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## **CONCLUSION**

### **The reconciliation of state, market and society in China**

While the considerations I have developed shed some light on Chinese society, economy and polity, one question remains without a clear answer: why should China embrace the main features of the western liberal democracy? This question is closely related to the “convergence thesis” I have mentioned on several occasions: China decided at the end of the 1970s to incrementally abandon planned economy and introduce market mechanisms, and on completion of this process it will end up with a market (or capitalist) economy. The best and only way to achieve this goal, the argument goes on, is to set up a political system based upon liberal democracy and its fundamental characteristics, i.e. the rule of law, human rights and fundamental freedoms, including the right to own private property. It follows that the related question is: if one considers that conversion to “liberal democracy” is the strategy China should follow to develop its economy and thus improve the standard of living of its population, are the fundamental values of western liberal democracy universal in character, so that China may eventually choose to adopt them as part of its own political culture sometime during its own historical process? And China’s accession to the WTO in 2001, via which it has today become embedded in the global market economy, constitutes an additional factor that should drive China towards the adoption of liberal democracy.

In order to answer these questions, I will first examine to what extent the Universal Declaration of human rights may be used as an ideal model for orienting the development of human rights in China, and second I will examine whether the actual implementation of liberal democracy in the West may serve as a practical model for China.

It is difficult to find universally accepted answers to the questions related to human rights, namely the definition of their content, their existence as universal principles, and the extent to which they are actually implemented in various historical situations. Certainly, one could consider that they exist as principles that must be discovered during history by the various civilizations. This is clearly the answer given by the authors of the Universal Declaration of Human Rights.<sup>1</sup> But as civilizations have evolved at different paces and have

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<sup>1</sup> Since the Declaration is not legally binding technically, there are no signatories to the Declaration, and therefore it is not part of binding international law. It has been adopted by the General Assembly of the United Nations on December 10, 1948 by 48 votes to none and only 8 abstentions. The Declaration contains, in addition

developed different cultural frameworks, the core values of their cultures differ in important aspects that have resulted in different conceptions of the relationship between individuals and society, as well as between individuals and polity, and consequently in different conceptions of human rights.<sup>2</sup> In this situation, how to manage the relations between civilizations when one of them considers that it has discovered universal human rights, and is moreover convinced that it is invested with a civilizing mission of imposing them on the rest of the world?<sup>3</sup> Is it true that it is this way of approaching the question of the universal character of human rights that has led some to believe that we have come to the end of history and, even more, that the clash of civilizations is inevitable?<sup>4</sup>

Even so, one could still consider that the Universal Declaration constitutes a reasonable ideal model providing a set of standards against which different civilizations can be evaluated. Nevertheless, one is forced to admit that human rights as defined by the Universal Declaration are rarely fully implemented even by countries that explicitly consider these rights constitute the foundations of their political system, and that moreover use them as standards for evaluating and criticizing other countries.<sup>5</sup> Several problems make it difficult to use the Universal Declaration as a standard against which to assess China's compliance with human rights.

To start with, the Universal Declaration has been adopted two and a half millennia after the ideas of democracy (to which many of the fundamental rights are connected) first appeared in Ancient Greece. In the first chapter of this book I have already pointed out the very long history the West had to struggle through, and the very long list of dreadful and atrocious violations of human rights Western countries had perpetrated before an agreement could be reached at the moment of writing the Universal Declaration. And even at that time, many countries that voted the Declaration were nevertheless miles away from applying it in

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to its preamble, thirty articles that outline people's universal rights. Some of the rights are: the right to life, liberty and security of person, the right to an education, right to participate fully in cultural life, freedom from torture or cruel, inhumane treatment or punishment, freedom of thought, conscience and religion, the right to own property alone as well as in association with others. The Declaration has been further completed by the International Covenant on Civil and Political Rights, adopted and opened for signature, ratification and accession by General Assembly resolution 2200A (XXI) of 16 December 1966 (entry into force 23 March 1976 in accordance with art 49).

<sup>2</sup> In the first chapter I have analyzed the development of Chinese political culture and shown that it possesses some remarkable differences compared to the one that emerged in the West.

<sup>3</sup> Two books shed some light on these problems by analyzing two fundamental historical phenomena closely linked to the question of human rights: the development of science and the development of wealth. Toby E. Huff, *The Rise of Early Modern Science. Islam, China, and the West*, (second edition) Cambridge, Cambridge Univ. Press, 2003, and David S. Landes, *The Wealth and Poverty of Nations. Why some are so rich and some so poor*, New York, Norton, 1999.

<sup>4</sup> Francis Fukuyama, *The end of history and the Last Man*, New York, The Free Press, 1992; Samuel P. Huntington, *The Clash of Civilizations and the Remaking of World Order*, New York, Touchstone, 1997.

<sup>5</sup> It is interesting to note that each year the US government issues a document pointing out the violations of human rights by China. The Chinese government responds by issuing a document pointing out the violations of human rights by the US. Apart from the rhetoric with which the two texts are written, one must admit that these documents show that both governments are very well informed of the violation of human rights perpetrated by the other country. Moreover, these documents also show that there is not "a common understanding of these rights and freedoms" which are considered as being of "the greatest importance for the full realization of this pledge" by paragraph 7 of the Preamble of the Universal Declaration.

many respects. On the other hand, ideas of liberal democracy and constitutional law emerged in China only in the course of the nineteenth century, after two millennia of Imperial power. Only after the Chinese Empire collapsed in 1911, was a serious attempt made for the first time to implement these values within the architecture of the First Republic, but they did not last long.<sup>6</sup> Moreover they were clearly considered by Sun Yat-sen as an objective to be realized during the third stage of the process of modernization, as I have shown in the first chapter. Very quickly China came back to ways of organizing its polity more in line with the fundamental value of its political culture inherited from the Empire: centralization, unity, harmony, and exclusion from power of competing alternative forces.<sup>7</sup> This means that the individual history of countries and cultures is the fundamental factor that determines the acceptance of the human rights of the United Nations Declaration as universal. Of course one can still formulate the hypothesis that even countries that do not agree with the rights defined in the Universal Declaration may one day “discover” them and consider them as universal, and not as values imposed unilaterally by Western countries to the rest of the World.

