

Chapter 1

Leaders

The Chinese state is not just a state; it is a party-state. That sets it apart. It is not a democracy, obviously, but nor is it a bog-standard dictatorship in which typically a military junta holds power with force on behalf of itself or, say, a class of landowners.

A party-state is more than a one-party dictatorship. It is a system with two overpowering bureaucracies, side by side and intertwined. The state controls society, and the party controls the state. There is a double system of control. Control is this state's nature. If it were not for a determination to control, there would be no rationale for the double system. And once there is a party-state, the determination to control is a given. The double system is an awesome structure, all the more so when in the hands of able leaders. The current leader, Xi Jinping, the general secretary of the party, the president of the nation, and the commander-in-chief of the armed forces, now China's strong and domineering leader, is using the apparatus available to him with force and determination. A big and powerful country, a strong state, an ambitious and shrewd leader—that adds up to a force to be reckoned with. The rest of us had better understand what is going on.

Party-states are dictatorships. All the known ones in history have been dictatorships, and the remaining ones, including China, are dictatorships.¹ Communist rule in China was dictatorial before the communists were in control of all of the country, established itself as a brute dictatorship nationally in 1949, and continued to be a deadly dictatorship under Mao.² China today is a sophisticated dictatorship in which citizens are allowed many freedoms but only up to a point. At that point, when necessary, and often enough that no one is in doubt, the party-state clamps down, sometimes in crude and sometimes in subtle ways, and with whatever force is necessary. It bears being set down at the start and then not forgotten that the regime

1. There are now only a few party-states left in the world. The old fascist ones are gone, as are the communist ones in Europe and the former Soviet Union, the African ones that tried to make themselves party-states, and the Ba'atist ones in Iraq and (probably) Syria. In addition to China, there is only North Korea, Vietnam, Laos, Cuba, and possibly Eritrea. Even in this family, China stands out. It is big, strong, effective, and economically successful.

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that presents itself to the world as reformed is one that still rules, ultimately, by fear, intimidation, violence, and death.

However, although it is true that China remains a dictatorship, the term ‘dictatorship’ is still not adequate as a description of the current system. For now, ‘dictatorship’ will do, and I will stick with that, but I will come back to a more faceted explanation of the particular brand of dictatorship that has come to operate in China.

Everyone knows that China is a party-state, but this is one of those knowns that are so obvious that it is often overlooked. And if you do overlook it, and look to China as just another state, you will understand nothing and misunderstand everything.³

Priorities

Three ghosts of fear haunt the Chinese leaders. The first is the memory of the century of humiliation. Going into the 19th century, China was the world’s biggest economy and the leading power in technology and administration. Then followed a century of catastrophic decline. The country was subjugated by foreign powers that established colonies and bases on Chinese territory, sometimes under the label of ‘concessions’, and took control of much of China’s foreign trade. The imperial regime eventually collapsed, central control was lost, and the nation disintegrated into warlordism and civil war. Large parts of the country were invaded and occupied.⁴ China’s leaders, and probably Chinese people, had been used to thinking of their country as the ‘middle kingdom’ at the centre of the world with other countries and peoples around it, more or less distant from the centre and with lesser and possibly barbarian civilizations. The loss of position corresponding to that self-understanding was a calamity. The view persists that China has a rightful place in the world, which belongs to it by natural justice, and that that place is at the centre. The reclaiming of the nation’s rightful place is on the leaders’ minds, and probably something they are under intense pressure from below to pursue. The century of humiliation proved that China’s rightful status is not assured and that the nation and its strength need to be always nurtured and protected. When the communists took power in 1949, Mao declared that China had

3. A terminological warning on two terms that will appear with more repetition than I would have wanted: The Chinese are ruled through a vast party, state, military, security, central, and local bureaucratic network. I will often refer to that network as ‘the system’ and occasionally as ‘the regime’. A crucial and recurrent issue for this system is its ‘legitimacy’, by which I mean its standing in the eyes and minds of the Chinese people, or some of them, or of outsiders for that matter, and the degree to which it commands their genuine acceptance and loyalty.
4. As usual, there are nuances in the literature on the magnitude of catastrophe. Chang, in *Empress Dowager Cixi*, argues that economic and administrative modernisation was well underway during the imperial regime. Mitter, in *A Bitter Revolution and China’s War with Japan*, argues that the nationalist regime in the 20th century was more effective than has generally been acknowledged. However, the prevailing view within China, and certainly in official historiography and in official terminology, is that the period from the opium wars to the communist revolution was a ‘century of humiliation’. Regime decline may well have started earlier,

risen again and since then, with some setbacks in the process, the leaders have seen themselves as working for resurrection in the world. This is, in the current official terminology, the 'rejuvenation' of the nation.⁵

The second ghost is the memory of Mao's destructive excesses. After 1949, the country was under central control and gaining in strength and economic prowess. This was all scarified by the Great Leap Forward (1958–60) and the Cultural Revolution (1966–76). These were disasters, for the Chinese people first of all but also for the regime itself. They were self-inflicted catastrophes by a regime that had allowed a single supreme leader absolute authority. This experience proved that the party-state has in itself the capacity to self-destruct. The lesson for subsequent leaders has been that protections need to be built into the procedures of the party-state and its system of management against its in-built propensity to excess.

And the third ghost is the memory of the gradual decline and eventual collapse of the Soviet Union, the regime on which communist China had modelled itself. The Soviet leaders, as it looked from Beijing, starting with the denouncement of Stalin, neglected their own system, denied its continuity, allowed the economy to falter, and relaxed controls. They made great claims on the obedience of their people but failed to reward them with prosperity. This experience proved that a great communist power, constituted as a party-state, can implode if it is not protected and managed with strength and wisdom. Two main lessons have been drawn in China from the Soviet failure. One is about the importance of controls and that they must never be allowed to erode. But as important is a second lesson, that even solid controls are not enough. There must also be reward: something tangible and economic in it for the people, or at least for enough of them. Deng Xiaoping made the understanding accepted that the rulers, in their own interest, must reward the ruled with the experience that they are in a trajectory of prosperity.

The reformed regime took to governing by rewards. That was productive. However, the question now is whether, under the new leadership, the pendulum is swinging back towards more government by ideology. If so, that could be a shift of great consequence for the Chinese people—and for the world.

For the party-state, there is one single supreme determination: its own perpetuation. The regime that has been in power since 1949 has taken it to be imperative that it shall continue to hold power. Today's rulers insist that their regime is the one that came into being with the communist victory in the civil war in 1949 and that the Chinese Communist Party, the CCP, by definition embodies the continuation of that regime. They claim the right to rule by having liberated the country through revolution and lifted it out of humiliation, and by having shown themselves able to hold it together and under control. The new leaders slotted themselves into an ancient

5. As is brilliantly on display in the exhibition of 'the rejuvenation of the nation' in the National Museum in

tradition in which Chinese thinkers and holders of power have seen the advancement of national strength as their great project and the strong state as the instrument of that project.

This determination is absolute. When the chips are down, the inescapable bottom line is the preservation of the regime and its power. That was put on display in 1989, when the People's Liberation Army (PLA) was turned on the people. There were nationwide uprisings with broadly based protest movements across the country and with serious revolts in many cities—80 or more it is sometimes said, sometimes 130, sometimes many more, as usual we do not know—fuelled by discontent and animated by a demand for democracy. These were not mere incidents, which the regime is deft at managing; it was revolt. Accommodation proved impossible. Those within the regime who were inclined to political opening up and compromise were sidelined. The regime—and this was in its modern incarnation—reasserted itself with force even though that put at risk its whole project of reform and opening up, a project the subsequent salvaging of which was touch and go.

The nature of the crackdown in 1989 is not well remembered, neither in China nor in the world.⁶ The challenge to the regime was not from students protesting but from a popular revolt with broad support in the population and with participation by various groups of citizens: workers, even officials, even soldiers, for a few days in Beijing, and possibly elsewhere, even journalists in state media, under a banner that they were fed up with lying. In Beijing, it was not an event contained in Tiananmen Square but revolt and retaliation that spread through the city. It was not a Beijing event but a national uprising. Nor is it well remembered what was cracked down upon. The 1980s were years of hope. Young people thought they had a future in an increasingly open society. What was killed, in addition to an unknown number of persons, was hope itself, replaced overnight by hopelessness and empty space where there should be idealism. The people were told that free lives is something they have no business hoping for and that they should just forget, and it was made clear to them that if they were to demand more than is available, the state would stop them. This was earth-shattering for an optimistic generation and a turning point in recent Chinese history. Dictatorship was reasserted and the Chinese told it would persist. Overnight, the only available reality for anyone not intent on being a martyr became one of accommodation. The effects have been lasting and can be seen in the nihilistic materialism, moral corruption, cynicism, disaffection, and confusion of identity that are now prevalent in Chinese culture and social life.

Nor may we always remember just what is new and not new in the new 'model'. China is admired for its turnaround and the resulting economic growth. Reform and opening up is seen as a transformation of the Chinese system, a transformation

6. As explained elegantly in Lim, *The People's Republic of Amnesia*. For the persistence of amnesia, see Paulson, Stein, Ringen. *The People's Republic of Amnesia: China in the 21st Century*, Hong Kong University Press, 2016. <http://ebookcentral.proquest.com/lib/nyulibrary-ebooks/detail.action?docID=4591835>.

brought about by a new understanding that the country needs economic growth more than it does ideological purity. It is thought that Deng Xiaoping and his allies regeared the system into one single-mindedly dedicated to economic growth and that China was being edged on to a path of becoming an ordinary country. There has hardly been a more used phrase among the commentariat than the tiresome 'single-mindedly dedicated to economic growth', or some version thereof.

But this regearing never happened. The opening up that Deng launched in 1978 was to be economic and no more.⁷ There has been much political reform, but not for political opening up. Far from promising soft governance, Deng stressed from the start that political management must 'seize with both hands' the joint emphasis on economic development and political propaganda and thought work. He did not turn his back on the project of national glory but famously advised the country 'for now to hide its capacity and bide its time'. The regime has not been and is not single-mindedly dedicated to economic growth. It is single-mindedly dedicated to its own preservation. It is certainly dedicated to economic growth, but not for the sake of growth or the blessings that may follow for the common people. Economic growth is not an end; it is a means. The regime is dedicated to economic growth because the leaders know or believe that, without growth and the distribution of rewards that growth allows, they and their edifice would be in danger. That is a strong dedication, but it is not what the leaders are, finally, in business for.

The regearing that happened on Deng's watch was from revolution to gradualism but not away from party-state control. Deng laid down 'the four cardinal principles': to uphold the socialist path, to uphold the people's democratic dictatorship, to uphold the leadership of the Communist Party, and to uphold Mao Zedong Thought and Marxism-Leninism.⁸ He made clear in decidedly non-reformist language what was not up for debate, and did so in order to have the backing to stop any political movements that could evolve to threatening the perpetuation of the regime. There were experiments with political liberalisation, for example with elections higher up the line than in villages, but these were reined in on the fear that once let loose they would be unstoppable. In 1987, Hu Yaobang, the nominal head of the party, who was seen to be a voice for liberal political reform, was purged from his post. When the dust had settled after the crackdown in 1989, the next party leader, Zhao Ziyang, also seen to be soft, was the next to be purged, stripped of all his positions at the Fourth Plenum of the 13th Central Committee on 23–24 June of that year, to spend most of his next sixteen years under house arrest, until his death in 2005 at age eighty-five.

7. Recent critical biographies dismiss any notion of Deng as a liberal political reformer and show him in both experience and outlook to be entirely a party man wedded to party loyalty. See Vogel, *Deng Xiaoping and the Transformation of China* and Pantsov and Levine, *Deng Xiaoping: A Revolutionary Life*.

8. These cardinal principles are enshrined in the constitution of the Communist Party as 'the foundation on which to build our country. Throughout the course of socialist modernisation we must adhere to the Four

Cardinal Principles and the basic line of the revolution.

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Stein, Ringen. The People's Republic of China and the World. Cambridge University Press, 2016. ProQuest Ebook Central, <http://ebookcentral.proquest.com/lib/nyulibrary-ebooks/detail.action?docID=4591835>.

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Since that definition of normality in 1989, the trend in state-society relations has been towards tightening with stronger controls from above rather than more opening up from below. The leadership that came in in 2012–13 speaks a forceful language of reform. Some of that is no doubt being turned into action, but how much is yet to be seen. There are many things Xi and Co. say they *intend* to do; what they *have* done is to reinforce Leninism within the party and state control in society more broadly.

