

CHINA'S LOW HUMAN RIGHTS ADVANTAGE

A perplexed American scholar at Harvard once asked me, "In today's China, which is dominant, the left or the right?"

I said to him, based on his criteria, neither the "left" nor the "right" is dominant. In America, the "left" keeps after those in power to fulfill their responsibilities, and the "right" wants to limit their powers. In China,

both would be suppressed. Nevertheless, those in power would foster and support the left and the right, both of whom would be considered necessary: the "left" to help them expand their powers, and the "right" to help them shift their responsibilities to others. So, you could also say that both the "left" and the "right" are dominant in China today.

Therefore, in today's China, one cannot rely on the Western characterizations of the "left" and "right." Unfortunately, this is what people tend to do.

There are all sorts of strange interpretations of China in today's international academic community, particularly in the field of international economics. They chiefly fall into three categories. The first is the theory of the "coming collapse of China." This asserts that China's steep economic growth is nothing but an exaggerated lie, and that the ever-increasing pressures from internal crises and globalization will make China's collapse an inevitable reality. The second and the third theories counter this. They agree that China's econ-

Qin Hui, professor at Tsinghua University, argues that China's steep economic growth is due not to successful liberalization of the economy or government supervision and intervention, but rather to China's "advantage" of "low human rights."

By Qin Hui

omy produced a miracle of growth and prosperity. But they are split in their opposing explanations, which are shaped by the conventional theories of the two main schools of Western economics. Specifically, classical economic liberalism attributes "China's miracle" to the successful liberalization of the economy or marketization; but leftist or Keynesian economics attributes it to the success of "socialism" or government supervision and intervention.

I feel that all three mainstream interpretations are seriously flawed. First, the Chinese economy's sustained steep growth and its smooth adjustment to globalization are facts; the "China myth" and "China's coming collapse" theories are wrong. However, neither the "government success" theory advanced by the left-leaning theorists nor "the success of the market" theory of their right-leaning counterparts can explain this kind of growth. Further, it has nothing to do with the so-called

"Beijing consensus," namely the "twin successes of the market and government."

Aside from the traditional advantages of low wages and low benefits, China uses the "advantage" of "low human rights" to push down the costs of the four key factors of production: labor, land, capital, and non-renewable resources.

China has shown an astonishing degree of competitive power that is rarely seen in either free-market states or welfare states, and has left countries that are transitioning to democracies, whether by "grad-



Family garment workshop, Lujiang Village, Guangzhou Province, February 16, 2009. Photo Credit: China Photos/GETTY IMAGES.

ualism” or “shock treatment,” far behind. China has achieved this not by not permitting bargaining, and limiting or even abolishing trading rights to “lower transaction costs,” but by refusing democratization, suppressing public participation, ignoring ideas, deriding beliefs, scorning justice, and stimulating the appetite for material things in order to induce people to concentrate their energies on the impulse of the illusory single-minded pursuit of wealth.

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Of course, if China had not opened up to the world, this kind of impulse could not have come to much. But after opening up to the world in an age of globalization, China, using an “authoritarian rule—no welfare” system, has avoided the “burdens” that come with democracy, such as division of the family and inheritance, the great baggage of the welfare state, the problems of workers’ unions scaring away investors and peasants’ associations driving out the land grabbers, and realized primitive accumulation at an unprecedented speed. Instead, China is able to alleviate the crises created by this approach by accumulating external resources (capital inflows and product exports), while at the same time dispersing them to the outside world through globalization. Even as China maintains an image of “stability” by suppressing internal conflicts with its iron-fisted rule, the “China factor” has in fact greatly aggravated the internal contradictions in other countries: the flow of capital and commodities resulting from the China factor have disrupted the original balance of power and intensified the contradictions between labor and capital in free countries. Clashes with immigrants have escalated in welfare states, while the employment and public finance difficulties in both kinds of states have been exacerbated.

Therefore, within just a little over a decade, goods made in China are flooding the world while waves of world capital are also flooding China. China’s “competitive advantage” within the process of globalization has been unbeatable. It is forcing welfare states to lower their welfare, while also forcing free countries to again erect trade barriers. At the same time, it is making it ever more difficult for under-developed countries to attract capital and garner resources.

