

## ***Radical Markets Through the Lens of Contemporary China***

*Radical Markets* has catalyzed a social movement, RadicalxChange, through which people spanning disciplines and countries are advocating for liberal radicalism as a solution to what Posner and Weyl dub the “crisis of the liberal order.” Yet in the People’s Republic of China, the landscape of authoritarian politics and limited markets is tightly controlled by the Chinese Communist Party’s regime. In this paper, I aim to analyze three *Radical Markets* pillars—Property is Monopoly, Radical Democracy, and Uniting the World’s Workers—through the lens of contemporary Chinese social norms and trends, examining how *Radical Markets* ideas may be perceived by across stakeholders in China, why that is the case, and resulting implications for *Radical Markets* dissemination, notability and influence in China. Though there is some alignment of values (e.g. decentralization), Though various cultural and institutional roadblocks hinder acceptance and adoption of *Radical Markets* principles and proposals in China, directing efforts toward 1) illuminating alignment of values between *Radical Markets* and Chinese contemporary society and cultural tradition, and 2) fostering strategic synergies between *Radical Markets* and communist ideology and rhetoric can prove fruitful in garnering support for *Radical Markets* within China.

The problems emerging in wealthy Western democracy that motivated Posner and Weyl to write this book—inequality broadly and the three-pronged crisis of the liberal order—are also critical forces weighing down China. Inequality runs rampant, and China suffers from its own version of the three-pronged “crisis of the illiberal order:” a 2013 Pew Research Center study found that inflation, corruption and inequality top the list of the Chinese public’s concerns (Fish,

214). By various measures of inequality, China is even worse off than wealthy Western democracies; for example, in 2014, Peking University released the results of a study that found “the richest 1 percent of Chinese households controlled a full one-third of the nation’s wealth” (Fish, 214).

Yet it remains difficult to assess the true landscape of China’s inequality; the Chinese National Bureau of Statistics “has never been forthcoming with data and has never distributed microdata (at the household level)” (Milanovic, 176). Evidence on China’s income inequality has thus been irregular, but available evidence indicates that China’s level of income inequality has plateaued since 2007/2008. “If evidence showing absence of a further increase in income inequality is confirmed, it may be that China’s level of income inequality has reached a plateau and will soon begin moving downward, in line with Kuznets’s theory” of modern economic growth (Milanovic, 178). Equalizing levels of education, aging of the population and upward pressure on wages are major forces that may be driving the fall in inequality. As such, the current moment may be a critical juncture in China’s economic development.

Stakeholders across Chinese society have varied interests that inform their attitude toward *Radical Markets* principles and proposals. While these are of course generalizations that do not encompass all the nuance of a complex and multi-faceted society, I want to contextualize the perspectives of three primary stakeholders in contemporary Chinese demographics: the Chinese Communist Party (CCP), those who lived through the Cultural Revolution (and are now middle-aged), and China’s youth.

The CCP has made it an official goal of the regime to generate greater economic equality by bringing all Chinese people into “moderate prosperity” (“What are China's two centennial goals

and why do they matter?”). The CCP’s anti-corruption campaign, which began in 2012 and has been carried out under the aegis of Xi Jinping, and the State Council’s income inequality reform plan (“Income Distribution Plan”) released in 2013 with the goal of lowering inequality between the coastal and inland provinces “seem to be motivated by the leadership’s realization that inequality poses dangers for the maintenance of their own power” (Milanovic, 179). The CCP’s concerns about rising inequality align with *Radical Markets*’ motivations. Yet it is imperative to note that 1) China’s economic growth is the cornerstone of the CCP’s legitimacy, and 2) the CCP’s fundamental priority is social and political stability, to ensure its ultimate goal: the Party’s own protection and propagation. As such, proposals to reduce inequality must consider that the CCP will not take action it fears may threaten the security of the regime.

Despite this rigidness on the national stage, the Chinese political system has a historical precedent of encouraging policy innovation at local levels. “The combination of centralization with local flexibility has been used, with huge success, to motivate competition between lower-level units in achieving material targets (like GDP growth rates) and to spur experimentation with various economic policies and forms of ownership” (Milanovic, 179). RadicalxChange is seeking out opportunities for trial experimentation and application of its ideas, and this historical precedent of local policy flexibility opens the door for *Radical Markets* proposals to be taken seriously, and even implemented, in counties and provinces.