Second, one cannot consider the implementation of human rights as something that can be realized simultaneously and in a short period of time, as the history of human rights in the West very well demonstrates; the Universal Declaration was adopted at the end of a long, incremental, non linear process that the atrocities of the Second World War have brought dramatically to completion.<sup>8</sup> Bearing this in mind, it should come as no surprise that some countries, in their quest for a reasonable and acceptable implementation of human rights, have chosen to start implementing some of them and not others, this choice being very clearly oriented by other fundamental values typical of the culture of the countries concerned. In Western countries the ideals of formal democracy, separation of powers, political freedom and equal formal political rights, and the right to own private property (art. 17 of the Universal Declaration) had acquired paramount importance for the functioning of capitalist economy towards the second part of the eighteenth century. It is not therefore surprising that they gave priority to these rights at the partial (or in some cases the total) expense of substantive rights, such as the right to work, to free choice of employment, the right of protection against unemployment, the right to just and favourable remuneration ensuring for people and their families an existence worthy of human dignity (art. 23), the right to a standard of living adequate for the health and well-being of themselves and their families, including food, clothing, housing and medical care and necessary social services, and the right to security in the event of unemployment, sickness, disability, widowhood, old age or other hindrances to livelihood in circumstances beyond their control (art. 25). Many of these rights have been introduced in the West only after decades of political struggle between the defenders of a radical conception of capitalist economy giving priority to the freedoms and rights of capital, and those defending the rights and freedoms of workers and employees. This

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<sup>6</sup> Just try to imagine what would have been the consequences on Western political culture, had the Roman Empire lasted until the outburst of the First World War in 1914?

<sup>7</sup> Of course the difficulties have been further worsened by the civil war, the Japanese aggression, the interferences of Western powers, as well as by the backwardness of China left by the Imperial power.

<sup>8</sup> Let us note that unfortunately, some of the strongest defenders of human rights have violated them since 1948.

opposition is based upon some other fundamental values, namely the opposition between individual and collective responsibilities.

Only after the Great Depression and especially after the Second World War have workers' rights been more fully recognized in Western countries, even if to a lesser degree than capital's rights. This situation, which persisted until the end of the 1970s, has nevertheless been reversed since: the neo-liberal Right has re-gained power and has implemented policies that have considerably weakened the safeguard of the rights and freedoms of labour, a situation that is being further worsened by the present international financial and economic crisis.<sup>9</sup> The most negative consequences of neo-liberal policies have been a deterioration of the situation of people in the labour market where the number of low-paid, short-term and part-time jobs has increased, a reduction of the coverage on social security policies, a more unequal distribution of income, an increase of the rate of poverty, an increase of the rates of crimes and of people in jail, and a deterioration of the health of people in an unstable labour market situation. There is therefore little to be proud of and to teach lessons to the rest of the World.

When assessing China's strategy for implementing human rights, one must again consider that ideas of democracy emerged in China only during the nineteenth century, that at the beginning of the twentieth century China's economy and society were in a state of backwardness, and that hundreds of millions of Chinese people were living below the poverty line, a situation that persisted basically until the beginning of the reform process at the end of the 1970s. It is therefore not surprising that the Chinese leadership has given priority to economic development with the aim of allowing the Chinese people to attain for themselves and their families "an existence worthy of human dignity" (art. 23 of the Universal Declaration). I remind the reader that the World Bank has considered that most of the Millennium Development Goals have either already been achieved or the country is well on the way to achieving them and that between 1981 and 2004 the fraction of the population consuming less than a dollar-a-day fell from 65 to 10 per cent, and more than half a billion people were lifted out of poverty.<sup>10</sup> Surely enough, and I have provided ample evidence of this in Chapter 2, this strategy has also widened the disparities that already existed at the end of the Mao era. But I have also shown that, the Party-State has recognized, already since the

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<sup>9</sup> See for example: Gideon Rachman, "Conservatism overshoot its limits", London, *Financial Times*, October 6, 2008; Joseph Stiglitz, "Turn left to sustainable growth", *Economists' Voice, Project Syndicate, The Berkeley Electronic Press*, September, 2008 ([www.bepress.com/ev](http://www.bepress.com/ev), accessed 12.01.2009). Here is the opinion of the American think tank Economic Policy Institute (EPI) (<http://www.epi.org/pages/epinews>, accessed on March 25, 2009): "EPI has long argued that restoring the right to form or join a union would go a long way toward returning balance to labour markets, where bargaining power has been heavily weighted toward employers in recent years. That imbalance has contributed greatly to recent historic increases in income and wealth disparities between the very rich and everyone else."

<sup>10</sup> World Bank, *From poor areas to poor people: China's evolving poverty reduction agenda. An assessment of poverty and inequality in China*, March 2009, p. iii, available on the World Bank website. Moreover, the World Bank considers that "measured by the new international poverty standard of \$1.25 per person per day (using 2005 Purchasing Power Parity for China), the levels of poverty are higher, but the decline since 1981 is no less impressive (from 85 in 1981 to 27 percent in 2004), *ibidem*."

mid-1990s, that this situation was not viable or sustainable as it run the risk of jeopardizing the fundamental values of harmony and unity typical of Chinese culture. Consequently, under the leadership of Hu Jintao (from 2002 to day) the Party-State adopted a new strategy “that puts people first”, and launched a series of policies aimed at reducing the disparities and at improving the standard of living of those who had not benefited from the phenomenal increase of total wealth (measured in GDP). That this new strategy has been adopted by the CPC for the sake of retaining power is of course an interesting question;<sup>11</sup> but what is more important is whether this new policy has, and will in the future, effectively improve the living conditions of the Chinese people so that it will “enjoy freedom from fear and want”, as stated in paragraph 2 of the Preamble of the Universal Declaration.

It is at this point that the critique of the majority of Western scholars points to what they consider as the major weakness of the Chinese strategy: only liberal democracy can constitute the best support to the development of the economy, provided that it takes the form of a market economy or, more precisely, of a capitalist economy, as it is this type of economy that allows to maximize economic efficiency. Of course, the majority of Western scholars applaud the introduction of market mechanisms in China, because on the one hand they correspond to the type of economy they prefer, and on the other hand because market economy will inevitably drive China towards liberal democracy. But at the same time many Western observers are intrigued (to say the least) to see that for about 30 years market mechanisms have been implemented and expanded in China with great success in spite of the absence of liberal democracy, while the Chinese political system has retained many of the authoritarian characteristics it had already in 1949. The problem here is that the Chinese strategy of development is demonstrating that it is possible to realize capital accumulation in the absence of liberal democracy. Let us recall that this had already been the case for Soviet Russia, even if the accumulation process has been less impressive than the Chinese one, and during the 1980s the inefficiency of planned economy was being recognized even by the Soviet leadership. Moreover, the collapse of the USSR gave the West the impression, and for many even the certitude, that there was no alternative other than capitalism and liberal democracy to maximize economic efficiency whilst assuring the implementation of human rights. Unfortunately, the Chinese case constitutes a clear refutation of this very popular hypothesis (and, for some, prescription). This hypothesis would have gained more support if China had collapsed as the Soviet Union did at the beginning of the 1990s. And this is what many observers have predicted and some still predicts today. But for the moment, it seems that the Chinese leadership is taking the right measures to correct the negative consequence of an economic development that has given too much space to neo-liberal policies.<sup>12</sup>

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<sup>11</sup> Quite frankly, I do not know any political party, or coalition of parties, that is in power and does not want to maintain power. Of course, as we have shown above in chapter 4, the CPC maintains power with means that are not normally used by Western countries.

