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China's Dilemma: Power vs. Freedom

By James A. Dorn

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In a recent survey of nearly 6,000 high-income, college-educated individuals in 25 countries, the Edelman Trust Barometer found that 43 percent trusted government institutions. In the United States that figure was 45 percent, while in China it was 75 percent. The fact that more of the "informed public" in China trust government than in the United States may seem puzzling.

America has a Constitution that limits the power of government and protects individual rights; China has no genuine rule of law, a one-party state, and weak or nonexistent protection of human rights. How can successful people in China have greater trust in government than those in America?

The answer is simple: in China the surest path to riches is through power; in America it is through freedom. The Chinese Communist Party's all-encompassing hold on political power and its control of the commanding heights of the economy mean that those who hold power are privileged in the race to the top of the economic ladder. Even with more than three decades of economic reform, political reform has seriously lagged.

There is no independent judiciary to safeguard rights to life, liberty, and property. State-owned banks lend to state-owned enterprises, all of which are run by the party elite. Asking the "princelings" if they trust government is like asking children if they like candy. If the Edelman Trust Barometer had asked ordinary Chinese whether they trusted government institutions, their answer, if they were free to express themselves, would be an emphatic "no"!

There are some independent thinkers in China who recognize that the inequality of wealth is due to the inequality of power. As long as the CCP holds a monopoly on power, economic life will be politicized and corruption will be pervasive. Deng Xiaoping was willing to allow people to get rich and began to move China toward greater economic freedom in 1978, but there has not been sufficient progress on limiting the power of government.

China's dilemma is that if the CCP wants to improve the quality of life, it must allow greater freedom of choice, but that will threaten its monopoly on power—thus the struggle between power and freedom. Ai Weiwei, perhaps China's most famous dissident, aptly notes, "In a society like this there is no negotiation, no discussion, except to tell you that power can crush you."

What China needs most is not democracy but limited government and the rule of law. That is why Mao Yushi founded The Unirule Institute of Economics in Beijing in 1993, to promote what Nobel Laureate economist F. A. Hayek called "the constitution of liberty." On May 4, Mao will be the first Chinese scholar to receive the prestigious Milton Friedman Prize for Advancing Liberty, awarded every two years by the Cato Institute in Washington, D.C. (It is uncertain whether he will be allowed to attend.)

Like Lao Tzu, China's first liberal, Mao Yushi understands that harmony—both social and economic—emerges from freedom under just rules, not from orders from above. Lao Tzu wisely counseled, "When the government is too intrusive, people lose their spirit. Act for the people's benefit. Trust them; leave them alone."

The principle of *wu wei* (nonintervention) recognizes that people should be free to choose and be held accountable. With free private markets—in resources, goods, and ideas—mistakes tend to be corrected more rapidly than under central planning, minimizing the risk of large errors. As such, the quality of life tends to improve continuously.

Since rights to life, liberty, and property reside in individuals and the legitimate function of government is to protect those rights, a just government depends on the trust of the people. Even an emperor can lose the "mandate of heaven" if he violates that trust.

Mao Yushi has had the courage to criticize the morality of the Chinese legal system and to question the legacy of Mao Zedong, saying that Mao was not a god and he should be held accountable for the deaths of tens of millions of people during the Great Famine (1958–61) and the Cultural Revolution (1966–76).

Premier Wen Jiabao has called for political reform and further economic liberalization, but under his leadership little progress has occurred. His rebuke and purging of Bo Xilai, former party chief of Chongqing, reveals a growing struggle for power between liberals and hardliners. In 2010, Xi Jinping, who is expected to become China's next president later this year, congratulated Bo for his "Red Culture Campaign" designed to stir up popular support for the so-called Chongqing model of development. That model is more state-led than market-led, and the effects of corruption are now becoming evident.

State capitalism is consistent with the party's power but not with the quest for a "harmonious society." Top-down planning requires obedience; freedom is seen as dangerous. China needs spontaneous harmony, not forced harmony. In China, the wealthy class is largely the privileged political class—and with a single powerful party one either gets in line or tries to exit the country.

The attempt to exit China's "big government, small market" system is seen in the increase in visa applications by wealthy Chinese: from 2007 to 2011, the number of applications for investment immigration visas to the United States grew by 1,000 percent. Those who can afford to invest at least $1 million in the United States want to leave China because they are uncertain about the future, especially the security of their assets due to government corruption and the lack of a transparent legal system that protects property rights. They also want their children to be independent thinkers. One entrepreneur simply says, "The problem is that government power is too great."

Being skeptical of big government is the right attitude. The U.S. Constitution was designed to limit the size and scope of government and to allow people to pursue their own happiness under a just system of law. "The sum of good government," wrote Thomas Jefferson, is "a wise and frugal Government, which shall restrain men from injuring one another, shall leave them otherwise free to regulate their own pursuits of industry and improvement, and shall not take from the mouth of labor the bread it has earned."

The United States could best teach China by adhering to the principles of a liberal order that rests on nonintervention and freedom under the law of the Constitution. The challenge for both China and America is to recognize that rights reside in the people, that those rights are not positive welfare rights—to "do good" with other people's money—but equal rights to be left alone to pursue happiness.

The right balance between freedom and power is the test of good government. Without the free flow of ideas and competition, the voices of the Chinese people will be lost and exit will be difficult but attractive.

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