

A Reflection on China's Economic Reform from the Perspective of Catholic Social Teaching*

It has been nearly four decades since China initiated its economic reform in 1978. In spite of the fact that it brought the unprecedented economic growth to China, the reform is viewed by many (including myself) as problematic, and has recently seemed to be caught in the dilemma between recession and inequity. This article intends to explore the structural flaws of China's economic reforms in the light of modern Catholic social teaching, especially the basic theological principles it builds in explicating activities in political-economic spheres. On the basis of the Catholic understanding of economic liberty, market, government, and equity, this article tries to provide a public theological agenda for China's economic reforms, in order to help solve the problems they are facing. Meanwhile, based on the same theological standpoint, it also gives a critical assessment of the New Left's negation of liberal economy.

Keywords:

Catholic social teaching – China's economic reform – public theology – economic liberty

1. INTRODUCTION

Started at the end of 1978 and initiated by the former top leader of Chinese Communist Party, Deng Xiaoping, China's economic reform, with the objective of establishing and improving the market economy system, has effected great economic and social changes in China during the last dozens of years. While, admittedly, some of these changes can be viewed as remarkable achievements, the others cannot. One

This essay uses non-sexist language, but the sexist expressions in the direct quotations from papal encyclicals will be kept unchanged.

of the greatest among those severe domestic problems emerged from China's market economy stands as the acute inequality of income, in another word, INJUSTICE. This has led to the growth of dissatisfaction toward the current economic system from both the left-wing and the right-wing Chinese intellectuals. However, although the problem observed by them is the same, its origins in institution and the solutions of it are identified as rather diverse. Some see the market economy as the culprit and ask for a regression to the centrally planned economy. Others claim that the market economy from which inequality originated is now a system that is far from an ideal, or even at least a normal, market economy; therefore, what is at stake is not harking back where we were forty years ago, but deepening the economic reform to promote a more healthy market economy, which would be the most feasible way to reduce the inequality.¹

This essay intends to participate in the ongoing debate on China's economic reform with a Christian vision. By using the economic and cultural criteria identified in the tradition of Catholic social thought, this article will make a normative analysis of China's market economy, which includes both the appreciation for its coherence with the economic systems approved by these criteria, as well as the criticism of its structural evils engendering injustice. It is noteworthy that the structural evils I am going to elaborate below cannot be viewed as the only problems of China's market economy, nor even as the only origins of the existing injustice. The economists have, and will find many other more. Both ethical and anthropological discourses involved within Christian theology make it possible to participate in discussion of political-economic issues, but it cannot replace the economic science. What concerns Christian theology is human existence as a whole rather than a certain single dimension within it. While implanting value into them, theology does not try to play the role of social sciences, which focus on each different area of human society. Only God is omnipotent, but theology is not.

¹ Concerning the controversy between the two parties, please see Gong Yang, ed., *Si chao: zhong guo 'xin zuo pai' ji qi ying xiang* [A Trend of Thought: Chinese 'New Left' and Its Influence] (Beijing: China Social Sciences Publishing House, 2003); Li Shitao ed., *Zhi shi fen zi li chang: zi you zhu yi zhi zheng yu zhong guo si xiang jie de fen hua* [The Intellectual Position: the Liberalism Controversy and the Diversification of Chinese Intellectuals] (Changchun: Epoch Literature and Art Press, 2000).

2. THE BASIS AND PRINCIPLES OF CATHOLIC SOCIAL THOUGHT

Although the commentators had not ever used ‘methodological anthropocentrism’ to describe any papal encyclical on social questions until the publication of Pope John Paul II’s 1991 social encyclical, *Centesimus annus*,² this phrase could sufficiently be used to summarize the approach consistently adopted by modern Catholic social tradition. The direct object of the social teaching stands as human society, but what differentiates this tradition from the socialist ideology is the expression below: ‘far from being the object or passive element of social life, the human person is rather, and must always remain, its subject, foundation and goal.’³ In others words, ‘men and women, in the concrete circumstances of history, represent the heart and soul of Catholic social thought.’⁴

With this focus on the human person as the end, the Catholic social tradition regards economic life and relevant institutions primarily in the light of Christian anthropology, namely, the theological understanding of human nature. More specifically, based on the biblical affirmation that the human person is created in the image of God, the social teaching of the Church claims an integral development of the human person.⁵ All modern social encyclicals advocate this authentic and well-rounded development of the whole person while each gives more attention to one or two aspects of it in terms of the historical context of the teaching. This integral development is associated essentially with three important implications of the concept *imago Dei* (the image of God):

First, being the image of God implies the personalist principle, which could also be understood as the principle of subjectivity. It means that human beings should be treated as agents or subjects, not as passive objects. What stands as an indispensable condition for this effective human agency is freedom. However, this freedom does not refer to absolute autonomy of action. Rather, the fullness of human freedom can be realized only in the connection with truth.⁶ This implication of *imago Dei* was clearly

² Maciej Zieba, *The Surprising Pope: Understanding the Thought of John Paul II* (Lanham, MD: Lexington Books, 2000), p. 22.

³ Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church* (Vatican: Libreria Editrice Vaticana, 2004), para. 106.

⁴ John Paul II, *Centesimus Annus*, para. 11.

⁵ Paul VI, *Populorum Progressio*, paras 14, 16, 42; Benedict XVI, *Caritas in Veritate*, paras 8, 11, 15, 18.

⁶ Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the*

expressed by John Paul II in his 1981 social encyclical, *Laborem exercens*, where the focus of the discussion is human work: ‘Man has to subdue the earth and dominate it, because as the “image of God” he is a person, that is to say, a subjective being capable of acting in a planned and rational way, capable of deciding about himself, and with a tendency to self-realization.’⁷

Human development in this aspect is mainly embodied in that the person, as subject, participates in his own development, exerts his initiative and creativity to reach his own fulfillment and that of others. Andrew M. Yuengert specifically explains this in the following: ‘Given effective responsibility for himself and others through appropriate social and material space, each person is expected to bring about his own good and the good of the communities to which he belongs.’⁸ The establishment of new families and other kinds of new ventures, such as businesses and organizations, could all be seen as the fruits of initiative and creativity.