Mao left a destroyed economy, and it is sometimes thought that it was this destruction that Deng and his allies reacted to. The economy was indeed in dire straits, but Mao's legacy was also a destroyed polity, and the political system was arguably even more damaged than the economic system was. The reforms responded to both these destructions under a double agenda, to both reform the economy and to rebuild the political machinery of control, both in party and administration.⁹ The economy has, as everyone knows, been reshaped. But there has been as much political work as well, on this side in the form of reform and restitution rather than reform and opening up. Far from China being made ordinary, it has been reaffirmed as different.¹⁰

Aligned to the supreme determination to self-perpetuation is a second super-concern, which grows out of China's historical self-image and experience and which is nearly as absolute: to maintain and protect what is seen as the nation's territorial integrity and security.¹¹ That means, on the one hand, to prevent any part of the empire from falling out from under the control of Beijing. The sensitive areas are in the west, in Tibet and Xinjiang (the name the Qing dynasty imposed on the ancient home of the Muslim Uighurs, meaning 'new territory' or 'new frontier'). If this were a regime single-mindedly dedicated to economic growth, it would shed much of the western provinces, which are a huge economic burden for it, but that is inconceivable—although an idea Mao himself flirted with while waiting to ascend to national control.¹² Any question of conceding autonomy in a real meaning to, say, Tibet, is not on the agenda and is something that the current rulers just would not contemplate. (And Tibet does have at least one important resource: water, and good water at that.) Instead, they are busy eradicating ethnic cultures and wasting resources by colonising the western provinces with Han officials and migrants in order to integrate these lands irrevocably into the country (a colonising strategy that is incidentally also followed, quietly and under the radar, in Hong Kong). They are investing enormous efforts into the promotion of their own story of Tibet worldwide, including by bullying

9. See, for example, Shambaugh, *China's Communist Party* and Yang, *Remaking the Chinese Leviathan*.

10. The failure of political opening up has been referred to as a 'stalled transition', inspired by, for example, Pei, *China's Trapped Transition*. My interpretation is that although there has been much political-administrative reform and although there have been ups and downs in the direction of political reform, political reform in the sense of political opening up was never decisively on the official agenda; hence, there was no political opening up that subsequently stalled.

11. See Nathan and Scobell, *China's Search for Security*.

12. The *Forbidden City*, by Robert Ross, in *China in the 21st Century*, Hong Kong University Press, 2016. ProQuest Ebook Central, <http://ebookcentral.proquest.com/lib/nyulibrary-ebooks/detail.action?docID=4591835>.

anyone who wants to be on good terms with them away from any official contact or exchange with the Dalai Lama, one of the great spiritual leaders of our times.¹³ (Anyone they can, that is, which effectively seems to mean everyone except the Americans and Indians, and even the American president now tiptoes about meeting His Holiness, recently by refraining from publishing photos from a meeting of theirs. When Mr. Obama exchanged greetings with the Dalai Lama at the annual National Prayer Breakfast in Washington on 5 February 2015 and said he was a ‘good friend’, a Chinese Foreign Ministry spokesman retaliated: ‘We oppose any foreign country allowing the Dalai Lama to visit, and oppose any country using the issue of Tibet to interfere in China’s internal affairs.’ The official news agency, *Xinhua*, said that the president’s action was to ‘drive a nail’ into the heart of the Chinese people.)

It also means the consolidation of territorial integrity where it is not yet settled. The reintegration of Hong Kong and Macao into China in 1997 and 1999 were seen as milestones in the rebuilding of the nation. The rulers are determined that also Taiwan is to be reintegrated. They may be patient about the timing, and possibly flexible about the terms, as they were for Hong Kong and Macao, at least as a transition, but in principle the status of Taiwan, as of Tibet, is not negotiable. Their version of the one-China policy is a principle of respect that foreign leaders who wish to be on collaborative terms are routinely coerced into kowtowing to, for example in communiqueés after official meetings. (In the World Bank’s *China 2030*, which was produced in collaboration with the Development Research Center of China’s State Council, Taiwan is consistently referred to as ‘Taiwan, China.’) There are unsettled border disputes with India, and potentially with Pakistan in Kashmir. Much of the long China-India border between Bhutan and Myanmar is contested. Here, from time to time, these two great powers rub up against each other, sometimes in outbursts of bad temper (as, for example, in September 2014, during Xi Jinping’s official visit to India, possibly in a Chinese mini-incursion—so it was claimed in Indian media—possibly in disregard of Xi’s order to draw back, sufficiently to derail the intended friendship-building) and sometimes in incursions, as in early and mid-year 2013, when Chinese troops without warning or explanation moved south for a while into what they call South Tibet (or South Xizang). In 2011, Tajikistan ceded 1,142 square kilometres of territory to China in an agreement that settled the border between these two countries. The final border demarcations with both Russia and Vietnam were in 2009.

There are dangerous issues with Japan and Vietnam in particular, but also with the Philippines, Malaysia, Brunei, probably Indonesia, indirectly India, and possibly

13. It is a sad observation that they are winning this battle hands down. In the fall of 2014, the South African government let the Dalai Lama know that he would not be allowed to enter the country for a meeting of Nobel Peace Prize laureates, the third time he was denied a visa to the country. A spokesman for the Chinese Foreign Ministry said that ‘China highly commends the firm support that the government of South Africa has shown to China on issues regarding China’s sovereignty and territorial integrity’. The peace gathering in South Africa

South Korea over territories and islands, some tiny rocks, in the East and South China Seas, which are a source of conflict. China's claims to its various remote territories, even to Tibet and Xinjiang, even to Taiwan, are based on humbug history, but that does not matter.¹⁴ One would think that civilised neighbours in the modern world would find a way of negotiating such petty disagreements, but there is no sign that China is so inclined or inclined to negotiate except from strength.

Around and following the leadership transition in 2012–13, the Chinese position hardened, and its claims were classified as 'core interests', which is seen as a declaration that China would not agree to any settlement by mediation, all backed up by increasing civil and military presence and infrastructural construction on and around contested islands and waters, in an apparent strategy of gradually establishing it is a practical fact that these rocks and waters and their resources are Chinese and for Chinese use. The Chinese leaders are off and on conciliatory in language, but their activities in the waters go on.¹⁵ The foreign minister, Wang Yi, took the opportunity of a press conference during the 2014 meeting of the National People's Congress to reconfirm the hardening of China's position. To a question from a Japanese reporter on the deteriorating relations between China and Japan, he answered, 'on the issue of principle—history and territory—there is no room for compromise', and added on the Chinese position that 'there will not be any change'. The official policy is repeated on every opportunity, such as by the defence minister, Chang Wanquan, in an exchange with US Defense Secretary Chuck Hagel in Beijing on 8 April 2014, the official policy being 'no compromise, no concession, no treaty'. When US Secretary of State John Kerry was in Beijing on 16 May 2015, Wang Yi said at their news conference that the Chinese claims in the South China Sea were 'unshakable', and China's 'determination to safeguard our own sovereignty and territorial integrity as firm as a rock'. On 26 May 2015, at a Foreign Ministry briefing, a spokeswoman warned the Philippines that 'a small country can't constantly make unreasonable protests'. Official maps (even in Air China's in-flight magazine, even in the weather map in the official English language *China Daily*, even on the map of China's ethnic geography in the Shanghai Museum, although there is no ethnicity at all in the sea areas) include all of the South China Sea, up to neighbouring countries' shores, as Chinese territory, within a sea border known as the 'nine dash line' which allocates 3 million of the South China Sea's 3.5 million square kilometres to China. This aggression is cheered on by China's navy, that wants to expand, by the state-owned China National Offshore Oil Corporation that wants access to likely petroleum resources in the area, and by fantasists in high and low circles who dream of national glory, play with romantic

14. See, for example on Xinjiang, Holdstock, *China's Forgotten People*.

15. That includes the dredging up of artificial islands on tiny reefs, on which are constructed bases, sometimes with airstrips, with potential military use. For aerial video footage, search 'artificial Chinese islands' on

visions of war, and hate Japan and the Japanese. There is a menacing undertone in China's dealings with its neighbours of 'might is right', a view which in my experience is shared broadly by Chinese people, including those who are educated and familiar with the ways of the world and otherwise non-jingoistic. When China's foreign minister, Wang Yi, gave the Australian foreign minister, Julie Bishop, a public and conspicuously undiplomatic dressing down in Beijing in December 2013, for Australia's criticism of China's unilateral establishment of an 'air defence zone' in the East China Sea between Taiwan and Japan, there was an instant flurry of chauvinistic support on the Chinese Internet (although one never knows how much of such flurry from below is orchestrated from above). It all harkens back, no doubt, to a tradition of China expecting 'tribute' from those on its borders, and is an indication of how the leaders think of themselves and their country. It does not help, of course, that official Japan is responding with its own rhetoric of nationalism and militarism.

China has not been an imperialistic power in the world and is not, say the leaders, making itself an expansionist one today—although they may have some difficulty persuading the peoples of Central Asia, or of parts of Africa, or others who are sensitive to the spreading of a state-sponsored Chinese diaspora to the far corners of the globe.¹⁶ The regime takes pride in its model of governance and development but does not seem intent on imposing it on others. It wants clout and respect, including respect for its economic interests wherever they reach, and to some degree subservience, in particular from neighbours. It is an insecure state and near paranoid about being treated with the respect the leaders believe is due. A common complaint in official commentaries over misbehaviour by others is that not showing Chinese authorities due respect is to offend the Chinese people. It has laid down the threat of war to neighbours such as India (invaded in 1962) and Vietnam (invaded in 1979). It easily takes offence from any form of rebuke and is alert on border issues and to anything the leaders see as a threat to its territorial integrity. When David Cameron, the British prime minister, met with the Dalai Lama in 2010, he found official relations with China interrupted and had to cancel a planned visit. When he was later able to undertake the visit, late in 2013, it was on the understanding of cringing servility in behaviour and speech, at least in public, about human rights in general and Tibet in particular. It is a bullying state—towards neighbours and towards anyone who causes it grief, even in small matters. Ahead of Premier Li Keqiang's visit to Britain in June 2014, his planners complained officially to Downing Street that the intended red carpet for his arrival at Heathrow was three metres too short.¹⁷ When the Norwegian Nobel Committee in 2010 awarded the peace prize to Liu Xiaobo, a prominent opposition figure who was then, and still is, in prison, the government of this small

16. On China's diaspora expansion, see Cardenal and Araújo, *China's Silent Army*. On Central Asia, see Laurelle and Peyrouse, *The Chinese Question in Central Asia*.

17. Peter Dale Gold, *China in the First Century*, New York: New York University Press, 2016. ProQuest Ebook Central, <http://ebookcentral.proquest.com/lib/nyulibrary-ebooks/detail.action?docID=4591835>.

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country, which has no control over the decisions of the Nobel Committee, found itself punished by all official relations being cancelled, so completely so that the Norwegian ambassador in Beijing was not invited to diplomatic events, a display of pettiness that persisted for an unusually long time (although the Norwegian government may have improved its position in early 2014 by denying the Dalai Lama, a Nobel Peace Prize laureate, the customary official reception while on a visit to the country that was labelled 'private' and made him enter the parliament building through a side door). But the leaders are possibly truthful in their insistence that China does not represent a threat to anyone in the world who does not oppose its self-defined 'core interests' and who is otherwise co-operative, in particular in economic matters, and treats it with that all-important respect.

On the other hand, it is becoming a very powerful state, including militarily, and is displaying behaviour that is to play with fire. The People's Liberation Army is stronger than ever and remains a factor in the machinery of governance. The combination of insecurity and assertiveness is a danger in any state, all the more so in one that is increasingly nationalistic, has great military might, and is hypersensitive to respect from others.¹⁸ The leaders see their country as being in contention for world leadership and insist on being treated accordingly. They are under the pressure of chauvinism, nationalism, and militarism from below and from within the establishment. Their behaviour towards neighbours is aggressive and provocative, in ways that also pull tertiary powers into the disputes. What the leaders want is unknown; possibly they have no clear design in mind, but they may, as have powerful leaders before them, find that they are unleashing forces which they may be unable to control.

The rulers have good reasons to be concerned over territorial integrity. Through its history, the ability of the central authorities to control what they have claimed has been much wanting. A promise of the Republic of China, as of 1912, was territorial consolidation, which it however was unable to deliver, and a core claim on the right to rule by the current regime is that it has succeeded in unifying the country and is steadfast in territorial matters. But they hardly have defensive reasons for turning to nationalism and aggression.

