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Social and Behavioural Sciences

Inequality and Regime Instability in The Peoples Republic of China after 2013

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Introduction

Before the opening of the economy in 1978, China was an arguably egalitarian society.

Unemployment was low because people worked in State Owned Enterprises. There were many additional allowances and the social security system was quite extensive. This caused minimum income differences. This system was known as the Iron Rice Bowl under Mao Zedong. The population did not have much to eat but, the state provided resources (Leung, 1994, pp. 343-344).

In 1978, China made market-based reforms. The country changed from a closed economy to one that welcomed foreign investments. These investments were directed towards the Special Economic Zones in the coastal areas. This caused development inequalities between rural and urban areas and between coastal areas and the hinterland areas in China. Market based reforms also meant that companies were more profit based. Employment was no longer assured and people could get fired. Income differences within companies were also more tolerated, the Party started to become more in favour of incentive-based approaches (Leung, 1994, pp. 345-347). China was one of the most egalitarian countries. In just a few decades, it changed into one of the most unequal countries. Economic growth became a higher priority compared to equality within society (Whyte, 2010, p. 3).

In 2017 the country had a Gini Index of 4,3 and it therefore almost reached the 5,0 threshold, countries with Gini Indexes above 4 are seen as unequal (Wu, 2009, p. 1035).

When it surpasses 5, Wu notes it could be dangerous for the stability within the country.

Inequality can lead to a sense of unfairness. This can especially be the case in China people remember the socialist past. When people are used to an egalitarian system, high inequality might be even more frustrating (Wu, 2009, pp. 1034-1036). Wide inequality can create

social divisions, it can harm social cohesion and cause regime instability (Lakoff, 2015, p.425).

Regime instability can cause a break in the path dependence of institutions. This means that the current political and economic order can be significantly disturbed. The old path is vaguer and opportunities that were impossible before, now become possible. One of those new possibilities can be democratisation (Acemoglu & Robinson, 2013, pp. 431-433).

This dissertation aims to lay down the causal logic of various authors concerning the link between inequality and regime instability and the link between inequality and democratisation. Political instability in an authoritarian regime does not necessarily have to lead towards democratisation. It can alternatively also lead to a new authoritarian regime. The Iron Law of Oligarchy states that authoritarian regimes are often replaced by new authoritarian regimes. Despite promises of change, the essence often remains the same. The reason this happens is that there are often no incentives for the next elite to be democratic. They can gain more power and wealth if they remain authoritarian (Acemoglu & Robinson, 2012, pp.358-359). There is much theoretical work about the link between inequality, regime instability and democratisation. Still, how this works in practise is not clear. On first sight, China seems to deviate from many of the democratisation and development theories. One of the purposes of this dissertation is to answer whether the theory is wrong and needs to be adjusted, or whether China is a deviate case. It is important to see whether the theories we use are still applicable beyond the West. This dissertation aims contribute to that wider question by answering the following research question: 'Is income inequality in China politically destabilising? It appears that in China there does not seem to be much protest which threatens the regime stability. After that, some possible explanations are provided for why China might deviate from the many theories that are written about this

topic. This dissertation will conclude with the notion that income inequality in China is high but that it so far does not threaten the regime stability in a substantial manner until now. There are some signs of destabilisation but the overall picture of Chinese governance still looks stable. It also concludes that there are little signs of democratisation within China. The population does not seem to express a clear wish for democratisation and the regime itself also turns less pluralistic. The share of citizens that share a desire for democracy is low (Miou, 2016 pp. 174-175). Also Xi Jinping centralises power around his persona and represses harder on sentiments that go against the CCP guidelines (Freedomhouse, 2019a).

Theoretical Framework

Inequality and political instability

Acemoglu and Robinson argue that inequality increases the probability of a revolution and other acts of civil unrest that threaten the elite. When there is severe inequality the poor have a lot to gain from political change, but they do not have a lot to lose (Acemoglu & Robinson, 2000, p. 1183-1186).

Weede also argues that inequality may lead to unrest, in this argument severe inequality can lead to political violence. That can be seen as a sign of political instability. The author explains this by stating that inequality is felt as relative deprivation and it gives rise to sentiments of unfairness (Weede, 1987, p. 101).

Thirdly, Russett sees that inequality can cause revolutions. Here, the poor try to plunder the wealthy in this case out of perceived unfairness (Russett, 1964, p. 449).

Knight further asserted that higher income leads to higher expectations among higher income but also among those whose income remains the same. When these expectations are not met, happiness is decreased. This can be harmful for social stability and in turn for political stability. Economic inequality is thus a threat to the social and political stability.

Social stability encompasses the state of social capital within a country while political stability is about governmental consistency (Adler & Kwon, 2002, p. 19) Comparisons with the direct neighbourhood are seen as the most important level of comparison. When people around you start to earn more, your aspirations about higher income in the future will rise. Many people will be let down when their income does not rise or when it does not rise as much as they expected. This dissertation can later be pointed at the government (Knight, 2013, pp. 6-8).

