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'Privilege Power' In China

By Simon Montlake

A chat with Mao Yushi, an economist and critic of China's one-party state.

*Mao Yushi is the 2012 recipient of the Milton Friedman Prize for Advancing Liberty from the libertarian **Cato** Institute in Washington, D.C. The 83-year-old market economist is a trenchant critic of China's one-party state and an advocate of democracy and human rights.*

Trained in Shanghai as a railway engineer, he was labeled a rightist and purged repeatedly by the Communist Party. In the 1970s he began studying economics and in 1993 cofounded the Unirule Institute of Economics in Beijing. Unirule is named for the universal rules that Mao believes underpin a market system. "Everything has its rules," he says.

Last year he stirred fresh controversy with an online essay, "Returning Mao Zedong to Human Form." It argued that Chairman Mao (no relation) committed colossal errors that cost tens of millions of lives. Mao Yushi estimates that China's per capita GDP halved during Mao's rule. After the essay appeared ultraleftists besieged his office and petitioned the police to prosecute him. He received threatening phone calls at home, and the essay was later removed from Chinese websites.

Two years ago Mao was among several intellectuals prevented from traveling to Oslo for the award of the Nobel Peace Prize to Liu Xiaobo, an imprisoned political activist. But he doesn't expect any problems leaving for Washington to receive his award on May 4. "That was the only time that I was barred" from overseas travel, he explains.

Recently retired from Unirule, Mao continues to write and lecture. He spoke to FORBES ASIA on Apr. 19 at the home he shares with his wife in Beijing.

Since economic reform began in 1978, the Communist Party has had a strong record of growth and poverty reduction. Does this provide legitimacy for continued one-party rule?

Mao: No, it's not enough. The government is under big pressure.... Most people think that political reform is lagging behind. We should first have freedom of speech. I think that is probably the most important [reform]. Only in this environment can people supervise and oversee the government. After freedom of speech [there is] the right to choose the government. In China's case, the leaders aren't chosen by the people. They chose themselves, and we have nothing to say. That is a dangerous relationship.

What about the global fascination with China's brand of state-led capitalism?

What is capitalism? It's private ownership, the rule of law and the market system of free exchange.... The market system creates income gaps. In China's case, not only the market system but also the political system creates an additional income gap, so the gap is very large. The first step is to remove political privilege power. Let the market work. Then the second step is to limit the income gap within a certain range.

What is the biggest challenge to the leadership over the next five years?

That would be the clash between vested interest groups and social justice. The law can't control [these groups]. They have special freedom. They get extra income because of ... privilege power. Big state enterprises are vested interest groups. They collude with politicians.

Will Xi Jinping and the incoming party leadership reform the system?

I don't think Xi Jinping can be a political reformer. However, his experience and his education are very different from [presidents] Hu Jintao and Jiang Zemin's. So change must happen. In addition, there is external and domestic pressure.

Your essay on Mao Zedong provoked a strong reaction. Were you surprised?

It's totally beyond my expectations. I think all my points in the article should be agreed [upon]. It's all based on facts. But Mao's theory is very attractive, especially for the poor.... All over the world there is always a pursuit of equality, and this will always be a damaging force.