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Can Authoritarian China Keep its Economic Miracle Going?

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Mao Zedong, China's "Great Helmsman," died four decades ago. Only after his murderous reign finally ended could his nation move forward. Dramatically.

The old dictator and his cronies wouldn't recognize China's capital today. Beijing has become a sprawling metropolis. It mixes high rises of dramatic architecture with squat structures of modern power. Night clubs and fast food restaurants. Endless traffic jams highlighted by luxury autos. Prolific advertisements for Western goods and finely attired Chinese "princelings."

Shanghai's transformation is equally dramatic. Always more international and commercial than Beijing, it has become a world financial center. The Bund, or waterfront in the old European concession, is overrun with tourists. Across the river sits Pudong, which in just two decades has become a second downtown with a high-flying skyline.

There's a lot more to the People's Republic of China, including a vast rural territory which remains poor, with average incomes well below urban PRC. But extreme poverty has given way to a genuine if modest prosperity. And the country is littered with cities of millions which are expanding in every direction. On my journalist group's way to Inner Mongolia, we stopped in Taiyuan, the capital of Shanxi Province around 250 miles from Beijing. Hardly known in the West, the city hosts a luxury Kempinski hotel.

As China has advanced on the global stage there's been discussion of the "Beijing consensus" or China Model. Who needs free markets and democracy if managed capitalism and autocracy can deliver sustained, even faster, economic growth? Dictators around the world want to convince themselves, and more importantly, their subjects that oppression pays.

Yet the China Model is looking a bit frayed. All is not well in the world's second largest -- and by some measures largest -- economy. Indeed, the country's dramatic and rapid economic rise may be over. China has slowing growth, a property bubble, ghost cities, inefficient state enterprises, a stock market crash, badly skewed demographics, overextended banks stuffed with

political loans, and unbelievable official statistics. Despite President Xi Jinping's talk of placing more influence on market economics, the regime has moved in the opposite direction.

And corruption continues, by some estimates costing as much as three percent of GDP. The government's crackdown, though widely welcomed, has not resulted in more efficient administration. Instead, one American diplomat told me, more often the result has been paralysis. With pervasive pay-offs virtually every official, especially at the local level, is a potential target. So it now can be harder to get necessary decisions since the old corruption lubricant may be gone but dispassionate rule of law has yet to appear.

Beijing also has put foreign companies in its gunsights, often arresting employees and holding them for months without charges. The OSI Group is but one recent example. This makes Western firms even more nervous over investments which often have not paid off as expected. Foreign direct investment continues to grow, but less quickly than before.

Economic problems mean political problems. The Communist Party still formally reigns. Mao's beneficent visage watches over Tiananmen Square. But there is no benevolence in party rule. The regime has been cracking down on domestic dissent and foreign influence. What educated Chinese see today is corrupt apparatchiks turning revolution into a prosperous career. President Xi's take-down of high-flying "tigers" is welcomed, but viewed as cynical politics mostly targeting his adversaries.

Although an authoritarian state where public criticism -- through traditional or social media -- is punished, China is remarkably open in other ways. Dissent is widely expressed, especially by students, who I've been addressing for years. Unsurprisingly, they generally dislike government controls over their lives. In front of classmates they have denounced internet controls, lauded American democracy, asked about Tiananmen Square, and worried that Xi Jinping was becoming another Mao Zedong.

Yet wimpy liberals they are not. They are patriots, with a nationalist bent. Taiwan is Chinese, they tell me. So are disputed territories in nearby waters. And they aren't that enthralled with Washington lecturing their government.

It's an interesting tension that I found common during my recent trip to China. A successful businessman educated in America forthrightly declared that democracy might not be best for the world's most populous state. He offered little praise for the Communist Party, but he obviously didn't want to be ruled by a peasant majority either. Yet when the issue of internet controls was raised, he said that of course he had to get to Google documents for the book that he was writing. Evading these government restrictions, at least, was a given.

Trying to predict the PRC's future direction is more than dangerous. China is an ancient civilization and complex nation that has gone through multiple, extraordinary transformations, most rapidly over the last three decades when it has rocketed from isolated Maoist madness to

global economic leader. Yet its current trajectory is slowing, and perhaps even heading downward.

Particularly interesting is the question whether growing repression will impede Chinese growth. Beijing recognizes it faces a challenging future: for instance, it has just dropped its destructive one-child policy. Other repressive policies inevitably hinder commercial development, especially in today's Internet/information-dominated economy. Perversely, the PRC is encouraging students to look West for school -- and a future life. Moreover, there's evidence of at least a modest exodus of wealthier Chinese, perhaps fearful of being targeted by their government -- not only for possible economic corruption, but for their affection for Western influences and desire to express their opinions.

Equally significant, the attempt to tighten central party control may generate widespread political instability. A reported 100,000 party members are under investigation. Having taken on the "tigers," such as past security chief Zhou Yongkang, Xi Jinping has upset the post-Mao policy of not targeting previous leaders. Indeed, Xi is rumored to be taking aim at still influential former president Jiang Zemin. There is wide disagreement over whether Xi is secure on the mountaintop or standing on a precipice. Open political conflict, especially with the madness of the Cultural Revolution still within many people's memory, could prove especially unsettling.

In sharp contrast, is India, another potential great power. It continues to disappoint with its failure to fully reform economically, but its functioning democracy relieves public pressure and better civil libertarian protections ensure widespread access to a globe full of information. While India's future also is difficult to predict, its fuller liberty protections may offer it a better path.

China is fascinating, even exciting. In many ways it has the feel of a free country: arrive with your visa and you can visit where you want, meet who you want, travel how you want, and say what you want. Yet the PRC imposes a glass ceiling on liberty. Break it and you suffer a huge penalty.

But ultimately the country as well as the people may pay. China has come far. But it has even further to go. Where it ends up is likely to depend on whether the government comes to trust its people and becomes accountable to them. If not, the 21st Century is unlikely to end up as the Chinese Century.

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