Severe inequality can decrease social cohesion, which lead to more protest and hostilities which can in turn reduce the political stability in a country (Su & He, 2010, p. 162

Concept Inequality

Inequality can be evident in many different circumstances, in this dissertation it will be defined as economic inequality between individuals before taxation and redistribution. Economic inequality is a situation in which the richer get a significantly bigger share of society's (economic) resources, revenue and economic growth compared to the poorer within society. Income inequality will be analysed here because it is a measure of someone's wellbeing within society. Inequality is also a measure of someone's relative poverty. Relative poverty holds that individuals within society might not be poor on absolute levels, but they are compared to others within their environment. Inequality is in addition a proxy measure of someone's socioeconomic standing and status within society (Cowell, 2011, pp. 4-5).

Inequality is broader than poverty, one can experience the negative consequences of inequality without being poor (Litchfield, 1999, p. 1). When inequality increases, the share the lower classes of society hold decrease (Kuznet, 1955, p. 3).

An important notion in inequality in general is the difference between inequality of opportunity and inequality of outcome. Inequality of opportunity means that people do not

have the same access to the means of social mobilisation. People do not have the same opportunities to acquire human capital, for example the access to high quality education can be restricted through tuition fees. The chances of earning a certain income are thus not equal to every member of society. Inequality of outcome simply means that people do not have the same incomes, people might have the same education but through different circumstances some people end up with higher paid jobs. Equality of opportunity looks at the process and sources of inequality. (Marrero & Rodríguez, 2013, pp. 4-5).

This dissertation will look primarily at inequality of outcome, this is more practical and there is more data available here. Inequality of opportunity will be briefly discussing with the sources of inequality in China. It will also be look more at absolute poverty as opposed to relative poverty.

Concept political stability

Political stability will be defined as the regularity of the political exchanges flow. Meaning that the majority of all political acts should not be opposing the current political system (Ake, 1975, p. 273). Political acts are a broad term, more concretely, political instability can be seen as the tendency of change within the executive branch of government. When the nature and course the government changes a lot, people cannot be certain that certain policies will stay in place. Constant change of government can cause constant change. In one way new policies are drafted in almost every country (Alesina *et al*, 1996, p. 191). Collective action, mainly in the form of protest and strikes will be seen as contributors to political instability. Democratisation is a form of regime instability, because it means that the current authoritative regime must be replaced by a new democratic regime. Actions that threaten the ruling leaders can be seen as a threat to the political stability. It is important to differentiate between democratic and authoritarian countries. Collective action can be more dangerous

for an authoritarian regime because protest in a democratic regime does not necessarily threaten the regime itself. In an authoritarian regime, protest is a lot more likely to threaten the essence of the regime since contestation is not in its nature like it is in a democracy (Hollyer, Rosendorff & Vreeland, 2015, p. 1, 4 & 9).

The literature is not unified in their assessment of the causal relation between inequality and regime instability. Most do not expect that inequality will benefit regime stability. All of the authors mentioned above offer an emotional explanation. People who suffer from inequality have feelings of unfairness, which motivates them to challenge the system. Therefore, it will be expected that inequality leads to political instability. The first hypothesis is formulated as followed:

Hypothesis 1: Inequality is politically destabilising

H0: inequality does not affect political stability of a country.

[Inequality and democratisation](#)

Different articles use bourgeoisie and middle class interchangeable while others use the middle class as something substantially different. For conceptual clarity it could be useful to distinguish some terms first.

With the term elite, I am referring to the people who are currently in power, normally the government. Bourgeoisie refers to the share of the population that does have significantly more wealth than the average citizen but is formally not within a power position. Both the elite and the bourgeoisie fall in the category 'the rich' (Ansell & Samuels, 2010, 1455). The bourgeoisie, the status as owner is important, they have to have a capital stock (Weil, 1995, pp. 5 & 11). Because they have capital, labour is not their primary source of income. Rather, it is the rewards from their capital investment (rent, interest, dividend). This means the bourgeoisie can be unemployed without risking falling into poverty.

The notion of the middle class often remains vague in the literature, it is somewhere between rich and poor. It is often associated with education, occupation, wealth and personal beliefs (Eisenhower, 2008, pp. 103-106). The middle class will be defined as a consuming class, their income is significantly above the poverty line. A significant amount of their income can be spent on services as opposed to goods. This group also has considerable economic security and stability. Another important notion for the middle class is that they want the same life or more for their children, they have the means to invest in their children's future (Atkinson & Brandolini, 2013, pp. 82-87). The middle class also can be defined as a group that has a low risk of falling into poverty. There is still a small chance that they fall into poverty, since they can lose their job and main source of income (Lustig, Lopez-Calva & Juárez. 2012, p. 51).