These are the regime's number one and two concerns that trump all others. Then there are some additional determinations and cautions that are built into the model of governance as it is now configured. The first sub-determination we have already visited: economic growth. The regime is determined to deliver economic growth because it believes, no doubt rightly, that there is an expectation of economic betterment in the population, which it has itself stimulated, and that it cannot successfully claim legitimacy for its rule without rewarding that expectation and delivering growth, and a great deal of it. That makes growth a strong determination, but, again,

18. In *The China Challenge*, Christensen makes the point that China is a country with 'a historical chip on its

Stein, Ringen. The National Bookshop, China, and the world (ebooks) Press, 2016. <http://ebookcentral.proquest.com/lib/nyulibrary-ebooks/detail.action?docID=4591835>.

not a determination that stands above all else. If the regime again had to put economic growth at risk to preserve itself, it would. It is conceivable that it might accept great economic sacrifice in a mission of protecting its own definition of territorial integrity, and even for the promotion of national glory. East Asia is an area of dangerous tensions. China's economy is integrated with those of neighbouring countries for trade and investments. Self-interest would suggest co-operation, but nations do not always act according to rational calculus; indeed, war often comes about when rationality is overtaken by recklessness or misadventure. In a given situation, the regime might be willing to sacrifice, or be trapped into sacrificing, economic development for a greater national cause. War is not unthinkable. If it were to break out, for example between China and Japan, part of the blame would lie with the Chinese leaders for not having taken care to contain dangers they were aware of.

The regime has learned, through its own and others' painful experience, that it serves itself best by governing with caution. A first caution is in adaptability. Mao was dogmatic and as a result destructive. The Soviet Union failed to adapt, and collapsed. The Chinese model is in constant movement. Governance is reformist, step by step, by trial and error. The central leaders know that their capacities are limited. Or one hopes they know. There has been a radical shift in the mode of governance under the post-2012 leadership, in a relentless concentration of power to the centre: from civil society (such as it is) to the state, from local government to Beijing, within the party-state from state to party organs, and in the party to the general secretary personally. In mid-2015, a centralisation was announced in the military structures of command. Whether more control will deliver for the leaders is an open question. If they remove caution and start to expect perfection they will probably find that trying too hard is a sure avenue to failure.

A second caution is in collective leadership. Governance under Mao was initially successful, if ugly, until he was personally able to wield uncontested authority, when it became, in addition to being ugly, catastrophic. Deng left the principle of collective leadership as one of his legacies. It might happen that collective leadership again falls by the wayside in another swing of the pendulum that would take the system back towards one-person rule. Xi Jinping has, step by step, concentrated ever more bureaucratic power in his own hands, has demonstrated an aggressive willingness to use these powers, including by purging deviants and real or imagined opponents in party and administration, and is allowing elements of cult around his person. He could possibly attain a new emperor-like position and is possibly so doing.¹⁹ So far, the procedures of collective leadership seem to be maintained, but Xi's brash top-down approach deviates from the incrementalist style that emerged in the reform period. If this is to pull China back to a more rigid command system, that might look like

19. 'Xi is not *primus inter pares* like Jiang and Hu, he is simply *primus*.' Roderick MacFarquhar in the *New York*

forceful governance but is also, in the context of China's bigness and complexity, a high-risk strategy.

And a third and crucial caution is to maintain control. This is a system that has programmed the determination to control into its DNA. It controls because it must, because control is what it does. The Soviet Union, as seen from China, imploded not only because it allowed itself to grow sclerotic but also because, after Stalin, it neglected the party-state's system of control, the unity of party and military, and the apparatus of internal security. The Chinese system is milder than it has been in its control over society, or rather more sophisticated, but make no mistake about it: The controls are still there and are maintained, perfected, and used.

State and Economy

A recent book by Ronald Coase and Ning Wang purports to explain 'how China became capitalist', but that is to explain something that never happened. The Chinese economy is *exactly* what the Chinese leaders say it is: a socialist market economy. It is a socialist economy in which market mechanisms are used to a significant degree, and a market economy with extensive state ownership and controls.²⁰

Market mechanisms operate, firstly, through private ownership. About half of the economy, as measured by production, is in private ownership, mostly in small- and medium-sized family firms.²¹ This is the battlefield of naked and raw capitalism that is easily visible to visitors who then go home to spread the story that China has gone not only capitalist but ultra-capitalist. Furthermore, even non-private firms are embedded in some kind of market context. State enterprises have been relieved of their previous welfare responsibilities and are mostly subjected to profit expectations. This, along with the effects of rationalisation—a massive shedding of smaller enterprises and the pushing of legions of workers into unemployment—brought the state-owned sector into high profitability. From the late 1990s, the majority of state-owned firms were profitable, and their profits outstripped the losses of the loss-makers.²² The market has been allowed an increasing role in the setting of prices, and it is the leadership's intention, they say, that marketisation is to continue. One price

20. An important reference on the political economy is *China 2030*, co-produced by the World Bank and the Development Research Center of the State Council. It is big, thorough, detailed, fact-packed, and critical. It is also informative in that it is co-produced by an official state research centre and hence shows the scope of officially sanctioned criticism of policy. See also Knight and Ding, *China's Remarkable Economic Growth* and, on relative strengths and weaknesses in the economic model, Huang, *Capitalism with Chinese Characteristics*.

21. The division between the private and the public economy is not along a straight line. Public enterprises can be state owned or locally owned. There is much mixed economy, with private interests involved in the state sector and much state ownership being partial. My fifty-fifty division of the economy between public and private is, as most economic statistics for China, an approximation, but a good enough approximation.

22. By 2007 by a ratio of 5 to 1, according to Knight and Ding, *China's Remarkable Economic Growth*.

that was deregulated was that of housing, which then skyrocketed. Chinese savers have put much of their savings into housing, and households that got into the market early have benefitted hugely from soaring prices.

Behind the official banks, which are state owned, is a murky sector of quasi-private shadow banking, much of it technically illegal, which offers investors higher returns than they can get in banks and borrowers credit which they might otherwise not find. These are non-bank market-driven financial 'vehicles' (which may, however, be run by or in association with the banks that are owned by the state that forbids non-bank finance as a way of protecting those self-same state banks) that operate trusts, wealth management products, and foreign-currency borrowings, and cater to credit-hungry businesses and local authorities in an unregulated sector of high-risk finance. This sector now accounts for a third or more of all credit in the economy and has been growing ferociously in recent years, at an estimated annual rate in turnover of some 30 percent. Even rural-agricultural credit co-operatives, whose operations by law are limited to members, have extended into high-risk shadow banking.

State controls operate, firstly, through public ownership and through preferential treatment of public enterprises in credit, resources, raw materials, energy, and terms of competition. The remaining half of the economy is in central and local government ownership, fully or partially. That includes the 120 or so big state conglomerates, state banks, innumerable town and village enterprises, most 'strategic sector' firms (the 'strategic sectors' being defence, energy, petroleum and petrochemicals, telecoms, coal, civil aviation, and rail and waterway transport), and many 'pillar industry' firms (the 'pillar industries' being machinery, automobiles, information technology, construction, steel, base metals, and chemicals). All land is in public ownership, urban land state owned, and agricultural land owned by co-operatives. According to the state constitution, land cannot be bought or sold, but 'the right to the use of land can be transferred'. The big banks are state owned although with some minority non-state or foreign holdings, including the big four: the Bank of China, the Industrial and Commercial Bank of China (the world's biggest bank measured by assets), the Agricultural Bank of China, and the China Construction Bank. There are some small non-state banks which are more accessible than the state banks to private businesses, but these make up a minor sector. The penetration of foreign banks into banking proper is miniscule. Credit remains the main way of raising capital, as opposed to shares and bonds. The Chinese economy is commonly described as 'credit intensive'. It runs on debt, no less in the local government sector than in the enterprise and household sectors. Through its control of banking, the state holds ultimate control over structural trends in most of the economy. Shadow banking notwithstanding, the authorities have the power to decide which industries and areas are to advance and which are to be held back, a power that is used extensively. Public enterprises to some degree compete with each other but are also protected from outside competition.

Although there is much private capitalism in China, capital, both physical and fiscal, is overwhelmingly in state ownership or under state control. When David Cameron went to China in 2013 to beg for Chinese investments into British nuclear energy and high-speed rail, it was to the Chinese state he went begging, and when the answer came back that investments would be forthcoming, it was the Chinese state that answered, in the person of Premier Li Keqiang on his return visit in 2014. So, not Chinese interests but the Chinese *state*, the one that protects its own energy and rail transport as ‘strategic sectors’, will become a co-owner in Britain’s strategic infrastructure.

Important prices continue to be set administratively, and at a good distance from potential market prices, including the price of bank credit and bank interest rates, of privatised land use, and of, for example, wheat, rice, pharmaceuticals, petroleum, gas, and electricity. Furthermore, state controls operate through interventions into the private sector, including both direct administrative interventions, such as administrative approval, reporting, inspection, and closure, and industrial interventions and directives by various central and local government agencies, often at odds with each other.

A further heavy-handed state intervention is in a high level of corporate taxation. Businesses that obey the law pay heavy social contributions on top of wages. That includes obligatory employers’ contributions to the various forms of social insurance, to housing provident funds, to the Disabled Persons’ Federation and, on a different note, to the official trade unions. These fees are variable across localities but represent a burden of at least 40 percent of the payroll, and often more.

On top of state controls in business operations, and importantly, the controlling hand of the party-state operates through the presence of party organs in economic enterprises. The private economy is not in any real meaning independent but is in various ways under party-state control and integrated into the overarching control system. There is a symbiosis between the public and the private. It is the state that allows private business, and entrepreneurs know that such opportunity as they have is by the grace of the state.²³ Such opposition as there is to the party-state model does not come from the business community.

Although the stated policy is further marketisation, some observers have seen a recent ‘re-advance’ of the state into the economy. The government’s 2008 stimulus package was effectively a handout in cash and credit to state enterprises. This was repeated in late 2014 in response to dwindling growth, if on a lesser scale—and again with the stock market crash of 2015 which triggered another injection of public money into the investment machine, at least for a while. Call it quantitative easing with Chinese characteristics. In the early 1990s, prices were deregulated in the airline industry, but when that led to a weakening of the position of the three big

23. In an amendment to the state constitution in 1988, ‘the state permits the private sector of the economy to exist

state-owned carriers in what is officially a 'strategic sector', prices were re-regulated in the late 1990s, enabling the big three to regain their dominance (the big three being Air China, China Eastern, and China Southern). The housing price boom that followed from the commodification of housing and the resulting unavailability of affordable housing forced the government to revive a policy of public housing from about 2010. In early 2014, plans were announced to consolidate much of the country's iron-ore mining into a large state-controlled conglomerate. Around the capital, a 'tri-city' province of Beijing, Tianjin, and Hebei is being created (with 130 million inhabitants), in a project that involves the closure or relocation of thousands of firms and public agencies, and the affiliated inadequacy of infrastructure and services, and that represents an astonishing display of top-down command economy thinking and capacity.

Far from the economy being hived off from the polity, the Chinese economy remains firmly integrated into the polity. During the period of rapid economic growth, the state sector, rather than withering has grown more rapidly than has the GDP. The economy is investment driven and investment is debt driven. This investment machine is run by the state, through state enterprises, state capital, state land transactions, state banks, and state credit. A favourite real estate tycoon, Wang Jianlin, who has risen from the ranks of state officials to become the richest person in Asia, says that his conglomerate, the Wanda Group, has prospered by delivering what ambitious party officials crave: choice real estate developments that propel economic growth and bolster their careers. In return, he says, the officials give him the right to develop land at prices far below what his competitors pay. It has no doubt also helped that 'relatives of some of the nation's most powerful politicians and their business associates own significant stakes in his company'.²⁴

China is a command economy, a socialist market economy with a heavy line under socialist and a light touch of market. Foreign visitors gaze in amazement at the lights and glitter of Shanghai and see there China's new capitalism before their eyes—but mostly without knowing that Shanghai has an exceptionally small private sector (the Shanghai economy is about 80 percent in public ownership, measured in production) and that what they are admiring is the face of state capitalism rather than private capitalism. There is a great deal of private enterprise in those sky-scrapers, but the capital is in state hands.