<sup>12</sup> This is also the opinion sustained recently by Joseph Stiglitz, “*Around the World with Joseph Stiglitz. Perils and Promises of Globalization*”, documentary film realized by the author, 2009. Let us note that Stiglitz has praised the Chinese development strategy for a long time. To my knowledge the first time he has publicly analyzed and supported this strategy was in 1998 when he delivered a conference at Peking University, Beijing, October 1998. Forecasts of China’s collapse can be found in Gordon G. Chang, *The Coming Collapse of China*, New York, Random House, 2001; Thierry Wolton, *Le grand bluff chinois. Comment Pékin nous vend*

It is here that Randal Peereboom's analysis which I presented at the end of the fourth chapter comes as a reasonable answer. As far as we can see from the development of Chinese society, polity and culture, the adoption by China of liberal democracy as a form of political system aimed at sustaining the economy is by no means certain. Moreover, the grave difficulties experienced today by capitalism all over the world and the incapacity of liberal democracy to effectively supervise and control the behaviour of financial actors, are more likely on the contrary to comfort the Chinese leadership as to the validity of its strategy, and maybe also to revise some policies based upon a blind implementation of some "free market" devices. I refer here more particularly to forms of privatization or quasi-privatization of domains such as education, health, access to drinkable water, and more generally infrastructure and social security, as they have been implemented in recent years.<sup>13</sup> It is true that the international financial and economic crisis is affecting China as well, but much less than the Western countries. Whereas the latter have entered into recession and will experience a considerable contraction of their GDP, the World Bank forecasts for China an increase of GDP that whilst being less impressive than for the last three decades (with an annual average around 10 per cent) nevertheless, with an increase of 7.2 per cent for 2009, places China in a better situation than the West.<sup>14</sup> We have here another reason for considering that the convergence thesis is not very likely to be realized in the near future.

The only possibility of retaining the convergence thesis is to reformulate it on the basis of demographic variables, following the works of the French demographer and historian Emmanuel Todd. In his researches Todd takes into consideration many dimensions and indicators covering economy, polity and society.<sup>15</sup> But, as he explains in the new preface to his book on the fall of the Soviet sphere,<sup>16</sup> he comes to the conclusion that the irreversible

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*sa révolution capitaliste*, Paris, Laffont, 2007; Guy Sorman, *The Empire of Lies. The Truth about China in the XXI Century*, New York, Encounter Books, 2008.

<sup>13</sup> Fortunately, these policies are being corrected following the adoption of the new strategy that "puts people first" (I have presented them in chapter 3) and that are probably being further reinforced today to face the negative consequences of the international economic crisis that has already increased the number of unemployed people.

<sup>14</sup> World Bank, *China Quarterly Update*, March 2009, and June 2009, available on the Banks website: [www.worldbank.org/china](http://www.worldbank.org/china). On the day of the G20 Summit of April 2, 2009 in London, the correspondent of the Financial Times in Shanghai writes: "The Shanghai stock market is by far the best-performing market in the world this year and the Shanghai index is the only equity leading market to have risen since Lehman Brothers went bankrupt in September.", Patti Waldmeier, "China stocks take to Beijing fiscal policies", *Financial Times*, April 2, 2009. See also Lindsay Whipp, "Asian shares rise ahead of G20 meeting", *Financial Times*, April 2, 2009.

<sup>15</sup> It is not possible to present here the remarkable complexity of Todd's analysis that combines a great variety of variables and approaches, including the structure of families and agrarian societies that he uses for interpreting European history and society: Emmanuel Todd, *L'invention de l'Europe*, Paris, Seuil, 1990. See on the fall of the Soviet Union: *The final fall: An essay on the decomposition of the Soviet sphere*, New York, Karz Publishers, 1979, translation of *La chute finale. Essai sur la décomposition de la sphère soviétique*, Paris, Laffont, 1976, the new edition 1990 presents a new Preface by the author); and on the fall of the American Empire: *After the Empire: The Breakdown of the American Order*, New York, Columbia University Press, 2006, translation of: *Après l'Empire. Essai sur la décomposition du système américain*, Paris, Gallimard, 2002; other important works include: *L'illusion économique*, Paris, Gallimard, 1999; *Après la démocratie*, Paris, Gallimard, 2008, and Youssef Courbage and Emmanuel Todd, *Le rendez-vous des civilisations*, Paris, Seuil, 2007.

<sup>16</sup> Todd, *Essai sur la décomposition de la sphère soviétique* (1990 edition), op. cit, p. ii.

crisis of the USSR is basically explained by demographic analysis. According to Todd, and in contrast with economic indicators, it is difficult to manipulate demographic variables. Moreover, when correctly interpreted, they become powerful indicators capable of unveiling what is hidden beneath a society. The major variables are: birth and death rates, rate of infant mortality, and rate of fertility. Using these variables, together with the rate of literacy for both men and women, Todd shows that there is in fact a convergence worldwide, and that this convergence drives the world towards modernization: in particular, the increase of the rate of literacy for both men and women goes together with the generalization of birth control behaviours and policies and a consequent decrease of the fertility rate. This in turn contributes to increasing the number of working women. Moreover, countries that have started this process are “inevitably” evolving towards forms of social and political organization that are more peaceful, open, less hierarchical, and more participatory.<sup>17</sup>

Let us note that Todd also explains that this process of fundamental change will inevitably produce periods of violence between traditionalists and modernizers, that he calls “crisis of transition”, but that will in the end result in a more peaceful society. Through this analysis Todd arrives at the conclusion that the Fukuyama thesis of the end of history is not entirely to be rejected, as there is in fact a convergence worldwide.<sup>18</sup> But he strongly opposes the thesis that the convergence he has discovered in terms of demography and education will inevitably urge towards a universal adoption of the Western model of organizing society, polity and economy. Moreover, Todd also opposes Huntington’s thesis of a clash of civilization, that could lead (and in fact has led under the Bush administration) towards a crusade of the West against the rest of the “uncivilized and non-liberal world”. On the contrary, Todd speaks of a “rendez-vous” and not of a clash of civilizations, which seems to be more in line with China’s strategy of “peaceful rise”.<sup>19</sup>

The ideas put forward by our interpretation of Todd’s research are in line with and reinforce my own conclusions I presented above. Whereas we cannot exclude that China may evolve in the future towards forms of organization similar to the Western ones based upon a similar interpretation and implementation of human rights, China’s long history and the particular culture it has developed through centuries are more likely to develop forms of societal organization “with Chinese characteristics”. This does not mean that these forms will be less open than the Western ones. If Todd’s hypothesis is correct, these forms will be open but in ways that will be specific to Chinese culture and its fundamental values.

Let us now turn to the question whether the actual implementation of liberal democracy in the West may serve as a practical model for China. I will do this by taking into consideration some of the most radical criticisms of Western democracy developed by some Western scholars.<sup>20</sup>

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<sup>17</sup> See Courbage and Todd, op. cit, chapter 2, pp, 31-40.

<sup>18</sup> Fukuyama, op. cit.