Another important stakeholder in Chinese society: middle-aged people who have lived through the Cultural Revolution. The perspectives of those who have lived through the harsh oppression of the CCP and have only seen their lives get better over the past few decades are informed by their experiences. China’s most famous blogger, Han Han, wrote a post in 2011 that went viral, “Speaking of Revolution,” in which he wrote, “If you ask [the average man or woman

in the street] whether they need justice, the prevailing view is that so long as they personally don't suffer injustice, that's sufficient. It's not everyone who regularly experiences unfair treatment, so they won't identify with efforts to seek justice and freedom for others. In China it's very hard to formulate a demand that has collective appeal" (Fish, 216).

Yet China's youth, the generation born after the Tiananmen Square massacre, "lacks the instinctive fear of authority of [China's] older generations" (Hernández). "China's millennials, some 250 million in number, stand ready to exert substantial influence on the world's most populous country as it is poised to pass the United States to become the world's largest economy. How they ultimately steer that ship will have a profound impact on the rest of the world" (Fish, x). In the past two years, "young people across the country unhappy with growing inequality, corruption and materialism in Chinese society" are even turning communist rhetoric back on the CCP, calling for government that truly reflects communist ideals and "voicing grievances about issues like poverty, worker rights and gender equality – some of communism's core concerns" (Hernández). This strategy of calling for change using Marxist and Maoist rhetoric and ideology may prove a key bridge for *Radical Markets* in connecting with Chinese youth and cultivating Chinese public support for RxC principles and proposals.

Nonetheless, it is worth noting that many leaders of this student movement, as well as political dissenters across the board in China, are being detained by the government. Xi's anti-corruption campaign has been accompanied by "a far-reaching crackdown on dissent and a culling of religious, social, and environmental activities that has been tacitly tolerated in prior years. It sent a chill through the circles of would-be activists" (Fish, 217). As such, RadicalxChange must be extremely cautious in activism and advocacy in China; simply calling for change can land a

person in jail.

### **Property is Monopoly**

A major issue in Chinese political economy is worth discussing in the context of this first chapter of *Radical Markets* and its proposed Common Ownership Self-Assessed Tax (COST): China's real estate market.

Today, the Chinese real estate market, a critical tool for the financial well-being of ordinary citizens, has become more of a hindrance than a help to financial security:

“In 2014, the average Chinese home cost twenty-six years' worth of the average income, compared to eight years of income in Japan and just two in the United States...The financial markets were largely responsible for this imbalance. China's stock market is widely seen as a rigged roller coaster (less than 9 percent of Chinese own shares), and the government has for years pushed bank interest rates artificially low—usually lower than the inflation rate—in a move to fuel economic growth through cheap capital. Real estate has thus remained the only consistently reliable investment. Rampant speculation, driven by wealthy investors buying dozens or even hundreds of homes at a time, has left China with some of the highest housing costs in the world” (Fish, 132).

This surge in prices has driven three-year building spree, and resulted in a glut of unwanted apartments: “more than one in five apartments in Chinese cities – roughly 65 million – sit unoccupied,” and this surplus has precipitated the current slowdown in China's property market (Stevenson and Li). Officials struggling to stabilize the volatile housing market are considering implementing a property tax. China does not have a property tax, nor land ownership by

individuals. This policy is “a legacy of the 1949 Communist takeover. Land ownership was gradually restricted, then banned. When the leadership allowed private citizens to become homeowners again after Mao’s death, it created a system under which the government leased land to developers and others.” People can “own their homes but not the land underneath them. All land in China is owned by the government, which parcels it out to developers and homeowners through 20- to 70-year leases (Leavenworth and Zhao). Lawmakers in support of a property tax believe it would help limit the white-hot speculative development and buying in the real estate market that has fueled unstable prices (Bradsher). A COST-type property taxation system could add structural stability to China’s volatile housing market.

### **Radical Democracy**

While the participatory and democratic expectations of China’s population are rising, China is still far from accepting basic, moderate democracy—let alone radical democracy (Milanovic, 7). There is a small and superficial legacy of “democracy” in the PRC; while China has developed some township- and county-level “elections” post-Mao, there is little more public participation in policymaking than existed in imperial China or under Mao (Truex). Furthermore, in the context of the CCP’s ever-increasing public surveillance and manipulation, its modern methods of public participation in policymaking are outweighed by its modern methods of stifling citizens’ public expression and repressing collective action/mass mobilization.

