

【特集】中国改革開放45周年を考える

Understanding China's Political and Economic Institutions

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1. Introduction

Thank you for you coming today. This talk is a very brief summary of my forthcoming book. This book is going to be published soon by the Cambridge University Press. The title of the book is “Institutional Genes: The Origins of China's Institutions and Totalitarianism.” But for today, since I have only half an hour, it's going to be a very brief summary. So the title is going to be “Understanding China's Political and Economic Institutions.”

2. China's Institutional Characterization

Let me start from my summary of the fundamental institution of the People's Republic of China. I characterize today's China's institution as Regionally Decentralized Totalitarianism (RDT, hereafter), which is essentially a communist totalitarianism with Chinese characteristics. And the so-called Chinese characteristics are mainly about its way of managing this totalitarian regime. So the particular way of managing means it's a decentralized administration and decentralized economic resources. However, politically and ideologically, it is highly centralized and is a totalitarian regime. And the core of this

institution is the CCP, the Chinese Communist Party.

And actually, when we characterize the Chinese institution as totalitarianism, this is more of an academic way of describing it. But if we look at what Mao Zedong has said and what Xi Jinping has emphasized repeatedly, actually what they are saying is exactly about repeating the definition, the academic definition of totalitarianism. What they have been saying is that the party is going to lead everything. So what they are saying is that the party is going to lead everything, and that is exactly the definition of totalitarianism.

So, for the following, let me just repeat the definition of totalitarianism. The CCP actually monopolizes ideology, it monopolizes the armed forces, and monopolizes the security, the police, and secret police, and the court, and it monopolizes the media. It controls all the organizations, controls all the business in society, and finally, in the modern version, it controls all the data in society. It controls all the big data and AI.

3. Evolution of China's Institution

Now, let me just very quickly summarize the evolution of China's institution. Historically,

China has a very long tradition of the imperial institution. The Chinese Empire lasted for more than 2,000 years. So when I introduced the concept of institutional genes, the native institutional genes of China come from the Chinese Empire. However, the communist totalitarian regime comes from the Soviet Union. This is not Chinese. So the communist totalitarian institutional genes are exogenous.

For talking about China, this is really a combination of the two. On the one hand, part of the institutional genes comes from the Chinese Empire, and the essential part of the institutional genes comes from the Soviet Union. So the combination of the two, then from 1949 up to 1957, in that decade, in China, a classic communist totalitarian regime has been established. The so-called classic means it's the same as the Soviet Union. However, China is different from other communist regimes in the sense that China did not stick with the Soviet model. Starting from the Great Leap Forward movement in 1958, China deviated from the Soviet type of totalitarian regime. Instead, the Chinese created this regionally decentralized totalitarian regime by decentralizing the administrative functions and economic resources from the central ministries to different levels of local governments.

And then later in the 1960s and '70s, the Cultural Revolution actually is the second wave of consolidating the regionally decentralized totalitarian regime. And particularly in the 1970s, in the later stage of the Cultural Revolution, this RDT, the regionally decentralized totalitarian regime, has been completely consolidated. So the reason here I'm emphasizing the role of the Cultural Revolution and the Great Leap Forward is because that is the institution that is the foundation of the economic reform. So

for understanding China's economic reform, we have to understand the institution being created during the Great Leap Forward movement and the Cultural Revolution.

And here, we also have to emphasize the purpose of the reform, or the goal, the ultimate goal of the economic reform. So the goal of the reform is to save the Communist Party's regime. And the bottom line of this Communist regime or the reform is to prevent peaceful evolution. So on the one hand, they want to have economic reforms, but at the same time, they want to guarantee that peaceful evolution must be prevented.

And before the reform being launched, in 1979, Deng Xiaoping declared the four cardinal principles. And these four cardinal principles are socialism, Marxism-Leninism, Mao Zedong Thought, the leadership of the Communist Party, and the dictatorship of the proletariat. So in the whole process of the economic reform, in the four decades of the reform, all of these cardinal principles are the bottom line of the Chinese economic reform.

