

CHINA'S ROBBER BARONS

BY LIU XIAOBO

The ongoing debate in China over whether to recognize private property rights as constitutional rights must take into account privatization of political power, Liu Xiaobo writes. While officials at all levels turn their control of public resources into private wealth, equitable distribution of property depends on abolishing control by clan-based power monopolies.

China's present reform of property ownership, with its focus on making private property rights constitutional, has become a hot topic in every segment of Chinese society. One of the points currently under debate in intellectual circles is whether property rights reform can be implemented on the premise of liquidating illicit wealth. If the answer is yes, will that bring on a new "economic cultural revolution," with a blanket redistribution of wealth such as took place during the Land Reform era, and its accompanying disruption of social stability? If the answer is no, will that bring about an unjust legalization of elite privatization, under which the people's call for social justice must yield to the reality of extremely unjust elite privatization, and the powerless masses who are deprived of all benefit must accept almost all benefit going to a powerful minority? In this controversy, no argument or remedy is of any value if it doesn't take into account the one party system's role in the privatization of public power.

Because of the largely unrestrained marketization of power and elite privatization arising from crippled reforms, by far the greatest beneficiaries of the reforms are the minority elite. For that reason many people are not in favor of incorporating protection of private property into the constitution, because property protection that is applied largely to elite privatization looks too much like a means of assisting the elite in their pillaging of society's riches. In particular China's New Left has come out in strong opposition to liberal intellectuals' call to implement property rights reform through amendments to the constitution. They associate the evils of elite privatization with marketization, capitalism and globalization, and insist on defending the present socialist constitution. In my opinion,

the New Left seems to be shifting the blame; their defense of the socialist constitution arises from their worship of Mao Zedong and a desire to conceal the actual roots of the elite privatization system.

The roots of Chinese-style elite privatization is not a capitalist market system centered on the protection of private property and free competition. Rather, it is the dictatorial system, in itself a privatization of public political power, which leads to privatization of property through the elite. Privatization of public power is not a special product of the reform era, but rather is characteristic of a political system that has allowed the Chinese Communist government to develop into the ultimate totalitarian regime. It could be said that clarifying the essence of the Chinese Communist Party's power is the key to understanding the current problem of property rights; but clarifying the essence of the Party's power is no easy matter since the Party has begun to accept market economy and private property rights.

In my opinion, it is necessary to begin with the privatization of public power in explaining the essence of the Communist Party system and its crippled reforms. The distinctive feature of modern civilization, the concept that political power should be for the collective good (*tianxia wei gong*) and property rights should be for private benefit (*tianxia wei si*), is diametrically opposite to the situation in China, which is characterized by political power for private benefit and property rights for the collective good. Under the Chinese system public power has always been essentially privatized, with four distinctive features:

- 1) Public power is monopolized by special power groups that will not share power with other political powers, and will not allow the existence of any opposition party.
- 2) Dynastic succession and maintenance relies principally on violence, in effect private power relying on terror.
- 3) Any dynastic power transition takes place only within the privileged class; the other strata of society are not allowed to take part. In ancient society transfer of power was carried out within a dynastic clan; in modern society it is carried out within the Party.
- 4) All of society's resources, from individual people to property, are monopolized under the principle of "all for the collective."

The other essential qualities of China's political system, such as political conspiracy and ideological dishonesty, are mere by-products of the privatization of public power. Political conspiracy is the tool for distributing power within a despotic government. Ideological dishonesty serves as a despotic government's moral disguise. Whether we speak of the dynastic system of imperial times or the party system of modern times, whether it's the planned economy and collectives of the Mao Zedong era or the marketized power and elite privatization of the Deng Xiaoping and Jiang Zemin eras, the privatization of public power has not changed one iota – in all cases the nation's political power is transformed into the private tool of the elite class. Whether we speak of an individual tyrant or an oligarchic dictatorship, whether an elite clan shares privileges only among its members or extends them on a limited basis to loyalists in other classes, the fact of systematic privatizing of public power remains unchanged.

The Historical Basis of Clan Rule

In the imperial era, public power circulated within a clan (*jia tianxia*), and power was legitimized through violence. Whichever clan was victorious in battle took over the throne and retained power until a new clan wrested it away through violent means. Starting when the Qin Emperor united China through violence, China's 2000 years of imperial history was a vicious cycle of clan rule. The Han dynasty was ruled by the Liu clan, the Tang by Lis, the Song by Zhaos, the Ming by Zhus, and two foreign clans, those of Timuchin (the clan of Genghis Khan) and Aisin Gioro, ruled the Yuan and Qing Dynasties. The civil service exam system was nothing more than a means for the ruling clan to absorb serfs. Although backward ruling methods prevented clans from actually taking complete control of all property, and private ownership continued to exist among the people, the formal system of clan rule still only recognized ownership of property and individual persons by the ruling clan.

