (Selected articles concerning action taken by workers in the course of system reform in SOEs), *Sociological Research* 6 (2003): 1–12.

9. Research team member Dai Jianzhong compared this metaphorically to an old man waiting for his daughter to marry and believing that a dowry of over a hundred *mu* of land would get him a good son-in-law who would support him for the rest of his life.

10. This interview was carried out on July 10, 2003. Interviewers were Dai Jianzhong, Tong Xin, Zhu Qinghua, and others, with Zhu Qinghua as note taker.

11. Professor Sun Liping expressed this thought during a talk given at the International Congress of Sociology in Beijing in July 2004.

12. This interview was carried out on July 9, 2003. Interviewers were Zhu Xiaoyang and Zhu Qinghua, with Zhu Qinghua taking notes.

13. Barrington Moore, cited in Scott, *The Moral Economy of the Peasant*, 220.

14. This interview was carried out on July 12, 2003. Interviewers were Tong Xin, Dai Jianzhong, Li Wenfen, Ma Dan, and Zhu Qinghua, with Li Wenfen taking notes.

15. This interview was carried out at the end of June 2004. The interviewee, Mr. Wen, was employed at a certain tertiary institution in Z city and worked part-time as a consultant for H Company. Several projects involving the use of capital had been carried out successfully under his direction. Those participating in the interview were Dai Jianzhong, Zhu Xiaoyang, Tong Xin, Liang Meng, and Ma Dan.

16. Andrew G. Walder, *Communist Neo-traditionalism: Work and Authority in Chinese Industry* (Berkeley: University of California Press, 1986).

17. E.P. Thompson, *Yingguo gongren jieji de xingcheng* (The making of the English working class), Chinese translation in 2 vols. (Beijing: Yilin chubanshe, 2001), 211–12.

18. Ching Kwan Lee, “From Organized Dependence to Disorganized Despotism: Changing Labor Regimes in Chinese Factories,” *China Quarterly*, no. 157 (1999): 44–71.

19. Tong, “Social Change and the Reconstruction of Workers’ Social Identity.”

20. Liu, “Selected Articles Concerning Action Taken by Workers in the Course of System Reform in SOEs.”

21. Mancur Olson, *Jiti xingdong de luoji* (The logic of collective action: public goods and the theory of groups), Chinese translation (Shanghai: Sanlian shudian and Shanghai renmin chubanshe, 1995).

22. Li Qiang, “Guojia nengli yu guojia quanli de beilun” (An unorthodox discussion of national competence and national power), in Zhang Jing, ed., *Guojia yu shehui* (Nation and society) (Hangzhou: Zhejiang renmin chubanshe, 1998), 19.

23. Pei Yili (Elizabeth J. Perry), *Shanghai bagong—Zhongguo gongren zhengzhi yanjiu* (Shanghai on strike: The politics of Chinese labor) (Nanjing: Jiangsu renmin chubanshe, 2001), 346.

24. Charles Tilly, *From Mobilization to Revolution* (Reading, MA: Addison-Wesley, 1978).

25. Chen Feng, *Zhongguo de gongye gaizhi yu gongren kangzheng* (Industrial reform and worker protest in China), “Shichang jingji xia de Zhongguo gonghui yu gong yun yantaohui” (Symposium on China’s labor unions and labor movements under the market economy, October 23–25, 2003), jointly published by Hong Kong Baptist University Department of Political Science and International Relations and Hong Kong Chinese University China Research Service Center. The English version of this article was published in *Modern China* (April 2003).

26. Georg Lukács, “Geschichte und Klassenbewusstsein—Studien über marxistische Dialektik,” in *Lishi yu jieji yishi—guanyu Makeshuyi bianzhengfa de yanjiu* (History and class consciousness: Research concerning the Marxist dialectic) (Beijing: Shanghai yinshuguan, 1996).

27. Olson, *The Logic of Collective Action*, 1–2.