

No Modernization Without Spiritual Pollution: A Reply to Van der Linde

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(See [FL-4-3-2.pdf](#) for original article which prompted David Ramsay Steele's reply)

The Facts

In 1978 the Chinese government made a tentative start on liberalising agriculture. Since then, the system of "people's communes" has been virtually dismantled. In the main, the 800 million farmers are now free to determine their own crops and methods, and sell their products for any price they can fetch. The result has been an enormous expansion of agricultural output, and a doubling of the real incomes of farmers within a few years. Recently a party of Chinese farmers toured Japan at their own expense - something unthinkable 10 years ago, because of both poverty and political restriction. The sudden wealth of Chinese farmers has been general, but very uneven, with some farming families earning fabulous incomes by Chinese standards (in a few cases as much as \$45,000 per annum) and this very inequality has been lavishly praised by the government as the only way to advancement.

The government has also permitted and encouraged the formation of many hundreds of new, private business enterprises. (See, for example, "China's Economic Policies Spawn New Breed of Capitalists: Entrepreneurs in Shanghai Build Companies Despite Red Tape and Conservatives' Contempt", *Asian Wall Street Journal Weekly*, March 11, 1985.) Old companies nationalised after 1949 have been re-opened as fully private concerns under the direction of the former capitalists or their heirs. For instance, Minsheng Shipping was nationalised and its leader Lu Zuofu driven to suicide. It has now been re-opened by his son, with ambitious plans for domestic and international expansion, and the government has released

a book praising Lu's contributions to economic developments.

In October 1984 more than a million state corporations were given greater autonomy, with broad powers over production, investment, wages, and use of their own hard currency for imports, independent of the "planning" authorities. However, some of the old controls were re-imposed in Spring 1985. There have now been several issues of shares of stock, to enterprise employees and the public at large. Opening of stock exchanges is considered imminent, though some government spokesmen say it is "too early" for that. Officials are studying the Hong Kong exchange, and it is likely that the Shanghai exchange will soon be re-activated, or a new stock exchange opened in Zhubai.

Like many less-developed countries, China has become burdened with extremely costly government subsidies of basic foodstuffs, which hold prices artificially low. Removal of such subsidies is always fraught with dangers of violent unrest. The government has now commenced gradual dismantling of these subsidies.

Partly in response to the demands of foreign investors and domestic commerce, and partly in response to a general desire for less arbitrariness, the Chinese legal system is being completely overhauled, with an emphasis on stable rules interpreted by independent, neutral judges.

China has been opened up to foreign visitors - academics, business investors and tourists - to an extent which has revolutionised the ordinary person's knowledge of the outside world. The learning of English has become a mania, books and magazines are pouring in, and foreign radio broadcasts are eagerly and openly listened to. Thousands of Chinese people are going abroad to study, especially in the US, and they are not carefully shepherded or protected from alien influences whilst abroad. Whereas under Mao, Western analysts had to rely on reports from a few gullible Maoist toadies like Joan Robinson, or occasional and suspect anecdotal accounts, today thousands are going to see for themselves. As in many less-

developed countries, government policies in China are frequently more announced than implemented, but it is now possible to form a

well-corroborated view of actual developments without relying on guesswork. On all sides there is evidence of profit-seeking, increasing living standards, greater personal freedom, more open expression of individual opinions, less fear of officialdom, admiration for the West (including Taiwan, Hong Kong and Japan), and determination to learn from the West, especially the United States.

These changes have been introduced hesitantly, and with many temporary retreats and reversals, but the general trend shows stubborn determination to liberalise, in the teeth of the conservative backlash, and despite general alarm at the sometimes dizzying side-effects of loosening up.

It is misleading to discuss "prospects for liberalisation" when liberalisation itself is a palpable fact. We could discuss prospects for *further* liberalisation, or prospects for the *reversal* of liberalisation. Any theory which says that what has happened cannot have happened must be false. Any theory which says that China cannot have experienced rapid, thorough-going liberalisation has to be rejected.

Unmistakably, there has been substantial liberalisation in China. Equally unmistakably, this liberalisation does not amount to the introduction of *laissez-faire*, or even anything approaching the degree of liberty enjoyed in the US, Britain or Japan. China has ceased to be a totalitarian regime, and has become an authoritarian regime, roughly comparable to Pakistan, Egypt, or Yugoslavia (or 17th Century England) in its degree of liberalisation. China has switched from being a society appreciably *more* restrictive and repressive than the Soviet Union to a society appreciably *less* restrictive and repressive than the Soviet Union. It hardly needs to be said that there is no likelihood that anything approaching democratic liberalism will prevail in China for many years to come.

The Motives

To admit the facts of what is happening in China, it is not necessary to believe that Deng Xiaoping has become convinced that communism is unattainable and that only a comparatively free-market capitalism holds out any hope of future progress (though if he had, he would not be expected to announce the fact, and his behaviour might, well be just what it has been). It is necessary to postulate only that, whatever vague goals may be cherished for the remote future, China's rulers have recognised that attempts at central planning and suppression of the market lead to poverty, while liberalisation leads to prosperity and growth. We can assume that, more than anything, they want China to be a great military power. We can assume that they compassionately want the Chinese masses to enjoy better standards of comfort, hygiene and recreation. We can assume that they want to demonstrate the superiority of the Chinese over the Soviet system. All or any of these possible goals, and others that might plausibly be substituted, lead to the same prognosis: Deregulate, decontrol, privatise, marketize, liberalise.

