

Xi Jinping Thought a long way from Chairman Mao

China's future
Xi Jinping is not interested in a Cold War nor exporting China's model. It is unbridled authority at home that he seeks.



Steve Tsang

In October 2017, at the 19th National Congress of the Communist Party of China, the CPC enshrined in its constitution a new political doctrine: "Xi Jinping Thought on Socialism with Chinese Characteristics in a New Era." At a time when a rapidly modernising China is a leading global player, it is tempting to dismiss this doctrine as anachronistic "party-speak" from a bygone age. We succumb to that temptation at our peril.

Five months after the constitutional change, the National People's Congress abolished the presidential term limit, meaning that, barring a political earthquake, Xi—who, at age 65, is still healthy and vigorous—could remain President for perhaps another 20 years. His eponymous doctrine will therefore shape China's development and global engagement for decades to come, and perhaps longer.

In a sense, the inclusion of Xi's name and thought in the CPC constitution delivered to him the exalted status of the People's Republic's founding father, Mao Zedong, as well as the architect of China's modernisation, Deng Xiaoping—the only other leaders mentioned in the document. That, together with the removal of term limits, has led many to argue that Xi is the most powerful Chinese leader since Mao.

But, even if true, this does not mean that Xi is attempting to restore Maoist totalitarianism. While Xi has a much more positive view of China's Maoist past than any other leader since Deng, he is no Maoist.

Instead, Xi's approach to governance closely resembles that of China's first president under Mao, Liu Shaoqi, a devoted Leninist who selectively adapted Confucian ideas to build a Sinicised party-state. For Liu, the party was pivotal; for Mao, by contrast, it was ultimately dispensable, as the Cultural Revolution—of which Liu himself was a casualty—demonstrated.

Unlike Mao, who found chaos exhilarating, Xi shares Liu's longing to exercise control through the CPC, which he expects to take the lead—and apply Xi Jinping Thought—in all policy areas: political, military, civilian and academic.

The contrast with Deng is even sharper.



China's new Great Helmsman is strictly for domestic consumption.

Deng's reforms were defined by pragmatism and experimentation, aimed at identifying the most effective approach to modernisation. In the 1980s, Deng even briefly considered the radical possibility of separating the CPC from the state, though he abandoned the idea after the pro-democracy Tiananmen Square protests in 1989.

Nonetheless, Deng and his successors—Jiang Zemin and Hu Jintao—continued to open China to the West, and remained willing to tolerate the spread, within limits, of some liberal ideas. This is not the case with Xi, whose repeated commitment to deepening reform is muddled by his redefinition of what that should entail.

Xi sees no place for political experimentation or liberal values in China, and regards democratisation, civil society, and universal human rights as anathema. Deepening reform means solidifying control over the CPC, via his "anti-corruption campaign", and over the population, including through the use of advanced technologies enabled by artificial

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intelligence. Such digital authoritarianism will, Xi hopes, prevent liberal or democratic ideas from taking root and spreading, even as China remains connected to the rest of the world. Chinese citizens may enjoy freedom as consumers and investors, but not as participants in civil society or civic discourse.

Managing this tension between international openness and state control is vital for Xi to achieve another key goal of his doctrine: to "make China great again". On the one hand, this entails instilling a Party-

centric nationalism, so that citizens embrace the primacy of the CPC and of Xi himself. Those who are slower to meet this expectation may find themselves under surveillance and even sent to so-called re-education camps, like those in Xinjiang, where hundreds of thousands (or more) Muslim Uighurs are now detained.

On the other hand, making China great again means projecting power and leadership on the world stage. After decades of adhering to Deng's injunction that China should "hide its strength and bide its time", the country's moment, Xi believes, has come.

One way Xi hopes to boost China's global standing is by ensuring that it is on the frontier of technology. To that end, the state is offering its full support to national champions in cutting-edge sectors, as stipulated in the government's Made in China 2025 strategy, which competitors, especially the United States, decry as unfair. It is no coincidence that the US has been targeting Huawei, which has received as much state support as any company in any country in modern times.