The second implication of *imago Dei* is ‘the relational and social dimension of human nature’.⁹ Its ground in Christian theology lies in both the facts that the triune God is a community of persons and that one’s neighbour is equally created in the image of God. In his 2009 social encyclical, *Caritas in veritate*, Pope XVI affirms, as his predecessors did before, that relationality is an essential element of being human,¹⁰ and charity is the dynamic and principle of relation building.¹¹ Given this affirmation, men’s integral development must entail the establishment of communion of persons, because ‘man can fully discover his true self only in a sincere giving of himself’.¹² A society where human flourishes would provide spaces for the building of various and plural relationships and associations among its members, so that a broad spectrum of authentic human needs could be satisfied in different ways, including the need for communion itself.

Church, para. 138.

⁷ John Paul II, *Laborem Exercens*, para. 6.

⁸ Andrew M. Yuengert, ‘What is “Sustainable Prosperity for All” in the Catholic Social Tradition’, Daniel Finn, ed., *The True Wealth of Nations: Catholic Social Thought and Economic Life* (Oxford: Oxford University Press, 2010), pp.37-62, p. 50.

⁹ Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, para. 110.

¹⁰ Benedict XVI, *Caritas in Veritate*, para. 55.

¹¹ *Ibid*, para. 3, 4, especially 34.

¹² Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, para. 34.

Last but not the least, *imago Dei* indicates that man has a destiny that transcends the merely material or physical aspects of human life. Human being, as an existence made from dust but also with spirit from God, never completely fulfill himself / herself within the dimension of created goods. Rather, continuously extending and renewing one's spiritual life should be viewed as a crucial part of the integral development of the human person: 'he is a spiritual being, open to transcendence and to the discovery of more penetrating truths, thanks to his intellect, by which he shares in the light of the divine mind.'¹³ Through learning and exploring previous human culture, one can push the boundaries of human knowledge; through acting in relation to others responsibly and learning to be virtuous, one can develop human morality; by making use of creativity and initiative in trying to satisfy human needs through work, one can improve and develop greater skills; and, by appreciating and creating artworks, one can promote aesthetic sense and enrich his or her humanity.

Although human flourishing cannot be equated to the material and physical well-being, this does not mean that matter should be seen as evil or unimportant. The social tradition asserts that 'the human person cannot do without the material goods that correspond to his primary needs and constitute the basic condition for his existence; these goods are absolutely indispensable if he is to feed himself, grow, communicate, associate with others, and attain the highest purposes to which he is called'.¹⁴ Furthermore, these two kinds of existence interrelate with each other and indeed are in mutual *perichoresis*, that is, co-inherent. Therefore, any effort that tries to separate them or emphasize solely the spiritual existence will be in vain, and ignores the fact that the material existence of human is the stage on which the drama of redemption is being putted.

These three implications of *imago Dei*—the human person as the subject, the social nature of human being, and human constitution as matter and spirit—build together the foundation for the Catholic church to understand the integral development of the human person. One must view human flourishing in these three aspects as a whole and not separated. More than that, they are in practice conditions for each other. Both initiative and collaboration are necessary for economic prosperity. Economic prosperity, in turn, could provide a more solid basis on which human persons express

¹³ Ibid, para. 129.

¹⁴ Ibid, para. 171.

their agency, establishing complicated social networks and nurturing virtues. For these reasons, the economic life could be seen as an axis around which all the different dimensions of human development interact, both positively and negatively. In *Laborem exercens*, John Paul even claims that by subduing and dominating the earth, human work stands as a sharing in the activity of the Creator, namely, co-creation.¹⁵ It is not surprising, therefore, that the economic life has always been a key topic, if not the most important one, in the Catholic social tradition.

What must be added here is another reality of human existence, which, even though not as an implication of *imago Dei*, is equally crucial for the social tradition elaborating the integral development of the human person. That is the Fall and the consequent entrance of sin into the world. Although sin was not an original part of human nature, now it is truly an indelible mark in that nature. The social tradition has deeply realized this fact and for that reason adopts a realistic way, both embodied in the ends it sets for human development and the means to fulfill them, in discussing the social issues. This could be no more explicitly expressed than in *Centesimus annus*, where John Paul puts it:

Man tends towards good, but he is also capable of evil. He can transcend his immediate interest and still remain bound to it. The social order will be all the more stable, the more it takes this fact into account and does not place in opposition personal interest and the interests of society as a whole, but rather seeks ways to bring them into fruitful harmony.¹⁶

Based on the anthropological insights stated above, the Catholic church confirms three permanent principles at the very heart of her social teaching. These principles are the common good, subsidiarity, and solidarity. All of them could be seen as the Church's approved ways to promote human flourishing and to fulfill the integral development of the human person.

The common good, defined as 'the sum total of social conditions which allow people, either as groups or as individuals, to reach their fulfillment more fully and

¹⁵ John Paul II, *Laborem Exercens*, para. 25.

