



happy

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## DISCUSSION & REVIEW QUESTIONS:

- How do you think that being a historian shapes Mr. Johnson's worldview? Do you think his views reflect the majority of European's views? Why or why not?
- Mr. Johnson profoundly points out that, "...if you've got a genuine religion of the Judeo-Christian tradition, it enables you to meet misfortune face to face and overcome it, and adapt yourself to it, and to see the brighter side of life." What do you think he means by this? How does faith 'enable one to meet misfortune face to face?' What is the relationship between faith and being able to 'see the brighter side of life'?
- In the video, Mr. Johnson states, "...I think learning is the greatest thing in life." Why do you think that he values learning so much? How has learning influenced his life and career? Do you agree with his assertion? Why or why not?
- Towards the end of the video, Mr. Johnson encourages young people to, "...aim high and set yourself the highest possible standards." What, specifically, is he referring to- standards for what? Have you set high standards for yourself? If not, why not? If yes, in which areas of your life?
- Mr. Johnson further urges young people to, "...do the good things in life. Don't waste your time on the mean things." What do you think that he means by this? What are the 'good things?' What are the 'mean things?'

## EXTEND THE LEARNING:

### CASE STUDY: China

INSTRUCTIONS: Read the article "How China Became Capitalist," then answer the questions that follow.

- What major insight did Chinese leaders come to regarding economic structures of communism? What were the two Chinese reforms in terms of economic decentralization?
- The author of the article posits that, "Even though the Chinese Communist Party still monopolizes political power, it is no longer an ideology-driven political party. Indeed, it is communist only in name." What does he mean by this? If not ideology, what then drives the political party? How does this translate to the people, in terms of their overall well-being? Considering the evolving values and views of the Chinese people, do you think that the political system will ever change? Why or why not?
- Mr. Johnson states, "...China is becoming a very important force in the world, and it's still run by a very narrowly-based communist dictatorship. ...they believe in retaining power and I would like to see power devolve on the people of China – because there's nothing wrong with the Chinese people, it's their rulers." Do you think that China is going in the right direction, in terms of devolving power to the people? Why or why not? Do you think that the decentralized economic model that China is currently employing is leading towards a more capitalistic and freer China? Why or why not?



# QUIZ

## AN INTERVIEW WITH PAUL JOHNSON

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**1. Why be a religious person?**

- a. It will keep you in line through rules and religious texts.
- b. It will make life easy.
- c. It will make you happier than anything else will, as you overcome misfortune by meeting it face to face.
- d. It will empower you to make wise decisions.

**2. What is Paul Johnson's favorite book in the Bible and why?**

- a. Psalms because of the poetry.
- b. Job because of the story of a man who overcame the difficulties he encountered.
- c. Proverbs because of the wisdom found for today.
- d. Nehemiah because of the story of a man who did what he was convicted to do.

**3. Anti-Americanism is:**

- a. incurable.
- b. perpetuated by Hollywood's image of America in the world.
- c. a global phenomenon.
- d. an intellectual disease.

**4. What would Paul Johnson like to see happen in China?**

- a. The power that the leaders love devolving to the people of China.
- b. A full breakdown of their society.
- c. Empowerment of women in Chinese society.
- d. An increase of the free market within the Chinese economy.

**5. Which of the following is not part of Paul Johnson's message to today's youth?**

- a. Always aim high, no matter what you are doing.
- b. Never be discouraged if you don't pass the exams or do brilliantly at school.
- c. Ask what you can do for your country; not what your country can do for you.
- d. Do the good things in life; don't waste your time on the bad things.



