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On
Freedom,
Prosperity,
and China

By Andrew B. Brick



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There is no single model for the evolution of democracy in Asia—if indeed any such pattern is discernible at all. At the same time, free-market economic development is busting out all over, accompanied by a surprisingly widely shared prosperity. Of the six Asian countries whose per capita gross national product have grown fastest over the last thirty years, none has experienced a transfer of power to a competitive political challenger. One (China) remains a communist dictatorship; and another (Indonesia) is ruled by a military junta under the rubric of a single political party. Two (South Korea and Taiwan) are nascent democracies only recently evolved from one-party authoritarianisms. One (Singapore) has possibly the most dirigiste government on earth. And the sixth (Hong Kong) largely has been run, though with a wide gamut of civil liberties, by an undemocratic colonial government.

Insofar as freedom and prosperity march together in Asia, they are hopelessly out of step.

This may be no coincidence. Listen, for example, to some of the region's leaders and there emerges a general pattern of resistance to the concepts of democracy and individual freedom, and their interrelatedness, that most people in the West take to be self-evident truths.

Speaking early last year before the high-gloss World Economic Forum in Davos, Switzerland, former Japanese prime minister Takeshita Noboru observed: "Laudable though democracy is, [countries that] rush to it can suffer a political collapse that makes it more difficult to introduce market economies." Takeshita then concluded: "And their people suffer as a result."

Although the former prime minister was talking about Russia, he clearly was giving tacit backing to the line taken only hours before by China's prime minister, Li Peng. Unrepentantly, and predictably, Li told the Davos conference that human rights in the People's Republic were not the business of outsiders. He argued that what really mattered for a country as poor as China was economic growth, which could flourish only with political and social stability.

This is the crux of the disagreement between Asian authoritarians—or totalitarians in Li Peng's case—and Western democrats. The Asians think that the economy comes first: a government's main duty is to keep the country growing and competitive; the niceties of democracy should be thought of largely in the context of how well they serve economic development.

What Kind of Freedom? Are they right? If you ask an ordinary Chinese what kind of freedom he or she today cherishes most, will the invariable answer be "political freedom"? Maybe so. In the longer term, almost surely so. But it is by no means unimaginable that a Chinese peasant may say that the freedom he cherishes most is the freedom to sell his labor in the open market—and to enjoy its return as he sees fit, whether in consumption or investment, in a perpetual spiral of building value on value. Odds are in today's China that is what a peasant wants now. And that is what he is now beginning to get.

This lecture examines the relationship between freedom and prosperity. My case in particular is China.

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The clear trend of human history in the waning years of this century is toward greater individual freedom. The exceptions are conspicuous precisely because they are exceptions. Material progress in the modern age depends on innovation, and societies that accommodate and nurture innovation invariably are characterized by a high degree of freedom.

Public Good. Even the paladins of totalitarianism concede the uniqueness of the individual, at least in theory; the universality of human rights is accorded an almost ritual recognition. The constitutions of both the People's Republic of China and the former Soviet Union enshrine the vocabulary of freedom into their basic law. Just as hypocrisy is the tribute vice pays to virtue, so constitutions embodying affirmations of human rights are the homage that even the worst of tyrannies feel obliged to lay at the feet of freedom. Of course, such documents are fraudulent. But the fact that they exist at all, that a genuflection to freedom is considered necessary in Beijing as it was in Moscow, is an acknowledgment even by those who deny it that freedom is a public good, maybe the ultimate public good.

But making choices among the various aspects of freedom is unnecessary; in all likelihood the effort to construct a hierarchy of freedom—some more, some less valuable, some prior, some ancillary—is a fool's errand. The irreducible quality of freedom is that it is indivisible: freedom in essence is choosing—and choosing, moreover, by individuals, not society, although the individual can delegate the power of choice regarding particular matters to assemblies and parliaments, and to presidents and other executive agents. All of which, let it be noted, are chosen through “equal opportunity” processes by those same sovereign individuals.

One especially prevalent refinement of the fool's errand is the belief that one can distinguish between political and economic freedom, and maintain a firewall separating them. This is the line of debate preferred by the leaders in Beijing and, ironically, mirrored by the American advocates of restrictions on most-favored-nation trading status for China.