The poverty line lies at costs of minimum nutritional value times eight. Government agencies often determine this, they calculate how much money one has to spend in order to get enough calories to sustain themselves. Then they multiply that by eight (Eisenhauer, 2008, pp. 107& 112). People who live at the poverty line will be seen as the poor. People that are situated between the poor and the middle class will be defined as the working class. The main difference between the working class and the middle class lies in their risk of falling into poverty. Another important difference is that the middle class has a higher spendable income (Eisenhauer, 2008, p. 115).

Socioeconomic classes and democratic values

These classes are used to explain differences between individuals support for democracy.

According to Lipset there is a correlation between the level of education in a country and democracy. Individuals are more likely to support democracy if they have enjoyed more education. In a state of high inequality, not enough people will be able to pay for education.

Here, only the bourgeoisie and the elite will be able to provide their children with education. This will only be a small share of the total population. Parents will only send their children to school when they have accumulated sufficient capital. Households are only able to accumulate capital when they earn more money than they require for basic needs such as housing and food (Acemoglu & Robinson, 2000, p. 11). When the education coverage is slow, democratic values are not promoted throughout society and for that reason, there will not be enough support for democracy (Lipset, 1959, pp. 75-79). For democratisation there needs to be a strong middle class who can pay tuition fees and thereby gain democratic values. This can also change the perspectives of the elites. The idea of franchise expansion is not as irrational for the elites when there is an educated middle class. A strong middle class limit the redistribution after democratisation. A strong and educated middle class also delegitimises the stereotype of the uneducated masses, who are unable to make political decisions (Lipset, 1959 pp. 83-84). Another aspect is that the state and the bourgeoisie do need to win a certain support from the masses. This is often created through hope of a better future. When the middle class and lower classes have enough hope that they can get a better life too, they are less likely to revolt against the system. When this is not the case, high inequality can lead to revolt and revolution which may lead to democracy (Lipset, 1959, pp. 89-91). In short, Lipset states that inequality is unlikely to result in democratisation in most cases.

The vision of Acemoglu and Robinson is contrary to this. They see that citizens always have some sort of the facto power, even within authoritarian regimes. That is because there is always the threat of civil unrest and mass protest against the elite. Therefore the regime always has to keep the population peaceful by some means. When the masses rise, the power of the elite can be diminished (Acemoglu and Robinson, 2005. p. 25). The tension

between the rich and the poor has made an important contribution in the establishment of democracy in this theory, the middle and lower class started to ask for more voting rights. Here the elite made a rational choice, the expansion of franchise would hurt the power of the elite less than a revolution would. That could destroy the power of the elite altogether. Citizens in countries with extreme inequality have plenty of motive to challenge the system. Still the changes of democratisation are low. (Acemoglu & Robinson 2005, pp. 22-23).

Democratisation needs a strong middle class. The main objection the rich have against democratisation is that it often comes with progressive tax laws, this would decrease their income. Progressive tax reduces their spendable income in favour of the less fortunate within society. The middle class also does not benefit from too much income redistribution. If the tax rate is too high, their income would be reduced significantly. The middle class plays a mediating role here, it stands between the poor and the rich. The attitudes of the middle class towards income redistribution and progressive taxes are more similar to the rich compared to the poor (Acemoglu & Robinson, p. 2005, pp. 37-40).

In this theory income of the average or median income of the constituency after the expansion of franchise is important. McCarty and Pontusson also argue around the median income. They state that egalitarian states often have more redistribution and unequal societies often have less redistribution, this is called the Robin Hood Paradox (McCarthy & Pontusson, 2011, p. 670). The median voter is generally less likely to vote for high taxation rates when he earns more than the median income. In an unequal society, the median voter will likely earn less than the median income and will therefore likely vote for more progressive tax laws. This can make it attractive for citizens in unequal autocracies to challenge the system and thereby decreasing the stability. It also makes it less attractive for the elite to democratise in unequal autocracies (McCarthy & Pontusson, 2011, p. 669). For

this theory, higher inequality is likely to contribute to more political instability and possibly democratisation.

Ansell and Samuels have a different theory, they state that democracy is not caused by the elites and their fear of revolution. It is rather a result of the disadvantaged groups that are politically rising, thus the newly rich bourgeoisie, they cause conflict among the rich and powerful. When the elite is not unified, the chances of democratisation are higher. The development of a strong bourgeoisie often increases the inequality, that is because the gains of development are skewed towards the rich and upper middle class. A large part of the wealth of the bourgeoisie is a result of the impoverishment of the poor. The wealth of the elite generally remains the same. This means that the rise of the new bourgeoisie causes more inequality (Ansell & Samuels, 2010, p. 1543-1545). The bourgeoisie wants protection, they want to prevent violations of their property rights. The bourgeoisie has a higher status compared to the middle class and the poor within society. Also, their economic means are significantly greater and can equal or even higher than those of the elite. Because of their social and economic status, their bargaining position has improved. In this theory, democracy does not necessarily lead to more redistribution. Income redistribution, that would follow from democracy, is not in the interest of the bourgeoisie (Ansell & Samuels, 2010, pp. 1548-1550).

