

Totalitarianism: Institutional Foundation of PRC Economy

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Chinese Economy in the Long Run
Hoover Institution

"Thought-provoking ... must-read book"
Daron Acemoglu, *Nobel Laureate*

INSTITUTIONAL GENES



**ORIGINS OF
CHINA'S
INSTITUTIONS
AND
TOTALITARIANISM**

CHENGGANG XU

The Fundamental Institution of the PRC

- Regionally Administrated Totalitarianism (RADT)
 - Totalitarianism administrated by party-state regional authorities
- “The Party leads everything” (the Constitution of the CCP)
- Totalitarianism: an autocratic regime totally controlled by a party

A totalitarian party (entry/exit the party is not voluntary; competition is banned) controls every aspect of society (Friedrich – Brzezinski, 1956)

- The Party controls ideology (Marx-Leninism, Mao-Xi thoughts)
 - It controls armed force (“the gun barrel”)
 - It controls police/legislation/judiciary (“the Knife Handle”)
 - It controls the media (“the Pen”)
 - It controls all organisations/businesses (all the land, banks, etc.)
 - It controls all the data in the society (big data - AI)*
- RADT’s evolution determines China’s past, today, and tomorrow
 - But where does RADT come from? How has it evolved?

Analytical methodology: Institutional Genes

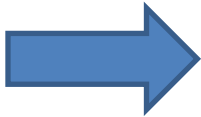
- **Institutional genes:** basic institutional elements
 - Repeatedly self-reproduced basic institutional elements
 - Structures of power/resource allocation; social consensus
 - Reproduced by players for their own interests
- It intends to be mechanisms of path-dependency nature of institutional changes (a la North)
- Institutional genes of communist totalitarianism came from Soviet Russia
 - Why did China embrace communist totalitarianism?
- Mises (1946): all efforts to stop totalitarianism have failed
 - It took communist totalitarian regimes only half century to controls 1/3 world population, with China the largest, Why?
- China's past and future all depends on how its institutional genes change

Evolution of China's Institutions

Exogenous totalitarian institutions (Soviet Union)



Chinese Empire
(220BC-1911)



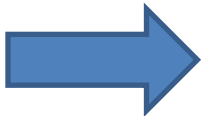
Classic Communist Totalitarianism: replicate USSR
(1949 - 1957)

Deviation from USSR

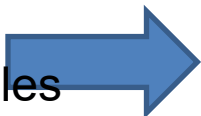


Regionally Administrated Totalitarianism (RADT)
1958-61: **GLF**; 1966-76: **Cultural Revolution**
Early stages of post-Mao Reform 1977-1995

Reform is for Saving the CCP. The CCP bottom line: preventing Peaceful Revolution. From Deng's 4 Cardinal Principles To Xi thoughts



Regionally Decentralized Authoritarianism (RDA)
private firms; NGOs: **differed from USSR**
(1996 - 2012)



Restoration of RADT
(2012-2025)



future direction to be decided

Institutional Genes of Bolshevik (Communist Totalitarian Party)

Tsarist Imperial Institutions
Monopoly of powers;
making constitutional reforms not IC



China Shares these

Russian Orthodoxy
Messianism; organized
ideology penetration



Secretive Political
(terrorist) Institutions
Control society's mechanisms;
Appealing to the elites; not IC for
democracy

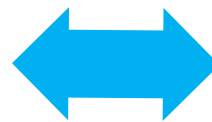
Institutional Genes of CCP-PRC Regime

Party-state Bureaucracy

Decentralized admin/resources to local
Judicial system is within this bureaucracy