¹⁶ John Paul II, *Centesimus Annus*, para. 25.

more easily”,¹⁷ stands as the decisive one among and the centre of the three principles. The phrase, ‘the sum total of social conditions’, contains two implications. First, it indicates that the task of Catholic social teaching is not creating the all-inclusive end for people living in different corners of the world. Rather, the best possible society, which is in practice the immediate objective of the social teaching, would be a society with ‘all conditions that assist, as distinct from directly cause, people to achieve self-mastery’.¹⁸ Second, it makes ‘the common good encompasses all spheres of social life, not just the economic.’¹⁹

Closely related to the common good are the other two principles which could also be viewed as the appropriate means to achieve the former. The principle of subsidiarity, which was formulated clearly for the first time by Pope Pius XI in his encyclical, *Quadragesimo anno*, and articulated more fully by John Paul II in *Centesimus annus*, means that

[A] community of a higher order should not interfere in the internal life of a community of a lower order, depriving the latter of its functions, but rather should support it in case of need and help to coordinate its activity with the activities of the rest of society, always with a view to the common good.²⁰

This principle stems directly from the personalism of Christian anthropology which views the individuals as agents and is at the same time rooted in the instrumental nature of the common good.²¹ Most of the time, therefore, the social entity whose activities constrained by the principle of subsidiarity is the state and the governments at all levels. One of the merits of viewing subsidiarity as an appropriate means to promote the common good lies in the fact if the former is provided by the latter, then

¹⁷ Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, para. 164.

¹⁸ Samuel Gregg, ‘Catholicism and the Case for Limited Government’, in Philip Booth, ed., *Catholic Social Teaching and the Market Economy* (London: Institute of Economic Affairs, 2007), pp. 254-273, at p.263.

¹⁹ Albino Barrera, O.P., ‘What Does Catholic Social Thought Recommend for the Economy?’, in *The True Wealth of Nations: Catholic Social Thought and Economic Life*, p. 15.

²⁰ John Paul II, *Centesimus Annus*, para. 48.

²¹ Samuel Gregg, ‘Catholicism and the Case for Limited Government’, in Finn, ed., *Catholic Social Teaching and the Market Economy*, pp. 263-65.

not only can the state not decide the ends of the human development, it can also not prevent individuals or associations from creating themselves the conditions for their own flourishing, unless its action stands as the last resort. That is why both John XXIII and John Paul II warned against the excessive development of the welfare state and the dependency it creates.²²

By solidarity is meant the idea that all persons are interrelated and interdependent with each other, and therefore that they are obligated to serve each other and to be responsible for each other in all kinds of group.²³ It serves the common good as its end: 'it is out of love for one's own good and for that of others that people come together in stable groups with the purpose of attaining a common good.'²⁴ Thus, solidarity stands at the same time a means to reach the common good and an end of development because the relational and social dimension of human nature could also be fulfilled in it. Unlike subsidiarity which exists as a negative principle aiming to constrain the actions of the state, solidarity, on the contrary, stands as a positive principle which encourages individuals, associations and the state all actively committing to the common good.

3. CATHOLIC SOCIAL THOUGHT AND THE MARKET ECONOMY

How did the Catholic social tradition, then, evaluate the market economy, in terms of the Christian perceptions of human development and the permanent principles of the Church's social doctrine? The answer is rather complicated, partly due to the changing historical circumstances in which the social encyclicals were published, and partly due to the lack of precise and consistent terminology used by the popes. The latter, however, does not indicate that discussion of the market economy holds an unimportant place in the social encyclicals, but that more efforts must be made if we wish to grasp the real evaluation of the market economy as such behind diverse usages of the popes of political-economic terms such as 'capitalism' and 'liberalism', both of which are sometimes viewed by us as synonyms of 'market economy'.²⁵ In

²² John XXIII, *Mater et magistra*, paras 63-5; John Paul II, *Centesimus Annus*, para. 48.

²³ Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, para. 193.

²⁴ *Ibid*, para. 150.

²⁵ For example, the term 'capitalism' does not appear in *Rerum novarum* at all, while

order to find a preliminary answer to the question above so that we could acquire the criteria to reflect China's economic reality, and at the same time prevent readers from falling into terminological confusion, the following discussion will, on the one hand, view the modern social tradition of the Church as a whole and try to give a concise of its thought of the market economy, and on the other avoid using the terms with ideological color such as 'capitalism' or 'liberalism', unless necessary.

In spite of the fact that no one pope has ever sacralized the market economy and that even some of them severely criticized the existing capitalism in their days, the Catholic social tradition, generally speaking, endorses the market economy as an effective economic institution and at the same time in accord with human nature. This endorsement, in practice, consists of two different but inseparable approvals. One is the approval of private property, and the other is of the free market as the basic mechanism for the allocation of resources.

Concerning private property, almost all the popes since Leo XIII treat it as a necessary condition for the practice of the human person's economic freedom. Leo argues that the right to private property stems from natural law,²⁶ and this argument has been inherited by some of his successors who likewise emphasize the importance of private property, especially Pius XI and John Paul II. For the latter, the right to own property 'is fundamental for the autonomy and development of the person'.²⁷ At the same time, all the popes mention above also emphasize in varying degrees that the possession of property is not an absolute right and must be subordinated to the universal destination of goods.²⁸ Consistent with this approval of private property is the Church's attitude towards the free market. *Compendium of the Social Doctrine of the Church* affirms explicitly that 'the free market is an institution of social importance because of its capacity to guarantee effective results in the production of goods and services', and that 'in many circumstances, the free market is the most efficient instrument for utilizing resources and effectively responding to needs'.²⁹

From these two affirmations comes the Church's endorsement of the market

Pius XI uses it in a lightly negative sense in his *Quadragesimo anno* and John Paul II makes a careful differentiation of two different kinds of usages of the term.

²⁶ Leo XIII, *Rerum Novarum*, paras 5-13.

²⁷ John Paul II, *Centesimus Annus*, para. 30.

²⁸ Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, para. 172.