# QUIZ - ANSWER KEY

## AN INTERVIEW WITH PAUL JOHNSON

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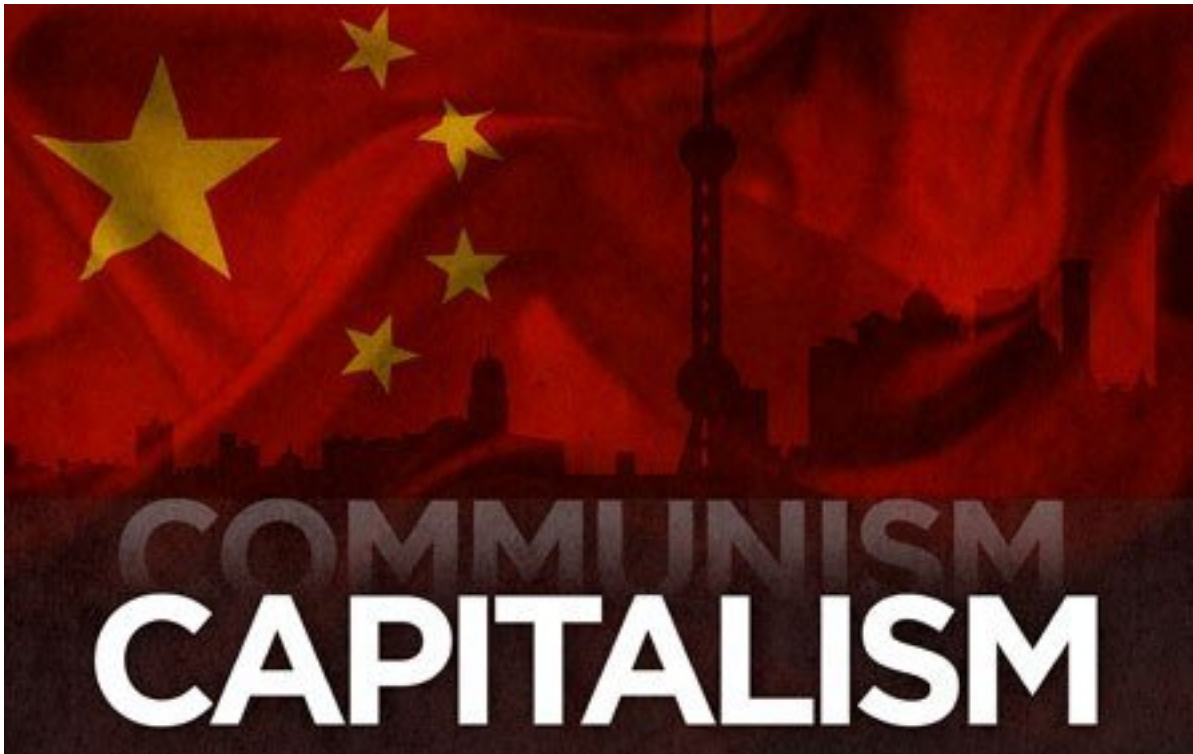
<https://www.aei.org/publication/how-china-became-capitalist/>



[Nick Schulz](#) [@NickSchulz](#)

November 14, 2012 | *The American*

## How China Became Capitalist



**Nobel Prize–winning economist Ronald Coase and Professor Ning Wang on the transformation of the Chinese economy.**

*Editor’s note: Nobel Prize–winning economist Ronald Coase and Professor Ning Wang are the authors of a new book, “[How China Became Capitalist](#).” The book outlines China’s 30-year transition from a closed, communist, agrarian economy to a rapidly growing industrial economy. *THE AMERICAN* Editor-in-Chief Nick Schulz recently asked the authors about the transformation of the Chinese economy, the legacy of the Tiananmen massacre, and why “capitalism with Chinese characteristics is impoverished by the lack of a free market for ideas.”*

**Nick Schulz:** In a famous 1978 communiqué, communist party leaders in China admitted that “one of the serious shortcomings in the structure of economic management is the over-concentration of authority.”

What prompted the Chinese leadership to acknowledge this fact and embrace devolving economic authority?