Following bitter experience, the group in power in China has decided that bold endeavours must be made to transplant Western business and technology to Chinese soil, and ensure that in that soil they grow, flower and bear abundant fruit. This objective is summed up in the magic word "Modernization". The selfsame people hate like the plague many endemic features of modern commercial society, which they denounce as "spiritual pollution". The argument of "No Computer Science without Striptease" was that Modernization brings with it spiritual pollution, and that it is not practicable to pick out those aspects of a commercially and industrially sophisticated society which are found appealing and reject those that are disliked. The unleashing of the forces of Modernization and enlightenment inevitably brings with it various forms of deviancy and perversity which seem threatening to the conservative mind.

The Prospects

Will liberalisation be reversed, just as the prior Maoist rampage was reversed, or just as the Russian NEP was reversed in the late 1920s? Some commentators, with a smug air of worldly-wise cynicism, confidently assert that this must happen. To me it seems unlikely. My view is not based on any intimate knowledge of Chinese culture, but I can cite people who do possess such a knowledge, and share my view. One is Steven N.S. Cheung, whose pamphlet, *Will China Go "Capitalist"?*, was published by the IEA in 1982. Cheung attributes Chinese hostility to "capitalism" to the corruption, violence and runaway inflation which ruled during 1946-48, compared with the comparative tranquility and prosperity under Mao during 1949-57. Despite this legacy, Cheung predicts that the property system in China will be changed to a capitalist one, if the government continues to pursue rising productivity, political stability, and the Open Door policy.

Brian Van der Linde's argument is conveyed by broad and imprecise splashes of the brush. There are various assumptions which arouse my curiosity, such as the view that Marx's *Grundrisse* is more libertarian or less communist than his earlier or later works; that Japan is not a comparatively open, comparatively free-market, liberal-democratic system; that the Gang of Four were crypto-libertarians; or that China now is more xenophobic than Japan was. It is also puzzling why Van der Linde's traditional Chinese philosophy has no observable effects upon Chinese in Hong Kong, Taiwan, Malaysia, Singapore or other parts of the Asian Pacific, not to mention San Francisco, New York, Chicago or Toronto, whilst exercising an iron grip on the minds of Chinese under the effective jurisdiction of the People's Republic; and why "Chinese Bolshevism" *cannot* be threatened by economic developments, yet can be threatened by a violent uprising, which presumably is to come out of nowhere. These minor issues are possible distractions.

The main weakness of Van der Linde's analysis, so far as I can understand it, seems to lie in his always taking ideological pronouncements and official declarations as

accurate guides to motivations and intentions. I regard such statements as being possibly face-saving apologies, camouflage of policy reversals, empty rituals, coded appeals for factional support, or re-assuring bromides, according to the context in which they are uttered. I would not regard it as very sensible to write a history of the British Empire in terms of Anglican theology.

There are two possible reasons for thinking the present liberalising trend might be reversed, decisively and permanently. (Temporary, superficial reversals are to be expected.) One I shall call the "conscious" model: The government is allowing just as much freedom as suits its own purposes, and will revert to the totalitarian *status quo ante* once those purposes have been achieved. The "unconscious" model I regard as more serious: The government will find that liberalisation threatens its own position and will be compelled to clamp down.

The "conscious" model assumes that at some future date, the ulterior purposes of Modernization will have been accomplished, Whether or not the government does have this intention, it is certain that these purposes cannot be concluded within 20 years, by which time Chinese society will have been revolutionised, and most of the present leadership will be dead. It will remain true, then as now, that liberalisation alone permits rapid technical and industrial advance. Probably by that time the Soviet government will have fallen, or by a process of reform Russia will have acquired a more liberalised economy. Also by that time, various interest groups will have developed in China, capable of fighting effectively against anything that smacks of a return to Maoism. The "tiny urban elite" will be many times its present size, and securely ensconced as the ruling class.

I don't claim to chart precisely what will occur. As Mises pointed out, the most striking fact about history is that it consists of events which no one expected. All kinds of things could happen. How many people could have predicted what is now going on in China? People like Van der Linde even deny it while it's happening before their eyes! One thing I think is unlikely is a return to totalitarianism.

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The "unconscious" model suggests that the ruling group will find that the forces unleashed by Modernization threaten their own power, and in self-defence will put a stop to developments they formerly encouraged. I find this sort of argument persuasive, but instead of suggesting to me that liberalisation will be permanently halted or reversed, it suggests a scenario of advance and retreat, of relaxation and renewed repression, of two steps forward and one step back, with a long-term trend for the development of spontaneous commercial and informational forces to re-mould the prevailing pattern of social relationships.

As for Chinese liberalisation being "the most arrogant contemporary form of the Occidental supremacy myth", I think it is rather that many things we tend to suppose are characteristically "Occidental" are concomitants of "Modernization". It just happens that the Occident modernised first. European Christianity was inimical to the development of "capitalism", and was adjusted piecemeal and by stages to fit the emerging capitalist reality, as described in H.M. Robertson's classic *Aspects of the Rise of Economic Individualism*. Traditional Chinese thought and Marxism-Leninism are undergoing a similar process of improvised adjustment. It is conceivable that traditional values and beliefs could prove recalcitrant, and could prevent the development of an industrial and commercial society, but I see no evidence of it.

The Chinese people hunger for the fruits of, modern industry, and they shall have them.

Free Life