²⁹ *Ibid*, para. 347.

economy, which is most explicitly expressed by John Paul II in *Centesimus annus*, where he was trying to answer the question about whether capitalism could be the path to true economic and civil progress:

The answer is obviously complex. If by ‘capitalism’ is meant an economic system which recognizes the fundamental and positive role of business, the market, private property and the resulting responsibility for the means of production, as well as free human creativity in the economic sector, then the answer is certainly in the affirmative, even though it would perhaps be more appropriate to speak of a ‘business economy’, ‘market economy’ or simply ‘free economy’.³⁰

However, the most important theological foundation on which John Paul and the social tradition choose the market economy is beyond the natural law and economic efficiency, and again an anthropological one, as *Compendium* puts it: ‘The Church’s social doctrine considers the freedom of the person in economic matters a fundamental value and an inalienable right to be promoted and defended.’³¹ In other words, the market economy stands as good because it is in accordance with the *imago Dei* of the human person as a free agent.

In illustrating the principles of social life in *Mater et Magistra*, Pope John XXIII wrote: ‘It should be stated at the outset that in the economic order first place must be given to the personal initiative of private citizens working either as individuals or in association with each other in various ways for the furtherance of common interest.’³² The market, in this aspect, is exactly the place where people have every opportunity to make choices, to be creative and initiative, and to solve problems themselves. This is the reason why John Paul reminds us repeatedly that ‘a business cannot be considered only as a “society of capital goods”; it is also a “society of persons”’,³³ and the advantage of the mechanisms of the market is above all that ‘they give central place to the person's desires and preferences’.³⁴

In parallel with this endorsement of the market economy, the social tradition, from

³⁰ John Paul II, *Centesimus Annus*, para. 42.

³¹ Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, para. 336.

³² John XXIII, *Mater et Magistra*, para. 51.

³³ John Paul II, *Centesimus Annus*, para. 42; see also paras 32, 35, 40, 41.

³⁴ *Ibid*, para. 40.

its very beginning, denounces socialism (the central planned economy plus public ownership), and has never viewed it as a feasible economic option. Pope Leo XIII recognizes in socialism its nature as the suppression of private property, and therefore, even against the background of the extreme unjust distribution of wealth and the poverty of the workers of his time, refuses clearly community of goods which he sees as the main tenet of socialism.³⁵ Following the footsteps of his predecessor, Pius XI opposes even more strongly and describes it as ‘extreme harm’ to the working class.³⁶ John XXIII’s attitude towards socialism is equally clear-cut by stating that ‘no Catholic could subscribe even to moderate Socialism’.³⁷ However, it is again John Paul II who in *Centesimus annus* shed light on the theological foundation of the Church’s opposition to socialism:

[T]he fundamental error of socialism is anthropological in nature. Socialism considers the individual person simply as an element, a molecule within the social organism, so that the good of the individual is completely subordinated to the functioning of the socio-economic mechanism Man is thus reduced to a series of social relationships, and the concept of the person as the autonomous subject of moral decision disappears, the very subject whose decisions build the social order.³⁸

What is more, due to its suppression of the human person’s initiative, socialism does not only bring harm to human dignity, but also leads to economic ruin. Taking the events of 1989 as vivid examples, John Paul asserts that the inefficiency of the economic systems in the socialist countries of the Eastern and the Central Europe should not be ‘considered simply as a technical problem, but rather a consequence of the violation of the human rights to private initiative, to ownership of property and to freedom in the economic sector’.³⁹ Compared to the realistic insight of human nature in the anthropological basis on which the market economy build itself, socialism also ignores the fact that self-interest, as one of the conditions with which people exercise their freedom, cannot be violently suppressed. Wherever this happens, ‘it is replaced

³⁵ Leo XIII, *Rerum Novarum*, paras 4, 14, 15.

³⁶ Pius XI, *Quadragesimo Anno*, para. 44.

³⁷ John XXIII, *Mater et Magistra*, para. 34.

³⁸ John Paul II, *Centesimus Annus*, para. 13.

³⁹ *Ibid*, para. 24.

by a burdensome system of bureaucratic control which dries up the wellsprings of initiative and creativity'.⁴⁰

The approval that the Catholic church gives to the market economy, however, pertains only to its potentiality and validity in promoting human flourishing, but not to its absoluteness and sufficiency in doing that. Regarding the principle of the common good, a good economic system should benefit as many people in the world as possible, whether by providing them opportunities to exert their initiative and creativity, or by satisfying their own and others' material and spiritual needs through that exertion. In the case of the market economy, it alone does not automatically bring about the common good, and certain conditions are necessary for its normal functioning. Moreover, even an ideal market economy is still not enough for the integral development of human persons. With a profound insight in this, the Catholic social tradition also elaborates two other important dimensions which are both indispensable for a society running the market economy.

The first dimension, which every social encyclical devoted many pages to discuss, stands as the role of the state. The first pope who defined the role of the civil power as responsible for realizing the common good is Leo XIII.⁴¹ At the same time, however, the means by which the state could realize it was not clarified by him. Along with the development of the social tradition, especially the formulation of the principle of subsidiarity, the appropriate action of the state to the economy is now defined by the Church as creating 'situations favourable to the free exercise of economic activity', and establishing 'limits for the autonomy of the parties in order to defend those who are weaker'.⁴²

While the social tradition since *Rerum novarum* has never embraced laissez-faire liberalism, it has always equally been against excess government intervention which could diminish freedom and initiative of the human person. What is, then, the appropriate role the state should play concerning economic affairs? First, 'the fundamental task of the State in economic matters is that of determining an appropriate juridical framework for regulating economic affairs', because 'economic activity, above all in a free market context, cannot be conducted in an institutional,

⁴⁰ Ibid, para. 25.

⁴¹ Leo XIII, *Immortale Dei*, para. 5; see also his *Rerum Novarum*, paras 33, 35.