Although the revolution of 1911 overthrew dynastic rule and replaced it with a modern political party system, China's party system was little more than traditional clan rule in a different form. From the moment it entered China, the political party system operated along Leninist lines diametrically opposite to the western concept of peaceful competition through votes, and depended on gaining and maintaining control through violence. Public power monopolized by a clan became monopoly by a party, and transition of power from one party to another was accomplished through violence just as it had been from one clan to another. Likewise, internal power shifts under party rule became an amalgam of clan and factional rule. In the eyes of a party chieftain, the most desirable transition of power was naturally within one's own family from father to son. But lacking that opportunity, the next best thing was to ensure that power remained within the party and was not shared with any other party or political power.

The nationalist party system created in China under the leadership of Sun Yat-sen was developed further by Chiang Kai-shek into "one nation under one party under one leader" through the Kuomintang. Only the chaos of wartime prevent-

ed the Kuomintang from taking complete control. Although the Kuomintang authorities recognized private property rights, the privatization of public power resulted in a bureaucratic takeover of property, just another form of elite privatization. After World War II, the Kuomintang authorities tried to implement a western-style modern political party system, but the experiment failed due to lack of cooperation from the Soviet Union-supported Chinese Communist Party. After fleeing to Taiwan, Chiang Kai-shek passed on his dictatorial power to his son, Chiang Ching-kuo, and it was only in the 1980s that the Kuomintang authorities controlled by the Chiang family began to genuinely turn toward a modern multi-party system. In the year 2000 Taiwan for the first time implemented a transfer of power through competition between parties.

In Mainland China, with the support of the Soviet Union, the Communist Party used a crippling civil war to replace the Kuomintang, but did not put an end to the one party political dictatorship. Instead, the Communist Party creatively developed the nationalist party system by transforming the Kuomintang's one-party rule (*dang tianxia*), composed of a mixture of bureaucratic resources and a party system, into a new one-party rule composed of a more peculiar mixture of property cooperatives and privatization of power. In addition, highly effective ruling methods resulting from the combination of a peaceful environment, a secretive organizational system, deceptive authoritarian ideologies and technological advancement allowed the Communist Party's control to greatly exceed that of the Kuomintang era.

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The spread of party organizations and units to the grass roots allowed the party's influence to permeate all of society, to the point that the entire country ultimately became the property of one person. Tens of millions of people became the experimental objects of Mao Zedong's personal ambition, and the party devolved into little more than an organ for determining succession. In fact, Mao was by no means averse to family succession; if his son Mao Anying had not been killed in the Korean War, China would probably have had a family dynasty like North Korea's under Kim Il Song, with party rule reverting to clan rule under the Mao family. Mao's strong support of Jiang Qing and Mao Yuanxin during his final years indicates that he was in fact strongly inclined toward clan rule.

After the death of the ultimate party boss, Mao Zedong, the Deng Xiaoping era came about through usurpation, with several oligarchs joining together to form a power balance within the party and ruling out the possibility of clan succession. Succession determined by the party bosses became the chief means of power transfer under Communist Party rule, and the periodic rejuvenation of the elite class was mainly carried out within the party. But party ownership of public power did not change at all; it simply shifted from individual totalitarianism

to oligarchy, all the more easily becoming a private tool for the internal division of spoils among the privileged class.

Privatization of power and privatization of assets were mutually supportive, and ultimately resulted in a division of spoils among elite clans and individuals. The elite clans typically implement a division of labor – each clan has at least one senior official and one tycoon – that provides a systematic arrangement for the sharing of bribes and other plunder. As the veterans of the Revolution have gradually died off, their descendants have assumed power through such internal distribution of spoils. The rise of the “Princelings” is by no means an accidental product of China’s current system, but rather is the natural result of Chinese Communist Party rule. During the Cultural Revolution era, the children of top official had already begun promoting the bloodline of “Heroic Elders Producing Virtuous Sons,” nakedly presaging the ideology of elite privatization by a new generation of the Communist Party.

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Now if an ordinary person aspires to a position in the party hierarchy through which he can take for himself a share of the turf controlled by the elite, he must first turn himself into a “Slave of the Party.” In addition, if an internal struggle or an anti-corruption campaign requires a sacrificial lamb, these “commoners” who have managed to ascend to elite status will be the first to be led to the altar, while the villains among the hereditary elite escape to continue satisfying their desires unimpeded.