<sup>19</sup> Huntington, op. cit. For the critique see Courbage and Todd, op. cit., pp. 5-10.

<sup>20</sup> In dealing with this question I will more particularly refer to the following published works: apart from my article: Urio, Paolo, “La gestion publique au service du marché”, in Marc Hufty (ed.), *La pensée comptable*.

Let our starting point be the confidence that most Western people (scholars and laymen) have in the superiority of their own democratic system, other countries are evaluated on the standards of Western democracy. This is what the Italian philologist Luciano Canfora calls “democratic fundamentalism”. He maintains that, starting from this point of view, all other systems are qualified as totalitarian. Taking the example of China, Canfora considers that Western criticism is most of the time based upon ignorance. After quoting the massacres of the American Intelligence Agency (CIA) in Chile and Indonesia, Canfora says that “after the end of the Soviet Union, China, especially after Tiananmen, became the privileged object of this misunderstanding (...) and he goes on quoting A. Ronchey who wrote in one of the most influential Italian newspapers: “Western people have often interpreted the Chinese events with the historical evaluation parameters of their world instead of studying China according to its own principles (...) this distant country exists as it has been forged by the longest history, the most rapidly developing demography, the most harmful hydrography, and the most painful colonial domination.”<sup>21</sup>

Bearing this in mind, let me first say that democracy as it is practiced today in Western countries is characterized by an inextricable symbiosis between the political elite that performs official public roles within state’s organs on one side and, on the other, the economic elite that dominates market economy. It is within a complex game between economic, political and intellectual elites (including influential university professors and journalists) that policy options are examined, choices are made and then presented to the public. Apart from some limited cases of semi-direct democracy (as they exist in Switzerland and in some member states of the US Union) the people cannot directly interfere within these processes. Of course there exists a “free press” that can monitor the work of the elites. Nevertheless, the majority of the mass media that have a large circulation within and amongst western countries is under the control of powerful companies that themselves belong to the economic elite, with which they share ideological values and economic interests. It is not likely that these mass media can exert an efficient and impartial control over the ruling elite

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*Etat, néolibéralisme, nouvelle gestion publique*, Paris, Presses Universitaires de France, 1999, pp. 91-124. For an exceptionally complete overall evaluation of NPM, based upon empirical evidence from a variety of sources, see Ezra Suleiman, *Dismantling Democratic States*, Princeton, Princeton Univ. Press, 2003. For some more radical critiques of liberal democracy and capitalism: Raimon Panikkar, *I fondamenti della democrazia. Forza, debolezza, limite*, Roma, Edizioni Lavoro, 1997, translation from the Spanish of “Fondaments de la democràcia: força i feblesa”, in *Els límits de la democràcia. Annals de la XIII Univesitat d’estiu*, Andorra la Vella, September 1997, pp. 62-89; Roberto Mangabeira Unger, *What Should the Left Propose?*, London, Verso, 2005, with many references to China; and of the Italian philologist Luciano Canfora, *Democracy in Europe: A History of an Ideology*, New York, Wiley, 2006 (English translation of *La democrazia. Storia di un’ideologia*, Bari, Laterza, 2004), *Exporter la liberté. Echech d’un mythe*, Paris, Ed. Desjonquères, 2008, and *L’imposture démocratique. Du procès de Socrate à l’élection de G.W. Bush*, Paris, Flammarion, 2003.

<sup>21</sup> A. Ronchey, “L’ultima Cina nell’era di Jang” (The last China of the Jiang’s era), *Corriere della sera*, 26 September 1999, p. 1, quoted by Luciano Canfora, *L’imposture démocratique*, op. cit., pp. 27-28 (my translation from Italian). See also the opinion of Peerenboom, although it is not as radical as that of Canfora: Peerenboom, *China Modernizes*, op. cit., pp. 165-183 under the title of “Why China is held to a double standard”. For a critique of Peerenboom see Leila Choukroune, “Lectures critiques: Randall Peerenboom, *China’s Long March toward Rule of Law*”, in *Perspectives Chinoises*, no. 76, March-April 2003, pp. 78-80. Let us note that from 200 B.C. to 1990, China suffered from 1029 floods, 1056 drought, some 800 earthquakes, according to Hu Angang and Zou Ping, *China’s Population Development*, Beijing, China’s Science and Technology Press, 1991, p. 62.

(what I have called the dominant group). Examples of this collusion between economic, political and intellectual elites are given by the way mass media have covered important events like the Vietnam war, the Iraqi war, the intervention of the NATO alliance in former Yugoslavia, and the more recent events of the Georgia international crisis between the US and some of their allies on one side and Russia on the other.<sup>22</sup> Common interest between some of the members of the Bush administration and powerful economic interests shed some light on the real purposes of some of the Bush policies both internally and internationally.

Moreover, some critics of Western democracy also consider that trade unions and left-wing parties that should defend the interests of the weakest sector of society have little by little, at least since the beginning of the 1980s failed in this mission, and have embraced the major options of the liberal economic elite. Only recently, because of the negative consequences of the implementation of New Public Management policies, some of the members of the traditional Left started to oppose the implementation of liberal conservative policies.<sup>23</sup> For a very long time, starting toward the mid-1970s, the majority of Western mass media has trumpeted all over the world the superiority of private companies' management over state's management, and the necessity of reducing the state's role in economy and society, it being harmful to the development of market economy. As mentioned before, the results have been increasing disparities in income distribution, increasing rates of poverty and crime, and the deterioration of people's health, especially those who experienced difficulties in the liberalized (i.e. deregulated) labour market.<sup>24</sup>

Furthermore, Western governments have abdicated in favour of the managers of financial institutions and organizations by giving autonomy to their Central banks and renouncing to better regulate financial markets.<sup>25</sup> The consequences of this transfer of power from the political system to the economy, and more particularly to the financial system, are today before everyone's eyes thanks to the crisis that exploded in September 2008 in the US in spite of several warnings in the form of smaller crises that occurred during the "wonderful years" of the New Public Management and the "Washington consensus".

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<sup>22</sup> The way in which the majority of Western media covered the recent Iranian elections is another example.

<sup>23</sup> These are just a few of the large number of examples that could be mentioned for sustaining the argument we are developing here. The US is by no means the only country where these phenomena exist.

<sup>24</sup> I develop these arguments in my article Paolo Urìo, op. cit.