True, space has been cleared outside of the public sector for private entrepreneurship into which both Chinese and foreigners have crowded with relish—a great deal of space. There are about 10 million private businesses, most of them small- and medium-sized family enterprises, and a few large ones. Why not? This is a regime that rules by spreading rewards. Private enterprise contributes to growth and jobs, which is to the benefit of the state. It opens up for economic opportunity, which is also to the

benefit of the state. It enables foreign investment, which brings in foreign capital. But private business remains subservient to the public economy as the second sector. Even straight private firms are not free from the controlling hand of the party-state. Private entrepreneurs have massively, and for strategic reasons, joined the Communist Party, and most private firms, certainly those of some size, have encouraged the establishment of party committees and divisions of the All-China Federation of Trade Unions and are organised in the All-China Federation of Industry and Commerce, another of the organs of the party-state.²⁵

The economy is open to foreign capital and has in recent years attracted more foreign direct investment than to any other country except the United States. But at the same time it remains a notoriously difficult economy for foreign enterprises to get into. As powerful an operator as Rupert Murdoch's News Corporation tried to establish itself in the Chinese media market but was denied access (however much it growled and flattered the Chinese leaders). JPMorgan Chase, the American bank, like others, found the going hard and turned to hiring junior princelings and friends of the influential and found business doors opening that had previously been shut (a policy which, however, brought it into investigation at home for the use of corrupt procedures, which is illegal under US law). In November 2012, Caterpillar, one of America's biggest companies and with more international reach and experience than most, found that it had bought a virtually defunct mining machinery company, thereby lining the pockets of national and international investors, partly because it was careless out of excessive eagerness to get a foothold in the Chinese mining industry and partly because it was led by the nose and deceived about the company's business and finances. In mid-2013, the British mega-retailer Tesco announced that it was giving up its attempt to establish itself under its own brand and would instead be joining a Chinese retailer as a junior partner trading under its name. The Chinese stock market has been effectively closed for direct participation by foreign investors although a backdoor opening known as 'the Shanghai-Hong Kong Connect Link' was created in late 2014, in a scheme of co-operation between the Hong Kong and Shanghai exchanges to give non-Chinese investors some, if limited and complicated, access to the Shanghai exchange through the Hong Kong exchange (and Chinese investors easier access to the Hong Kong exchange). As part of ongoing economic reforms, the central bank in October 2014 announced plans to allow Chinese citizens to invest in overseas stocks and property as well as to let the nation's companies sell *yuan*-denominated shares abroad. (Well, in Beijing there are always 'plans', and we who try to follow events from outside never really know what or how much follows through, if anything, or when.)

25. On state-business relations, see Dickson and Chen, *Allies of the State* and Tsai, *Capitalism without Democracy*. Stein, Ringen. *The Perfect Dictatorship: China in the 21st Century*, Hong Kong University Press, 2016. ProQuest Ebook Central, <http://ebookcentral.proquest.com/lib/nyulibrary-ebooks/detail.action?docID=4591835>.

In this peculiar economy, which is impressive looking but lumbering, there is a long remaining road to travel towards modernisation. The economy runs on 800 to 900 million jobs. About a third of these are in low-productivity agriculture in which tenant peasants work collectively own land on time-limited contracts, mostly of forty years. The peasantry makes up a big share of the workforce, but these are people we hear very little about in the standard accounts of China's massive development.

The next third is made up of migrant or otherwise irregular workers, who by state regulations are held down in second-class citizenship. That leaves only a final third of the workforce in regular employment or business in the modern sector, about a third of which again consists of public sector workers. This economy, all considered, is far removed from the façade of modernity in the big eastern cities and is one in which partial development sits on an underbelly of deprivation and backwardness.

There is no single labour market but effectively three separate markets with limited mobility between them. This division is regulated by the household registration system. Every Chinese has a registration which establishes his or her official geographical belonging, known as the *hukou*. By and large your registration is to the place you were born or grew up, and that will continue to be your registration through life. If you are registered in a rural area, you have rural citizenship and entitlements. If you have an urban *hukou*, you have entirely different entitlements. This maintains the urban-rural division which has been and remains a feature of the People's Republic. It is not impossible to move your *hukou* but only under strict and limiting conditions. Under the government's present urbanisation plan, 100 million people are supposed to be urbanised and obtain an urban *hukou*, which, however, does not mean that they will be able to settle in any city of their choice.

The household registration system, like everything else in today's culture of administrative reform, is under constant review. In 2014 it was announced that the 'agricultural' and 'non-agricultural' designations are to be removed, something that appears to be implemented incrementally in parts of the land. This caused some commentators to trumpet 'the end of the *hukou*' but it was no such thing. It was a symbolic, if not unimportant measure, since the official designation of a person as 'agricultural' has been seen as derogatory. Individuals may no longer carry these labels, but everyone will still have a designated geographical belonging. If that is to a rural community it will continue to come with rural entitlements. If you live and work in a city but your *hukou* is rural, your entitlements are still those of your rural community.

The maintenance of a registration system that assumes people live their lives where they happen to be born in an economy of mobility might seem irrational. In fact, however, it is part and parcel of the Chinese model. China's economic growth has come off the backs of an army of cheap migrant labour. It is the *hukou* system that has created migrant labour with Chinese characteristics and that assures its continuation.

Centres of development want continued access to cheap labour and do not want the costs that would come with allowing the migrants urban entitlements. Big cities want to control the level and quality of in-migration, something they can do thanks to the *hukou*. Migrants cannot move freely to urban areas but have to apply for a resident permit. That may not be enforced in all areas but is enforced with reasonable effectiveness in the big cities to control the numbers and select migrants by education and wealth, sometimes with the help of a points system similar to that used in some countries to control immigration.

The household registration is also integral to the state's control capacity. It splits the population into subcategories, divides the working population, and prevents both urban-rural and broad working-class solidarities. It includes all Chinese in a register, defines their rights and duties, and enables the state to require them to carry an identity card with detailed personal information. The *hukou* is not an eccentric add-on to the Chinese model; it is a part of what makes the model work, both economically and politically.

That model is entirely of its own kind. Nowhere else is agriculture ultra-socialist, in the meaning under collectively owned and managed land. Nowhere else does the state run an investment machine through its own banks and enterprises to spread highways, railroads, airports, mega-ports, sky-scrapers, malls, and plazas over the territory, and then to let private enterprise loose to put further growth-inducing life into that infrastructure. Nowhere else do economic actors, both public and private, operate under both the regulating hand of the state and the controlling hand of the party. Nowhere else is the labour market segregated by an all-intrusive bureaucratic instrument such as the *hukou*. As the party-state is like no other state, the socialist market economy is like no other economy. China is *different*, not only politically but also economically.

Nevertheless, state–economy relations have changed a great deal during the recent decades of reform, market openings giving non-state actors more space. It was expected that reform in this meaning—marketisation—would intensify under the muscular post-2012 leadership, but it is not clear even to the most knowledgeable observers whether or how this is happening. Market reforms imply a relaxation of state controls, but that may be a difficult pill to swallow for a leadership whose control genes are the dominant ones. This difficulty came to view when the Chinese stock market crashed in June and July 2015. During three weeks from mid-June, the markets lost a third of their value, following more than a doubling of value the preceding year. They continued to fall later on, in spite of energetic attempts by the government to stabilise prices. The boom had been encouraged by the government and cheered on by official media, in part to facilitate the selling of share ownerships in state enterprises. People responded, and by the time of the crash possibly a majority of urban households held stock investments, directly or indirectly through ‘wealth

management products'. Investors who got in early did well, but millions of often small savers, or borrowers, who went in late lost massively.

The stock market does not have the importance in China's credit-intensive economy that it has in 'normal' capitalist economies. Arguably, the crash did not matter much in macro-economic terms, but it mattered very much for perceptions. Boom and bust is something that just should not happen in the socialist market economy. The sudden slump therefore raised big questions about its inner logic and solidity. The government reacted ineptly by first trying to halt the slide, then giving that up and instead trying to stimulate demand by its usual trick of releasing more credit, for thereby to stimulate more borrowing which was part of the problem in the first instance. It all looked like panic and incompetence.

One effect may have been to halt or derail further market reforms. Another was to shatter confidence, both nationally and internationally, in stock market investments, and economic confidence more generally. Consumers overnight became more cautious with their money. Economic growth was already on a downwards trajectory, and this shock opened people's eyes to weaknesses in the Chinese economy, and its management, where many had long seen mainly strengths. Probably also shaken was the leadership's confidence in its ability to combine market reforms and command economy controls and to distribute rewards through markets under its own control. Possibly also shaken would be the confidence of middle-class people in the party's ability to do for them. If these are the people who have trusted the regime because they have trusted it to manage the economy well, trust may be the final casualty. The crash was a stark reminder that China's debt-dependent economy has less strength than had been suggested by inflated GDP statistics and that the balance of markets and controls is far from stable.

Economic Growth

There is no question that the Chinese economy has grown rapidly in a period, but that has been in the early and easy take-off. In an economy that restarts from destruction, there will be growth unless it is prevented by new destructions. This has been all the more so for the Chinese economy, which so far has had the winds of supporting demographics in its back with a pool of cheap labour to draw on.

But we do not know how strongly the economy has grown or to what size. The official statistics are not reliable, partly because local authorities falsify the statistics to their advantage. The official GDP of the provinces adds up to about 10 percent more than the GDP of the nation. The statistics from different government agencies and provinces are not in accordance with each other. There are two official sets of national GDP numbers, which differ somewhat, one measured by 'the production method' and one by 'the expenditure method'. China may have grown to the world's

second biggest economy, but even if the official statistics were true, that still amounts to only about 10 percent of global GDP for 20 percent of global population. In per capita terms, China's national income is at best a sixth of that of the United States, the economy it is supposedly overtaking.

Mega-growth is now over and is starting to be seen, correctly, as a relatively short period of recovery. Growth is slowing and will continue to slow. The population is no longer growing other than by increasing longevity. The national birth rate is 1.6 or 1.7 children per woman, in cities below 1 and in large cities down to 0.7 or less. In the next fifteen years the share of the population that is sixty or older will increase from 14 to 25 percent. Just as the economy needs to make itself human-capital dependent, the pool of human capital is starting to shrink.

Measuring China's economy is obviously not easy and there are many reasons, not necessarily conspiratorial, why the statistics might be wobbly. Although official data on the economy's size and growth are often accepted, for example by international agencies, and reproduced uncritically in the international press and by admirers of the Chinese model, economists are aware that they are no more than suggestive.²⁶

Attempts to 'correct' the official numbers have produced diverse results. An international consultancy, the Rhodium Group, in a report published in 2015, have suggested an upwards adjustment of the official 2013 GDP numbers, to the effect that the economy would be 13 to 16 percent bigger than officially measured.²⁷ This is a methodological exercise of applying revised principles in the System of National Accounts to the Chinese case, apparently in a more friendly application than that adopted by the state statisticians. It assumes that the economy as officially measured is one of sound production and consumption and that the problem is how to value its different components. The biggest contribution to the upwards restatement is a higher estimate for imputed rent (what homeowners 'pay' themselves), followed by higher estimates for industry, construction, and service activity and for the value of research and development. This notches the gross figures upwards, not because anything new is happening in the economy but because what is happening is accounted differently. The exercise has little or no influence on the estimates of growth. When the National Bureau of Statistics issued its own revisions in December 2014, it similarly adjusted one of its two figures upwards by about 3 percent, with the effect of bringing its two GDP figures into closer harmony with each other.

Adjustments of this kind say more about national accounting than about real economics. Most observers probably suspect that the official statistics overstate rather than understate the strength of the economy. The more critical 'correction' is to adjust the official numbers downwards. No one knows what China's GDP was after Mao's

26. In a survey of American economists by the *Wall Street Journal* (11 September 2015), the overwhelming majority said they do not believe the official estimates accurately reflect the state of the economy.

adventurism. It was damaged but possibly not as much as has been thought. If subsequent statistics started from too low a base, growth will have been overstated, at least initially. Nor is there certainty about the rate of inflation. If national accounts do not adjust enough for inflation, growth will again be overstated. Nor is the huge volume of debt known or again whether national accounts adjust adequately. For example if, as has been widespread, new housing estates are built and never used, that pushes up the GDP numbers but represents no real economic value, all the more if they are funded from debt that the projects cannot service. Nor are the underlying data robust. The National Bureau of Statistics does not have sector-by-sector prices and for some purposes has to use more or less rough proxy estimates. The central statisticians work from provincial and local data that have to be aligned for consistency. The pressure for 'good' GDP statistics has been obvious, in particular locally, and it would be superhuman to expect there to be no tendency to adjust favourably. Even tiny biases upwards in individual adjustments can add up to very noticeable overstatements in the final measures.

An important reason why measured growth has been unrealistically high is that some of that growth has been driven by heavy debt-financed investments with a higher level of debt than the investments can reward. The government has stimulated economic activity by pouring in cheap credit and by directing its own enterprises to turn that credit into a stream of investment, some of it sound and some of it bad. The GDP statistics record all of the economic activity but do not adjust realistically for the burden of debt and for bad investments. Simply, the System of National Accounts is not geared to dealing realistically with an economy that relies on excessive debt-investment in the way the Chinese one has.

A recent study for another international consultancy, the Conference Board, finds actual annual growth in years with official rates of about 10 percent to have been typically about 7 to 7.5 percent.²⁸ Taking the best growth periods for China and other East Asian countries, the study finds China's growth to fall slightly short of that of South Korea, Taiwan, and Japan. By 2012, it estimates China's real growth rate to have been 4.1 percent, as compared to the official rate of 7.7 percent. Two other consultancies, Capital Economics and Lombard Street, estimate a sharper downwards slide in the pace of growth than the trend in the official statistics shows, bringing GDP growth by 2014–15 down to 4.3 and 3.7 percent respectively, as compared to the official estimate of 7 percent.²⁹ Estimates by researchers at the Chinese National Development and Reform Commission suggest that almost half of the total investment in the Chinese economy in the years 2009 to 2013 (the period of post-2008-recession stimulus) was 'ineffective'.³⁰ Their research also found that investment efficiency has fallen

28. Wu, *Re-estimating Chinese Growth*.

29. *New York Times*, 26 August 2015.