But the paradoxical thing is that because of predilections and incomplete information, each country is interpreting “China’s success” in the way most advantageous to itself. For example, the controlled aspect of China’s economy is admired by the left, while its no-welfare aspect is admired by the right. At the same time, the image of China as a poor country rapidly developing is envied by third world countries. Thus, the China that poses serious challenges to both the contemporary left and the right, welfare states and free countries, developed and developing countries, is at the same time an object of their praise. However, praise aside, no one is optimistic about the long-term relations between China and these nations. This is because China’s “comparative advantage” is not replicable without iron-fisted rule. No country—whether with the left or the right in power, whether implementing free-market, Keynesian, or even social democratic policies—could realize this type of primitive accumulation, and the “China challenge” is an objective fact becoming more unavoidable by the day.

On the other hand, China’s development model has created a looping “caterpillar effect” (*chi huo xiao ying* [尺蠖效应]—a term used to denote that the little people always lose out no matter what happens) where, if the “left” is dominant, people’s freedom will be eroded but welfare may not be increased, and if the “right” is dominant, welfare will be lost but freedom may not be increased. During “leftist” periods, the government expands its power without being held accountable, while during “rightist” periods, the government abandons its responsibilities without also being willing to limit its power. The rise of the left means violation of citizens’ private property rights but not necessarily protection of communal wealth; the rise of the right means serious siphoning off of communal assets but not neces-

sarily protection of private properties. We have “the new nationalization” on the one side and “privatization of power” on the other. During leftist times, “communal rights” infringe on the private sphere without any will to serve the public; during rightist times, the communal production is abandoned without the protection of personal rights and interests. Left-leaning policies reduce personal freedoms but do not expand public participation, while right-leaning policies inhibit democratic participation and at the same time restrict free competition. The “left” cannot build a welfare state, while the “right” is not capable of building a fair market. Sun Liping (孙立平)¹ said it best: This way, social contradictions increasingly pile up and multiply, and the state cannot, like a constitutional democratic system, safeguard social equilibrium through the “balancing effect” of the left’s struggle for welfare and the right’s struggle for freedom.

Therefore, in China’s rapid development, the contradictions that have come from the “unequal sharing of the pie” have not been resolved by “making the pie bigger,” as some have envisaged. Rather, it is a case of continued deepening of internal and external contradictions alongside economic development. After 1989, Deng Xiaoping staked the regime’s legitimacy on economic growth. He often said that China did not collapse as Eastern Europe did because China handled its economy better. But at present, the situation of steep economic growth and simultaneous social instability has increasingly caused people to doubt this conclusion, to the point that some leaders reportedly have begun looking with admiration upon countries like Cuba and North Korea (which despite their stalled economies, give the appearance of extreme “stability”), wanting to learn from the political oppression in these states. But ultimately, this kind of “drinking poison to quench one’s thirst” could only lead to even greater instability. The other trend in Hu Jintao and Wen Jiabao’s government of putting greater emphasis on equality, and the government’s responsibility to serve the public, is worthy of our support. However, if the “caterpillar effect” mechanism is not overcome, it will lead to a situation where it is easy to expand power but difficult to get accountability, and the return to “big government” under the current political system will only form another cycle of power expansion and responsibility abandonment. To

move beyond this “caterpillar effect” requires constitutional reforms that would maintain a balance between the state’s power and its responsibilities.

[W]hether the regime leans to the left or to the right, those in power will always benefit and the powerless will always lose out. Or, as a common saying goes, “no matter how you slice a turnip into two, they get both pieces.”

In a big country like China, with such a large population and economy and an increasingly prominent role as a global commodity supplier and destination for investment, when problems occur, it could be even more devastating to the global economy than the collapse of the American stock market in 1929. Therefore, China’s stable and smooth transformation would not only be a blessing for the Chinese people but also for the world. But any social eruptions in China caused by the “caterpillar effect” or the collapse of the international order (resulting from the conflict between China and *both* welfare states and free countries, because of the current primitive accumulation), would not only be a disaster for the people of China, but also for the world.