Haggard and Kaufman provide another point of view. This differs from the previous theories since, they state that inequality can lead to democratisation. According to them a lot of democratic transitions in the third wave of democracy (1980-2000) were directly related to inequality. Here the disadvantaged groups are more likely to revolt when inequality is extensive (Haggard & Kaufman, 2012, p. 495). There is however a collective action problem among the masses. This means that it would be rational for individuals to cooperate, they

won't because their interests are not fully aligned. With protest against income inequality, people often have the same interest in getting reduced inequality. Still, the individual contribution of each participant does not have a huge impact on the overall success of the group. For the success of the group, the group needs many individual members, which is hard because of the small differences of interest. This is especially the case when individuals do not expect much results from collective action or protest or when the possible negative consequences are severe (Finkel, Muller & Opp, 1989, 886-889). This can especially be the case in China, where especially since 2013, protest is more repressed and political opponents are punished hard. People who suffer would be unable to voice their demands and cannot do anything to change their situation. This can explain why there are still authoritarian unequal states (Haggard & Kaufman, 2012, p. 497). Przeworski further argues that inequality can even slow down suffrage extension. The lower classes do not have the means and bargaining position to demand democratisation when inequality is high. He states that war is often important for democratisation, returned soldiers feel they deserve to vote after their battle for the country. Democratisation was granted because the elite feared the returned soldiers. They perceived their situation of inequality as unfair and their bargaining position had increased because they were potentially dangerous (Przeworski, 2009, pp 302-303 & 306). Various authors above saw the emergence of a strong bourgeoisie as a process that would increase inequality. Muller sees a strong middle class as a factor that could decrease inequality. The middle class is a vehicle for social mobility of the lower classes (Muller, 1988, p. 51).

Concept democratisation

Democracy will be conceptualised as the degree in which different political actors can compete against each other to become elected within a government position. This also

means that parties might have to lose (Prezewski, 1991, p. 10). The term 'parties' can refer to various entities, like political parties, loose individuals, or other actors that are either in the government or strive to be there.

There is no clear consensus in the literature, however most authors argue that inequality does not cause democratisation. Most authors mention the importance of a strong middle class as an agent for democratisation. A strong middle class is as mentioned above a sign of low inequality. Therefore, the second hypothesis is formulated as:

Hypothesis 2: Inequality does not lead towards democratisation

H0: Inequality leads to democratisation

Methodology

The independent variable that will be analysed is regime stability. The dependent variable is income inequality, another independent variable that will be discussed concerns democratisation which can be seen as a form of regime instability. It will compare China to the theories about the causal link between the variables. This comparison will help to analyse whether the theories on inequality and regime stability are applicable to non-Western countries in this day and age.

This dissertation will analyse The Peoples Republic of China since 2013, this marks the inauguration of Xi Jinping, the current president of China. It will not always be possible to attain data concerning 2019 and 2018, most of the data will therefore cover the years 2013-2017. It will analyse the mainland of China, which means offshore territories won't be considered. The analysis will mainly be qualitative although quantitative data will be used in elements such as the Gini-Index. The data will mainly be gathered through a literature study.

The World Bank will be used for data concerning income inequality but the main information about inequality in China will be gathered from previous works about the subject.

Inequality

The Gini index will be used as the leading instrument of measuring economic inequality.

Income inequality between individuals, households and regions will be used to measure results. (Cowell, 2011, p. 21) Chinese data is not always reliable nor available. The Chinese data on incomes are especially seen as questionable by other scholars. The data can be inaccurate for various reasons. First, China has history of lower level bureaucrats and CCP leaders that provide false information in order to foster their own political career. In addition, China can manipulate data for political reasons (Holz, 2013, p. 40). In addition, more detailed information about income inequality is not accessible to citizens in the Netherlands.

Political (in)stability

Political stability will be measured in a multi facet manner. This multifaceted manner of measurement is necessary because stability is a complex phenomenon, it takes a lot of factors to establish stability and there are many different factors that can cause instability within a country (Hurwitz, 1973, p. 450). First, the years one government serves on average will be analysed. Because China is analysed after the inauguration of Xi Jinping this would not be apply to China on a national level. It is however possible to analyse the governance of China in the regions. High turnover of different regional governments could indicate political instability. There is a situation of high turnover when governments frequently do remain ruling for at least one constitutional term. In non-democratic countries this would be harder to measure. The second actor that is analysed is whether the government follows the constitution. When the government frequently disobeys their own constitution frequently

this could be a sign of regime instability. Absence of structural change and the absence of political violence and civil war will be seen as minimum conditions of widespread political stability. Another factor that will be considered is popular protest. Many regimes fell as a result of protest. Especially in autocratic regimes, where protest is one of the few possibilities to express discontent, protest is threatening. In authoritarian regimes contestation is often repressed and mass mobilisation against the regime can threaten the entire political regime significantly (Hollyer, Rosendorf & Vreeland, 2013, pp. 1-3).