30. *Financial Times*, 27 November 2014.

sharply in recent years, which means that the economy gets steadily less additional economic growth for every unit of additional investment, to the effect that annual growth in the relevant period corrected for ineffective investment would be 2 to 3 percentage points lower than in the official statistics. These quantifications are questionable, but economists agree that there is much inefficient investment in the Chinese economy and that efficiency has declined. It is not unexpected in a growing economy that investment efficiency declines, but the decline in China is more than expected and resulting from a great deal of wasted investment.

The accumulated effect of these downgradings is that the economy is probably about a third smaller than it is made out to be officially. Rather than up there with the United States, it is a second-tier economy, more like Japan or Germany, and in per capita terms only a middle-income one. While growth is slowing in China, it is picking up in its Asian competitor, India. In the International Monetary Fund's (IMF) predictions, India will overtake China in the pace of economy growth by 2016. Another effect is that economic inequality, although grotesque even by official statistics, has probably been underestimated, since the share of wealth held by the very rich has been estimated relative to an inflated total.

These exercises are of a different kind from that of the Rhodium Group. Here it is not only the valuation of the various economic components that is reassessed but also the substance of some of those components, which is to say not just how the System of National Accounts is applied but also what it is applied to. If you dig holes in the ground and fill them up again, that is economic activity without anything being produced. If you borrow money to build highways that are never used or apartments that are never lived in, that is investment but not investment that creates real capital that is converted again into real consumption or further production.

It works like this: If an unnecessary airport is built, that is economic activity. It creates demand for steel, concrete, glass, and the like, and jobs are generated. This shows up as GDP in the statistics. But once the airport is there with little traffic, it becomes a drain on the economy. It has to be kept up and maintained and kept in service for little or no business. During the growth period, China has had a steady flow of such ineffective investments. That has notched up the GDP numbers to artificial levels. The numbers have not always been 'incorrect' but nor have they realistically reflected real economic strength. Part of the reason why measured economic growth has recently been falling is that the burden of ineffective investment has been accumulating and, so to speak, caught up with the real economy and come to weigh more heavily in the balance. The new figures are lower partly because real growth is down but partly also because the previous exaggerated figures are no longer statistically maintained.

False economies are not exclusive to China, but one of the ways in which the

Chinese state-investment-driven economy is different is that it has more and bigger

false economies than usual. The more realistic way of reassessing the economy is to ask what real strength it has rather than just how the numbers add up. That way of approaching it unavoidably leads to a downwards adjustment.³¹

It is difficult to get away from the obsession with GDP size although in the end it is not a very meaningful issue. If you string a border around 1.4 billion people, you have a big economy no matter what the circumstances. The US economy is not strong because it is 300 million people big but because it generates a high per capita income for 300 million people. As so often, China gets overestimated because of its bigness.

Corruption

In China's control-obsessive bureaucratic state, cheating and dishonesty is endemic. Officials and services cheat on their clients; colleagues cheat on each other; lower-level agencies cheat on their duties and misuse allocated funds; local governments falsify data that go into official statistics; police officers, judges, doctors, schoolteachers, and administrators are massively dishonest in the exercise of service. Of course, not everyone and every service is dishonest, but cheating is rampant.

And then there is corruption! Corruption is a problem for many governments; in the Chinese case it goes to the heart of the state and is on a monumental scale. It is a problem with vast consequences. When the state itself is corrupt, it is impossible to maintain a culture of honesty in business or a culture of service in public administration.

Xi Jinping has launched a hard campaign against corruption to which we will return later. Before that, we need to try to get a grip on the nature and scale of the problem. Corruption is criminal activity and is by the nature of things as much as possible hidden from public view—although there has until recently been little restraint in the flaunting of obviously corrupt wealth. We know that there is corruption of massive proportions, but we do not know with precision how much or exactly how it works. No honest student of the Chinese system would be able to say that he or she really knows what it is about, and any effort to describe it is unavoidably to some degree speculative.³²

31. Additionally, standard GDP measurement does not account adequately for some social costs, such as pollution and environmental depletion. These costs have been exceptionally high in China during the period of rapid growth. Had they been brought fully into the accounts, that would further have reduced the growth estimates, more so for China than for other economies in the same period.

32. There is no comprehensive and up-to-date analysis of Chinese corruption that I am aware of (but see Rose-Ackerman and Lagunes, *Greed, Corruption, and the Modern State*). In much of the scholarly literature, economic in particular, corruption gets little or no mention. Everyone knows of it, but its economic and political penetration is often not dealt with adequately. My interpretation here is based on a range of sources, including interviews in China and journalistic reporting.

There are different kinds of corruption, and we need to pick it apart.³³ Starting at the bottom of the system, there is low-level corruption in the form of workday officials taking payments from clients for services, permissions, stamps of approval, and certificates, in everything from business permits via schooling, medical treatment, social assistance, and policing, to birth certificates. All can be granted, delayed, or denied, and all can elicit payment. Again, not every official is corrupt. A colleague who knows China well has reminded me that ‘there are still officials who live in 6th floor walk-ups, ride their bikes to the office, and don’t have kids living it up in the West’. But we know from surveys, for example by the Pew Research Center, that corruption on this level is a fact of life to a greater or lesser degree for most citizens and something that intrudes into their lives in a way they resent strongly.

Further up is within-bureaucracy corruption in the form of selling and buying of posts and promotions. In a state that boasts practising meritocratic recruitment, posts and positions are often sold to the highest bidder. This is true in the party, in the state bureaucracy, and in the armed forces. It also includes the buying of memberships in the people’s congresses, the people’s political consultative conferences, and other official committees on both central and local levels. It involves kickbacks upwards in the system for the allocation of funds downwards to local agencies. A former party secretary of the Hunan Poverty Alleviation Authority went on trial for having accepted more than 11 million *yuan* in bribes between 1992 and 2013 in exchange for funds for anti-poverty programmes.³⁴ No one knows exactly how widespread these practices are, but the buying and selling of promotions is sufficiently prevalent in the armed forces, for example, that most observers consider it to be factor in giving these forces less capacity than their size would suggest. Two former vice-chairmen of the Central Military Commission, who both served until 2012, have been put under prosecution for corruption. The first one, General Xu Caihou, was charged in June 2014 and confessed to taking huge bribes, some through family members, in return for appointments and promotions (he died in March 2015 before he could be put on trial). The second one, General Guo Boxiong, was arrested on 10 April 2015. A former PLA deputy logistics chief, Gu Junshan, has been charged with accepting bribes to promote hundreds of officers, taking in tens of millions of *yuan*.

A recent report that somehow got distributed by Xinhua, the official news agency, gave a rare insight into this surreal world of corruption. That was clearly a mistake, and the report was quickly removed from the Xinhua and other sites in China, but not before it was picked up outside of the country. ‘The main sellers are senior officials, particularly the top official in a region or a unit who has power over personnel

33. But specific cases are often mixed and do not fall neatly into any category. Reuters (28 April 2015) reports a case of a head of hospital who ‘used his position to seek bribes related to construction projects, medical procurement and doctor positions’, adding up to takings worth more than US\$18 million.

matters. The number 2, and sometimes the third- and even fourth-in-command, take bribes to help people get promoted. Some borrowed from banks, while others sought sponsorship from businessmen who would reap the benefits after the official was promoted. Some used money obtained through bribes or other corruption. Buyers could also pay through instalments, just like a homeowner might pay their mortgage. Recent cases have indicated the size of payments involved. Luo Yinguo, former party chief of Maoming city in Guangdong, was sentenced to death last year for receiving more than 100 million *yuan* in bribes from 64 officials seeking promotions. Luo set posts with specific price tags: 200,000 *yuan* for a technology posting; two million *yuan* for department-level one; 10 million *yuan* for a deputy mayor position.³⁵

On top of this again is high-level embezzlement from the state. Here the term 'corruption' is not adequate; it is too kind. This is organised crime and is probably the practice which is the murkiest and on which there is the least publically available hard evidence. It is also new, not good old-fashioned bribery related to the Chinese tradition of gift giving, but a practice born out of the recent investment boom. What is often admired as the restructuring of the sector of state-owned enterprises over the last twenty years or so has consisted in part in the shutting down of poorly performing entities, which were sometimes merged with better-performing ones or otherwise sold, given away, or abandoned. This created a bonanza for entrepreneurial operators to take over faltering firms at bargain prices, or at no price at all, be it for continued activity on new terms or asset stripping. China's brand of economic growth created a further bonanza in the form of contract trading and land leasing. That bonanza was fuelled on by the post-2008 stimulus injection of cash and easy credit into the state sector.

Every infrastructural investment project, large or small, is a potential vehicle for the robbery of state funds. Someone has to dig out the coal and minerals. Someone has to run the cement factories, smelters, and steelworks. Someone has to construct the dams, energy plants, and electricity grids. Someone has to build the highways, railroads, airports, and sky-scrappers, and someone the new schools, hospitals, and universities, and further on the new museums, cinemas, city parks, and playgrounds. And someone has had to make the land available for these investments. These operators and someones, and their subsidiaries, partners, and subcontractors, may be private businesses or state or local government enterprises. All this restructuring and investment booming has been and is state driven. It is the state that has shut down enterprises and that decided what is to be done with them; it is the state that grants mining and development contracts; it is the state that grants business permits; it is the state that allocates land, which is to say that there are officials, high and low, who are in charge of it all. Those officials may be selling contracts, permits, or land leases, or they may themselves be participating entrepreneurs in disguise who are giving

themselves or family members or friends or connections contracts or permits or land. The contracts that are successful will not be the best ones but the ones that pay the best, which is to say the ones that best embezzle the state. The delivery on contracts will tend to be substandard, enabling further embezzlement as works go on, since the oversight is in the hands of officials who are already involved or on the take.

Officials on all levels, up to the very top, down to the local level, and into the fringes of the vast public sector—such as, for example, Beijing Zoo, where procurement graft in part explains the deplorable conditions animals are held in—make themselves rich, and family and friends are able to use connections to enrich themselves. This kind of corruption has been not only widespread but by all accounts also monumental, really beyond what is comprehensible to the normal mind, cases of millions, hundreds of millions, billions being looted from the public purse. In December 2014, Zhou Yongkang, until 2012 a member of the Standing Committee of the Party Politburo and head of domestic security, was expelled from the party and arrested on charges of taking bribes and helping family members and connections to plunder the state. He was formally charged in April 2015 and sentenced in June, in a secret trial, to life in prison, the deprivation of all political rights, and the confiscation of all property. He was found guilty of bribery, abuse of power, and the leaking of state secrets. The life sentence was on the bribery charge. Also in late 2014, investigators discovered more than 200 million *yuan* in cash stored away in several flats owned by a former coal official, Wei Pengyuan. The *South China Morning Post* estimated that the stash of notes would weigh more than 2.3 tonnes (since the highest Chinese denomination is the 100 *yuan* note). This was not even the case of a top official; he had only been a deputy director of the National Development and Reform Commission's coal department. A colleague of his up the line, a former deputy director of the commission, Liu Tienan, was sentenced to life in prison and the confiscation of all personal property on 10 December 2014, for having accepted bribes of 35 million *yuan* from 2002 to 2012, some through a son. In August 2015, Gu Junshan, mentioned above, was sentenced to death, with a two-year reprieve, for embezzlement, accepting bribes and bribery, misuse of state funds, and abuse of power. The reprieve meant that the death sentence was unlikely to be carried out, and he was for good measure deprived of all political rights, stripped of his rank as lieutenant general, and had all personal assets confiscated. In a different case, one operator was reported to have paid one of his backers a bribe in the form of a Mercedes-Benz with 100 kg of gold in the boot. *China Economic Weekly* (24 November 2014) reports an estimate that public officials took 1 trillion *yuan* in stolen money overseas in the years 2000–2011. A consultancy, the Emerging Advisors Group, has estimated that the equivalent of US\$1 trillion was embezzled during the post-2008 stimulus, which may amount to as much as 5 percent of GDP annually, and a Washington-based advocacy group, Global Financial Integrity, estimated that the mainland lost US\$1.25 trillion between 2003 and 2012 to

illicit outflows including tax evasion, crime, and corruption. A report in early 2015 by the International Consortium of Investigative Journalists on the offshore holdings of China's élite suggests that between US\$1 and 4 trillion in untraced assets have left the country since 2000. Figures like these, although necessarily speculative, are not flights of fancy and give a good indication of the scale.