To them, political and economic freedom are quite different, so much so that it is possible to promote the one by constraining the other. But the study of history—and of the contemporary world—makes it clear that such a course is likely to fail: where political freedom does not exist, it is hard to maintain economic development for long. Conversely, toleration (and even encouragement) of entrepreneurial freebooting tends to spread into the political arena. It surely was no accident, for instance, that the expansion of economic freedom in the 18th century, which led directly to the Industrial Revolution, also was the progenitor of universal suffrage and parliamentary democracy.

The truth would seem to be that all “freedoms” are aspects of one fundamental freedom, anchored in the proposition that the individual is almost always a better judge of his interests than any collective. Once one aspect of freedom is secured, the others accrue in time; should one aspect be lost, the others tend to disappear in due course.

I lay no claim to originality with these preliminary thoughts; all manner of shrewd heads have been over this ground before me—indeed, they have given names to these parallel processes for choosing. On the political track, the name is “democracy”; and on the economic track it is “free market.”



The social benefits of the free market are often denied, to be sure, and especially by many intellectuals and academics in the West (whose expertise in these matters has been honed by a fortuitous lack of experience with the benefits enjoyed in non-free market societies). Such people would go to the stake on behalf of the freedom to seek knowledge and to be governed democrati-

cally. Yet they would severely restrict the operation of the free market, denouncing it variously as “Reaganomics” or “Thatcherism” or “The Law of the Jungle.”

Some jungle! As everyone in this hall knows all too well, the market is essentially a very sophisticated system of knowledge—a system where information is acquired, collated, and disseminated. Goods in the wrong place at the wrong time or the right place at the wrong time or the wrong place at the right time have a diminished value or, if perishable, no value at all. So the essential function of the market is, quite simply, to determine, to manage, the location of goods in time and space. Location and timing, in turn, determine value and price.

Accurate and Objective. Economic efficiency—currently the foremost goal of the hard-liners in Beijing—is the consequence of making the right decisions. Or, better put perhaps, permitting the right decisions to be made. This is precisely what the free-market system provides. The market is a natural device for the speedy conveyance of accurate and objective information. Because there is no absolute value in goods, the free market will tell you the exact going price and the level of demand of anything in any place at any time within the society permitting it to do its job. It is speedy because the market functions around the clock all over the world; cost-free because it is the automatic by-product of buying and selling; accurate because it is based on an endless multiplicity of real transactions; and objective because the market is an institution with neither purpose nor ideology but, rather, a simple mirror of human wants and demands in all their nakedness.

What, then, does all this “Econ 101” have to do with China? Everything. Wherever the market provides access to this quality of information, the quality of decision-making improves accordingly. This in turn reflects an improved economic performance and, with it, social benefit.

Every cellular phone in Shanghai or Guangzhou or any of a dozen cities on the mainland increases the speed with which the market distributes knowledge across the world—as well as the efficiency of the Chinese marketplace. This knowledge is free, unbiased, and uncensored, and it is as important to the functioning of the market as is the free flow of information to any university or newspaper or lecturer.

In a recent visit to Greater China by the Board of Trustees of The Heritage Foundation, a leading Beijing economic minister complained that China’s central planners—he said this with a palpable disdain—no longer really knew the cost of any of the products they were making, which industries, let alone which individual factories, were operating efficiently, or who among their managers ought to be promoted or sacked.

Said he: “Without market criteria, we are without yardsticks of success or failure.”



Markets are systems of knowledge, of information-exchange, yes. But they are also inherently democratic. In elections, we might vote every two or four years. But in the free market we vote with our dollars in the shops every day of our lives. We vote with our quarters when we buy our daily newspaper. We vote with our eyes and ears when we turn the knob of our TV set.

We also vote with our feet, deciding where we will live and work, and under what authority we will place ourselves. Perhaps the purest expression of freedom is that of movement. Certainly, that is what made the Berlin Wall such a poignant symbol of freedom: it was a barrier erected not for defense, not to keep enemies out, but solely to prevent ordinary people from voting with their feet.