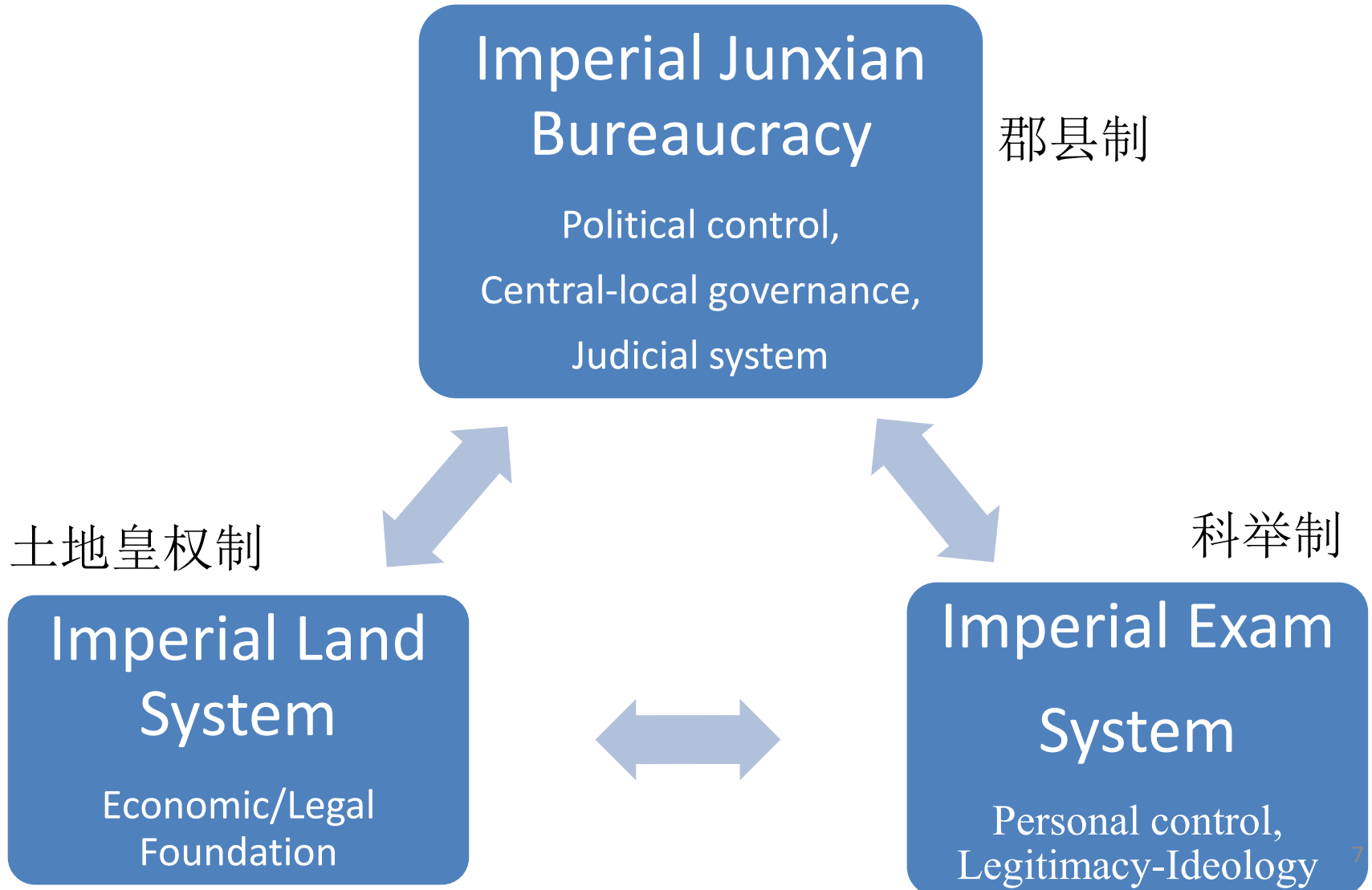
Party-state control
Land & financial
resources
Economic-legal
foundation