But this, under the RDT regime, under the regionally decentralized totalitarianism, because of this decentralized administration and resource allocation, and also given this kind of regime, the Chinese Communist Party is affordable and facilitated to launch regional competition. So because of this competition, the regional competition unintentionally, many local governments have allowed private firms to grow. And then eventually, due to the competition, the private sector becomes the largest sector of the Chinese economy, which has saved the Chinese regime, has saved the Communist Regime.

But associated with the development of the private sector, there is also a very large development of the NGOs, of the civil society,

and also a limited pluralism. So all of this, on the one hand, saved the Chinese economy. On the other hand, these are going to be regarded as a threat to the Communist Regime. So therefore, here we see what has happened since 2012. Since then, in the recent decade, we see the restoration of the totalitarian regime, or people may call that as a backward movement.

4. Institutional Genes and China's Future

So then, what is going to be the future of China? It depends on the institutional genes. So here, the institutional gene is a concept that I introduced into this analysis. So the so-called institutional genes, these are the basic institutional elements which have been repeatedly reproduced over the historical stages.

And so, take today's China as an example. So when people complain that today's China is repeating the Cultural Revolution, it's actually fairly common among historians talking about history repeats. But why history repeats? So here, by introducing the institutional genes, we try to explain that actually, history doesn't really repeat itself because the so-called repeats, it doesn't mean it repeats all the details. It only means that some of those major characteristics are being repeated. So what has been repeated is really about those very basic institutional elements. And the reason these institutional genes are going to be reproduced by themselves is because these institutional genes determine the incentives. So it's being reproduced, not actually by itself, but instead, these are reproduced by the players who are playing roles in the institutional change.

So when we talk about institutional genes,

we can see that in the reform era, in the three decades of China's economic reform, there are new institutional genes being evolved towards the liberal direction. Just like I mentioned earlier, it includes the private sector, includes the civil society, the NGOs, the limited pluralism, and so on and so forth. But here, the issue is that the old institutional genes, the old institutional genes mean the institutional genes of totalitarianism. These institutional genes will not allow for the new institutional genes to grow further simply because you have those guys who are benefited from the old institutional genes. So then, they are going to try to contain the new institutional genes. They try their best to drive China back to its totalitarian past. That is exactly what we are observing in the recent decade.

So by applying this analytical concept here, we can argue that China's future depends on the changes of China's institutional genes. So by introducing this methodology, by introducing this concept, now let's have a very quick outline of the institutional genes of the Communist Party. So this is the institutional genes of the Chinese Communist Regime (See the Figure titled The Institutional Trinity of the RDT/RDA system in Xu, forthcoming). So in the center block of the institutional genes is the party-state bureaucracy. So this party-state bureaucracy controls everything in society. So that is why it's called totalitarianism. It controls everything, including the judicial system.

However, the party-state bureaucracy alone is not stable. It's not robust. So it has to have an economic foundation and also a legal foundation. So the lower left corner in that block, that is the foundation. So that is the part state controls all the land of China, and it controls all the banking, controls most of the

financial resources. So when the party-state controls all the land, controls all the banking, so through controlling the land and the finance and the commanding height of the economy, they control the economy. So that becomes the foundation of the totalitarian regime. But these two boxes together still are not sufficient. So then, on the lower right corner in that block, that is the third element of the institutional genes of the Communist Regime, which is the party's control over personnel and over ideology. Over personnel means that the party-state bureaucracy, all the personnel, are controlled by the party. So by controlling personnel, they are able to control the bureaucracy. And the reason the Chinese totalitarian regime is affordable to decentralize is simply because they control personnel directly. They control ideology directly. So all of these three blocks together are going to be the most important parts of the institutional genes of the Chinese Communist Regime.

But if we compare this with the Chinese Empire, then we can see the similarities. So the Chinese Empire, here, this is a simplified version of institutional genes of the Chinese Empire that is established since the Qin Dynasty. But the completion of this trinity structure, the completion of this trinity structure, is since the Song Dynasty. So after the Song Dynasty, it has been like this. So the central block is the imperial bureaucracy, and in the Chinese literature, it's called the Junxian system. So that is the bureaucracy that controls everything, controls the whole society of the Chinese Empire. And then on the lower left corner, that is the imperial land system, which means that all the land of the Chinese Empire is controlled by the emperor and the Imperial Court. And then the lower right corner is the imperial exam system. In the

Chinese literature, it's called the Keju system. So this imperial exam system actually controls the personnel and also controls ideology.