⁴² Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, para. 351.

juridical or political vacuum'.⁴³

Second, the state is obligated to 'sustain business activities by creating conditions which will ensure job opportunities, by stimulating those activities where they are lacking or by supporting them in moments of crisis', and to 'intervene when particular monopolies create delays or obstacle to development'.⁴⁴ By doing both, the state does not commit to attain most or even all common goods by itself, just as what the welfare state has tried to do. It serves rather to create and keep the impartial market competitive environment and make people as many as possible be able to participate initiatives in the economic life.

However, as what stated above, a relatively ideal market is still not sufficient for attaining the common good, even the economic one. A main part of this insufficiency comes from the so-called 'market inadequacy'.⁴⁵ This refers to the situation where market outcomes cause serious economic and social disadvantage, usually due to the incapability of people in participating effectively in the market. The task of the state in this aspect should be direct material or financial assistance, through redistribution programmes, to those whose needs are not met by the market.

To accomplish the three tasks above, a democratic political institution is required. A state without a democratic system and constitutional government tends to be statist and authoritarian at the same time, where the subjectivity and initiative of the individual citizens and society would be destructed or at least restrained, the principle of subsidiarity be set aside, and corruption flourish.⁴⁶

The second important dimension viewed by the Church as indispensable for the good outcomes of the market economy, and emphasized by all social encyclicals, though most of the time implicitly, is culture. This is embodied in the following two aspects: On the one hand, both the smooth movement of the market economy and the sustainable economic prosperity necessitate the cultural dimension. In *Caritas in veritate*, Benedict XVI warns that the exclusively binary model of market-plus-State

⁴³ Ibid, para. 352.

⁴⁴ Ibid, para. 351.

⁴⁵ Rebecca M. Blank, 'Market Failure and the Role of Government', in Daniel K. Finn, ed., *The Moral Dynamics of Economic Life: An Extension and Critique of Caritas in Veritate* (New York: Oxford University Press, 2012), pp.53-57, at p. 54.

⁴⁶ John Paul II, *Centesimus Annus*, paras 15, 44-5.

is not enough for a healthy economy,⁴⁷ and also indicates that an economy without solidarity cannot sustain its prosperity in the long term.⁴⁸ In his words: ‘It should be remembered that the reduction of cultures to the technological dimension, even if it favours short-term profits, in the long term impedes reciprocal enrichment and the dynamics of cooperation.’⁴⁹

On the other hand, without an appropriate culture, even a perfectly functioning market economy could do harm to the human freedom in its totality. This usually happens when the market economy is ideologized. For instance, when John Paul II criticizes ‘economism’ and ‘consumerism’,⁵⁰ he is actually talking about not the economic system itself, but the ideologies which tend to absolutize the market economy and to reduce the integral freedom and development of the human person only to the economic ones. Here, the economic system stands as only an instrument, and how people will utilize, namely, their telos, is perceived by the Catholic social tradition as determined by culture. Therefore, to prevent the market economy and thus the whole society from being corroded by the negative cultures, a transcendent humanism is needed, which ‘gives [to man] his greatest possible perfection: this is the highest goal of personal development’.⁵¹

In a word, along with the endorsement of private property and the free market, Catholic social thought also asks for supporting political and cultural systems. These three aspects are interrelated and cannot be separated with each other; together they form what John Paul called ‘market economy’ and the basis of a society which could promote human flourishing. What, then, can this social guidance say to China’s market economy, including both its achievements and the severe injustice engendered in it?

4. GAINS AND LOSSES OF CHINA’S ECONOMIC REFORM

From the establishment of Communist China in 1949 to the present, the development of Chinese economy could be divided into two phases. The first phase, which came to

⁴⁷ Benedict XVI, *Caritas in Veritate*, para. 39.

⁴⁸ *Ibid*, para. 33.

⁴⁹ *Ibid*.

⁵⁰ John Paul II, *Laborem Exercens*, para. 13; *Centesimus Annus*, paras 36-7.

⁵¹ Paul VI, *Populorum Progressio*, para. 16; see also Benedict XVI, *Caritas in Veritate*, para. 18.

its end during 1980's, was characterized by public ownership and central planning. According to the economic discourse contained in Catholic social doctrine, therefore, this economic system stood as orthodox 'socialism'. No later than the year of 1993, the direction of reform toward the establishment of a market-oriented economic system had been explicit, and private business also obtained its status of legitimacy. Since then, the development of Chinese economy has moved to its second phase, which, notwithstanding its 'Chinese characteristics', has generally been accepted as 'market economy'.

In spite of the fact that this institutional reform is simultaneously a socio-economic conversion and an ideological one, its core and foundation are still the establishment of a new economic institution, which mainly includes the reforms in the following areas: (1) The reform of ownership that allows the development of private business as complementary with state-owned business; (2) The reform of the price mechanism that allows commodity prices decided by the market rather than by the government; (3) The establishment of different markets of production, including the commodity market, the technical market, the financial market, the land market, and so on; (4) The establishment of a juridical framework for regulating the market economy; (5) The establishment of a social security system.

While it has greatly extended the economic freedom of both the individuals and the associations, the market economy coming from this reform nevertheless leaves vast room for state intervention. This can be seen, firstly, in the existence of a large number of state-owned enterprises possessing the monopoly in industries such as finance, energy, transportation, metallurgy, and telecom. In the meantime, the state involves itself deeply in the allocation of economic resources in almost all industrial sectors by holding the executive authority of the examination and approval of commercial enterprises. Besides, the state intervenes the market frequently by using different kinds of macroeconomic regulatory measures including taxation, credit, laws, and even executive orders and direct investment.

Comparing this description of the market economy in China with the elaboration of the free economy in the Catholic social tradition, it is rather clear that the former can be defined at most as a 'hybrid economy' which combines both the factors of the market economy and that of the statist economy. However, before carefully analyzing this economic system in the light of the criteria we have found in the social tradition, it is necessary for us to take a look at its outcomes. These outcomes, as both positive

and negative, will in the next section become one part of the basis on which our conclusion emerges.