<sup>25</sup> Governments have instituted regulators with the task of supervising these sectors (and the same has been done for supervising the privatized SOEs). When one knows that controller and controlled often share the same university and professional training and values and often have previously worked in the organization they are supposed to supervise, it is not surprising that cases of capture of the controller by the controlled have been frequently discovered. For example: (1) A violent polemic outburst in the Swiss media in February-March 2009 when it was revealed that the Regulator of the Swiss financial market approved the bonuses UBS bank (that had just received public money to avoid bankruptcy) planned to pay to its managers, and that the president of the regulator was a former member of the direction of UBS, while its director was a former member of Credit Suisse and Swiss Re (as reported by the "24 Heures" newspaper, Lausanne, 03.02.2009 and the weekly magazine *L'Hebdo*, Lausanne, 12.02, 2009); (2) about at the same time many US newspapers and think tanks reported similar cases, see for ex.: *Los Angeles Times*, October 6, 2008 ("Regulator takes heat over IndyMac Bank failure"); *The Washington Post*, 23 November 2008 ("Banking regulator played advocate over enforcer"); *Dollar&Sense Real World Economics* website ([www.dollarsense.org](http://www.dollarsense.org)) accessed 12.03.2009 " (Mis)understanding a Banking Industry in Transition".

Even in the absence of the above-mentioned phenomena, the idea that decisions taken by the dominant elite can be subject to public scrutiny is not entirely convincing. Choices between policy options are most of the time based upon very sophisticated technical considerations. And this brings me to one of the most serious objections to Western-type democracy, i.e. the opposition between the law of numbers (i.e. the fact that in a liberal democracy decisions are taken by majority vote) and the necessity of deciding on the basis of well-documented scientific analysis, that cannot be evaluated by vote but by scientific criteria. This system can work only if citizens are very well-educated and can therefore appreciate the validity of the policy options put forward by elites in the public space.<sup>26</sup> Otherwise they are forced to believe what the elites say, which is in fact one of the main features of representative democracy. In this system citizens elect their representatives on the basis of party identification, or because they approve the programme presented by parties and/or individual candidates during the electoral campaign, or because they are convinced by the personality of the candidates; then policy options are debated by citizens' representatives within the parliamentary arena (most of the time on the basis of governmental proposals), and finally policies are adopted by parliament and implemented by the public administration.

But this can only work if the elites are transparent and honest, i.e. if they act according to what they have promised during the electoral campaign, otherwise the door is open to all sorts of manipulations that can lead to policies that favour parochial or private interests and may lead to an inequitable distribution of rights and wealth. Here again Canfora's analysis is useful. First he suggests that we can see that for at least the last 20 years Western countries have been implementing basically the same policies, no matter who wins the elections. This is for Canfora the proof that factors other than those linked to electoral and parliamentary politics are at work. These cannot come but from the economic elites or oligarchies. Canfora further considers that oligarchies succeed because they possess more competencies, and they are well organized. And this is why oligarchies are "the core of the most durable regimes, especially if they are open, and capable of co-opting social elements that are becoming important within other classes. If selection and cooptation are based upon common interests (as is most of the time the case in the West) and not upon an ideological basis (as was the case in the Soviet Union) then this process is more efficient and stable."<sup>27</sup> This way of seeing the role of elites is interesting as it allows accounting for the functioning of systems that may differ in many respects from one another. The big mistake of the Soviet leaders has been to believe that it was sufficient to expose unmasked the oligarchic character of Western democracies. They did not understand that "the strength of the Western model was to combine the substance of the oligarchy with the construction of a consensus about the

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<sup>26</sup> This principle corresponds to the practice of the incremental implementation of liberal democracy in Western countries: for a very long time only people considered as sufficiently knowledgeable were granted the right to vote, by using different criteria, for ex. (1) a sufficient amount of economic wealth measured by the level of taxation, (2) the role played in the economy, according to which only men would qualify, as women were not active in the economy, (3) the literacy competence, as it has been used in the US with the main consequence of excluding Afro-Americans.

<sup>27</sup> Canfora, *L'imposture démocratique*, op. cit., p. 80, my translation from the French. This is exactly the aim of Jiang Zemin's Theory of the Three Represents.

dominations of the oligarchy, even if this entailed the passing from ‘democracy’ to fascism, and from fascism to democracy. This is the foundation of the vitality of Western oligarchies”.<sup>28</sup>

To what extent are the considerations developed above interesting for evaluating the Chinese system of government? The most important conclusion is that both the Western system and the Chinese one are based upon the dominant role of elites (or oligarchies, or dominant groups). There certainly is a difference in the degree of freedom the two systems leave to the various economic, social and political forces within each of the two systems, but overall the mechanisms for retaining power are the same (see again Figure 4.3 of chapter 4). The result obtained by these two systems for the people can of course be evaluated by some objective scientific means of social science enquiry. But at the end, it is up to the people living within these two systems to evaluate the advantages or disadvantages they obtain from the policies implemented by their dominant group. In the West, a two and a half millennia long history lead the people to treasure both political and economic freedoms as means of obtaining a satisfactory way of living in terms of both material and immaterial means. It is then on the basis of how well the dominant group performs on these criteria that people will base their evaluation of the dominant group. In China the four-millennium long history has led to treasure stability and harmony as the means for obtaining a satisfactory way of living in terms both material and immaterial. It seems that the Chinese leadership is on the right track for further improving the standard of living of the Chinese people. And the majority of the Chinese people seem to be satisfied with the improvement already realized and look forward with confidence to the improvements to come. So, why should China adopt a Western-type system not compatible with its history and culture?

At the end of our journey into the reform process of the post-Mao era, it is difficult to give a definitive answer to the question implicit in the title I gave to this book: has the Chinese leadership succeeded in reconciling state, market and society in China? In the West the present crisis has certainly revealed an increasing gap between the state, dominated by the economic and especially the financial elite, and the rest of the population. Radical defenders of capitalism, while on the defensive and recognizing the mistakes made by some of its major actors, reaffirm the validity of this type of economic organization, and warn the politicians about the negative consequences of irrational policy decisions that will lead to an over-development of regulations and will badly harm the economy.<sup>29</sup> Moreover, the crisis and the decisions taken by President Obama to save the US financial system have introduced some

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<sup>28</sup> Ibidem, pp. 80-81 (my translation from the French). Canfora is in line with the well established research tradition that points to the development of oligarchies within organizations, no matter their ideology, democratic or authoritarian: Robert Michels *Political Parties, A Sociological Study of The Oligarchical Tendencies Of Modern Democracy*, New York, Collier, 1962; Gaetano Mosca, *Ruling Class*, London, McGraw-Hill, 1960 (translation of *La classe politica*, Bari, Laterza, 1966); C. Wright Mills, *The Power Elite*, Oxford Press (USA), 1956.

