

Dean Russell



## Living in Two Chinas



THE economy of the Republic of China on Taiwan is largely based on private ownership and production-for-profit. The officials are elected and are responsible to the wishes of the people in general.

The economy of the communist government on the mainland, the People's Republic of China, is based on total government ownership of all resources and all means of production. That system of social ownership, i.e., planned production by everyone for the benefit of all, necessarily requires a dictatorship to run it.

While the communist armies clearly won the long war in China between the two sides in the 1940s, their current leaders are now begin-

ning to abandon the economic system they fought for and have followed since 1949.

The communist leaders on the mainland are now increasingly endorsing the basic economic idea that free-market production guided by the desire for profit is (in most areas of daily living) superior to government-directed production for the general welfare. That development deserves the serious attention of all of us who value human freedom. Here's why:

Along with a trend toward the market economy, a different form of government necessarily begins to emerge in practice. For when a people are free to choose as consumers, a large shift in authority must necessarily begin to flow from the central government to local groups and individuals who determine what to

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produce and how best to do it in order to meet consumer demand. The checks and balances of market-directed production and of voluntary selling and buying begin to displace the arbitrary decrees of government officials. That's a first necessary step toward some form of democratic government.

I first became personally involved in studying and comparing the two Chinas when I entered communist China as a tourist a few years ago. It was a short visit, totally under the supervision of government guides during the entire trip. While I enjoyed it (first-class hotels, excellent food, fascinating archeological sites, and such), I had almost no direct contact with the Chinese people. Even so, I saw enough drabness, regimentation, and sullenness to convince me I wouldn't want to live and work there. I *am*, however, now living and working in the Republic of China on Taiwan as a Visiting Professor at the National University. My observations and experiences here have been markedly different from those on the mainland. And I'm convinced that the difference stems basically from the economic systems of the two countries.

I've never seen nor heard of more individual economic activity than I've encountered here on Taiwan. It seems at least as frantic as that generated by their Chinese cousins in Hong Kong. Across the street from

the faculty housing compound where I live, new businesses are suddenly born every day when entrepreneurs drive up (truck or bicycle-cart), roll out a tarpaulin on the sidewalk, and begin selling any number of items. I've bought "designer jeans" there for \$9, and "brand name" \$16 sweat-suits for \$4. I can get leather jackets at perhaps 20 per cent of the price I'd pay at home. Caps, bananas, gloves, oranges, cigarettes, face powder, books, watermelons—you name it and it'll eventually show up on a street corner in my neighborhood. And that's only a hint of what goes on all over this city (Taipei) of some two-and-one-half million people.

### The Two Chinas Compared

That's what free enterprise and the profit motive do. It works every time it's tried. Given half a chance, it'll work in communist China as well as here. In fact, it *is* working there. Under even a rudimentary sort of free market in food production, apparently the communist Chinese are now finally getting enough to eat. And many are now earning enough money as private business people to buy TV sets, an occasional motorcycle (no cars yet, however), and building materials to repair their government-owned and government-assigned housing units.

When I compare what's available in the Republic of China (most especially housing) with the pathetic

situation in the People's Republic on the mainland (or in Russia or Cuba), I wonder how any person can defend communism as the friend of the workers.

In 1984, the Republic of China enjoyed a high 10.92 per cent economic growth. And the per capita income exceeded \$3,000. Meanwhile in communist China, per capita income is somewhere between \$300 and \$500. Communist officials are reluctant to supply this type of information, and the few statistics they make available are often contradictory. In any case—with their great economic leaps forward, their cultural revolutions to purify the spirit of the people, and the inevitable communist leadership intrigues—the per capita income in mainland China doesn't seem to have improved much over the past 30 years.

### The Miracle on Taiwan

The Republic of China is rapidly turning from an underdeveloped country into a highly industrialized nation with a large *surplus* in its balance of payments account. Private enterprise and the market economy have worked their magic again on Taiwan—as they always do everywhere when permitted to operate. And while the United States rendered valuable assistance in supplying both armaments and economic aid, the “miracle” of Taiwan was mostly accomplished by the people of

Taiwan and their government. Here's an absurdly brief summary of how they went about it.