So here, by comparing the historical institutional genes with today's institutional genes, here we can see the similarity. And that actually explains partly why the Chinese embrace the totalitarian regime. Because the institutional genes of the Chinese Empire are highly similar to the institutional genes of a totalitarian regime, although it was imported from the Soviet Union.

And then, talking about the controlling of this empire, this territory, let's first look at the institutional structure of this regionally decentralized structure under today's regime (See the Figure titled Stylized Governance Structure of China's RDT/RDA Central-local Regime in Xu, forthcoming). So here, we can divide the central governments and central party-state agencies' functions into two parts. On the left, these are administrative functions. On the right, these are the territorial controls. So talking about central administration functions, here, there are dozens of ministries, dozens of specialized ministries. But these ministries, although they are at the central level, they actually are not directly controlling all the local functions and are not controlling enterprises directly. Instead, here, on the right-hand side, these are the territorial controls. So under the central level, there are provincial levels, and then prefecture level, and then the county level, and then down to the lowest level of the hierarchy, which is the township level. Then, they are also administrative functions. So at the central level, if there are, say, 70 ministries, then at the county level, they are going to have corresponding 70 offices. So, but here, each office, all of those offices under each county,

are going to be controlled by the party head of the county. They are not controlled by the ministries.

So, for example, at the central level, there is a finance ministry, and at the county level, there is a finance office. But this finance ministry is not going to control the finance office at the county level directly. Instead, the party secretary of a county is going to control the finance office. So if a minister of the finance ministry inspects a county and finds something wrong in the finance in that county, this minister is not going to talk to the office. Instead, the minister is going to talk to the party secretary of that county. So that is the way the Chinese regionally decentralized totalitarian regime controls the whole territory and operates the whole economy, operates the whole society in that particular way.

So if we compare China with the Soviet Union, then it's not like that. In the case of the Soviet Union, every ministry is still going to control all the details of that particular part of function down to the bottom. So, for example, each enterprise in the Soviet Union is going to be controlled directly by the ministry. But in China, most of the firms are locally owned state-owned, and these firms are going to be controlled by the local party secretary.

So, so far, we have talked about the regionally decentralized totalitarian regime, how that is governed. But where does that kind of institution come from? So again, let's look at the institutional genes of the Junxian system in the Chinese Empire (See the Figure titled The Institutional Genes of the Imperial Junxian System in Xu, forthcoming). So then, similarly, here, on the left-hand side, these are the administrative functions under being controlled by the royal court. So since the Three Dynasties, the administration has

always been divided into six functions, which means six ministries. But these six ministries are not going to control the whole territory. They are only coordinating these functions at a very top level. So really, the empire is controlled by the territorial arrangements. So below the central authority, the royal court, the imperial court, there are provinces. And then below the provincial level, there are prefectures. And below the prefecture level, there are counties. And in each county, there are six offices corresponding to the six functions, six ministries at the central level. And again, similarly to today's Chinese management, so if a minister inspects a county level, if this minister finds something wrong in the county about that particular function, again, this minister is not going to bother about this office. Instead, this minister is going to talk to the head of the county. So that is the way that the Chinese Empire has been managed for 2,000 years. So this is the illustration of the institutional genes and how the imperial institution is being inherited to today's totalitarian regime.

Okay, so then, now let's look at today's situation. So today, everyone agrees that the Chinese economy runs into deep troubles, and not only the economy but also its foreign relations, the whole society, its politics, and so forth, they are all run into troubles. So to understand why, after more than three decades of successful economic reform, why China is going back, why China runs into troubles, that actually is exactly because the Chinese reform is a reform of a communist totalitarian regime. And that kind of reform has an ultimate goal. The goal is to maintain, is to sustain the Communist totalitarian regime. So then, we have to look at what happened in the Soviet Union in the 1970s and

'80s before its collapse. Because the Soviet Union, in their reform, the purpose is the same as the Chinese Communist Party. The purpose is to hold their power. So therefore, they have resisted privatization. And due to their resistance to privatization, the economic reform failed terribly, miserably. And this failing of the economic reform leads to the collapse of the regime.