The driving force in this conglomerate of theft is the high-level organised crime. That is where the big action is, that is what makes public posts valuable enough down the line to be bought and sold for big money and makes it worth buying the protection of a membership of a people's congress, and it is the criminality up the line that creates the culture of low-level corruption. When workday officials see that those higher up enrich themselves, they will feel entitled to do likewise. At this level, the effect is to inflate the corruption value of public services. Where previously the expected gift was a watch, now it is a car. The Chinese are accustomed to paying for services with gifts, but gift expectations have notched up to painful and demoralising levels.

Corruption on this scale and in this breadth has manifold consequences. Income is 'redistributed' from ordinary citizens to boosting the wealth of the rich. The state is robbed of funds and deprived of capacity, leaking efficiency through corruption. Too many officials are too concerned with their own manoeuvrings and entrepreneurship and distracted from their job duties. Too many officers not only have little military competence but are also preoccupied with entrepreneurship at the expense of military planning and work.

But the consequences go further and deeper. At the top of the pyramid of corruption has emerged an oligarchic class of high officials and business operators which is parasitic on the state and not in its service or under its control. For the party-state, that is not just an economic problem but also a power problem. All governments want their officials to be beholden to them for their pay, which is how they secure their loyalty. The oligarchic officials, however, are not beholden to their formal employer. Their employment is their base for entrepreneurship, which is from where they have their real income. The state is dependent on contractors and operators for the execution of development projects but cannot control the works they deliver or the price they charge, since the operators have co-opted the controllers into criminality or the controllers have turned operators. The control-obsessed party-state that is supposed to have a monopoly of controlling power is dependent on an oligarchic class which operates a competing source of power. Around the country there are economic fiefdoms that are laws unto themselves and states within the state. The pre-2012 leadership tolerated the rot as a necessary price to pay for 'stability'. It now seems that a new kind of leadership is in place. It has pledged to wage war on corruption. That war has a double agenda. One aim is to purge political opponents within the party-state, always necessary for any Chinese leadership. A second aim is to crush the competing power of oligarchic clusters so as to concentrate not only political but also economic

power in the hands of the party-state leadership. There are observers who think that the only serious aim is to purge political opponents, but that is probably too simple. More likely, what we are seeing is a leadership on the warpath both for control within the party-state and for the party-state's control in society.

The Standard

The economist Amartya Sen has recently compared China favourably to India in governance and delivery. Not only is the 'hope that India might overtake China one day in economic growth' a distant one, but also 'China has done far more than India to raise life expectancy, expand general education and secure health care for its people'.³⁶ That may be a pertinent comparison to highlight India's underperformance (although India is now in fact overtaking China in economic growth) but does not have much to say for or about China. It is no doubt true that China in many ways has been outperforming India, but the ambition of China's leaders is not to outperform the underperformers; it is to be up there with the best. The provision of public services has without question improved in recent decades, but then those provisions had been totally destroyed during the Maoist disasters. China may be improving in securing health care and social security for its people, but Britain, for example, introduced the National Health Service in 1948, from the start miles ahead of contemporary Chinese health care coverage, when the country was run down by war, poorer than China is today, and still had rationing in the provision of food and other necessities, and Sweden and Norway introduced their 'people's pensions' in the 1950s and 1960s, from the start miles ahead of contemporary Chinese social security, when they were not much, if at all, ahead in economic capacity to where China is now. Indeed, the political secret of the excellence of welfare services—such as in Scandinavia to take the well-known example, or Costa Rica to take a less well-known one, or for that matter China's neighbour South Korea—is that social provisions are introduced *early* in the development process, really before the country by narrow economic analysis can afford them. The reason is that it is in the early stages of development, when the risk of poverty is widespread, that there is a potentially broad political coalition in favour of effective anti-poverty measures. If the country waits until economic growth has made social provision 'affordable' it will be too late: The majority will have moved out of the poverty-risk zone, and anti-poverty policies will have been reduced to a minority concern. China's strategy is 'growth first, equality second'. In that, the regime has made a strategic mistake: It is clear to see that the rising middle class is not making itself the driving force for a policy of social solidarity. A mistake, that is, if the building of an effective welfare state has been a regime intention.

36. In an article in the *New York Times*, 20 June 2013, to accompany the publication of *An Uncertain Glory: India*

The standard against which China should be measured is the one the Chinese leaders have themselves set. Their claim to excellence is not that they are doing better than they have previously, since China had pretty much collapsed after the Cultural Revolution. It is more absolute: not just better but good. Nor is their claim that they are doing better than others; it is again more absolute: They are doing as well as anyone. China is a grown-up country that does not need to be patronised as ‘developing.’³⁷

We should take the Chinese leaders’ boast of excellence seriously. That, for example, is the standard set by the World Bank and the Development Research Center of the Chinese State Council in *China 2030: Building a Modern, Harmonious and Creative Society*. Here the comparison is with Organisation for Economic Co-operation and Development (OECD) countries more than with developing countries. The regime gives itself legitimacy by the claim to represent not just strength that should be feared but also quality that should be admired. If that is the way they want to be seen, that is the way we should see them.

A Point of Reference

It is my previous work, with colleagues, on the state in South Korea (the Republic of Korea) that has led me to China, as the obvious next step. That reference has been helpful. It puts China in perspective. South Korea’s modernisation is the greatest development story ever told. China’s development in some ways looks similar: rising from the ashes of destruction, strong leadership by an authoritarian state, a complex mesh of state and capitalism, rapid growth. But that comparison does not hold long. When the Chinese foreign minister, Wang Yi, said, at the World Economic Forum in Davos in January 2014, that ‘the Chinese story is the greatest success story of our time’, he was repeating a fantasy that has now been told so many times and in so many versions that it is becoming perceived truth. The Chinese story is one of bigness, but in greatness it is not much up against, for example, the story of South Korea, or for that matter of Taiwan.

In South Korea, in forty years, there were three monumental achievements: Poverty was turned to affluence (and to real affluence, making Korea a high-income country), dictatorship was turned to democracy, and a safety net was spread under the country so that no significant section of the population was excluded from the benefits of economic advancement and with social protections that have helped to preserve Korea as a relatively egalitarian society, in contrast to China’s runaway inequality. China’s reform and opening up has now been unfolding for nearly forty years but has followed South Korea in only one achievement, in economic growth. And in the time South Korea made itself a high-income country, China has made itself no more

37. The Chinese leaders sometimes do present their country as still being a developing one, but you do not have

than a middle-income one. Lin Yifu, the Chinese economist and former vice-president of the World Bank, has observed that in recent times only two economies, South Korea and Taiwan, have managed to leap from low-income to high-income status, implying that China is now on the road to becoming the third one.³⁸ But this is a false comparison (and not only because he forgot some contending countries). China's modernisation is narrowly economic. In South Korea and Taiwan, modernisation has been comprehensive; economic yes, but also political and social.

So looking at China with the South Korean story in mind, I am not as impressed as are some whose vantage may have been, for example, sluggish economies in Europe or the United States. Nor am I all that impressed with China's growth. It is not singular; we have seen it before. It is not unprecedented, not unique, and not lasting. It has been, in its best times, pretty typical for East Asia. The economy got off to a good start after the revolution in 1949, but was then ground to a halt in a wasted generation. It picked up again as of the 1980s, but if we take the entire period of the People's Republic it has been less than it should have been by the standards of the region.

This particular putting of China in perspective has been of consequence. It opened my eyes early on to two observations that have stayed at the back of my mind while working my way through this project. First, China's achievements are big in quantity but small in quality. The numbers may be impressive, but much of the substance is shabby. Second, even in quantitative terms, what bedazzles is not growth as such, although observers often think it is, but bigness. China weighs more in the world than, for example, South Korea, not because it has outperformed South Korea, which it has not, but because it is so big.

In *The Korean State and Social Policy: How South Korea Lifted Itself from Poverty and Dictatorship to Affluence and Democracy*, my colleagues and I offered a political history of South Korea from 1945 to 2000 through the prism of social policy. This was a state-led economic development, and the state that led it was authoritarian and in periods brutally dictatorial. It was a state that used social policy actively as an instrument of economic development. In the literature, it is described as a 'developmental state' with a 'developmental welfare-state' as one of its tools.³⁹

It has been assumed that what enabled the South Korean state to lead as effectively as it did was that it had autocratic strength. This is also a widespread assumption for China. However, in our study we found that although the developmental state had strength, and used it, strength was still not its defining characteristic. What made this state effective was rather an unexpectedly sophisticated *use* of strength. The authoritarian leaders in Korea had power and were uncompromisingly hard when they saw that to be necessary. But it was not by subduing its population with strength

38. *The Huffington Post*, 10 February 2014.

39. See Kwon, *Transforming the Developmental Welfare State in East Asia*.

that they pulled the country along in development. They did that by mobilising their population into a grand project of modernisation. Success came from the way the state worked *with* society.

In looking from South Korea to China, the similarity is in rapid economic growth under the stewardship of an authoritarian state. But there is authoritarianism and then there is dictatorship. The Korean state, before redemocratisation, was (for the most part) only authoritarian. The Chinese state was and is a party-state. Korea was less of a command system, and the leaders were dependent on ruling through coalitions and alliances. There was a corrupt mesh of state and business, but businesses were not state owned and rather a part of the civil society that the rulers were dependent on mobilising. Both regimes were challenged by uprisings in their populations, in Korea in 1987 and in China in 1989, but reacted differently. In Korea, the authoritarian regime tried to survive through the crisis of popular revolt but was unable to hold on to power and stepped aside to allow democratic reform. In China, the regime did not give in but reached for its ultimate power resource, the military, and crushed the revolt with weaponry. In Korea, there being no party-state, the leaders could not react similarly. They did not have a similar resource of ultimate power at their disposal and did not have the justification for the use of force that is contained in the ideological and organisational structure of a party-state. Presiding over a country that was not monolithic but built on vibrant civil society institutions which had evolved during the period of modernisation, including in business and voluntarism, the authoritarian leaders could relinquish control without fearing that their project of modernisation would collapse, indeed *had to* give in since an attempt to hold on to power with force would have destroyed the project that was their *raison d'être* and their only claim to legitimacy. In China, the leaders could not compromise because that would have meant the demise of the party-state and because there was no civil society for China to fall back on, wherefore compromise would lead to chaos. Nor did they have to compromise because they had the physical and ideological means to hold on in their hands.

The authoritarian state in South Korea, from the first military coup in 1961 to redemocratisation in 1987, managed society in ways that are best described as consistently paradoxical. It worked in different ways at the same time, combining modes of governance that would usually elsewhere be seen to be incompatible and contradictory. In *holding* power, the autocrats and dictators were brutally hard. General and later President Park was the first and greatest of the autocratic leaders and the man who carved out this contradictory mode of governance. One of his early initiatives was the creation of the Korean Central Intelligence Agency as a secret police under his personal command. The trade union movement, in particular, suffered relentless oppression. But in *using* power in governance, in contrast, the Korean autocrats were shrewd, sophisticated, and in their own way surprisingly soft. President Park was as

early in starting to build the Korean welfare state as he was in building a Korean secret police. While with one hand, theirs was a state of dictatorship, with the other hand a state of collaboration, co-optation, and mobilisation. It was not one or the other, not dictatorial and therefore non-collaborative, and not collaborative and therefore non-dictatorial, but both dictatorial and collaborative. This was a state that was ruthless in holding on to power (until meeting its ultimate test) but that in governance worked more through coalitions than by brute commands.

We identified four coalitions of mobilisation. A first coalition was between political leaders and their officials and advisors. Here, the autocrats used their hard hand to purge or side-line those who were not reliable. But once that was done, they showed their soft hand to the officials and advisors with whom they could work, brought them into their realm of power, gave them authority, and created institutions for them to work through, for example, powerful advisory bodies which worked more in partnership with their political bosses than as simple lackeys. An ancient idea of impartiality in officialdom survived to some degree. The Korean economy was corrupt, but public service delivery was never plagued by the kind of endemic graft that is a characteristic of China. Civil servants and advisors were flattered into being able to think of themselves as apolitical but were in reality strongly political. They were men—almost always men, although now, in a further sign of genuine modernisation, the president is a woman, Park Geun-hye, General Park's daughter—of the world who saw themselves as modernisers in the service of their nation and who brought an ethos of modernisation into the grand political project. They looked out to the rest of the world and saw, for example, that modern nations have welfare states. Therefore, they said, we too, if we are to be modern, must have a welfare state.

A second coalition was between government and business, in particular big business. This coalition is well known, but here also we need to understand its paradoxical nature. The military coup in 1961 was in part directed against the culture of crony capitalism that had evolved in the first years after the birth of South Korea in 1948, during the reign of Syngman Rhee, the first president. But General Park, against his own instinct, soon recognised that he could not realise his ambition of industrial modernisation in any other way than through the capitalists he despised and therefore accepted a settlement of collaboration with them that must have been distasteful to him. To get them to do his bidding, he had to literally buy them. What resulted was not a pretty sight. It was a peculiar brand of state-led monopoly capitalism, steeped in pervasive two-way corruption. But it was effective. The resulting economic growth has been steady and continuous and second to none the world has ever seen.