<sup>29</sup> See for example the article of the *Financial Times* by Gideon Rachman, op.cit. The official organ of the Federation of Enterprises of Western Switzerland expressed the same worries in an article entitled “Mistakes of private economy do not justify ‘statist’ temptations” (my translation from the French of: “Les erreurs de l’économie privée ne justifient pas les tentations étatiques”), *Entreprise Romande*, Geneva, January 30, 2009.

doubts even amongst the ranks of the most fervent defenders of American-style capitalism who have started to ask a question that would have been unthinkable a few months ago: “Are we all socialists now?”<sup>30</sup>

Some others, more critical, try to save capitalism by defining new rules of the game that will limit the freedom of the financial elite so as to avoid its irrational behaviour on one side, and on the other, by regulating the functioning of domestic and international markets so as to give birth to a capitalism with a humane face capable of distributing the wealth it creates more equitably, especially between labour and capital, as well as between developed and in-transition countries.<sup>31</sup> Amongst these critics, some explicitly question the validity of the “efficient market model” and the naïve belief that markets are self-correcting (what Stiglitz calls “market fundamentalism”)<sup>32</sup>, especially in international economic relations, and some others even call for a revival of protectionism.<sup>33</sup> Others are even more radical and propose to

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<sup>30</sup> This is the title of an article published on line by the influential American Think tank “Reason Foundation” (that posts on line the motto “Free minds, Free markets”): [www.reason.com](http://www.reason.com), March 5, 2009, accessed 07.03.2009. On his side, *News Week* does not even use the question mark, commenting a debate between American politicians on Fox News Channel, when a right-wing politician violently questioned Obama’s policy. The revealing title of the article: “We are all socialists now”, with an under-title written, I guess, with some regret: “In many ways our economy already resembles a European one. As boomers age and spending grows we will become even more French”. *News Week* quite reasonably comment: “If we fail to acknowledge the reality of the growing role of government in the economy, insisting instead of fighting wars with 20<sup>th</sup>-century terms and tactics, then we are doomed to a fractious and unedifying debate. The sooner we understand where we truly stand, the sooner we can think more clearly about how to use government in today’s world” (article of 16 February, 2009, [www.newsweek.com](http://www.newsweek.com), accessed 7 March, 2009). It seems that the time is over when the majority of American opinion leaders used to look down with condescendence on the intrusive, inefficient and big French government. Let us note that the most radical critics of capitalism do not hesitate to say that “the spectre of socialism is haunting the American elite”, World Socialist Web Site, 9 March 2009 ([www.wsws.org](http://www.wsws.org), accessed 9 March 2009).

<sup>31</sup> Joseph Stiglitz is certainly the most influential representative of this group. See for example, “Turn left to sustainable growth”, op. cit., and his most recent books: Joseph E. Stiglitz, *Making Globalization Work. The Next Steps to Global Justice*, London, Penguin, 2006; see also Joseph E. Stiglitz and Andrew Charlton *Fair Trade for All. How Trade Can Promote Development*, Oxford, Oxford University Press, 2005. On his side, the American think tank EPI (Economic Policy Institute) considers that: “Today’s recession did not happen overnight. It is the direct result of 30 years of hands-off economic and regulatory policy, which has left Americans coping with stagnant wages, an explosion of high-cost revolving debt, and a crumbling infrastructure. Important public investments in infrastructure and policies that create a direct path to the middle class - those that provide greater access to healthcare, education, housing and good jobs - have dwindled in the past decades, and diminished government safety nets have left many families without the necessary tools to weather hard economic times. Now, in the aftermath of the collapse of the financial sector and the implosion of the housing bubble, families everywhere are confronted with a cold truth: government failed to protect their interests. This time, an economic recovery that restores us to the old model is not enough.”, message received from [events@epi.org](mailto:events@epi.org), March 28, 2009.

<sup>32</sup> Interview of Joseph Stiglitz by Nathan Gardels in *The Huffington Post* ([www.huffingtonpost.com](http://www.huffingtonpost.com), accessed 14 January 2009); and Joseph Stiglitz, “Davos Man’s Depression”, Project Syndicate, website ([www.project-syndicate.org](http://www.project-syndicate.org), accessed 08 March 2009). For a return to an interpretation of capitalisms faithful to the “founding fathers” (especially Adam Smith) and the validity of the foundations of capitalism see Amartya Sen, “Capitalism Beyond the Crisis”, *The New York Review of Books*, vol. 56, no. 5, 26 March 2009, available on [www.nybooks.com](http://www.nybooks.com), accessed 27.04.09.

<sup>33</sup> For a well documented history of free trade and protectionism see Paul Bairoch, *Economics and World History. Myths and Paradoxes*, New York, Harvester Wheatsheaf, 1993 (French translation: *Mythes et paradoxes de l’histoire économique*, Paris, La Découverte, 1999). For an attack on free trade as it has been practiced until now see Ha-Joon Chang, *Bad Samaritans. The Myth of Free Trade and the Secret History of Capitalism*, New York, Bloomsbury, 2008 and his interview on the website of *Democracy Now* ([www.democracynow.org](http://www.democracynow.org), accessed 12.03.2009). For a recent defense of protectionism see Emmanuel Todd,

put an end to the capitalist experiment that has lasted at least two and a half centuries, by proposing new ways of organizing state, economy, polity and society.<sup>34</sup>

The behaviour of managers of financial institutions who made not only unbelievable mistakes (out of greed and/or incompetence) but also decided to cash in on enormous bonuses, has outraged the average citizens, many of them living below the poverty line, or working full time but with either very modest salaries or living below the poverty line (working poor), many others having lost their savings, house and/or job since the crisis outburst, still many others fearing for their future as the crisis has gone well beyond the financial sector to invest the so-called “real economy”. Many experts and opinion leaders interpret the anger of these citizens and go as far as to request the “permanent nationalization of banks”.<sup>35</sup> Ironically, this proposal has certainly come as a surprise to Chinese ears after years of counsel given by Western and especially American experts pressing China to privatize its banks, not to speak of the condescendence with which these same experts have very liberally given their advice to China about how to get rid of the so called “bad loans” of Chinese commercial banks.<sup>36</sup> As a remarkable revert of history, Chinese leaders have not failed to seize the opportunity to blame the US for the present crisis, and to teach them a good lesson by publicly issuing a proposal suggesting a global monetary overhaul, including calls for a new reserve currency to replace the US dollar.<sup>37</sup> A passage from the statement by the Governor of the People’s Bank of China, Zhou Xiaochuan, that looks like an academic lecture on international finance, is worth quoting in full:

theoretically an international reserve currency should first be anchored to a stable benchmark and issued according to clear set of rules, therefore to ensure orderly supply; second, its supply should be flexible enough to allow timely adjustment according to the changing demand; third, such adjustments should be disconnected

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*Après la démocratie*, Paris, Gallimard, 2008, especially the Conclusion: “Le protectionnisme, dernière chance de la démocratie européenne”, pp. 249-257.

<sup>34</sup> See for example Michel Freitag, *L’impasse de la globalisation*, Montréal, Ecosociété, 2008; and Roberto Mangabeira Unger, *What Should the Left Propose?*, London, Verso, 2005, as well as Roberto Mangabeira Unger, *Free Trade Reimagined. The World Division of Labor and the Method of Economics*, Princeton, Princeton Univ. Press, 2007.