Canada's decision to heed America's request to detain Huawei CFO Meng Wanzhou for alleged fraud and violations of US sanctions against Iran amounted, in Xi's eyes, to a failure to respect China's standing and interests, and thus merited retaliation. China soon detained two Canadians on allegations of "engaging in activities that endanger [China's] national security", and sentenced a Canadian convicted of drug smuggling, imposing the death penalty.

The goal of Xi Jinping Thought is not to launch a Cold War with the West, nor to export China's political model. Rather, Xi wants to shore up the authority of the party-state—and his own brand of authoritarianism—within China, including by ensuring that Chinese are not exposed to liberal-democratic ideas. Understanding this is vital to enable the world to engage effectively with an increasingly formidable China.

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Biggest discipline on banks would be customers walking away

Royal commission
Hayne missed a very big opportunity to recommend that bank accounts be made easily portable.



Richard Holden

It ran for 400 days, may have collectively cost a billion dollars, received 10,000 submissions, and made 76 recommendations. But the Hayne commission managed to fail to make the one recommendation that would really discipline bad behaviour—requiring that customers be able to switch banks rapidly and cheaply.

Australia has a highly concentrated banking industry with the big four banks in a dominant position. In owner-occupied home loans their market share is around 90 per cent, for instance. In fact, our banks are so big that all four are in the world's top 50, despite the size of our economy.

There is a benefit to that in terms of access to lower cost funding in international money markets, but also a clear cost in terms of competition. One important way lack of competition manifests itself is through higher interest rates on loans, lower interest rates on deposits, and a raft of questionable fees for things like "account keeping".

But another, more insidious way lack of competition affects customers is through bad service. The royal commission exposed this in excruciating detail. And why would banks go the extra mile to offer great service? Are you really going to switch your entire banking relationship if they charge you another annoying fee or keep you waiting for half an hour to perform a

have to close a bunch of accounts and open others. Direct debits and automated payments need to be switched over which requires full co-operation from the existing card issuer and cannot be done by cancelling the card even with a zero balance. New loan applications need to be made and approved. And on and on.

Switching the supermarket you shop at, coffee shop you frequent, or dry cleaners you depend on takes a split second. Switching

Nobel laureate John Hicks once quipped that "the best of all monopoly profits is the quiet life".

banks is like going through a divorce with an acrimonious spouse who has a bulldog of a lawyer.

The banks, of course, know this. And act accordingly.

But all this could change with one relatively simple policy intervention. Upon request, for a modest fee (maybe \$100), a bank would be required to transfer all accounts to another financial institution of the customer's choice willing to offer those



Game theory says mobile customers mean agile banks. PHOTO: WAYNE TAYLOR

it possible. And realising this, banks would need to fight harder to keep their existing customers.

Indeed, one of the great lessons of game theory is that the very presence of this threat of customer flight is enough to discipline banks. It doesn't even have to be followed through "in equilibrium", but just be a credible threat. Right now, threatening to leave your existing financial institution is hollow.

We already have number portability in telecommunications, which makes it much easier to switch phone providers and materially enhances competition in that

customers happy. When was the last time a bank did that?

Of course, for serious breaches—like some of the ones that have been exposed recently—ASIC will need to take action. Competition in the product market isn't going to address violations of anti-money-laundering provisions and such.

But the magic of the market can discipline banks in a whole range of activities—and many of those are precisely the ones that so many Australians are angry about. ASIC isn't going to help with those concerns; old fashioned competition will.

If a proposal like this was seriously put on the table then I am confident that the big banks would set their collective hair on fire. And that's the first clue that it might just be a pretty good idea.

The celebrated British economist and 1972 Nobel laureate Sir John Hicks once quipped that "the best of all monopoly profits is the quiet life". The Hayne commission missed a golden opportunity to inject a serious dose of competition into the Australian banking industry by empowering customers to do what they do in most other industries—take their business elsewhere when they are dissatisfied. And by missing that opportunity he has left our bankers both their monopoly profits and their quiet lives. A thoughtful government of either political stripe could remedy this by requiring

routine task?

Probably not. Given how integrated into our lives financial services are switching banks is, to put it bluntly, a nightmare. You

services.

That's not going to lead to people randomly switching banks for no reason – it's still a painful process. But it would make

industry. Phone companies routinely contact you to inform you how you can save money for the exact same service because they know they need to keep their

banking portability in the next parliament.

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