A third coalition was with civil society and voluntary agencies. This coalition has been less recognised than the government-business coalition, but was no less important. Voluntary agencies were a US import after 1945, much of it growing out of socially oriented missionary movements. They were at work from the start and

continued to be active during the authoritarian period, providing much of what was delivered of social services. The autocratic rulers did not crush this movement and nor did they nationalise it, but they 'koreanised' it and dismissed the Americans. Again, they took control and let civil society agencies know who was boss and what the design was that they were obliged to work within, but once that was clear they also gave these non-government actors space and authority. They let them survive in a deal, much as with business, in which the agencies took it upon themselves to deliver services the governors needed to get delivered but did not have the means to deliver themselves, in return for the ability to engage in the formation of associations and networks.

And a fourth coalition was with the people themselves. South Korea was an unruly nation, and those who are old enough will remember, for example, the constant street battles between students and police.⁴⁰ This unrest was important, not because, until the end, it threatened the regime, but because it contributed to never silencing the demand for democracy. But this unruliness was still on the surface. Underneath was a compliant and hard-working population. The government used various means to mobilise popular acquiescence. It extracted obedience by delivering economic growth. It bought itself legitimacy with the help of education and social security. It gave people reasons for compliance by forcing employers, at least in the big corporations, to provide occupational welfare to workers and their families and to be at least marginally better employers than they were themselves inclined to be, and by directing voluntary agencies to deliver social services. And importantly, it mobilised people across the country through a cultural revolution under the name of the *Saemaul* movement, first in the rural New Community Movement and then the urban-industrial New Factory Community Movement. These were paternalistic movements that encouraged an ethos of responsibility and self-reliance. They were extractive movements that put rural communities and industrial labourers and their families to work in development projects large and small which were run 'voluntarily' and without much of government funding. But they were also organisational movements that gave millions of Koreans the experience of being members and participants in associations, committees, councils, and the like. They were grass-roots movements that fed into, as did the network of voluntary agencies, civil society vibrancy.

Most authoritarian leaders believe that they themselves can and should run their country. The South Korean ones happened on an understanding that they needed to work *with* non-state forces. They had defined a mission of modernisation for their country to which they bound themselves and for the realisation of which they needed to stimulate and co-opt the energies of officials, advisors, businesses,

40. For which reason President Park moved Seoul National University from the city centre to a then distant suburb.

voluntary agencies, and rural and industrial workers and families. Usually, authoritarian regimes, such as the Soviet and East European ones, seek to eliminate non-state institutions. Exceptionally, under South Korean authoritarianism, non-state institutions were stimulated and put to work. This is what finally explains the unlikely South Korean economic, political, and social development, and the role of state leadership in it. It was *not* that the governments had authoritarian strength, but that governments with authoritarian strength governed by *mobilising* rather than just controlling.

Mobilisation is a strategy with consequences. Those who are mobilised prosper and are allowed influence. South Korea's modernisation was economic, but not only economic. It had two strands to it. The economy grew in production. Society grew in institutions. When authoritarianism collapsed, the dynamics of development proved to be sustainable because the institutions of a reasonably pluralistic economic, social, and political order were there, alive and well, and democratic government could take over where autocratic government had left off without counterrevolution, collapse, or further serious drama.

In my book *Nation of Devils: Democratic Leadership and the Problem of Obedience*, I ascribe good government to political order, and I find the core of political order to be a 'settlement' between the governors and their various others, from their civil servants to the population out there in the country. Settlement, again, comes from governors giving others what they need in order to make themselves compliant and co-operative, at least reasonably so, and others giving governors the acquiescence they need in order to lead and rule with some effectiveness. When this works, there is a virtuous circle of collaboration. Most dictatorships are not settled, wherefore dictatorial governments fall back on repression. In South Korea, the dictatorship happened to find a unique form of settlement through mobilisation. It was in many ways ugly, but it worked and in the end turned for the good. The government was harsh and the people unruly, but beneath that there was a basic, and unlikely, settlement of collaboration.

This, then, briefly, is the reference at the back of my mind as I look to China. An earlier East Asian miracle. Another authoritarian state. The dialectics of command and mobilisation. A state's ability to work *with* partners. The destiny of society, the landscape between state and citizens. Political order, after a fashion. A way of managing society. Development of quality.

Do we see a similar panorama in China? There are similarities but, again, they are superficial. The party-state dominates society, is dedicated to control, and is far from working *with* non-state actors in coalitions of mutual dependency. The civil service is an organisation of the party (so much so that the very term 'civil service' does not really apply and is rarely used). Civil society remains subdued. The business community and new middle class are pulled into a top-down symbiosis with the party-state

apparatus. What is known as NGOs (non-governmental organisations) are, for the most part, more like state agencies than voluntary organisations, often referred to as GONGOs, government-organised NGOs. Associational life and networking is kept under strict control. Governance is complex but not paradoxical. It is based on strength, control, and command, is without the elegant combination of being both dictatorial and collaborative that we saw in the Korean case, and is backwards in any governance by mobilisation. The state remains dictatorial and has failed to find the secret of political order and settlement. The regime has given itself the insurance that the party-state has been kept strong and civil society weak, the insurance of fear that there would be nothing but chaos for China to fall back on if the party-state were to crumble.

Here again China is *different*, now also in social structure. The party-state is all-embracing. There are no autonomous countervailing forces—no civil service and no independent business community or civil society in any real meaning. The Chinese have many social freedoms of being able to live and behave as they want, but they have no freedom of social organisation. What there are of non-state actors and institutions are tied into a grand corporatist pact in which the party-state calls the shots and holds the controlling reins.

This book has become a critical interpretation of the Chinese model. I would expect one criticism back to be that it is China observed with Western biases. But that is a criticism I reject in advance. My perspective has been regional. In some of China's near neighbours, we have seen the magnificence of modernisation that is social and political as well as economic, and qualitative as well as quantitative. We have seen that not only dramatic growth but comprehensive modernisation is possible. We have seen that economic growth and political democratisation are compatible. China's development falls short in that comparison. It is economic and quantitative but not much more. What we should reasonably expect for China is what has been seen in the region. Except for bigness, the Chinese story is not only not the greatest success story of our times; it is not even a particularly great East Asian story.

Bigness

In territory, China is about the same as Canada or the United States but smaller than Russia. In population it is enormous, now nearing 1.4 billion people, over four times as many as the United States and ten times as many as Russia.⁴¹ Much of the country is rough mountainous terrain and a surprisingly small part comfortably arable land. The Chinese population has grown from about 500 million in 1949, and is still growing,

41. According to the National Bureau of Statistics, the population at the end of 2014, excluding Hong Kong and Macao, was 1.358 billion, 55 percent urban and 45 percent rural.

although more slowly. It is expected to peak at between 1.5 and 1.6 billion around mid-century and then to start falling. By that time, China will probably have been overtaken by India as the world's most populous country.

Size is one reason it is difficult, and in some ways unrealistic, to treat China as a country, and certainly as a country that is governed by a small leadership in the capital. That's the theory, but in practice it does not work in that way. The leaders in Beijing may well decide on this or that policy, but there is no way they can be in anything like full control of how their policies are implemented through the country. There are about 40,000 towns, townships, and similar urban units, some as large as a small European country, and about 700,000 villages and similar units.⁴² The leaders in Beijing are not in control and know that there are serious limitations in their ability to impose their will on the country. Public policy is nowhere near as orderly as one might think in a dictatorship, and the implementation of centrally decided policies is all over the place, sometimes in obedience, more or less, but often also in disobedience, distortion, subversion, or inaction.⁴³

China, then, is not Beijing. The governing of China is not what is done in Beijing. The rule for the student of Chinese conditions must be to keep the country's size in mind, get beyond Beijing, under the surface, and down to observing governance as much locally as centrally.

Here are some random numbers to help us grasp the size factor (which is pretty difficult, at least for someone like me, whose outlook is often from a country of 5 million people):

- 1.4 billion people (approaching).
- The largest province, Guangdong, has a population of nearly 105 million. Five provinces have populations of more than 80 million people, each larger than the largest European country. The largest city, Shanghai, has 24 million people.
- China is urbanizing rapidly with a huge shift of population from countryside to towns and cities, but the rural population is still upwards of 600 million strong.
- Economic growth has lifted millions of people out of poverty, but there are still 250 million or more left behind in dire destitution. That is fifty times as many as the Norwegian population.
- There are 114 million people suffering from diabetes (in 2012), a number that in five years had increased by the size of the Australian population.
- An important driver of economic growth in the reform period was the emergence of township and village enterprises (TVEs). Those businesses eventually created more than 100 million jobs.

42. A village may well have a population of 100,000 or more, although many are smaller, and some places that are villages administratively are very urban indeed in appearance.

43. On centre-periphery differences and tensions, see, for example, Whyte, *One Country, Two Societies* and Eimer,

- A small minority component of private education adds up to 40 million pupils and students in 130,000 institutions, from preschool to tertiary education (not including non-accredited schools for migrant children).
- A third of the world's smokers are Chinese.
- Year on year, about 1.4 million people sit the national civil service entry examinations (not including provincial and local similar exams).
- When the National Bureau of Statistics in January 2013 reported on a demographic turning point in that the size of the working-age population had slightly decreased, that slight decrease still amounted to 3.45 million persons.
- Come New Year, the Chinese want to go home to celebrate. In 2014, this migration was carried by an estimated 3.6 billion journeys during a period of about a month, up by 200 million from the year before.

Size dazzles. The rest of the world is ultra-aware of China's economic power and stands in awe of its development, but that development is not all it is sometimes made out to be. In the UN Human Development Index 2014, China ranks 91 of 187 countries. It ranks lower in human development than should have been expected by its level of economic development. While the country has roared upwards on the GDP scale, it has remained stagnant in the middle of the human development scale with little or no improvement relative to the rest of the world. This is a constellation to stop and reflect on.

Here is the basic truth about the Chinese model in all its glory, economically, politically, and administratively: *It is effective but not efficient*. There has been growth, but only thanks to massive debt and excessive investment. There has been governance, but only thanks to massive and extractive bureaucracy. The machine delivers but is exceedingly expensive to run. It gets results, but only with monumental inputs that do not translate efficiently into outcomes.

Much of the paraphernalia that leave the occasional visitor gaping—the highways, bridges, skyscrapers, high-speed trains, airports—is developed too quickly and to poor standards, and starts to crumble the moment it is finished. In Guangzhou, the city, in the kind of development that is possible only in a command economy, has in the course of a few years created a mega-university complex on an island in the Pearl River by clearing away the peasantry that used to cultivate its land and having ten universities build new campuses one next to the other. If you drive through, you see a landscape of shiny and impressive architecture, but inside, buildings only a few years old are already worn and crumbling.

The regime has thrown money into GDP growth but not generally obtained commensurate results. Standards of living have been rising, but at less than the pace of economic growth. More people have been lifted out of poverty in China than in any other country, but the lifting per capita is less than in neighbouring East Asian

countries. Nearly half of the population remains rural, far removed from life in the modern cities, much of it living off backwards agriculture and in developing country conditions. The modern economy is geared to copying what others have invented or to doing the assembly work on foreign designs, but has so far developed less in innovation capacity and does not have a single world-class brand to its name. China has done well in high-speed rail by exploiting or copying Japanese and other technologies but has been unable, for example, to develop an airliner of its own in spite of massive efforts. Its auto industry is doing well in the assembly of foreign-brand cars but has not taken off in the production and sale of own-brand ones. Education has improved but less than should have been expected given the pace of economic development. Free primary schooling was introduced only in 2008 (and is still not in reality free). The People's Liberation Army is a mighty force, but the service is politicised, divided, corrupt, and inexperienced in combat training. It has for some time been on a trajectory of 10 percent plus year-on-year increases in its budget and has stocked up on land, air, and sea hardware. But behind the façade it is less than effective in intelligence, technology, communications, logistics, and co-ordination, and is in these matters behind the US-supported systems of Japan and Taiwan. The balance of military opinion seems to be, for example, that in a non-nuclear confrontation with Japan, the Japanese Self-Defence Force would be superior in equipment, training, and the quality of the officer corps and troops and prevail over a larger but more lumbering adversary. Something of the same is visible in foreign relations, where Chinese diplomacy is unable to get away from a reliance on weight. China is now a world power but has been unable to use that power to win genuine influence or, what it desperately wants, respect.⁴⁴ It is strong but has no genuine friends.

What is giving China clout in the world is bigness more than performance. It is size and the crude magnitudes and numbers that come with it, rather than qualitative development or civilisation, that enables China to command the presence it now has in other people's minds. Now that ultra-rapid economic growth is fading, China's development no longer looks as amazing as it may have seemed in the last two or three decades.