It is important to understand that democracy is not native in considering why many Chinese feel their authoritarian one-party system is better suited than democracy to the PRC. In China, democracy is seen as a means, rather than an end. As such, the CCP insists that democracy is an ineffective medium for solving China’s problems – Xi Jinping has publicly noted that multiparty

democracy was tried in China and didn't work – conveying that democracy is a method by which to achieve a goal (Ruwitch and Blanchard). In the China model, there is no value placed on a multiparty democratic system in and of itself (Cheng). Prominent Chinese venture capitalist and author, Eric Li, argues that the “end” of political governance for the modern West is life, liberty and the pursuit of happiness, and that these ideals are the culmination of cultural and religious developments unique to the West. He notes that these developments “placed the individual at the center of the universe as the basic and sovereign unit of human society. However, they did not occur in non-Western societies and their resulting political philosophy is, therefore, not universal” (Li). Modern China's political preferences are largely based on a blend of Confucian tradition emphasizing stability, prosperity, Confucian morality and the preeminence of political authority, as well as modern Communist ideology (“Socialism with Chinese characteristics”). On the basis that Chinese society largely rejects any inherent value in a multiparty system and that the historical emphasis of Chinese cultural and religious tradition is in line with single-party rule, the acceptance and adoption of Quadratic Voting if it is branded as “Radical Democracy” is far from China's contemporary political ideologically.

“Pitched as Radical Democracy, QV is anathema in China. Pitched as a technique for helping the party elicit the views of the population more effectively without falling prey to the perils of standard democratic polls, however, it might be quite appreciated” (Weyl). In this sense, QV could help the CCP gauge public sentiment on policy priorities. In China, QV should be pitched at local levels first, because China's precedent of policy innovation exists on local levels (and only at local levels does China allow any measures of public participation in policy decision-making). Moreover, QV could be branded as helping to assess “human needs,” which aligns with Chinese political philosophy more so than a tradition of democratic human rights. To Chinese

citizens who have grown up behind the Great Firewall and under the thumb of the CCP, it is conceivable that “human rights, freedom and democracy come in a distant second to fulfilling basic human needs. China’s argument has long been that, by lifting people out of poverty, it is doing a greater service to human rights than could be gained by a transition to Western-style democracy” (Tiezzi). While the possibility remains that China will transition to a democratic system, this would require a fundamental shift in the way Chinese view democracy: it is not a means to an end; rather, it is an “end” of just legal order and virtuous moral foundation – key tenets of Confucian governance. In certain respects, China’s historical, cultural and demographic characteristics render the nation well-suited for an authoritarian political system; nevertheless, as China develops and its characteristics and condition evolve, the country’s political system may one day too become ripe for reform and opening up.

Nonetheless, a word of caution: the CCP could very well view any sort of referendum or assessment on public sentiment and policy priority preference as opening the floodgates for expressing grievances and organizing collective action to achieve their expressed policy priorities, and thus a threat to regime stability. Careful consideration of branding and messaging, as well as aligning with communist rhetoric and ideology, will be critical for QV acceptance and adoption.

### **Uniting the World’s Workers**

Posner and Weyl note the tradeoff in migration between openness and civic rights: “a more open migration policy requires withholding some civic rights” (Milanovic, 152). Given its lack of legal emphasis on individual rights, China could conceivably develop migration policies that sacrificed rights of migrants for more open migration policies. Nonetheless, in deciphering contemporary issues in Chinese political economy, we need to consider the fundamental backdrop

of China's historical and cultural attitudes regarding foreigners and Chinese identity, as they certainly impact China's policies on immigration today.

A brief synopsis of the relevant history: the word for "China" in Mandarin, 中国, literally means "middle kingdom," and throughout China's dynastic history, its people regarded their country as the center of the universe – culturally, technologically and militarily dominant over other civilizations – and one to which all other nations should pay tribute. The resulting tributary system, which bound subordinate nations to China via trade and diplomatic ties, reinforced China's sense of cultural superiority and endured from the late Ming dynasty until the opium wars of the Qing dynasty. The 'Century of Humiliation' extended from the onset of the First Opium War in 1839 "through World War II, ending with Communist 'liberation' in 1949." During the Century of Humiliation, Western powers carved up China into their own jurisdictions, "inflicting 'humiliating' treaties that required China to pay outrageous indemnities and cede territory. The ultimate humiliation came when the tiny nation of Japan defeated China in 1895 and invaded again in the 1930s, leaving behind a trail of destruction, rape, torture, and senseless murder" (Fish, 55). Within two years of the 1989 Tiananmen Square massacre, the CCP launched the "Patriotic Education campaign" to highlight in China's education system these historical traumas suffered at the hands of imperialist foreign aggressors. With this act, the CCP ensured that henceforth all a nationalist, anti-foreign narrative would be drilled into all China's people throughout their schooling. "This education has fairly successfully unified the Chinese against external enemies and shifted public demands from calls for reform to an insistence on national sovereignty and stability" (Fish, 55).