The Invisible Power Structure

Recently Li Peng paid a high-profile tribute to his birth parents, apparently out of fear that following his imminent retirement he would become a target of revenge for his role in the June 4th bloodbath and for the participation of his family members in corruption scandals. Just over a year ago, the ordinary people defrauded in the Xinguoda Group case raised the chant, “Return our money, Li Peng!” in demonstrations and petitions. Public discontent with Li Peng’s family was already evident in November 2001, when China’s Stock Market Weekly published an article revealing how the Li clan had managed to transform a state-owned electric company into their private property. As a result of this article, Li’s wife, Zhu Lin, was obliged to openly accept interviews from the media to exculpate herself, and Li Peng himself, prior to his retirement, was forced to stress his revolutionary credentials as a means of claiming entitlement to the power and influence he had enjoyed. Through his actions Li Peng implied that anyone seeking revenge from him was a low-life and a traitor to the revolution. The case of Li Peng effectively proclaimed to society that elite privatization was not only a fact of life, but was also a traditional concept through which the new generation of elite legitimizes the source of its power.

In recent years economists have leveled subtle criticism at increasing clan control of China’s private enterprises. But in fact the distinctively Chinese feature of clan control is not typified in the open clan control of private enterprises, but rather in the hidden clan influence at every level of the Chinese Communist Party’s elite power structure. The example of “Li Electricity” reveals only the tip of the iceberg of increasing clan control of elite interest groups, but clan control of private enterprises is still nothing compared with clan control of the party elite. Nowadays when people in China talk about power struggles within the leadership and the delineation of interest groups, one of the important factors is the clan. If it is said that political power struggles still involve the “Shanghai clique,” the “Qinghua clique,” the “Liusu clique” and the “Princelings,” then on the economic front elite interest groups are delineated by clans. In business, the elite’s approach to apportioning state-owned assets and plundering society’s treasures is largely clan-based; in politics, the elite’s approach to apportioning power is even more clan-based. That is why each clan in the Communist Party elite has a division of labor for economic and political benefit, and why within each family there are both businessmen and officials. The enormous political power of the “Princeling” faction is the result of portioning out the highest positions among the elite clans, and the elite’s control of large companies and large capital is the result of dividing the market up among the clans. References to the Deng, Ye, Yang, Chen, Wan, Jiang, Li, Zhu and Zeng clans are already part of common parlance in China. Likewise in each province, city and county ordinary people refer to the “XX clan” to denote the main group controlling the local level of elite power. In recent years, under the “three representatives” framework, the increasing clan domination of the Chinese Communist Party’s elite interest groups has gradually led to a change from controlling state-owned enterprises to establishing private companies and thereby privatizing even more enormous amounts of state assets.

A research report entitled “The Present Economic Situation of All Classes of Society” was recently produced jointly by the Central Research Office, State Council Research Office and Chinese Social Sciences Academy. The version for internal circulation reveals that at present China has 5 million people with assets of 10 million yuan or more. Of these, 20,000 people have assets of at least 100 million yuan. Among those with assets of at least 10 million yuan, the report’s survey found that more than 90 percent were from the elite clans of the Chinese Communist Party. Only 5.5 percent were rich by virtue of being related to persons or operating businesses outside of China, and only 4.5 percent became rich from their own efforts. According to scholars who specialize in researching the highest levels of government, more than 200 “Princelings” currently hold positions in the upper levels of the government.

The Economic Cost of Clan Rule

If we say that in regards to China’s development the tendency toward clan control of private enterprises has done more good than harm, we still have to say that increasing clan control of



Former Chinese Premier Li Peng and his wife Zhu Lin. The Li family's corporate interests have been the subject of a number of controversies. Photo: Reuters.

the Chinese Communist Party's elite power cartels has done more harm than good. Objectively speaking, in terms of traditional inheritance practices as well as the current economic environment and marketization standards, clan control of private enterprises is only a natural result of tradition and popular preference, and is arguably especially beneficial in the early stages of marketization. Western commercial society similarly moved from family-controlled enterprises to more diversified shareholdings, and commercial regulations are an extension from blood-based relationships to contracts between strangers.

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Under China's current system the prosperity of a private enterprise depends on developing relationships with those in power and buying influence, but private companies still require an enormous investment of private funds at the outset. Bribery is simply a means of defraying the "influence fees" and "system costs" that arise in the unlevel playing field of China's power-driven market. The perversity of the Chinese market is that its plentiful supply of cheap labor can't make up for the high trading fees exacted by officials. That is one of the main reasons that businesses routinely evade taxes. Foreign-

invested companies compete with domestic private concerns, but both are equally dissatisfied with excessive administrative interference. Exorbitant trading costs run contrary to the market economy principle of free and fair trade. Following China's accession to the WTO, one of the focuses of economic reform has been to reduce excessive trading costs in accordance with the rules of a free market.