The Project

This is an essay in interpretation. It is the interpretation of an outsider. I do not come from China studies and am not an authority on China. Where I do come from is state analysis, which I have been doing for forty years, and I have tried to bring that experience to bear on a new case.

44. In an authoritative 2105 ranking by the consultancy Portland Communications of thirty countries by 'soft

I have of course visited China while undertaking this project. The observant visitor will see many things and many contrasts: the magnificence that has arisen in Shanghai and the brutalism of provincial cities, the display of middle-class lifestyles, the destitution that village people live in and that you will find if you look for it even on the outskirts of the most advanced centres of development, the oppressive plight of armies of migrant workers who live in urban slums and dormitories and toil to uphold others' wealth.⁴⁵ I have seen people living lives of pleasure, fun, and civility, but equally the routine of cheating, cynicism, and braggadocio of money.

I have conferred and collaborated with Chinese colleagues and officials and benefitted from their insights and guidance. I have found these encounters warm, helpful, and generous. Much of the analysis is based on Chinese sources through collaboration with Chinese colleagues, such as the analyses of the social security system in Chapter 4, of the tax system in Chapters 4 and 5, and of poverty in Chapter 5. But my visits have also made me reflect on the difficulty of direct observation in the country. It is *very difficult* to find yourself immersed in the urban landscape of banks, international luxury brands, and commercial razzmatazz in Shanghai and keep in mind that this is *state* capitalism. I have become aware that when I have met, for example, a leading academic in a leading university, he will be a party man. He will be informed, interested and interesting, and charming, and will engage in open and critical discussion, but he is not a free man. Foreign visitors often do not know, or prefer not to know, whom they are dealing with. They may negotiate with a company director or the leader of a research institute and not know that these contacts are not the real decision makers in their organisations. I have often found it more difficult to interpret what I have seen and been told in China than what I have read in my study in London. Any visitor should easily see both the magnificence and ugliness of Chinese economic growth, but I have been struck by how often visitors on some more or less official errand come home, having been flattered and entertained, without really having seen the obvious combination of progress and misery. In hindsight, I have not learned all that much from my own visits, except to have my critical instinct stimulated.

So these are the observations of an outsider. I have not considered that a disadvantage. It is easy to be blinded by the glow from China. That was the case in Mao's time, when many near observers saw what they wanted to see, and some of the sharpest observations were made from a distance, and it continues on other terms to be the case today. For example, Martin Jacques, in *When China Rules the World*, fails to keep his distance and produces a book that is embarrassingly starry-eyed, servile, and naïve. My intention has been to interpret more than to report, and detached

45. There are reportedly about a million people in Beijing, mostly young migrants, who live, literally, under-

ground in a China at the 21st Century, Hong Kong University Press, 2016. ProQuest Ebook Central, <http://ebookcentral.proquest.com/lib/nyulibrary-ebooks/detail.action?docID=4591835>.

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observation is then not a bad thing, in particular when observing a state that is edging to making itself the centre of gravity in the world. I have no axe to grind. I am not inspired in one way or other by any specific hope for China, except for the hope I have for people everywhere that they be able to live well and in freedom. I have no allegiance to China studies or to any theoretical or ideological direction within that broad church. I am not aiming to make myself a China hand and am free from any ambition of future collaboration with official China.

There are other ways than my top-down one of studying China. We could start from the other end, from below, to see how Chinese people react and adapt to what comes down upon them from up high. That would show up many things that I will not be observing closely. No doubt, the Chinese are like people elsewhere; they try to make the best out of their circumstances and mostly react with reason to the way they are ruled. The Chinese live under the pressure of a heavy state. They respond and adapt in manifold strategies: by courage, by ingenuity, by helping and protecting each other, by opposing and protesting, by organising, by subverting, by pretending, by surviving, and getting on with life—as well as by acquiescence and obedience, by collaborating in oppression, by opportunism and cowardice. The rich tapestry of the human condition is there to be seen, for the good and for the bad. Some of that we will touch on as we go along, but this is not my analysis. It is the state and the nature of its rule I am trying to understand. Nor is this a book about social life in China or about Chinese culture. It is a political analysis of the state, not a sociological analysis of China. I am seeking to explain how Chinese society is ruled but not in any detail the fabric of that society.

The non-Chinese literature on politics in China is huge, rich, and diverse. No single generalisation is possible about that literature as a body. But, as much is critical, there is also a strand in China-watching of over-respectfulness. Within that strand, the detached critical eye that is the hallmark of scholarly observation is, if not blinded, to some degree relaxed. There are two mechanisms at play. One is from an ancient Western fascination with China. Many people are enraptured by Chinese history and civilisation, by its early and continuing greatness, and by its mystique. China has had, and continues to have, an uncanny ability to attract the attention of others and to get those others in their minds to add admiration to attention. This adds up to a bit of a love affair, sometimes love-love and sometimes love-hate. There is a yearning to see the interesting and the impressive, and sometimes the good, in a state grounded in an ancient empire.

The second mechanism is more mundane: self-censorship. Any foreign observer of China is himself or herself potentially under observation. We all know that what we say or write may bring down upon us official displeasure and that displeasure may follow through to disadvantage. Contacts may become hesitant, co-operation may be interrupted, invitations may dry up. Books or articles may not be translated.

Visas may be denied. Or entry denied: In early July 2014, an American academic, Elliot Sperling of Indiana University, a friend and defender of the Uighur professor Ilham Tohti, who has subsequently been tried for ‘separatism’, arrived at Beijing airport with a valid visa but was detained by border officials and put back on the returning flight. In May 2013, a colleague of his from the same university had likewise been turned away with a valid visa. For my own part, in October 2014, I had the Chinese version of my *Nation of Devils* ‘suspended’ by the censors three weeks before it was to be released.⁴⁶ Threats and actions like these work. Those who want to study or report on China live in anxiety that they may be denied the means to do their work properly. They fear that they may not be able to visit or, for example, that they may be denied access to essential archives. Everyone who wants to play the China game knows that there are rules. You can have perfectly good, friendly, and productive exchanges within those rules, but there are limits. Reporters and researchers at their computers ask themselves if this or that observation is opportune. Says one well-known American China scholar, with unusual frankness: ‘I write about China and do not want to become persona non grata.’

My angle for making sense of the state I have been observing is to look to the meeting ground of state and people. As a social analyst I am, in the technical language, a methodological individualist. For me, what a state *is* is the way it manifests itself in the lives of its people as individuals and families.

That angle matters. If you look to a state without following through to how it meets the people, you will not know it. In a big state, you might see the forest but not the trees, the masses but not the people. In a dictatorial state, you may see too much of might and not enough of ugliness. Henry Kissinger, for example, in *On China*, falls into this trap. His book is learned and informative but is still in the end biased in favour of the state itself and to the neglect of the people who live under its rule—and surprisingly romantic from someone who prides himself on being a realist. The way to think about China, he argues, is as a civilisation: ‘no other country can claim so long a continuous civilization, or such an intimate link to its ancient past’. Kissinger is one of many analysts who praise China as a ‘civilisation-state’. But that is a term in which, however much I try to make sense of it, I find no meaning. It sounds good, but in my ears too good for a state that, now and in the past, when pushed has cared much for itself and little for the people who stand in its way. Not my idea of civilised rule. And anyway, the long continuity is a fairy-tale.⁴⁷ China’s history has seen a series of fluctuations between progress and decline, and with long periods of subjugation and non-Chinese rule.

46. By CITIC Publishers.

47. As, for example, Jonathan Fenby has underlined in his books on China.

There is no shortage of information to draw on; the problem has rather been its abundance. This includes ever more material from China itself, such as policy documents, law texts, official statistics and scholarly work, much of it easily available in English.⁴⁸ It includes research and analysis from the big international agencies of development and co-operation. It includes an avalanche of academic work from universities and think-tanks around the world. I have made much use of journalistic material. The *New York Times*, the *Financial Times*, the *Economist*, and the *South China Morning Post*, all outstanding in their China coverage, have been important sources. I have equally used, more than in any previous project, Internet sources (and in the process been able to appreciate fully the magic of this technology as a research tool). I have been corresponding daily with China experts inside China and internationally and have been able to draw on their competence and insight. As I have moved from topic to topic, I have trawled the web for reports, research, statistics, and opinions; there is now nothing you cannot find at least something about. This way of working obviously requires an alert eye on what to trust and what to discard, but not much more so than when absorbing conventionally published material. I have been cautious in using the information that has flowed past me. I have usually not trusted any single source but have been looking for consistent patterns, and it is those patterns as I have seen them that I will tell you about. I list works I have drawn on at the back of the book but that represent only one kind of information from a broader range.

There is a difference between the information that is filtered (and delayed) through scholarly publication and that which flows more directly from journalistic observation and the anarchy of the Internet. The former is cautious and measured, as scholarly work should be, certainly not uncritical but balanced and sometimes too respectful. The latter is raw, near, and in your face. That kind of non-filtered information has been invaluable. It has allowed me, I think, to look not just at the regime but inside it and to some degree to get my finger on its pulse.

In whatever you read about China in any format, there is much to distrust. I have read policy documents but do not believe all they say, to put it carefully. I have read official statistics, but they do not add up. I have consulted surveys, but they are all over the place. I have read the scholarly books, but there is bias galore. So in spite of the abundance of information, there is also an abundance in what we do not know, or at least do not know with certainty or precision.

There are masses of economic and other statistics for China, both from China itself and, for example, from international agencies, some of it good, some bad, some

48. In recent years, the government's reports on its work, on the national development plan, and on budget implementation to the National People's Congresses have been available in English on the day they were delivered. In late 2014, the State Council launched a glitzy new website—english.gov.cn—to propagate the doings of the premier, Li Keqiang, and which is packed with links to white papers, publications, statistics, laws, regulations,

fraudulent. I'm a statistically minded person and do not like it, but have for the most part stayed at arm's length of statistical data, and certainly official statistics, and pulled back to a level of precision that does not go much beyond one, some, many.⁴⁹ I do use statistics, unavoidably, but generally in the cautionary language of 'about' or 'more or less' or 'near to' or 'towards' and the like. We do not know, as we have already seen, how big the Chinese economy is, how fast it is growing, or, for example, how big the labour force is. Many urban workers are rural migrants, but we do not know how many. Educated guesses are anything between 200 and 300 million, sometimes more. In the urbanisation plan launched in 2014, which foresees 100 million more people moving to cities by 2020, it is expected that there will still be 200 million migrants working in urban areas without urban *hukou* residency. That means that migrant workers will continue to make up as much as 25 to 30 percent of the workforce even if current reform plans are carried through. It is worth reflecting on that number. The regime drives its economy forward by policies that relegate one in three or four workers to exploitation and humiliation. In China, migrants are not even foreigners who are tolerated but nationals who are deliberately, formally, by policy relegated to second class.

Nor do we know what the effect has been, if any, of the one-child policy on population growth.⁵⁰ Birth rates were falling rapidly before this draconian policy was introduced in 1979, in fact more rapidly before 1979 than after, and would have continued to fall without it. China was already then past the demography of population growth being driven by birth numbers. We know that there have been horrific life consequences in the form of abortions and sterilisations, on the order of at least 300 million abortions and about 200 million sterilisations. But coercive birth control was in use before the one-child policy was declared, and except for the first two or three years there was no noticeable increase in abortions and sterilizations above the numbers during the 1970s.⁵¹ Since people would most likely have lived differently without the strictures of dictatorial control, we do not know if there has been any 'purpose' to all that suffering.

Another thing we do not know, about a monumental event in the nation's history, is how many people were killed on 4 June 1989, when the People's Liberation Army cleared the people out of Tiananmen Square in Beijing, whether in the hundreds

49. The *Financial Times* is excellent in its coverage of China but with a weakness of packing its reporting with over-precise statistical data, as is the nature of economic reporting. That means taking official statistics on face value, resulting in many mistakes and misinterpretations. A case in point is a long interview with the premier, Li Keqiang, on 16 April 2015, in which his many statistics were reproduced with no probing and much bravura. Official statistics in China are propagandistic and should be treated with scepticism. A failure to do so is, however inadvertently, to plough the regime's furrow.

50. On the one-child policy, see Greenhalgh, *Just One Child*.

51. See Y. D. Ross, 'Challenging the Myth of China's One-Child Policy', 2016. ProQuest Ebook Central, <http://ebookcentral.proquest.com/lib/nyulibrary-ebooks/detail.action?docID=4591835>.

or in the thousands, nor how many of those who died were participants and how many bystanders, nor how many were killed elsewhere in Beijing and elsewhere in the country.

There is much we do not know, and much of false information and propaganda swirling around. The observer's guide must be scepticism, always scepticism.