In harmony with the “Principles of the People” advocated by Dr. Sun Yat-sen (the first president of China in 1912 and the leader of the revolution against the imperial Ching or Manchu dynasty), the government started with food production. To increase it, they instituted a “land to the tillers” program to encourage peasant ownership on easy terms. The government compensated the former landowners by giving them equity-shares in the new industries that immediately began to appear on Taiwan. And as had been promised, the United States government “matched” every dollar of this new capital that had been invested in industrial development of all categories, both public and private. The Taiwanese people themselves were encouraged to invest their earnings in the new companies that were springing up all over the island. Foreign investors were also invited in to “take advantage of the cheap and hard-working labor to be found there.”

Again in harmony with the teachings of Dr. Sun Yat-sen, the government itself maintained complete ownership of twelve key industries—steel, railroads, utilities, and such. But light industry and agriculture were left to private ownership and the dictates of the customers in a

market economy. The “market test” of the value of products and services was also supposed to apply to the government-owned industries—a theoretical idea that’s difficult to apply in practice. But for the most part, anyone could start his own company and make whatever he thought he could sell for a profit. (In communist China under total government ownership, there was strict rationing of almost everything; and it still exists there today for the items most wanted by the consumers.)

### **Economic and Political Liberty**

True, the economy of Taiwan is not a free market economy as we know it in the United States; it’s more like that of Great Britain, with government ownership of major industries. (In fact, Dr. Sun most likely got his economic ideas from the Fabian socialists in England where he lived and studied for several years.) But when the Taiwanese economy is compared with the communist economic system on the mainland, it is free indeed. And while the dominant political party on Taiwan (the Kuomintang) doesn’t exactly encourage competing political parties (there are two more), the people generally have a choice among candidates when they vote for their representatives to the National Assembly and to the other national and local offices. The economy and government of the Republic of China

on Taiwan today are unquestionably the freest and most democratic the Chinese people have ever known in their long history.

The results of this Taiwan-style market economy and representative government have generally been a distinct improvement. Education: attendance is required through ninth grade, and it is thereafter available (and essentially tuition-free through the university level) for all those showing sufficient aptitude according to competitive examinations open to everyone. Religion: choose your own, or even start a new one. Travel: live where you please, and travel anywhere except to communist China. Jobs and material possessions: in essence, there is full employment, and as I view the constant traffic jams, it seems to me that “everybody” owns a car or motorcycle—and also a color TV set, considerable electrical equipment in homes that are mostly owned by the people who live in them, and well-styled clothing for every season. Medical: I have found the hospitals and doctors here to be reasonably close to the standards I’ve been accustomed to in New York—and medical care is generally available to everyone in one form or another.

This “living example” of the results of freedom for almost 20 million nationalist Chinese on Taiwan has faced the communist Chinese on the mainland for the past 35 years.

As the standard of living here has constantly gone up, it has remained essentially stationary there. And that fact is known to millions of the mainland Chinese, and most especially to the communist leaders. Perhaps that explains why those leaders have announced that they intend to apply market-oriented principles to their own economy in an effort to satisfy the pressing material needs of the one billion Chinese under their authority.

### A Step Toward Freedom

But can they go from total control of all resources and all production to a considerable degree of freedom of choice? Might this “new economic policy” get out of control and result in a demand by the Chinese people for *political freedom*? After all, that result happened several times in Eastern Europe, and at least once in Russia itself. We can’t know, of course, if it will happen in communist China. But the leaders of the Republic of China on Taiwan would be short-sighted indeed to take any action to impede this trend toward economic freedom for the mainland Chinese. They might even support it by taking no action to discourage the “illegal” trade now rapidly developing between the two Chinas.

For example, during the past 12 months, there has been as much as one billion dollars in trade from Taiwan with mainland China—all tech-

nically illegal. Most of it has been indirect via Hong Kong and other countries along the Chinese border, but some of it has been direct by privately owned “fishing boats” from Taiwan to various Chinese ports. And this trade is growing steadily. It could soon be two billion, then three, and so on. This practical “assistance to the development of a free market on mainland China” needs no encouragement but merely the absence of official discouragement. And the same policy might also be applied to the “illegal” visits by Taiwanese Chinese to see relatives on the mainland.

No one on Taiwan really knows how many Chinese from here have “vacationed in Hong Kong” and then gone on into mainland China, where they are most welcome. The communist border officials don’t even record their entry in the passports issued by the Republic of China, since the visits are “illegal.” Instead they merely give them a slip of paper that can be discarded before they return to Taiwan! The number of these visits is substantial, and is growing.

