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China's future clouded by the road not taken in 1989

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On June 4, 1989, as the tanks rolled into Beijing's Tiananmen Square, Lech Walesa's Solidarity movement won a landslide victory over its communist rivals in the first democratic elections to be held in Poland — indeed, in Eastern Europe — since its forcible integration into the Soviet bloc.

Thirty years later, Poland's democratic capitalism, while hardly flawless, highlights the Polish electorate's wisdom. A vibrant market economy, born from dismantling Soviet-era central planning, has brought vast, widely distributed gains.

Per capita income has more than trebled since 1991, when the reform process got fully under way. Yes, income inequality rose as the reforms took effect: the Gini coefficient (a standard measure of inequality) peaked in 2004; since then, however, it has declined steadily, and is now at levels comparable to those in relatively egalitarian Germany.

The unemployment rate is lower than at any time since the fall of communism, and widespread labour shortages have fuelled sustained increases in real wages.

However, every bit as impressive as the economic record is the vitality of Polish democracy.

The current government, drawn from the conservative Law and Justice Party, has attracted international criticism for its reforms to the country's judiciary. But there is no sign of any

weakening in the intensity or effectiveness of the competitive struggle for the people's vote.

On the contrary, the local government elections held in October and last month's elections for the European parliament were tightly fought, and free and fair.

It is true Poles grumble endlessly about politics; but parties that advocate jettisoning democracy attract no support. And with a thriving civil society, the social disintegration and sullen despair that were so pervasive in the Soviet era are a thing of the past.

Of course, on that fateful weekend, while Poland chose democratic capitalism, China veered the other way.

It, too, abandoned the Soviet-style command economy and reaped enormous gains from so doing. However, it retained the one-party state, based on a Communist Party with an absolute monopoly over power.

In the process, Marxism's promise of a planned, radically egalitarian utopia was scuttled, to the point where classical Marxists, who call for the "expropriation of the expropriators", are harassed as dissidents. But Leninism, with its intransigent commitment to the supremacy of the revolutionary party, remained at the heart of the regime.

Now that hybrid is proving as threatening to China's future prosperity as it is to world peace.

In part, the problems reflect the inherent dynamics of the Leninist state. As Ferenc Feher, Agnes Heller and Gyorgy Markus argued long ago in their classic analysis of Soviet societies, the party apparatus cannot but seek to entrench its grip over economic activity, both because that maximises the resources at its disposal and because "what is accumulated outside that domain inevitably constitutes a threat, as it confers a degree of independence upon those who own it".

The result, they noted, was that market-oriented reforms were constantly undermined as the party struck back — much as Chinese President Xi Jinping is doing in expanding the role of state-owned enterprises and increasing the party's ability to dictate their decisions, as well as

those of firms, such as Huawei, that are notionally privately owned.

Additionally, Feher, Heller and Markus showed, those attempts to prevent “the existence of any power external to the apparatus and able to restrict its freedom of activity” invariably defied economic logic, privileging less efficient — but more readily controlled — activities such as large, capital-intensive firms and massive infrastructure projects, over more efficient but diffuse alternatives.

To make matters worse, the extension in the party's dominance multiplied the opportunities for corruption, boosting the returns the apparatus extracted from its stranglehold. And while that process was always apparent in the Soviet bloc, it has gone to unprecedented extremes in China, where the damage corruption causes compounds all the other inefficiencies state intervention brings.

Little wonder then that Nicholas Lardy, one of the foremost experts on China's economy, recently concluded that “the resurgence of the state” has “stifled the competitive forces that previously powered the Chinese economy”, slowing China's growth and contributing to a debt burden that endangers its stability.

Given that China is still a relatively poor country whose level of economic development relative to the US is barely higher than that Japan had reached by 1951, the cost in terms of forgone growth opportunities is all the greater.

But the crisis that threatens to engulf China's Leninist state is not solely economic.

After all, if Lenin's “dictatorship of the proletariat” had any justification, it was as a step to the Marxist nirvana.

China, however, is not moving towards a society of equals; rather, its levels of inequality have risen to rival Brazil's, which are among the world's highest. And far from Marxism's “socialist freedom”, its citizens are forced every day to deal with a self-perpetuating despotism, in which the symbiosis between unaccountable officials, venal entrepreneurs and organised crime translates all too often into collapsing buildings, contaminated food and arbitrary seizures of

property.

The ingredients are therefore well and truly in place for a “legitimation crisis”, which Max Weber defined as a situation in which the state, stripped of legitimate authority, must rely on pure coercion. Shorn of a unifying ideal, and reduced to the Orwellian rhetoric of “Xi Jinping thought”, China’s elite will find it increasingly difficult to justify its rule, especially when growth falters.

Much as happened with Stalin in the period immediately preceding his death, the mere risk of such a crisis will feed the elite’s paranoia and make appeals to a belligerent nationalism an even more attractive instrument of mass mobilisation. As that propels a deeply illiberal power to throw its weight around in what remains a liberal world order, the points of friction between China and the West are likely to proliferate, creating the potential for uncontrollable escalation.

Domestic repression is likely to escalate, too. Already now, despite the consensus brought by rising living standards, the numbers in labour camps are approaching those in the mid-1950s, when Maoism, in its Stalinist phase, was eradicating the “reactionary class”. With surveillance becoming ever more intrusive, and recent changes to the criminal law making it easier to extract confessions, those numbers seem certain to climb, as the throngs protesting in Hong Kong well know.

The contrast with the democratic capitalism Poland so unambiguously embraced 30 years ago could not be more stark. Nor could the contrast with the hopes and aspirations of the young people whose lives were extinguished that day at Tiananmen Square. As the world remembers communism’s enduring brutality, the light of the alternative deserves to shine all the brighter.