Democratisation

Many authors that discuss the causal link between inequality and democracy see the extension of franchise as a measure of democratisation (Acemoglu & Robinson, 200) This is however not applicable to China. Therefore this dissertation will mainly look at changes within rights and governance in the direction of democracy.

Democratisation will be measured by changes on Freedom House data. Political rights and civil liberties are used to measure the level of democracy. Political rights are measured on a scale from 1 to 7 in which one stands for the most political rights. Civil liberties are measured on a scale from 1 to 7 as well (Freedom House, 2019b). The development on these scales will be analysed through the Country rapport that Freedom House publishes every year.

This dissertation aims to be original in the sense that it uses very up to date knowledge and data. The individual factors; inequality, regime stability and democracy have thus far not been combined in an analysis that applied to China.

Results

The Gini index in China ranks amongst the highest in the world. Since 2008 it has been declining slowly, but that is mainly due more equality within the rich segments of society (Jain-Chandra, et al, 2018, p. 4). The poverty rate has increased significantly but in absolute

numbers, there were still a lot of Chinese people living in poverty (Fan, Kanbur & Zhang, 2011, p. 54).

There is high income inequality in China. Various sources estimate it at various degrees. While the Chinese state states it is declining since 2008 and would be under 0,5 in 2010. Overall most economics that operate outside agree that the Gini Index in China has a value of 5 or higher, which means that the country has severe inequality. In a comprehensive study, Xie and Zhou conclude that is just above 5,0 in 2010 (Xie & Zhou, 2014, pp. 6929-6931). The overall poverty rate is lower, but the extreme poverty rate has increased. The relative poverty has not improved either (Chuliang & Sicular, 2013, p. 314-316).

Reasons behind inequality

The welfare system Mao established was called the Iron Rice Bowl. This system ensured almost full employed and risks were pooled. Income differences were minimal (Leung, 1994, p. 342-343). This does not mean there were no social problems, there were many cases of severe food shortages (Fan, Kanbur & Zhang, 2011, p. 51). The key here is that everybody in one community had the same benefits, but misfortune was also shared.

Privatisation

In 1978, after the Third Plenum Congress of the CCP, there were more economic reconstructions. The market became more central and the Iron Rice Bowl was abolished in favour of market orientated policies. This created more inequality and this caused big differences between urban and coastal areas. It also decreased access to certain services for the economic disadvantaged (Leung, 1994, pp. 346-348). Thirdly, the total share of the economy that the government controls decreased. Human capital became more important for economic wealth, which further increased inequality (Wei, 2002, pp. 110 & 121).

A further source of high inequality is that the gains of foreign investments are not evenly spread among the population. A few benefits disproportionately while others get none or only a small share of the pie (Liao & Wei, 2012, p. 81). In addition Inequality increases because the entrepreneurial class gets a large share of the economic growth. Even more, in the entrepreneurial activity shifts away from ordinary families towards CCP party families. The children of government officials get much privilege and there is a lot of corruption. This makes it easier for cadre-children to have successful businesses (Jia & Lan, 2013, p. 1-4)

Urban-Rural Differences

The majority of the inequality can be ascribed to rural-urban inequality. This is because the development mainly takes place in urban areas and agricultural production did not grow in a fast pace. The rural areas were disadvantaged more when China accessed the WTO, this meant that rural farmers had to compete at a lower world price. China does not deny that there is high income inequality, they want to change this by encouraging by more development in hinterland areas (Emran & Hou, 2013, p. 684). These hinterland development project do increase rural incomes but mainly in upper and middle classes. The poor remain poor. The trend is that the rich are extremely rich in short term and the poor remain poor in the long run (Li, Long, Ty & Wang, 2015, p. 16373)

In some ways the high inequality is overstated since living costs in urban and rural areas differ significantly (Chuliang & Sicular, 2013, p. 321).

Urban Inequality

Workers that are employed in State Owned Enterprises (SOE's) have more job security and other forms of socioeconomic security. People working in the private sector are less protected against layoffs and misfortune. Therefore, there is inequality between SOE and private companies' employees. This is worse for migrant workers who come from rural areas

to work in the cities, they are mostly employed in the private sector. In China people only have rights on the social benefit within their district of origin, their hukou. Migrant workers who get unemployed are not entitled to social benefits. This increases the total urban inequality (Wright, 2018m pp. 20-21). Migrants also have less job opportunities compared to urban citizens, they have less education which is increasingly important in China. Migrants also face more discrimination and are more likely to be fired (Lu & Wang, 2013, pp. 2-3 & 16-18).

Rural Inequality

Inequality in rural areas has also increased (Liu, 2006, p. 381). (Li, Long, Tu & Wang, 2015, p. 16363). Some authors state that the hinterland development projects are not working very well, since income inequality for farmers compared to the rest of the urban population keeps growing (Xu, Qui, Yang & Chen, 2018, p. 6). Inequality in urban areas also increased by all measures since economic reform (Paul, Chen & Lu, 2017, p. 220).

