Or maybe it’s the other way around?

China on Its Way to Becoming Japan, via Sweden

Norman Macrae

As a journalist whose job it is to check facts against politicians’ promises and public servants’ continuing prejudices, I doubt whether modern history is moved much by slogans. Interdependence versus self-reliance, the supposed conflicts of the Chinese Way (egalitarianism, autarchy, underconsumption) versus the Japanese Way (growth, trade, investment)—all give way, I suspect, to changing precepts that bring successes.

Under the slogans of “self-reliance” and the “Chinese Way,” Mao’s China has achieved one major economic success: China has established what might be called “rural full employment” through a sort of “rural Keynesianism.”

Within limits and with regional qualifications—but never mind those pedantic qualifications—the rural Chinese work something like an eight-hour day. The typical farmworker may work six hours a day on the commune and two hours on his private plot. Rural workshops, making products for the local market, employ everybody who would otherwise be underemployed. These products would not be competitive if products from more sophisticated areas of China were allowed in. They are not allowed in.

In an equivalent Indian village great numbers of people—especially women, but also many men—are underemployed for much of the year. I would guess that if you took an Indian and Chinese rural population sample exactly equal “as broken down by age and sex” (to quote a heading in British population statistics, which I always consider rather rude, but you’ll see what I mean), then the Chinese sample would put in at least twice as many working hours per year as the Indian. If China’s productivity per worker were equal to India’s, then China’s real rural income per head would be at least twice India’s. Actually, the very rough figures available suggest it is not quite twice as high because in some respects Chinese productivity per man-hour is clearly lower. That includes disappointing output per man-hour from the farming communes.

The increased production from the private plots and disappointing production from the agricultural communes was one reason Mao launched the Cultural Revolution in the 1960’s. I know that the old man had more important reasons: his sincere worry that the Russian road to communism had produced the sort of self-seeking bureaucratic rule against which he had himself revolted while a student in the old empress’ day, for example. He saw that some Chinese students were showing signs of disturbance in his own China. But the agricultural impulse behind the Cultural Revolution was partly to “get zealots to inspire people to produce more food on the communes, including food for export to the towns, instead of becoming deviationist entrepreneurs interested in producing their own ducks, chickens, eggs, etc.”

As is so often the case with politicians’ slogans, the consequence has generally been the happy reverse of what was intended. In rural areas the Cultural Revolution did overthrow the old Communist Party ruling committees and established revolutionary committees that gave people a species of vote for the organizations that most affect their daily lives. People coming out of rural China say that “contrary to opinion abroad, there is more freedom than there used to be before the Cultural Revolution—including more black marketeers moving from place to place.” When people possess the means for choosing those who make the decisions affecting them, they naturally choose those who decide to give them more freedom rather than those who are inclined to make them do more forced labor on the communes. This move to freedom is most likely increasing efficiency in the rural areas.

By contrast, the efficiency of large industry has probably been retarded by the movement from control by the old bureaucrats to a greater degree of worker participation (or whatever one calls the system whereby, in the oil fields, for example, workers are organized into

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“teams” of about sixty workers, who report to brigades and through brigades to command headquarters and through command headquarters to the oil field’s revolutionary committee. The evidence accumulates that the Cultural Revolution did democratically move more power down to the team, and in a system where the growth of some “shopfloor power” does not have the usual Western consequence of speeding inflation—because in China you can only get a wage rise if it is agreed that somebody else on the staff gets less. So the Cultural Revolution in large-scale industry probably has meant a leveling down of the living standards of the formerly higher-paid and a wariness among the educated against “showing off” their superior technological knowledge or ordering people about. This has hampered advance.

Chairman Mao believed it was possible to change human nature and make people less greedy. I doubt whether Mao’s poetic vision will long survive him, although his legacy will still be greater than that of perhaps any man of our time. The greatest legacy (and lesson for others) may prove to be the achievement of rural Keynesianism. The second greatest may be that China could be set to become a sort of Swedish version of Japan.

Unlike the Soviet Union, which has created an impossible and production-hampering bureaucracy, China probably has not created immutable production-hampering institutions. The trends in the three main fields may be these:

Agriculture. This is set to have a sensible mixture of commune plant production and free market system within the all-important framework of rural full employment.

Rural workshops. Until at least the 1960’s a very large proportion of Japan’s industrial output was produced in small cottage industries with very low wages and low productivity. These-enterprises grew rapidly in efficiency, acting both as supplier of components for large industry and producer for export. I think this will happen to the rural workshops in China; indeed it is beginning to happen already.

Large industry. The big question is whether large industry will take the Japanese road toward greater efficiency. I believe this will happen much more slowly than in Japan, but that the eventual pattern of industry in China will look more Japanese than Western or Soviet. The important issue here is now ownership (which, in China, will continue to be called Socialist), because ownership is no longer a source of economic power.

The similarities between Japan and China—and here I am much indebted to the analysis of Tibor Mende—include traditions of subordination of the individual to the group and a search for group harmony; systems of lifetime employment and loyalty to the productive enterprise for which one works; a rigorous work ethic; a certain frugality; an incredible vitality, which is very different from the attitude in India and yet also is not geared to material incentives as frenetically as are attitudes in the West; a capacity for hierarchical self-organization; a desire for consensus rather than votes about everything; the communal self-discipline that makes people feel togetherness (instead of feeling ridiculous) when they perform voluntary gymnastics in the streets.

All this makes it plausible that China—now that village Keynesianism has provided it with the wherewithal for take-off—will follow a Swedish version of the Japanese road. It will probably not be called that. Indeed, the Japanese may even pretend they are taking a version of the Chinese road instead.

Japan has long had a national urge to emulate the “higher” achievements of mankind—American technology, the British Navy, the GNP race. The next stage may be for Japan to think it wants to get into a new “higher” race expressed in ethical terms. Before the Meiji era the slogan in Japan was “Japanese spirit plus Chinese experience.” Post-Meiji it was “Japanese spirit plus Western technology.” Tibor Mende has suggested that in the future the slogan may be “Japanese expertise plus Chinese spirit,” because the desire for Maoist discipline is genuine throughout the East.

I think this a very possible slogan for the future. We all have our funny little political or idealistic ways of describing things. But as an economist I think any slogan will be only a disguise for the fact that China is going to become more like Japan. If Japan wants to feel it is becoming more like China in spirit, then that is Japan’s affair. Personally, I hope it does not feel it wants this because I would like Japan to increase industrial freedom and individuality rather than think up new excuses for submerging individuality in group harmony.

In either event I suspect we may be misleading ourselves if we believe that Chinese self-reliance and the recent Japanese road to brilliant industrialization are necessarily going to mean such very different things. The two systems will likely converge, with the Chinese doing most of the moving.