Can we say that China's economic reform is by far successful? In many senses, the answer would be definitely yes. Since this reform began at the end of 1970's, the economic development of China has made remarkable achievements. With an average annual growth rate of almost 10 percent for the past thirty years, China's 2014 gross domestic product based on purchasing-power-parity (GDP PPP) was near \$18 trillion, a number indicating that China's economy has overtaken the United States to become the largest in the world.⁵² In the meantime, millions of ordinary Chinese people have left behind the deep poverty that has existed for millennia. Against the background of global recession, some at this point even view China as an engine or a stabilizer of the global economy.

This, however, stands as only the bright side of the picture. Some severe domestic problems have also emerged from China's market economy, and one of the greatest among them stands as the great social injustice. According to the National Bureau of Statistics of PRC, China's Gini coefficient in 2014 was 0.469,⁵³ a number which indicates that the level of equality in China, while falling far behind all developed countries, is closing to that of some of the nations in Africa and Latin America where the economic development has stagnated for years, and the social division is extremely great. In fact, if taking housing, education, health care, and gray income into account, this number would be much higher.⁵⁴ In *China Family Panel Studies 2014* released by the Institute of Social Science Survey of Peking University, China's Gini coefficient of household income in 2012 was 0.73, and the top 1 percent Chinese families got more than two third of all household income while the bottom 25 percent

⁵² International Monetary Fund (IMF) World Economic Outlook Database, see IMF website:

<http://www.imf.org/external/pubs/ft/weo/2016/01/weodata/weorept.aspx?pr.x=72&pr.y=2&sy=2014&ey=2021&scsm=1&ssd=1&sort=country&ds=.&br=1&c=924&s=N&GDP_R%2CNGDP_RPCH%2CNGDP%2CNGDPD%2CNGDPRPC%2CNGDPPC%2CNGDPDPC%2CPPP&grp=0&a=> [accessed 30 April 2016].

⁵³ National Bureau of Statistics of PRC Database, see its website:

<http://www.stats.gov.cn/tjsj/sjjd/201503/t20150311_692389.html> [accessed 30 April 2016].

⁵⁴ Yang Jisheng, *Zhong guo dang dai she hui jie ceng fen xi* [Analysis of Contemporary Chinese Social Strata] (Nanchang: Jiangxi Higher Education Press, 2011), pp. 59-64.

families got only 1.2 percent of that.⁵⁵

At the same time, the amount of wealth stands as only one factor, despite one of the most important, in deciding people's social status. Along with the severe inequality of income brought about by the economic reform is the sharp social stratification which includes not only the acute inequality of income, but also that of the civil right, social capital, reputation, and so on. In Yang Jisheng's analysis of the structure of social strata in contemporary China, 82 percent of the economically active population belongs to the middle and lower class (68 percent) and the underclass (14 percent), and in all aspects including income, education, health care, individual development opportunities and the claim to respect, they are far from those who belong to the upper class and the middle and the higher class (only 4.7 percent of the total economically active population).⁵⁶ With regard to this, the problem of social injustice in China is essentially the extreme disparity in the human dignity as an indivisible whole.

Nevertheless, 'social injustice' is still a superficial description of the socially undesirable outcome produced by China's market economy. In a deeper sense, the problem of the contemporary Chinese society could be appropriately defined as 'the fracture of social structure', a phrase used by a professor of sociology at Tsinghua University, Sun Liping, to describe the social structure of contemporary China. By using this term, Sun claims that a part of the Chinese population has been thrown outside the social structure, as he puts it: 'these people, rather than living at the bottom of the social structure, has been located outside that structure.'⁵⁷ Moreover, this fracture is 'embodied in many levels of the cultural and social life'.⁵⁸ In recent research, Sun goes further on this subject and believes that the fractured structure is becoming solidified, which means that the social mobility in China has decreased and

⁵⁵ Xie Yu, Zhang Xiaobo, Li Jianxin, Yu Xuejun, and Ren Qiang, *Zhong guo min sheng fa zhan bao gao 2014* [China Family Panel Studies 2014] (Beijing: Peking University Press, 2014), p. 30.

⁵⁶ Yang Jisheng, *Zhong guo dang dai she hui jie ceng fen xi* [Analysis of Contemporary Chinese Social Strata], pp. 346-56.

⁵⁷ Sun Liping, *Shi heng: duan lie she hui de luo ji yun zuo* [Unbalance: The Logic of a Fractured Society] (Beijing: Social Sciences Academic Press, 2004), p. 22, my own translation, similarly hereinafter.

⁵⁸ Sun Liping, *Chong jian she hui: zhuan xing she hui de zhi xu zai zao* [Reconstructing Society: To Rebuild Social Order in Transformational China] (Beijing: Social Sciences Academic Press, 2009), p. 255.

that each social stratum has begun the process of reproducing itself. At the same time, he notes, the antagonism between the two sides of the fracture is also becoming increasingly obvious. He describes this phenomenon as ‘the oligarchic development of the upper class versus the populist development of the underclass’.⁵⁹

China’s economic reform, thus, is a double-edged sword. As mentioned above, what has accompanied dramatic economic growth is startling social inequality and rapid differentiation of the social structure. Both of the latter outcomes may lead to social instability some day in the future and would do harms to the sustainability of China’s economic development. With regard to this, conducting a cause analysis of both the gains and losses of China’s economic reform is needed. This analysis could, of course, be an economic one, but, as the Catholic social tradition has shown us in other examples, it could also be a theo-economic one.