Party controls
personnel; Ideology

Institutional Genes of the Chinese Empire

Established since Qin; Completion since Sui

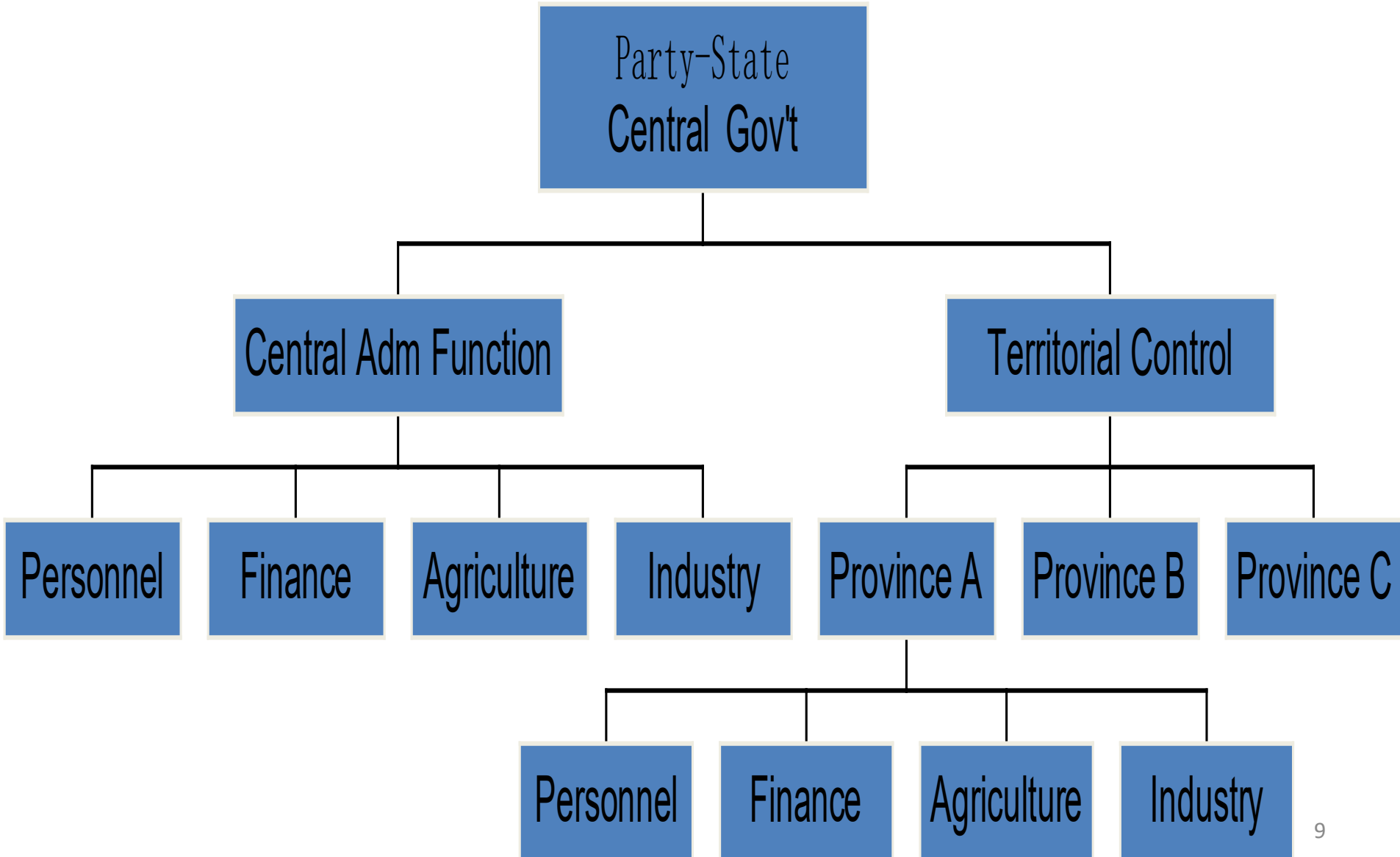


From Classic Totalitarianism to Regionally Administered Totalitarianism (RADT)

- China copied a classic totalitarian system from USSR up to 1957
- Then China was transformed to RADT through 2 waves of campaigns
 - The 1958 Great Leap Forward (GLF) and the 1966 Cultural Revolution (CR)
 - Profound influences on China's post-Mao reform; up to today
- RADT: The Party central authority maintains/enhances its control over politics, ideology, personnel matters and strategic issues
- Administrative and economic tactical tasks are distributed to local authorities to make them self-contained in admin functions
 - Delegated most state-owned enterprises to local governments
 - Local authorities were authorized to admin, planning, distribution, taxation, land use etc.
- RADT's roots in institutional genes: imperial/revolutionary times 8