Political Instability

China is an authoritarian regime (Freedom House, 2019a). Some authors expect that high inequality will lead to more political instability. Thus far China is stable, the government is cohesive in the sense that individual politicians in the central government do not frequently differ from the opinions of top CCP leaders. China differs in that respect from other communist regimes who did not survive after market liberalisation (Lee & Zhang, 2013, p. 1476). This is partly due the fact that the central policies are implemented in a selective manner by the local politicians and bureaucrats. They have this freedom decentralisation that started under Deng. Local politicians and other people in high rank positions got more power and possibilities to diverge from the central governments. They now had the ability to implement rent seeking policies that were unpopular with the local population. Policies like

more tax and fines for the rural population. This created tension between the rural population and the local governments (O'Brien & Li, 2017, pp. 169-171 & 180-181).

Protest

In authoritarian regimes, opinions and discontent cannot be shown by voting. Protest is one of the few ways in which the population can express themselves and one of the few ways they can have political participation. However, protest is more dangerous in authoritarian regimes (Ong & Han, 2019, p. 224-225).

The current leader of the CCP, Xi Jinping, has restricted public opinion. People who voice opinions that are against the regime face prosecution. Some commentators state that this could prove to be explosive in the long term. Repression could thus threaten the political stability at a later point.

Popular protest is here defined as 'public collective actions, directed towards political and or economical elites. If different actors are able to align their preferences, it could lead towards revolt against the regime (Wright, 2018, p. 3). Widespread protest in China is quite rare (Yang, 2010, p. 21).

The internet is monitored quite thoroughly. In 2000 there were already between 20.000 and 50,000 people employed in monitoring. It can be expected that the number has risen in recent years (Wright, 2018, p. 16). Until 2012 small scale protest at the local level was allowed, it was used as an information source of discontent. The government used this information to know where it had to take measures to decrease the discontent (Wright, 2018, p. 43).

The protest also seems to increase the legitimacy of the CCP in many cases, because the top party leaders took the side of the protesters. However, the protest did not lead to much change which can cause disappointment among workers. Under the regime of Xi Jinping,

protests are less tolerated. The central government often took the side of the protesters, this boosted the central governments legitimacy. However, when protest itself is condemned, the central government might not be able to please the protesters. This can decrease the legitimacy and make the CCP the enemy, as opposed to an ally. When more people are dissatisfied with the current regime and are repressed it can be dangerous for the regime (Wright, 2018, pp. 89-91).

Urban and Rural Protest

The majority of the social protest takes place in rural areas. In 2012 it was estimated that 65% of all protest took place there. The protest is here mostly pointed at the local government. It is mostly directed against local governments or companies that violate the law. In these cases, the central government takes the side of the local population (Wright, 2018, p. 63).

In urban areas there were about 2700 strikes in 2015. Most protest were organised by workers from SOE's. In recent years however, there were more protest from the private sector. Private sector protest is mostly against rule violations which enables the government to take the side of the protesters. That is harder with protest from SOE employees. These protests tend to be more political and aimed against the current regime. The protesters regularly claim that the current CCP leaders have betrayed communism (Wright, 2018, p. 66).

In 2014 there were hour and pay reductions in the SOE's due restructuring. SOE's tried to be more cost effective by laying of part of their employees. The coal and stale sectors also announced mass layoffs. There were 50 separate actions organized, most of them had very political tones. The protest of migrant workers is not very political. They are more about

rights violations and overtime payments. Even though this groups suffers the most from inequality, they seem to protest the least (Wright, 2018, p. 80).

There is a general belief among the elite and the SOE employees that they deserve more rights than farmers and private sector workers. Therefore unification of workers and alignment of interests against the regime is hard to establish (Wright, 2018, p. 89).

Middle Class Protest

The urban population has higher income and education. According to modernisation theory this would cause more expectations for political participation and thus democratisation. This should be the group were protest would be expected according to this theory. The middle class also has more access to media and therefore channels to organise and express their discontent (Ong & Han, 2019, p. 227-229). In China the chance of protest decreases with education and income. An underlying reason for this, is the risk for higher income earners and higher educated take is greater compared to lower income earners. Higher income earners have higher opportunity costs, they can lose their high salary and status (Ong & Han, 2019, pp. 235-236).

Chang and Pan also state that the middle class in China not necessarily prefers democracy. They state that the middle class actually prefers capitalism, which is often associated with democracy. China had capitalism without democracy. Therefore, the middle class aligns themselves with the regime and the support for democracy is lower in this group. Still, compared to the rich and the lower classes the middle class is the class with the most support for democracy (Wu, Chang Pan, 2017, pp. 348-350).

The influence of education on social mobility in China is limited, people who attend elite education do not have significant more chance to enter the elite compared to someone who has good connections or wealthy parents (Jia & Li, 2016, pp. 1 & 29).

Working Class and Poor Protest

Most workers did not join the protest in the early 2000, which were a reaction to the consequences of privatization. Many workers had the same views as the elite, or they lacked the confidence to take action. They did not see themselves in a position in which they could address the government. The workers are generally characterised as timid, this is often ascribed to a lack of knowledge, but it could also have other sources (Chen, 2017, pp. 916-916).