But the extortionate influence fees that so plague private enterprises are not something that the elite clans at any level of government are going to make any effort to address. That's because their privileged positions are the source of their fortune, and they never have to expend any personal capital. Their control of public power allows them to "bag the big game empty-handed" and become wealthy overnight. The most important capital of the clans are "elders" in high positions, in accordance with the main principle of cronyism that, "when a man becomes powerful, his chickens and dogs do, too." Some call this making enormous profit from scanty capital. I say it is making huge profit from nothing at all, because the public power held by the elites actually belong to society and should be used for the public welfare rather than as a tool for personal profit by officials and their families.

The greatest breach of social justice, as well as the greatest injury to human conscience and public trust, is the transformation of public power into a tool for private profit. Ever since the economic reforms began, the elite clans of the Communist Party have joined together in a common effort to privatize public assets. With the inability of the dictatorship to win the

hearts of the people, the Chinese Communist elites are becoming increasingly shortsighted and sociopathic in their determination to grab as much benefit as they can before their privileged status disintegrates beneath their feet. This apocalyptic mentality, rooted in a paranoid obsession with power and assets, has spread from the Communist elites to the rest of the upper class, and has fueled opportunistic behavior. The shortsightedness of the wealthy classes – their squandering habits, emigration and transfer of assets overseas – are all symptomatic of this doomsday mentality.

The Moral Cost of Clan Rule

Even though openness and reforms have gradually given ordinary members of society an opportunity to possess and distribute property, and have recognized the reality of privatization, the Communist Party still monopolizes the political resources of public power and has not allowed anyone else to share in them. It is this privatization of public power that has allowed the tiny elite minority to enjoy such enormous profit. The selfish and unscrupulous privileged class has set an example under which “by fair means or foul” and “self interest above all” have become the defining qualities of Chinese-style privatization. Their morally indefensible accumulation of personal wealth has led to systemic impoverishment reflected not only in the material impoverishment of the powerless masses and the moral impoverishment of the human conscience, but also in the utter bankruptcy of the greatest product of public welfare – social justice. Cronyism has become the general preoccupation of society as privatization of public power has made becoming an official a shortcut to securing personal benefit.

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In recent years one of the things the Chinese Communist Party points to with pride is the alacrity with which new university graduates are competing to join. The reason for the students' interest is not unselfish idealism, but rather long-term personal aspiration. In China under the Communist Party, the best way to obtain personal advantage is through officialdom, which can only be achieved by joining the Party. Regardless of what one hopes to achieve in life, it is better to be a Party member than not. Even among students who “enthusiastically call for political progress,” when the subject of Party membership arises, they abandon sloganeering and become extremely practical: China is run by the Party. If you want to accomplish anything in your profession, you definitely have to join the Party. That's the only way you'll have an opportunity to make money or achieve a position of influence. What's wrong with joining the Party, anyway? And what's wrong with becoming an official or getting rich? You can make a better living for yourself and your family, and contribute more to society than most other people.

The price of this extreme lack of public justice and public morality is not the normal price of social change, but rather is the abnormal price of crippled reform under elite privatization, which is unbridled pillaging through special privilege.

At the same time, the public's civic consciousness and rights consciousness has been awakened; the people's power is gradually increasing, their dissatisfaction is increasing and they are demanding their human rights. The system under privatized public power allows no legal organized means for the public to express its demands for rights, or any effective avenue for a direct response from within the system. Likewise, it is difficult for the people to receive protection from and compensation for infringement of their legal rights. Neither a Bao Qing Tian-style Mandarin judge nor a judicial system in which rule of man predominates over rule of law can give the people basic social justice and official accountability. The official system will suffer a dramatic loss of credibility in the eyes of the people because of the urgent demand for social justice and official accountability. As a result, movements will arise outside of the system to demand more civil rights, and these persistent movements will give rise to an urgent demand for civil authority and civil organization that in turn will create a civil movement – civil authority – civil organization – outside of the system.

A political system monopolized by one party will never be able to satisfy these demands. But a common law system that could integrate and to a great extent accommodate the different interests and values of the bureaucracy and the people, if tolerant to criticism or opposition to the government, might be able to contain the conflict between different interests and values within a framework of legal competition. Such a system could also treat criticism and opposition toward the government as legal expression, and could ensure that the methods of competition and opposition remain peaceful. Otherwise, one-party dictatorship will never be able to implement long-term social stability, and any other strategy will only be a temporary expedient. Once the opportunity for a thorough assessment of ill-gotten gains arises, there is a very real possibility of an economic cultural revolution in the order of the old Land Reform movement.

In other words, if we don't change the system of privatization of public power that turns public assets into private property, any regime change under the existing system can only be accomplished under the chaos of violent revolution. And the price of violent revolution is high, and the results are uncertain – it could lead not to the establishment of a modern political system, but to a reversion to dictatorship. This option will do more harm than good for all social classes.

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