<sup>35</sup> See for example *Dollar& Sense Real World Economy* website ([www.dollarsense.org](http://www.dollarsense.org), accessed 12.03.2009), that considers that “the three trillion-dollar transfer of income from taxpayers to bondholders is an economic injustice that should be stopped immediately and it can be stopped – if the government fully and permanently nationalize the banks that are ‘too big to fail’.”; and the influential site of Nouriel Roubini *RGE Monitor* considers that “Republicans start to support the idea of nationalizing insolvent banks” ([www.rgemonitor.com](http://www.rgemonitor.com), February 15, 2009, accessed 17.02.2009); and “Nationalize the Banks! We’re all Swedes Now” in which Matthew Richardson and Nouriel Roubini say: “The US banking system is close to being insolvent, and unless we want to become like Japan in the 1992 – or the United States in the 1930s – the only way to save it is nationalization. As free-market economists teaching at a business school in the heart of the world’s financial capital, we feel downright blasphemous proposing an all-out government takeover of the banking system. But the US financial system has reached such a dangerous tipping point that little choice remains. And while Treasury Secretary Timothy Geithner’s recent plan to save it has many of the right elements, it’s basically too late.”, *RGE Monitor* website, February 13, 2009, accessed 17.02.2009.

<sup>36</sup> I have discussed the problems of bad loans in chapter 2.

<sup>37</sup> See the article by *Reuters Limited* ([www.reuters.com](http://www.reuters.com), accessed 23.03.2009), “China proposes global monetary overhaul”, posted by the *Financial Times Online*, March 23, 2009 ([www.ft.com](http://www.ft.com), accessed 23.03.2009); and Jamil Anderlini, “China calls for new reserve currency to replace dollar”, *ibidem*.

from economic conditions and sovereign interest of any single country. The acceptance of credit-based national currencies as major international reserve currencies, as is the case in the current system, is a rare special case in history. The crisis called again for creative reform of the existing international monetary system towards an international reserve currency with a stable value, rule-based insurance and manageable supply, so as to achieve the objective of safeguarding global economic and financial stability.”<sup>38</sup>

It is true that a few days later, Ambassador FuYing, speaking to the BBC in London, tried to minimize the scope of the statement saying that Governor Zhou’s comments calling for a new reserve currency were meant as a contribution to an old debate. Nevertheless, the message is quite clear.<sup>39</sup>

The debates going on in the West, and more generally all over the world, reminds me of the slogan of one the giants of the Communist Party of China, Chen Yun, who is famous for having described the economy as a bird that should be kept in a cage. But be careful, he warned, if the cage is too narrow you will kill the bird, and if it is too big the bird will fly away!<sup>40</sup> Moreover, these debates clearly show that efforts towards reconciliation between elites and citizens are on their way, but with lot of hesitations and many contradictory proposals that are witnessing the formidable political and ideological struggle that is going on between radical defenders of capitalism, strong reformers, and radical innovators who would like to put an end to capitalism. The uncertainty of this situation, and the memory of the capacity of capitalism to resurrect after the previous crises, make some experts forecast (and others fear) that at the end of this process the cynical and disabused remark of Prince Salina in the famous Italian novel “The Leopard” will, once again, prove to be true: “If we want that everything stays as it is, it is necessary to change everything” ... waiting for the next, fatal

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<sup>38</sup> Full text of the Chinese proposal by Governor Zhou Xiaochuan on the Bank of China website, March 23, 2009, *Reform the International Monetary System*, ([www.pbc.gov.cn/english/detail.asp?col=6500&id=168](http://www.pbc.gov.cn/english/detail.asp?col=6500&id=168), accessed, 23.03.2009).

<sup>39</sup> As reported by the *Wall Street Journal Online*, March 30, 2009 (<http://asia.wsj.com>, accessed April 5, 2009) Although the majority of observers do not consider that this is likely to happen in the near future (for ex.: Geoff Dyer, “China has long way to go to dislodge dollar”, *Financial Times Online*, 21.05.2009, <http://www.ft.com>, accessed June 9, 2009) or even not at all, some on the contrary announce the dethroning of the US dollar by the yuan as an inevitable event. See for example the investment director of *Money Morning*, Keith Fitz-Gerald, “China seeks to dethrone the dollar. Transforming the yuan into the dominant currency”, *Money Morning* website ([www.moneymorning.com](http://www.moneymorning.com), accessed May 28, 2009): “China has taken yet another step to transform the yuan into the dominant currency, a long-term initiative that could ultimately dethrone the dollar as the world’s top unit of exchange. In the last four months alone, China has signed currency swap agreements worth more than \$95 billion (650 billion yuan) with an array of nations – including Argentina, Brazil, South Korea, Indonesia, Malaysia, Belarus and Hong Kong – that are only too glad to move away from the increasingly shaky US dollar. (...) the Chinese yuan is already well on its way to becoming that globally accepted standard unit of exchange and the proverbial genie, as they say, is out of the bottle”. For the new ties between China and Brazil see two articles by Jonathan Wheatley, “Brazil and China eye plan to axe dollar”, *Financial Times Online*, 18.05.2009, and “China bolsters Brazil trade ties”, *ibidem*, 19.05.2009. For the agreement between China and Argentina see Jude Webber, “China and Argentina in currency swap”, *ibidem*, 31.03.2009.

<sup>40</sup> For a debate about capitalism see the interesting blog of the *Financial Times Online* (<http://blogs.ft.com/capitalismblog/>). For slogans attributed to Chen Yun: James L. Chan, “Two Paradigms for Managing China”, Paper presented at the conference on New Public Management in International perspective, University of St Gallen, Switzerland, 11-13 July 1996.

and final crisis?<sup>41</sup> While it is certain that the seriousness of the present crisis needs some radical restructuring of the various components of society (in a new form of capitalism or in a completely different form of societal organization), it is today difficult to forecast how the West will succeed in reconciling state, economy and society.

Unfortunately, not all the Western major actors seem to be taking the present financial and economic crisis as seriously as they should. On the contrary, some of them, and especially the banks and the American government, give the impression of reverting (slowly but surely) to the habits of the 1980s. Instead of taking serious measures, they are simply muddling through.<sup>42</sup> And the authoritative McKinsey Quarterly has posted on its website an article entitled “The case for government reform now”, that while recognizing that the state has to play an important role in resolving the problems created by the crisis, very strongly invites governments to persist on the road of reforms by taking example from private enterprises, whose performance management is without any doubt superior to the one of the public sector.<sup>43</sup> The implicit reference to the New Public Management (NPM) reforms implemented since the beginning of the 1980s is quite clear, in spite of the fact that even some authoritative liberal observers have recognized that these reforms are the major cause of the present crisis.<sup>44</sup> According to McKinsey “few of them [i.e. governments] have an established track record of reputation for managerial excellence [and the reforms undertaken in the past] typically fall short: with few exceptions, they skim the surface, cover little ground, take too long, and leave much of the public sector relatively untouched. That’s why we see a need for broader, deeper, and faster reforms.” The goal of these reforms is clearly to improve the state’s performance, which is certainly a laudable goal. But the article insists on many occasions on just one aspect of performance management, i.e. cutting costs, by reverting to the traditional (NPM) promise to cut costs in the public sector prior to making an in-depth investigation.<sup>45</sup> The article is not very explicit in what domains the “deeper, broader,