Moreover, the legacy of the household registration system has created a regime that is largely opposed to freedom of migration. The household registration, or *hùkǒu*, system developed

in the 1950s was the tool used to enforce “the socialist planned economy [which] hinged on the division of rural and urban areas because socialist modernization and industrialization were envisaged as an urban project, literally fed by the rural populace.” Because Chinese policymakers view the challenge of circumventing the Lewis turning point as one of strategically managing migration and urbanization, the government continues to limit permanent migrants to cities. This enduring state goal has been key in shaping the evolution of the conception of property rights in China. Still today, “Labor mobility is tightly regulated, and the most basic of property rights, the right to sell one’s own labor in the way one wishes, is still highly imperfect” (Acemoglu and Robinson, 439). Even though the Chinese economy has liberalized significantly, the household registration system remains an indispensable regulatory tool for local government authorities to control migration and urbanization in an effort to accelerate economic development and strengthen the Party.

As the CCP established its socialist system in the 1950s, “the state clearly decided that stability and central planning were of the utmost import and put on the back burner the freedom of migration and residence” (Young, 36). The PRC’s constitution has no article confirming the right to freedom of migration and residency, and rural migrants have yet to be accorded equal citizenship rights as registered city residents (Young, 24). The concept of citizenship as based on the exercise of equal individual political rights has been slow to develop in China, and the contemporary hukou system functions as a dual system of rights and restrictions that divides China’s citizenry into two distinct classes. While ‘citizenship rights’ generally refer to basic rights universally guaranteed to all citizens of a nation, in China, the hukou system allots citizenship rights selectively, depending on rural or urban status (Young, 41).

In their book, *Why Nations Fail*, economists Acemoglu and Robinson forewarn: “Growth under extractive political institutions, as in China, will not bring sustained growth, and is likely to run out of steam” (Acemoglu and Robinson, 436). The hukou system demonstrates the truth to this statement: China’s authoritarian government established this institution to advance its own goals and self-propagation at the expense of its people’s freedoms. Rural hukou holders migrate to cities seeking economic opportunity and are disenfranchised and segregated by the constraints of the hukou system. Government “reforms” have done little to advance the rights, protections and opportunities of rural hukou holders under law. The historical evolution and impact of the hukou system is fundamentally intertwined with incremental changes in social, economic and political forces. But the question arises, what happens if the economy falters? The hundreds of millions of Chinese migrant workers have virtually no access to the social safety net. A critical juncture could ostensibly arise in which economic pressure forces the CCP to empower rural hukou holders with equal access to citizenship rights. China’s rural poor and migrant workers have much ground to gain in the struggle for socioeconomic mobility, and the hukou system remains an integral part of the challenge they face, as well as the challenge of sociopolitical acceptance of a VIP-type system promoting freedom of migration.

Since the establishment of the PRC, the legacy of dynastic China has endured, and Chinese citizenship is seen as fundamentally connected to Han identity. Almost all foreigners who have attained permanent residency or naturalized citizenship have been of Chinese descent. “China’s immigration policies are contradictory in that they prioritize attracting foreign talent to increase economic modernization, while reflecting a deep-rooted instinct to keep foreigners at arm’s length” (Ives). In China, serious “brain drain” has occurred over the past few decades: many Chinese people who get the chance to leave the country for university or jobs never return to the

homeland. On the flip side of the VIP migrant system, evaluating migration to China, there are some government programs that encourage foreigners to come work in China. The most famous one is the “Thousand Talents” program—but it is well-known for helping “to facilitate the legal and illicit transfer of US technology, intellectual property and know-how” (“China’s ‘Thousand Talents’ plan key to seizing US expertise, intelligence officials say”).

While specific opportunities and hindrances to acceptance of *Radical Markets* in China differ across each pillar of the ideology, an overall strategy that should be employed to both illuminate alignment of values between *Radical Markets* and Chinese contemporary society and cultural tradition, and foster strategic synergies between *Radical Markets* and communist ideology and rhetoric can prove fruitful in garnering support for *Radical Markets* within China. Working with Chinese-speaking members of the RadicalxChange community to create an RxC presence on Weibo, Wechat and other major Chinese internet messaging sites and apps is a critical first step in this process. With branding and messaging consciousness of China’s unique cultural and political history, *Radical Markets* may become notable and influential force in China.

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