So then, if we compare the Soviet Union with, if we compare China with the Soviet Union, then here, the Chinese reform allowed for the private sector to grow. And that saved the Chinese economy. By saving the Chinese economy, it has saved the Communist Regime. But because the goal of the reform is not for economic development per se, it's for the power of the party. So then, the party starts to worry. So on the one hand, the growth of the private sector is good news. It saved the Chinese economy. But at the same time, it's bad news for the party. So then, the party worried, the party worried very seriously. They worried about peaceful evolution. So as a consequence of this, so therefore, the party cracks down on the leading private firms. They purge leading entrepreneurs. They contain the private sector. And then they ban freedom of speech. They ban the freedom of assembly. They drive China back to the Soviet Union. They drive China back to the origin of the Soviet Union. So that is why here we see the very rapid slowing down of the Chinese economy and so on and so forth.

And then, finally, let us just make a very brief comparison between today's China and yesterday's Soviet Union. Yesterday means the Soviet Union before its collapse. So here, we compare their institutional genes. We divide institutional genes into two groups. One group is the institutional genes of the totalitarian

regime. The others are the institutional genes necessary for constitutionalism or for constitutional democracy. So these are private property rights, rule of law, and a pluralist political dependency. So if we make such a comparison, then here, we can see that when we compare the institutional genes of totalitarianism, then we find in China, that is going to be even stronger than those in the Soviet Union. However, if we compare the institutional genes necessary for constitutionalism, then we find only in private property rights, in that aspect, China is stronger than the Soviet Union. But in all the other aspects, China is even weaker than the Soviet Union at that time. And so, here, this comparison is actually illustrative. It's going to have important implications about the future of China, and also, it sheds some light on why today's, this is the last slide.

5. Conclusion

In conclusion, understanding China's political and economic institutions requires a deep analysis of its institutional genes and the historical evolution of its regime. The tension between the old totalitarian genes and the new liberalizing genes will shape China's future development and its role in the world.

Thank you for your attention, and I look forward to discussing these ideas further with you.

[Q&A Session]

Question 1: What is your current prediction about the future of China based on your comparison between current China and the Soviet Union in the 1980s?

Answer: The future of China depends on the growth of institutional genes necessary for

constitutional democracy. Without these genes, even if the totalitarian regime collapses, there is no guarantee that China will transform into a constitutional democracy.

Question 2: What is your opinion on the dilemma that a strong enough state to effectively govern the society is too big to be governed by the society?

Answer: The traditional Chinese Empire represents an extreme case where the state was too strong, and the commoners were too weak. So when we talk about the tradeoff between a strong state versus a constrained government, a feudal system is more relevant, is more relevant in talking about that. But the Chinese Empire, the tsarist Empire, the Ottoman Empire, these kinds of empires, these have super strong state, and the commoners, the private ownership, private assembly in this kind of empires, they almost did not have their place within the empires.

Question 3: What is the institutional gene of the lack of rule of law in China?

Answer: China does not have a tradition of law, and the concept of "law" in Chinese tradition is qualitatively different from that in the West. The Chinese concept of "fa" is an instrument used by the emperor to rule the empire, not law in the Western sense. China did not have law until 1906, and the communist regime abolished all laws and imported totalitarian laws from the Soviet

Union, which further weakened the rule of law.

Question 4: How does the CCP's approach to the private sector impact China's economic future?

Answer: The CCP's approach to the private sector is a double-edged sword. On one hand, the growth of the private sector has been crucial for China's economic development. On the other hand, the CCP's efforts to maintain control over the private sector, including crackdowns on leading private firms and entrepreneurs, create uncertainty and can undermine investor confidence. This tension between economic liberalization and political control poses a significant challenge for China's future economic growth and stability.

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Transcript: Mariko Watanabe and Chat GPT4

Commentary: The institutional genes is a very interesting and effective to conceptualize the persistency of the state governance system of China. I would rather recommend the economist to formalize the institutional genes as a system using theoretical model of a state so as to find out the factors to have current RDT system into more stable system. (MW)

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