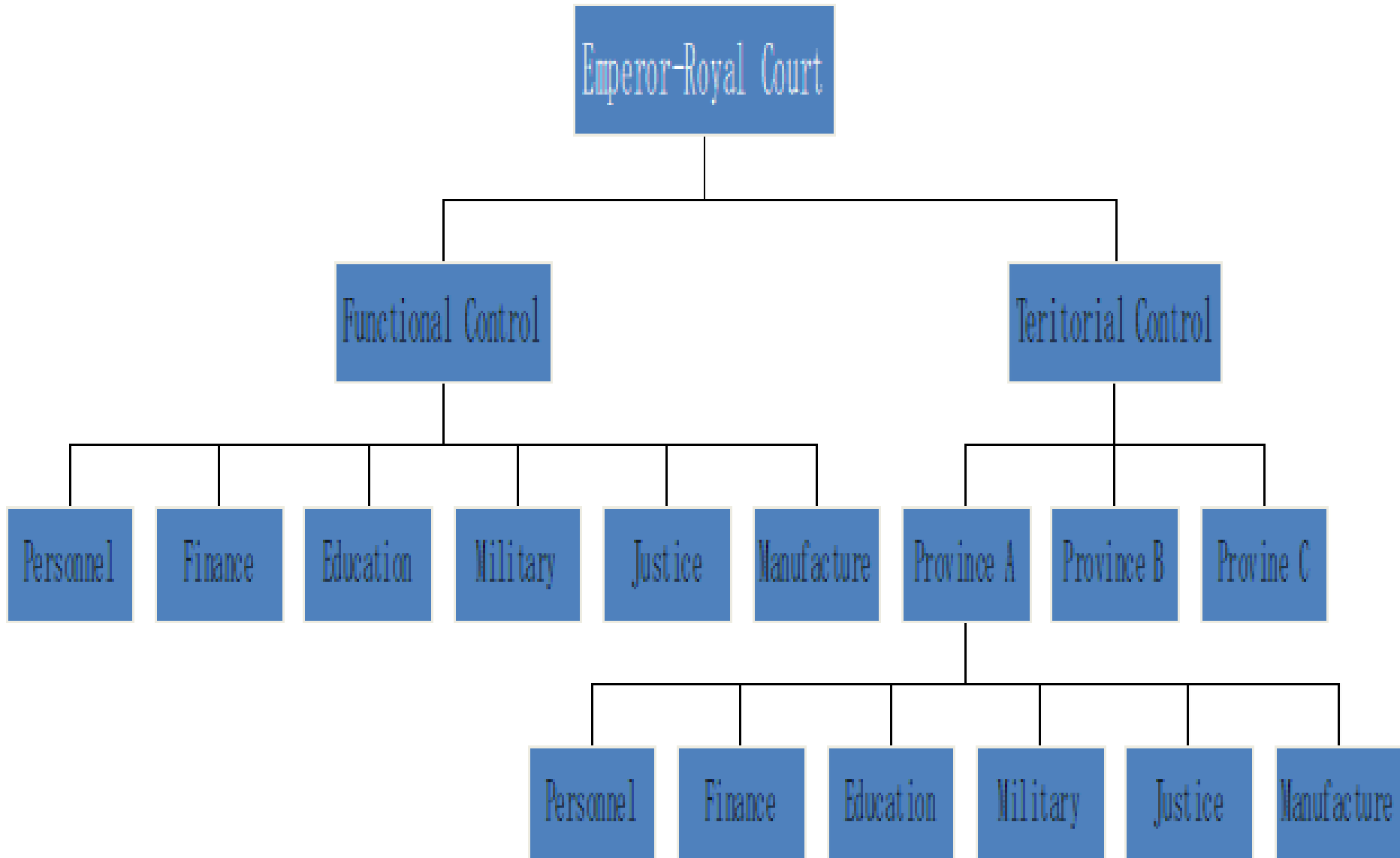
Institutional Genes of the CCP Party-State