Labourers were indicated as one of the largest sources of social unrest, the group is also difficult to contain for the government. Since the financial crisis, financial security has decreased and living costs in urban areas are higher. This has especially affected female migrant workers. Female migrant workers are a social group that is increasingly protesting. Labour protest is also an act of frustration directed at the government and its unwillingness to enforce labour laws. The CCP responded to this by more monitoring on the streets in areas where the risk of a protest emerge is high (Liu & Shi, 2017, p. 355-358).

Another notion to consider is that workers in China do not have the right to organise, to bargain nor to strike. They are only allowed to be a member of the official union. When sincere collective bargaining is ineffective, the chance of protest increases (Knight, 2013, p. 21).

The social unrest and protest has been rising in China. The Chinese state also identified labour unrest as a potential threat. That can increase because of the emerging shortage of labour workers in the country (Knight, 2013, p. 2&21).

Other Signs of Instability

Inequality in China can cause political instability in China according to Fan, Kanbur and Zhang, this is the case because economic fortunes will be polarised (Fan, Kanbur & Zhang,

2008, p. 1). In rural areas, citizens worry about this polarisation and intra rural income inequality (Akau, Borgen, Giulietti, Robalino & Zimmerman, 2016, p. 23).

On average, regional government leaders serve 4 to 5 years in government. This can be interpreted as a short, especially compared to international standards. It is unknown whether this changed under the rule of Xi Jinping. When government officials serve only for a few years, the political turnover in the regional areas is high. This is one of the signs of political instability mentioned earlier (Rochlitz, *et al*, 2015, p. 11).

The CCP does not seem to violate the constitution of the PRC in a systematic manner. This might be easy because the constitution of the PRC reflects the goals of the CCP. They won't describe rules they cannot follow or that would hurt the party. Not following the constitution can have wider effects, it can decrease the legitimacy of the party (Liu, 2018, pp. 72-73).

Some commentators also note that there have been radical changes, which are also a sign of instability in the political arena. Xi Jinping has heavily personalised his power and as mentioned before, protest and other forms of contestation are punished more severely. The political power is now concentrated within the 'core group' a few leaders around Xi. The institutionalised forms of power sharing such as are broken down more and more which can be seen as radical. Especially since he expanded the legal presidential terms. There are many signs that the collective leadership China has before, is disappearing (Gueorguiv, 2018, pp. 17-18).

Democratisation in China

Signs of democratisation are hard to find since the country is becoming more tightly controlled and repressive. The media, the bureaucracy and practically every other group is undermined by the regime. More repression does not necessarily mean that the regime is unstable. Xi Jinping has personalised much of the power in China and has also extended the

term of his presidency. Internet censorship bigger than ever. There are more restrictions which are easier to monitor because of artificial intelligence and the increased size of the surveillance apparatus. Independent civil society organisations, that are usually the organisations that provided the infrastructure for the organisation for protests, are increasingly prosecuted (Freedom House, 2019a).

As mentioned before, there is more centralisation of power within the central government. Collective leadership is decreasing, institutions such as the National Supervisory Commissions are abolished and replaced by institutions that are very loyal to Xi. China seems to be moving in the opposite direction of democracy and is becoming more authoritarian (Gueorguiev, 2018, p. 17).

According to a survey by Miou, 88,9% of the Chinese middle class would prefer a more pluralistic form of governance. This means that a majority of the growing middle class would be in favour of a more democratic government. This can be regarded as a huge threat to the CCP rule, in a single party regime, the support of anything else than the CCP is against their rule. Still in China 60% of the people that do want more democracy, want changes to be initiated and led by the central government. The middle class seems to be in favour of democracy but also in favour of the current regime. The middle class also does not seem to be very interested in participating in protest (Miou, 2016 pp. 174-175)

The middle class in generally sees Chinese politics as stable. They also wish it stays like this. The mild Chinese temperament could explain it. The middle class also can expect more economic returns when there is government stability. Moreover, the state is not always seen as oppressive, they see that action is more likely among the poor and have confidence in the long-term stability of the state (Miou, 2016, pp, 178-182).

In short this dissertation argues that, there is little hope for democratisation in China in the short term. Income inequality remains high but the current regime seems to remain stable and authoritative. The middle class, which in modernisation theory is seen as the most important driver for democracy, also does seem to be in favour of population led democratisation.

Discussion

State repression

One of the reasons why protest is less common than expected is that it pays to affiliate yourself with the Party. This advantage is significant and therefore differs from other countries. The democratisation theories assume when there is a common interest, people can be unified to protest against the government. In China, these classes are divided by party membership It decreases their group identity (van Zomeren, Spears & Leach, 2008, p. 354). Party households have higher income on average and many among the poor groups in society are non-members (Morduch & Sicular, 2000, p. 347). One reasons for this discrepancy could be that many of the democratisation theories are based Western experiences. These countries where even before democratisation more pluralistic than China. That made it harder for the regimes of those countries to divide the classes like China did (Acemoglu & Robinson, 2012, p. 310). It also pays for companies to align themselves with the governments, companies that spend a lot of money on gifts and other forms of corruption have a higher chance of being profitable (Jia & Lan, 2013, p. 21).. Lastly the state repression increases the collective action problems (Yang, 2010, pp. 21-35).