As a result of these visits and trade, the Chinese on the mainland hear firsthand about the freedom and prosperity of their relatives on Taiwan. And, no doubt, these visits also remind them that the only way they can get out of China is to slip past guards, dogs, and barbed wire—

and then perhaps swim for three hours through shark-infested waters to Hong Kong. These comparisons can only encourage the ever-present desire for similar freedom to trade and travel in the People's Republic of China.

### Exchange Is the Key

It is clear to me that the Republic of China on Taiwan has nothing to fear when its system is compared with that of the People's Republic of China on the mainland. Further, the material level of living in *both* Chinas is automatically raised by this exchange of products. Obviously, each party to the trade gains something he would rather have than what he gives up in exchange. That's the purpose of *all* trade, both domestic and foreign.

Unfortunately, many government leaders on Taiwan seem unaware of the power of ideas, and some of them are now campaigning for strict enforcement of the long-existing laws against travel and trade with red China. I'm convinced, however, that if the Legislative Assembly decides to enforce those laws, they will thereby destroy the only possible development that could permit some sort of mutually acceptable contact (not necessarily formal re-unification) between the two Chinas.

Human freedom starts with the free market and stops with the controlled market. That's necessarily

the case since it is *people* who are controlled, not markets. That's all that any government is ever designed to do, i.e., to control people. And that's the purpose of all laws. (Can you name a *law* that isn't designed to compel or prevent someone from doing something?) And the law itself eventually follows the market. If people are free to voluntarily exchange their goods and services, the law is (or soon will be) in harmony with that economic situation.

And it is well to remember that freedom feeds on itself. People with a little economic freedom want more freedom, and they will automatically move in that direction until stopped by the police powers of government. A powerful example of this tendency is evident in communist China today. The communists there have always posted guards along the Hong Kong border in an effort to prevent their people from escaping into a free market economy. And now that the government has created an experimental "free zone" *within* China along the same border with Hong Kong, additional guards are now posted between the communist China "free zone" border and the rest of China. The purpose, of course, is to prevent the Chinese people from escaping from the more-controlled areas of China into the less-controlled areas of China.

When the communist leaders finally and fully understand that eco-

conomic freedom brings a corresponding degree of political freedom, they may try to return to complete economic controls. The result could be a revolution, as occurred in East Germany, Czechoslovakia, Hungary, and even in Russia itself. That result would present all sorts of intriguing possibilities to the leaders of the Republic of China who still claim to be the only legitimate government of all China.

But suppose the mainland communists continue this trend toward a market-type economy based on Dr. Sun's principles? (After all, the communists claim Dr. Sun as their founder, too.) And suppose that this increasing economic freedom on the

mainland is followed in due course by a representative type of government in the People's Republic of China? In short, suppose the two divided Chinas end with somewhat the same economic and governmental systems? Then who would be president or prime minister or first secretary of all China? Would he come from Taiwan or the mainland?

My answer is simple: It's not in the least important to the Chinese people who is president of an economically and politically free China. What *is* important is that the Chinese people be able to produce, trade, and travel freely in a market economy based on the ideas of private ownership. 

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# Interventionist Liberalism and the Fast Lane

FRED ALLEN once quipped that “The world is moving too fast for the Moses-model man.” Since then, we have speeded up considerably. A silicon chip may come to hold it all. And we have spun off into space, with destinations as yet unknown. Those who have grasped these comets’ tails are euphorious, when not assailed by fear of future shock. The rest of us are bewildered by it all.

Few of us would wish these miracles to vanish. Division of labor now promises an end of toil by robotry—man’s longest dream in sight. So why are we distraught? The prime answer is that philosophy is dead.

Much of the madness around us is just that: reminding us that we are in the age of psychiatry, where even the normal may be gauged as ab-

normal. For the sake of personal sanity, we cannot too often remind ourselves that matters cannot be as horrendous as depicted. After all, the world has never been utopian and a good case can be made that we have “never had it so good.” When one looks around, it appears that most persons are behaving themselves reasonably well and quite a few are doing outstandingly. Indeed, it is only by contrast with this moderate orderliness that we can get an impression of how dreadful the exceptions are.

Nevertheless, however unreasonable they may be, it is best that we take the signs of our times seriously. In an era devoid of philosophical wisdom, we have, arguably, stretched the engine of capitalism to the breaking point. Perhaps we are asking wealth to do what it is unfitted to do: solve all “social problems,”

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