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<sup>41</sup> Giuseppe Di Lampedusa, *The Leopard*, New York, Pantheon-Random House, 2007. The exact sentence in Italian is: “*Se vogliamo che tutto rimanga come è, bisogna che tutto cambi!*”

<sup>42</sup> Joseph, Stiglitz, “Spring is here, but Contain your Excitement”, *The Economists’ Voice, Project Syndicate, The Berkeley Electronic Press*, May 2009, [www.bepress.com/ev](http://www.bepress.com/ev), accessed June 24, 2009. For the banks: “Repeating the Savings & Loan debacle of the 1980s, the banks are using bad accounting (they were allowed, for example, to keep impaired assets on their books without writing them down, on fiction that they might be held to maturity and somehow turn healthy). Worst still, they are being allowed to borrow cheaply from the US Federal Reserve, on the basis of poor collateral, and simultaneously to take risky positions.” For the US government: “The American government, too, is betting on muddling through: the Fed’s measures and government guarantees mean that banks have access to low-cost funds, and lending rates are high. If nothing nasty happens (...) the banks might just be able to make it through without another crisis (...) but experiences around the world suggest that this is a risky outlook.” And Stiglitz concludes: “it’s time for Plan B in banks restructuring and another dose of Keynesian medicine.” Already in December 2008 Stiglitz had written an article advocating the return of Keynes: “The triumphant Return of John Maynard Keynes”, *Economists’ Voice, Project Syndicate, The Berkeley Electronic Press*, September, 2008, December 2008, available on [www.project-syndicate.org](http://www.project-syndicate.org)

<sup>43</sup> François Bouvard, Thomas Dohrmann, and Nick Lovegrove, “The case for government reform now”, *McKinsey Quarterly*, no. 3, 2009, pp. 1-13.

<sup>44</sup> See the article of the *Financial Times* of October 6, 2008 by one of its leading columnists; Gideon Rachman, *op. cit.*

<sup>45</sup> *McKinsey Quarterly*, *op. cit.*, p. 2, where it is argued that a 15 per cent or more productivity improvement in the US government “from a major private-sector change programme” would result in savings to taxpayers that would exceed \$134 billion annually on 2010 federal addressable spending of approximately \$900 billion.”

and faster” reforms should be implemented. But the introductory paragraph gives a clear hint by enumerating the domains that constitute today, according to the authors, the major challenges for governments: health care, social security, education, national security, crime and critical infrastructure. How the savings will be realized is not explicitly explained, but to those who are well acquainted with the NPM devices implemented since the 1980s the solutions are quite clear: privatizations, contracting out, and public-private partnerships, followed or accompanied by deregulation. In other words, let’s go back to the wonderful years of NPM now, let us forget that the major causes of the present crisis are to be found in the NPM and, even more, let’s try to do better by implementing “broader, deeper, and faster” NPM reforms. Now.

As for China, it is certain that the present crisis, which is with no doubt the most serious one capitalism has had to cope with since the Great Depression of 1929, should come as a serious warning to the Chinese leadership not to count too much on the miraculous benefits of “free market economy” (both domestically and internationally) or on a mechanical transfer of Western so-called “best practices” to the Chinese situation.<sup>46</sup> On the contrary, the Chinese leadership should be encouraged to experiment new ways of managing society in harmony with China’s culture, economy and environment, that may lead the Chinese people towards a brighter future without jeopardizing unity and stability. What is also certain is that considerable progress has been made towards this end during the last 30 years, not only in terms of overall development measured by GDP (which is generally recognized by the overwhelming majority of experts) but also because of the significant improvement of the standard of living of the majority of the Chinese people, even if at the cost of some remarkable disparities, that are nevertheless being seriously addressed by the Party-State. Freedom in the economic sphere is very large to the point that some consider that it should be restricted at least for the sake of avoiding illegal practices that lead too often to immoral enrichment of some dishonest citizens at the expense of the honest ones.

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<sup>46</sup> It should be noted however that neo-liberal opinions are still today present in policy debates in China. For example, the *Caijing* magazine has posted on its website on March 19, 2009 an article by two of its staff reporters summarizing the debates about the new Chinese health system, in particular the discussion held on March 7 between officials of the Ministry of Health and members of the Chinese People’s Political Consultative Conference (CPPCC), in which sit representatives of the so-called “democratic parties” as well as other representatives of civil society. Some members of the Conference “expressed reservations about (...) the efficiency of reform if the government – not the market – becomes the dominant force in distributing health care resources.” Prof. Gu Xin, professor of public administration at Peking University and State Council appointed specialist for evaluating medical insurance for township residents, has expressed the idea that “the market is usually more effective than executive administration, especially in China where administrative professionalism is low.” Finally the *Caijing* article reports that “some CPPCC delegates suggested that all medical institutions should be market-oriented.” These opinions would be quite alarming, should they be heard and implemented by the Chinese leadership in this domain, as, to quote just one aspect of the present Chinese situation in health care, patients in recent years have covered 50 per cent of all medical costs from their own pockets, according to China Health Economic Institute, quoted by this *Caijing* article, and we know that the marketization of the health sector has cut access to health care for a large sectors of the Chinese population, which cannot afford to pay out of pocket. Ren Bo and Liu Jingjing, “Local government costs and doctors’ pay are among the unfinished issues for health care reformers, whose task appears far from done”, *Caijing Magazine Online*, March 19, 2009, available on *Caijing*’s website: [www.english.caijing.com.cn](http://www.english.caijing.com.cn), accessed 04.05.2009.

Moreover, the improvement of the economic conditions of Chinese citizens has given more confidence to an increasing number of them to engage in public debates, to resort to tribunals to settle disputes and even to engage in overt protest movements to contest illegal decisions and actions taken by public authorities, especially at the local level. Experience of these last years proves that this process, which is going on in spite of difficulties due to traditional behaviour we explained in chapter 4 and the vested interest of too many local dishonest leaders, is not opposed by the central state. In fact, the Chinese leadership has publicly declared that it has opted for governing the country according to laws, and to vigorously striving against corruption and more generally against illegal practices and behaviour of local authorities. It is therefore in its interest to show that it will not tolerate behaviours that clearly go against the law. Only when the authority of the Party-State is overtly and publicly attacked, will the Party-State repress opposition movements.

The problem is that in its quest for modernizing the country, and having in mind the failure of Gorbachev's reform strategy in Russia, the Chinese leadership is constantly trying to find a balance between the necessity of retaining power for the purpose of leading the country's economic development and the goal of progressively introducing spaces of freedom within Chinese society necessary for sustaining the modernization process. Unless some extremely grave mistakes are made in the future, an event that is unlikely to happen given the findings presented in this book, it is most likely that the completion of the reconciliation with Chinese characteristics is on its way, even if it will necessitate more efforts, imagination and patience for the decades to come. And the long history of China has shown that the Chinese people possess these qualities.