Freedom of movement has to be suppressed by tyrannies because it is the ultimate verdict on the system. And the free movement of people, like the movement of goods in a free market, tells us a variety of truths about the world. It tells us what ordinary people think, what they value, what worth they assign—and to what.

What ordinary people think in today's China is largely what ordinary people have thought for ages: the poorest member of society values political freedom as much as the richest, but the freedom to sell his labor in the open market is the freedom he values as most meaningful, with the most immediate and tangible payoff.

Like the tens of millions of European peasants and artisans who decade after decade moved across the Atlantic in pursuit of that same freedom, millions of Chinese today surge from the Chinese countryside to the Chinese city. They are essentially voting for capitalism with their feet—for the free market, in fact—not simply because they feel in their bones that it may mean prosperity for their kids (and beyond) but because it means a new lease on opportunities for themselves as well.

The freedom to choose is inherent in the nature of man, as it is the prime mover of economic efficiency. It is the core of the “good” society.



Surely, there is nothing “good” about the leadership in Beijing, or about their repressive regime. Indeed, Tiananmen Square is as ample a demonstration of the barbarism that stands at the core of communism as the Cambodian genocide of the 1970s or Prague 1968. The martyrs of Tiananmen Square gave the baby boom generation its Budapest 1956.

For Bill Clinton and his party, this is fundamentally important. A popular revisionism holds that the Cold War, fed by mutual paranoia, was a cherished project of the American right. China, however, clarifies the issue. It dramatically recreates precisely the kind of forces America fought during forty years of the great twilight struggle.

The question for Washington's new policy makers is how to carry on the fight.

I would suggest that the recent dispatch of U.S. Trade Representative Carla A. Hills to Taipei and, a few days later, Commerce Secretary Barbara Hackman Franklin to Beijing suggests the way. Neither the timing nor the portfolios of these two official emissaries could have been accidental. Their messages, one can only hope, were unambiguous: Just as the business of the post-Cold-War era is trade—free, fair, and mutually beneficial—so too must its political bond be democracy. It is only when these parallel tracks converge that a relationship of genuine and enduring Sino-American friendship is possible. Taiwan has long since gotten the message. Now it is up to the People's Republic: only the Chinese can make the necessary accommodations in their political system to qualify for full membership in what is emerging as a community of democracies.

The deal could conceivably be closed on President Bill Clinton's watch. He would do well to keep straight the distinctive character of each of these tracks—the commercial and the political—and to pursue them both with separate but equal forcefulness.

Potent Dragon. China used to be able to present itself to the West as the cuddlier and fuzzier sort of a communist regime. But that time is past: it is now the only mature totalitarianism left in the world—and nuclear armed, as well. Cuba, Vietnam, and North Korea are just obscene remnants of what was once an aggressive Soviet empire. For most of the 1980s China was militarily self-effacing, economically adventurous, and relatively open to the outside world. Above all, it

was no friend of the Soviet Union. And so, the U.S. overlooked—or lacked the clarity of purpose to confront—China’s grimmer side, notably its military trade with the world’s piranha regimes and its abominable human rights record: the 10-15 million prisoners languishing in the Chinese gulag, the periodic crackdowns in Tibet, the absolute denial to its people of any trace of political self-expression.

Not any more. The end of the Cold War and the collapse of the Soviet Union have changed the world around China. The result is that Sino-American relations arguably are on course to becoming more realistic, and markedly healthier, than at any time in the last several decades. Strategically, China is less important to the West than it once was, leaving Washington freer to hold Beijing explicitly responsible for its misdeeds. The U.S. is beginning to demand and sometimes to secure hard-won concessions from a China that for too long has been all “get” and no “give.” George Bush’s decision in August to sell F-16s to Taiwan was not just electoral porkbarreling but also a useful exercise in Pacific geopolitics. Weapons sales to Taipei send a signal that the military balance across the Taiwan Strait (and in Asia generally) must not tip too much toward Beijing. And human rights considerations have become a front-burner issue in Sino-American relations. After years of regrettable neglect, Washington now seeks to persuade the Chinese leadership that people have the right to be treated humanely by their government; that cruelty and brutality are not acceptable; and that, ultimately, the rule of law is the benchmark in the transition of a “relationship” into a “friendship.”