In the context of globalization, it is inevitable that a great deal of attention is being paid to China. The pressure from developed nations on China to appreciate the *yuan* is in fact a manifestation of the conflict between China’s current primitive accumulation model and the systems of the welfare states and free countries. But the appreciation of the *yuan* would not really solve any problems. Because there is no fair play domestically in China under the iron-fisted system, any restraint on China’s “competitiveness” resulting from the appreciation of the *yuan* could easily be moderated by those with power shifting the pressure onto the powerless. Therefore, unlike in Japan in the mid-1980s to the mid-1990s, when the *yen* doubled its value against the dollar, *yuan* appreciation would not necessarily improve the balance of trade. On the contrary, pressuring China to appreciate its currency would arouse the resentment of the Chinese people.

In fact, the wages in China's manufacturing industry today are no lower than in India, but China's competitive power is greater. Obviously, China relies not simply on the advantage of low wages, but on the advantage of "low human rights."

It is precisely this kind of advantage—where collusion between the government officials and business interests facilitates the arbitrary seizure of farmland, exploitation of workers, and squandering of resources—that has made China a rare "investor's playground." Even India's Tata Group²—among others—is eager to leave behind its home country, with its low wages but strong unions, to transfer its capital to China.

Clearly, China's "advantage" does not come from its market being "freer" or its "welfare" being greater than other countries, but from its authoritarian system.

Everyone knows about the author's opposition to authoritarianism, but I have never justified this opposition by the "authoritarian rule hinders economic growth" reasoning. In fact, it "stimulates" economic growth: we have the non-market-based examples of Stalinist Russia and Nazi Germany, as well as the market-based examples of Central and Eastern Europe's second wave of serfdom in early contemporary history, which drove the expansive development of commercial agriculture. American economic historian Robert Fogel's research has shown that in pre-Civil War America, the "efficiency" of the slave-based economy of the South was no worse, and might have been even greater than the free economy of the North. Nevertheless, authoritarian rule should still be opposed, not only because of its inhumanity, but also because of its abnormal "efficiency." In China's case, beyond creating headaches for other countries, how much has the breathtakingly huge "dual surplus" of investments and export earnings that China achieved with its "low human rights advantage" benefited the Chinese people themselves? Extremely



A migrant worker transports plastic bottles to a recycling center, Changzhi, Shanxi Province, March 11, 2009. Photo Credit: Stringer/REUTERS.

cheap labor, land, and resources cannot produce demand for imports and can only bring China a massive amount of "green paper" (U.S. dollars). The Chinese complain that when the U.S. starts its money-printing machine, the Americans waste all our hard work, and Americans complain that China's cheap products have smashed their rice bowls. Once the U.S. dollar wildly depreciates, the U.S. will be finished, and our blood and sweat will be wasted.

Therefore, it is not only the "outsiders" who are hoping to change the present situation in China, but also we the Chinese citizens. However, simply pressuring China to appreciate the *yuan* will not bring change. Change will come only by helping China to improve its human rights, and particularly to safeguard the rights of its workers and peasants. If economic globalization is not accompanied by the globalization of human rights, it

will bring ill or even disaster. But if China's "low human rights advantage" is eliminated, China cannot sustain the current primitive accumulation, and the increase of the "competitive power" of this "double surplus"—one that relies on the collusion between government officials and business interests to suppress workers and peasants, attract investment, and export cheap goods—would be greatly curbed. As a result, China's attack on both the welfare states and free countries would lessen.

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In this case, could China's economy continue its high-speed growth? Perhaps not. But is this kind of abnormally steep growth really worth continuing? Would it not be even more dangerous to wait until a moment of internal and external crisis, when this model could no longer be sustained? India and other countries transitioning to democracy have clearly shown that even without the "low human rights advantage," China, as a developing country, can still maintain a certain degree of comparative cost advantage (though not as absurd as the one that exists today). Factoring in the improvement of the system and the Chinese people's diligence and strongly innovative character, it is entirely possible to expect that China's economy could maintain a reasonable rate of growth and survive any difficulties in the process of economic transition. While China's growth

may not be as "rapid" as it is now, the benefits of growth would be distributed far more equitably, both within China and beyond. This would bring greater harmony to China's domestic and foreign relations, and far greater benefits to the people of China and the world.

Translated by Kevin Carrico

EDITOR'S NOTES

1. Professor of sociology at Tsinghua University. His main research area is modernization and transitional sociology.
2. The Tata Group is a multinational conglomerate based in Mumbai, India. It is the largest private corporate group in India.