Central-Local RADT Governance Structure



Institutional Genes of Junxian System 郡县制

Established since 220BC (秦); Codified since 600AD (隋)



RADT and The Post-Mao Reform

- RADT is the institutional foundation of regional competition in China's reform (Qian-Xu, 1993; Maskin-Qian-Xu, 2000; Li-Zhou, 2005; Xu, 2011)
 - Regions compete for growth during the reform
 - Provided strong incentives for party-state bureaucrats
 - Regions try out different ways: allowed for private firms' growth
 - Differentiate China from reforms in communist SU-CEE regimes
- Domestic engine of growth: Private sector (by local initiatives)
 - Unintentionally saved the Chinese economy & the regime
- Global engine: special zones - Global trade/tech (by local initiatives)
 - Growth, management, technology
- But regional competitions requires conditions (Xu, 2011; 2019)
 - Government must focus on one target for competition to work
- When regional competition worked there were windows of opportunity of transforming the party-state political economic system
 - But the opportunity was gone around 2008

An Unintended Temporary Change: from Totalitarianism to Authoritarianism

- Globalization and the unintended development of private sector during the reform loosened China's totalitarian institution
- China experienced an unintended transformation from RADT to authoritarianism: Regionally Decentralized Authoritarianism (RDA)
- New pro-constitutionalism institutional genes emerged
 - Private properties; NGOs; Civil society; limited pluralism
- But the goal of China's reform is for sustaining CCP's power
 - The same as reforms in SU-CEE communist regimes
 - Deng issued Four cardinal principles (socialism; CCP; ideology; dictatorship) before starting reform (1979): red-lines of the reform
 - Compared with these principles growth and the economy is always ranked
- Totalitarian institutional genes in China are resilient
 - CCP alerted on new IGs; worries on losing its totalitarian control
 - CCP has pushed China back from RDA to RADT since 2013

Ending the Reform by CCP's Fundamental Dilemma: Retaining Power vs. Saving the Economy

- Growth of private sector & globalization
 - Necessary for saving the economy
 - Perceived as challenging the CCP
 - Eroding CCP's power; foundations of colour revolution
- Bottom Line: The Party leads everything
 - Saving the economy by the Party's controlling hand
 - Containing/controlling the private sector:
 - Containing/controlling foreign firms plus the Wolf Warrior Diplomacy
- The CCP is most concerned about peaceful evolution & strengthening SOEs as the foundation of its rule
 - Crackdown/control private firms; purge entrepreneurs; SOE↑

Institutional Genes→Diverse Strategies→Consequences

- Degeneration caused the Collapse of FSU-EE totalitarianism
 - Failed reform→elites' consensus: socialism is unreformable
 - Underling institutional genes of such consensus: beyond pragmatism
 - Perestroika-Socialist democracy: humanitarianism↑→giving up violence
 - Institutional genes associated with enlightenments in Russia-EE
 - Civil society-Trade Union-church in EE created pressures to the regime↑ ↑ ↑
 - Church-union-civil society as institutional genes; influence on FSU
- Impacts of institutional genes to the institutional transformations after the collapse of FSU-EE totalitarianism
 - Some become constitutional democracy: Poland, Check, the Baltic nations
 - Some become authoritarianism: Russia, Belarus,
- Institutional Genes of RADT → saving regime strategies
 - Strengthened totalitarian IGs + without enlightenment history
 - Anti-revisionism-Cultural Revolution: anti-humanitarianism
 - De-Stalinist trend in Soviet Union: humanitarianism↑
- CCP: Anti-revisionism as part of institutional genes
 - CCP's will of cracking down >> CPSU in the 1980s
 - Chinese resistance << FSU-EE in the 1980s



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*Institutional Genes:
The Origins of China's Institutions
and Totalitarianism*

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