Source of Legitimacy. The issue here is essentially one of legitimacy. The United States can and does maintain all manner of “relationships” with regimes it considers illegitimate: China is but one such, albeit the largest and most potent, and the relationship most complex. And legitimacy is not conferred by rising growth rates or volumes of bilateral trade. Its sole source—or so the American mindset appears to demand—is the establishment, elaboration, and rootedness of the processes of political free choice. That and that alone is the bond of friendship with the U.S., which may even mature into alliance.

Interestingly—of utmost significance in fact—at the very moment that the Sino-American connection is becoming a hot-button issue in Washington, the decrepit regime in Beijing is almost tangibly slipping into its terminal phase. The pillars of its legitimacy are eroding, and at an escalating pace: the governing doctrines, whether Marx or Lenin or Mao, are in tatters; the party ascendant is reduced to issuing a warning, or an appeal, that the farther shores of the democratic alternative promise only chaos and social disorder. The disdain of that economic minister in Beijing is spilling over not only among the elite cadres but also among the dispossessed and the not-yet-enfranchised.

Where and how and upon whom the Mandate of Heaven will ultimately settle—and how long the transition may take—are all up for grabs; but that the process has begun is no longer really in doubt. The issue of legitimacy is overripe for resolution.

The issue of legitimacy has been solved in Taipei. The arrival of an American cabinet official in Taipei is long overdue. The thirteen years of political isolation since the Carter Administration in 1979 abruptly ended formal diplomatic ties with the Republic of China has forced Taipei to establish unorthodox, arms length relations with the U.S., Europe, and other Asian countries. Still, despite the repeated diplomatic setbacks—only 29 countries today recognize the Republic of China on Taiwan—this island of 21 million sits on top of \$86 billion in foreign currency reserves, commands a global economic presence far greater than its size, and is rapidly approaching a historic landmark: the first case of institutionalized democracy in Chinese history. Indeed, democratic change on Taiwan, no less than political repression on the mainland, have altered the arena in which U.S. policy toward China must operate. Taiwan is the model for all of China in more ways than one.

More broadly, the engine of change is the emergence of a commercially borderless (and increasingly influential) Greater China—an amalgam of economies, both formal and informal, that stretches from southern and coastal China, Taiwan, and Hong Kong, to diverse focal points of the Chinese diaspora around the Pacific Rim. Chinese businesses, both within the mainland and outside, are now astonishingly free of the constraints of time and space, and thus of the control of political authorities. With the punch of a key, huge amounts of capital and goods move around the region. Factories in the mainland's Guangdong province operate through the night to manufacture goods that will go on sale in Hong Kong the next day. Cellular phones in Fujian province keep businessmen connected with partners in Singapore. From Beijing to Bangkok, the market is now recognized as the arbiter of economic decision-making—and the generator of wealth.

The ascendance of Greater China's own ethnically driven marketplace is altering the nature of Asia's international economic relations and its politics in ways that can only dimly be discerned. But what is certain is that the Hong Kongs, Taiwans, and Singapores of the region are today not only genuine centers of full-fledged capitalism but also are the dynamos that drive the region's change. The image of prosperity through productivity is now visible even in the shadow of Mao Zedong's tomb. Free-market enterprises account for fully half—the growing half—of China's national product.



That is why the dispatch of Ambassador Hills and Secretary Franklin to Taipei and Beijing should be instructive for Bill Clinton. The law of supply and demand is as immutable as the law of gravity: as a country moves up the economic ladder, political freedoms almost always follow. The prosperous, the ambitious, and the educated demand them. Indeed, they take them. The correlation is neither inevitable nor predictable at a date-certain, but no totalitarian regime has long co-existed with free-wheeling entrepreneurialism.

For the U.S., therefore, seeding and cultivating the burgeoning Chinese marketplace is a win-win proposition. Not for the first time, the businessman promises to be the agent of the American national interest.