5. CHINA’S ECONOMIC REFORM AND ITS THEOLOGICAL DIAGNOSIS

Chinese economic performance during the last thirty years has attracted intense global attention. Since the start of the last decade, an increasing number of Western intellectuals concerned about economic development has turned to the Chinese model of the economic development for inspiration. Some of them even consider that China’s market economy has provided a ready-made alternative to liberal capitalism which has been dominated in most Western countries for a century and was expected to achieve global dominance inevitably.⁶⁰ As a witness of such a mushroom growth, I think that this attention is fair and reasonable. After all, any mode of economic development which can last rapid growth for more than thirty years deserves serious consideration. However, it is precisely because of its enormous appeal that this mode must be treated much more carefully and comprehensively.

Although some may regard powerful governmental control of economic activities as one of the most important reasons behind the tremendous development of the Chinese economy, the initiation of this development, ironically, was brought about by the state through decreasing and limiting its control over economic activities. Before 1980’s, there was hardly little individual economic freedom in China, and public

⁵⁹ Ibid, p. 256.

⁶⁰ See Stefan A. Halper, *The Beijing Consensus: How China's Authoritarian Model Will Dominate the Twenty-first Century* (New York: Basic Books, 2010).

ownership and central planning at that time mean that almost all productive activities were controlled by the state. Under such a circumstance, both economic initiative and creativity were wildly suppressed, and the Chinese economy had been suffering from the inefficiency and the lack of incentives.

On the contrary, the market economy reform tries to give much more respect to economic freedom of the human person by endorsing both the private business and the free market. The result, therefore, is the great liberation of potential economic initiative and creativity which had always been owned by Chinese people. In this way, after having adhered to the socialist economy for more than thirty years, Chinese Communist Party (CCP) finally achieved a limited but important consensus with the Catholic social tradition on the human person, which recognizes both the human agency and self-interest, and their indispensability for modern economic life. As John Paul II puts it:

Whereas at one time the decisive factor of production was the land, and later capital—understood as a total complex of the instrument of production—today the decisive factor is increasingly man himself, that is, his knowledge, especially his scientific knowledge, his capacity for interrelated and compact organization, as well as his ability to perceive the needs of others and to satisfy them.⁶¹

From the perspective of the social tradition, therefore, the most important dynamic behind China's economic take-off is rather clear, that is, the economically liberated human person. As we know, China had and still have the largest population in the world, a fact indicating that once they were given economic freedom, even if only a part of them or a part of that freedom, it follows the unleashing of the great economic vitality. However, it is equally undeniable that during the whole process of China's economic reform, the state has always been playing an indispensable role which ensured the smooth implementation of it.

On the one hand, in the early stage of marketization of privatization, where the great economic structural transformation was happening, the Chinese government enacted a range of laws and regulations in due course and also utilized a series of economic measures to both provide guidance to the transformation and to prevent

⁶¹ John Paul II, *Centesimus Annus*, para. 32.

economic activities from falling into chaos. On the other hand, whenever the global economic environment deteriorated, the state acted as the stabilizer of economic life through using all kinds of economic tools with great skills and flexibility. Both of these are indeed good practices of the requirements made by the social tradition to the state, that is, the positive involvement in economic matters without substituting them.

Unfortunately, however, where China's market economy succeeded hides also the origins of injustice. Specifically, in giving people economic freedom and allowing the state to intervene the market, China's economic reform has largely ignored both solidarity and subsidiarity, and this, in turn, led to the loss of the common good. Based on the social tradition's articulation of the market-state relationship, the root of the problem could be found in China's authoritarian market economy, a system where the market economy is controlled by the authoritarian state. The combination of these two seem-to-be contradictory institutions has created in contemporary China a crony economy. Here, the term 'crony' indicates that through exercising within the market the authoritarian power which has been lack of check and balance, the ruling elites has made themselves and those close to or allied with them the largest beneficiaries of China's market economy. From the perspective of the social tradition, this means that the abuse and the excessive intervention of the executive power within the market hinders fair competition which is indispensable for any free market, and thus that most of the Chinese people cannot exert their economic freedom sufficiently due to either inequitable access to the market or the lack of the expertise and skills that are necessary for participating in the economic activities. The formation of crony market economy in China has been facilitated mainly by the following two kinds of involvements of the political power into economic life; each of them goes against in some respects of the principles of the social tradition and has created vested interest group(s) accordingly:

First, while letting private capital flow into some economic sectors, state-owned enterprises have still monopolized the others and gained huge profits from there. In the view of John Paul II, rather than making itself the monopoly, one of the responsibilities of the state related to economic life is to prevent monopoly, as he puts it: 'The State has the further right to intervene when particular monopolies create

delays or obstacles to development'.⁶² In fact, both monopoly itself and state ownership are opposed by the social tradition, let alone state monopoly. For the social tradition, the direct intervention of the state in economic life should be the last resort,⁶³ and only in 'exceptional circumstances' could nationalisation of business be accepted as a temporary means of intervention.⁶⁴ In the situation of China's market economy, contrarily, by disallowing or obstructing private business to enter the economic sectors such as finance, energy, transportation, metallurgy and telecom, the state has largely suppressed economic freedom in these industries. Instead of assisting the economic activities of its citizens, the state has taken over them. In the long term, this will definitely do harm to vitality of Chinese economy and create dependency of individuals to the state. What state monopoly has also created is distributive injustice, which is brought about essentially by unfair competition and reflects in the relatively more comfortable income and welfare of employees in these enterprises.

Second, even after the economic reform, the allocation of economic resources in China has still been controlled considerably by the state, although not entirely decided by it. This is mainly embodied in two facts: (1) The executive authority of the examination and approval of commercial enterprises has been held by the state; (2) So far China's economic development has depended heavily on massive governmental investment in infrastructure. These forms of intervention themselves are obviously contradictory to the principle of subsidiarity, because the market allocates resources by agreement, yet the state allocates resources by coercion. Moreover, in view of China's authoritarian regime where the separation of powers has not been observed, and the practice of the executive power has been lack of supervision and restraint, it is hardly a surprise that authorities have frequently manipulated the allocation of economic resources and give advantages and privileges to particular market subjects, which includes relatives and friends of officials at various levels and all kinds of elites who would like to ally with the political power. The root of the problem, in terms of Pius XI, lies in that the state 'cannot curb and rule itself',⁶⁵ and this stands as one important reason that the social tradition emphasizes subsidiarity and at the same time

⁶² Ibid, para. 48.