This can ultimately backfire against the government since repression can lead to dissent and disappointment. Protesters are more likely to turn against the regime and use more radical and confrontational methods that could be more politically destabilising (O'Brien & Deng,

2015, p. 458).

In rural areas, the Chinese states had provided more public goods. They hoped public goods and some level of local democracy would help to keep the rural population harmonious (Whyte, McAllister & Munroe, 2017, p. 5)

Logistical problems

What also decreases the mass protest is that the Chinese population is largely immobile especially in rural areas it is logistically hard to organise a protest. The alignment of interest which is needed for protest, is harder when the potential protesters are spread. Transport increases the costs and the collective action problem (Finkel, Muller & Opp, 1989, 886-889). In addition to that, many protests that are organised are uncoordinated across classes and sectors. Intellectual dissidents are the group that advocates the most in favour of democracy. Decentralisation also helped the legitimacy of the central government since the protest are aimed more at the local government. The central government can take the protesters side, or the central leaders can avoid being involved altogether (Martin. 2015, pp. 39, 47-51).

Confucianism and the Chinese dream

The low protest can be a result of Confucianism. In this ideology, hierarchy is central, and it is important to respect people in power positions. Obedience to someone who has a higher position is central, whether that is a teacher, a parent or the government. The CCP is more often seen as a guardian, rather than an oppressor. The protest can also be low because of success of the Chinese state. Over the years the average real income has increased, and the poverty line had decreased significantly. This leads to much hope about better times in the future and high confidence in the regime and its ability to establish that. Fear of getting fired

can also be a factor, because job security for uneducated work, where typically the lower classes are employed, has decreased.

Wu stated that the Chinese population might also be more tolerant of income differences. The reason behind this would be that the Chinese people believe that income is based on merit. When someone is wealthy, it is seen as the result of hard work and talent. 80,3% of the Chinese people in the inquiry believed in equality of opportunity. Addressing high incomes is often seen as jealousy or being anti-rich. Wu also noted that there is a general believe that those who earn less now, will get more opportunities in the future. They believe they have to make a sacrifice now, in order for more wealth in the future (Wu, 2009, pp. 1038 & 1046-1047).

The Chinese government might also differ from other regimes because it has meritocratic authoritarianism. It has good governance in an authoritative manner, in this regard, the elite seems deserving of their position. Under Xi Jinping this might decrease since he wants stronger power and checks and balances. In this regard, the chances of a more democratic China are significantly low (Ortmann & Thompson, 2016, pp. 40-44).

Conclusion and Implications

Inequality of income is very significant in China. The urban rural divide is high but intra-rural, intra-urban and intraregional inequality are also high. Various theories indicate various groups that will would take the lead towards government instability and perhaps even democracy. Modernisation states that the middle class will be the vehicle, a growing and strong middle class is often a sign of more equality (Lipset, 1959). At the other end there are theories that state that the lower classes are the prime advocates for democracy in China (Haggard & Kaufman, 2012).

The group that experiences the most negative consequences of inequality would be the migrant workers in urban areas. They also seem to be the group that protests the least, although it is rising. The overall protest rate is quite low, especially since the increase in repression after Xi Jinping's inauguration. Overall there does not seem to be much support for hypothesis one 'Inequality is politically destabilising', it might also be too soon to state that the null hypothesis 'Inequality is not politically destabilising' is true either. Much of the data is contradictory. There are little signs that the stability is severely threatened but there are signs of growing frustration. Overall, the evidence is inconclusive.

This dissertation also aimed to connect inequality to democratisation. Research shows that in general, the majority of the population is not in favour of democratisation against the will of the current government. The rich benefit a lot from the current regime and the lower class also does not seem to be very enthusiastic about democratisation. The middle class is most enthusiastic about more pluralism and democracy, but they are still loyal to the government on average, they want change but only if it is led by the CCP (Miou, 2016).

Therefore hypothesis two 'Inequality leads to democratisation' can also be rejected. There is not enough evidence that the lower classes, who are again most affected by inequality, have big democratic sentiments. The regime in China seems stable. Pluralism in China is even decreasing. The chances that political change in the direction of democracy will happen in the coming years is very low.

The theories of democratisation, regime instability and inequality seem to match badly with The Peoples Republic of China. There are various theories about reasons why this is the case. Confucianism, modern day state repression and logistical problems are among the many reasons that are given. This might prove how China is a deviate case, but the mismatch can alternatively be explained by a fault within the inequality theory. Inequality might not

correlate with stability at all. In order to provide a more definite explanation, more research needs to be done in the exact reason(s) behind China's deviation of the mainstream theories.

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