⁶³ Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, paras 187-88.

⁶⁴ Ibid, para. 351.

⁶⁵ Pius XI, *Quadragesimo Anno*, para. 88.

democracy as an indispensable means to guarantee subsidiarity.

Another vested interest group that has come into being in China's authoritarian market economy is consist of those corrupted rent-seekers among officials at various levels. 'Rent-seeking' is an idea originated by Gordon Tullock and elaborated more fully by the American economist, Anne Krueger. It refers to the non-productive profit-seeking activities which attempt to gain coercive monopoly so that the rent-seeker can make an excess profit, or 'rent'.⁶⁶ In her article, 'The Political Economy of the Rent-Seeking Society', Krueger maintains that it is government restrictions upon economic activity that give rise to rent-seeking.⁶⁷ Moreover, she also differentiates legal rent-seeking and the illegal one. Despite that both result in reduced economic efficiency and reduced actual wealth creation, the former refers to those public, legal instances of rent-seeking, while the latter 'takes other forms, such as bribery, corruption, smuggling, and black markets.'⁶⁸ Concerning China's authoritarian market economy, massive illegal rent-seeking activities have generated from the above-mentioned executive examination and approval of commercial enterprises. During this process, a number of bureaucrats as well has become the rent-seeker. Through exercising legitimately or illegitimately the executive power, they solicit and extract 'bribe' or 'rent' from those market subjects who intend to take advantages and privileges in the market. During the last thirty years, rent-seeking has become the primary form of corruption in China.

Other than violating the principle of the universal destination of goods,⁶⁹ using monopolistic political power in rent-seeking activities has also greatly cumbered further economic reform in China. Firstly, the existence of rent-seeking opportunities has disinclined the political power to grant more economic freedom to individuals and associations, that is, to follow the principle of subsidiarity. Second, in spite of the fact that rent-seeking activities of bureaucrats could also be regarded as a business, it is rather one that is destructive and should be placed outside of the market. Within it, there is no real initiative, creativity and those virtues that fair market competition

⁶⁶ Era Dabla-Norris and Paul Wade, 'Rent-Seeking and Endogenous Income Inequality', *IMF Working Papers*, volume 1, issue 15 (2001), pp.1-28, at pp.3-5.

⁶⁷ Anne Krueger, 'The Political Economy of the Rent-Seeking Society', *American Economic Review*, 64:3 (1974), pp. 291-303 at p. 291.

⁶⁸ Ibid.

⁶⁹ Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, para. 172.

requires and cultivates.⁷⁰ Third, even though those economic elites have gained excess profits through illegal rent-seeking, harassed the free market, and reduced economic efficiency, they have still driven China's economy by constantly putting profits into reproduction. In comparison, bribes accepted by corrupted officials can hardly become capital and be utilized by any economic activity due to its unlawfulness. Instead of participating in the co-creation with God, what they have been involved is only a zero-sum game.

In fact, the destructive impact of this cronyism has also extended beyond the market economy. As we have elaborated above, economic life is an area that relates to all dimensions of human existence. What John Paul II affirms, therefore, concerning the relationship between the market economy and human morality could be analogized to that relationship in the Chinese situation. While for John Paul an ideal market cultivating virtues, what has happened in contemporary China is that a distorted market encourages vices. Dishonesty, falsehood, abuse, favouritism and corruption have existed universally in almost every corner of the society. Although these also partly resulted from the cultural deviation brought about by the Cultural Revolution as well as from utilitarianism and hypocrisy prevailing in the educational system, it is hard to deny that the cronyist nature of the market economy has contributed much to the barbarism of contemporary China.⁷¹

6. CONCLUSION

After thirty years of mind-bending economic growth, China's economic reform has come to a crossroad. Based on the Catholic social tradition, a paradox could be clearly discerned as existing in China's market economy. Compared to the era of planned economy, on the one hand, the partially liberated economic freedom in China's market economy has indeed created far more wealth for this country and its citizens. On the other hand, however, excess intervention in the market from the authoritarian state has still suppressed a significant part of economic initiative and creativity, and

⁷⁰ John Paul II, *Centesimus Annus*, para. 32.

⁷¹ This view of point is also maintained by He Guanghu, one of the most important Christian theologians in contemporary China. See He Guanghu, 'The National Goal of Contemporary China: A Reflection from Christian and Non-Religious Perspectives', *Logos & Pneuma*, 41(2014), pp. 71-102 at p. 97 (in Chinese with abstract in English).

also brought about severe inequality. Both of them are threatening the sustainable prosperity for all in China.

While providing a diagnosis of China's economic reform, within the social tradition could also be found the antidote to the problem. According to the principles of subsidiarity and solidarity, the state should return to its appropriate role in relation to the market economy, that is, the establisher of juridical framework, the stabilizer of the economic activities, the defender of market fairness and the provider of basic welfare, rather than the monopolistic profit-seeker. This decrease of direct interference would, in turn, increase the vitality of the market economy, and at the same time reduce rent-seeking activities of both bureaucrats and entrepreneurs. Only then, might the existing injustice in China be alleviated and the common good be promoted. However, prior to any concrete social policy, the state must foremost realize that 'The human person is the foundation and purpose of political life.'⁷² On this point, the Catholic social tradition would necessitate a complete rethinking of the political ethic and anthropology of the Chinese Communist Party.

⁷² Pontifical Council for Justice and Peace, *Compendium of the Social Doctrine of the Church*, para. 384.