**Ronald Coase and Ning Wang:** This was not the first time for the Chinese leadership to acknowledge the problem. As early as 1956, even before China's first Five-Year Plan (1953–1957) ended, Mao realized centralization of power in the Chinese economy had dampened the incentives of local officials as well as those of the state enterprises in cities and communes and production teams in rural areas. Mao pushed decentralization in 1958, but it was quickly absorbed into the “Great Leap Forward,” when more than 30 million Chinese peasants perished in Mao's great famine. In the eyes of Chinese economic planners, decentralization was the culprit. Afterward, centralization was restored.

By 1978, the Chinese government came back to Mao's diagnosis, though its prescription went one step further than Mao's, since it knew that Mao's did not work. Mao devolved economic authorities only to provincial and sub-provincial local governments. Now, state enterprises were given some autonomy in their operation.

**NS:** You write that “China became capitalist with marginal revolutions.” What do you mean?

**RC & NW:** A key empirical finding of our book is that there are actually two Chinese reforms. One was dictated by Beijing. The other resulted from grassroots initiatives. Starving peasants started private farming and township and village enterprises; city residents without a job in the state sector set up the first private businesses in Chinese cities; Shenzhen and other Special Economic Zones were set up as an experiment to co-opt capitalism to save socialism. They all operated outside the protected boundary of socialism.

During the first decade of reform, “marginal revolutions” introduced entrepreneurship and market forces back to the Chinese economy, while the state-led reform was desperately trying to improve the state-owned enterprises and save socialism. In this sense, China became capitalist with marginal revolutions.

**NS:** You point out that China's reforms of its state-owned enterprises were a disappointment. What accounted for that?

A free market for ideas has long been respected in China as a political ideal.

**RC & NW:** China's reforms of state enterprises as the “central link” of the whole reform program lasted for more than two decades, from the very beginning to 2003. Before the mid-1990s, privatization of state enterprises was strictly prohibited, and reform mainly consisted of delegating some economic rights to state enterprises and giving them some incentives. Even though the state enterprises gained more autonomy and better incentive structures, they were never subject to market discipline. For example, poor-performing state enterprises were not allowed to go bankrupt. Not surprisingly, state enterprises were quickly outperformed by private enterprises, which were poorly equipped in terms of financial and human capital but had to face strict market selection.

In the 1990s, increasing competition from the private sector made more and more state enterprises insolvent, adding financial burden to local governments. This led many local authorities to let go of the state enterprises under their jurisdiction. Since the mid-1990s, the Chinese government started to privatize state enterprises, and the number of remaining state enterprises was reduced dramatically.

Today, the central government controls less than 120 state-owned enterprises, but many of them are state monopolies, still not subject to market discipline. As a special interest group, the remaining state enterprises pose a serious challenge to market order.

**NS:** You write that in the 1980s, “The United States of America came to replace the Soviet Union as a role model for China, particularly in the minds of Chinese students.” How did that come to pass?

**RC & NW:** Ever since Nixon's visit to Beijing in 1972, China began to see the United States not only as a partner in the Cold War, but also as a country leading the world in science and education. Deng Xiaoping's visit to the United States in 1979 and ensuing visits to China made by many American academic delegations further convinced the Chinese people that they had much to learn from the United States.

Moreover, some of China's leading scientists were trained in the United States before 1949. They were denounced as "rightists" during Mao's time. Those who were fortunate to have survived Mao's political campaigns were gradually rehabilitated after Mao's death, and returned to their research and teaching. They encouraged their children and students to go to the United States for study. Many senior Chinese leaders also sent their children to the United States. When they were young, many of them went to the Soviet Union for study.

Universities and even libraries in China were shut down during the Cultural Revolution (1966–1976). Under Deng's leadership, Chinese universities were reopened in 1977. College students were desperate for new knowledge and new sources of knowledge. It did not take long for them to figure out that the United States had the best to offer.

**NS:** The Student Movement and the collapse of the Soviet Union led to deep antipathy on the part of China's communist leaders toward markets. Are you surprised that the Tiananmen massacre did not ultimately lead to a full-scale rejection and reversal of economic reforms?

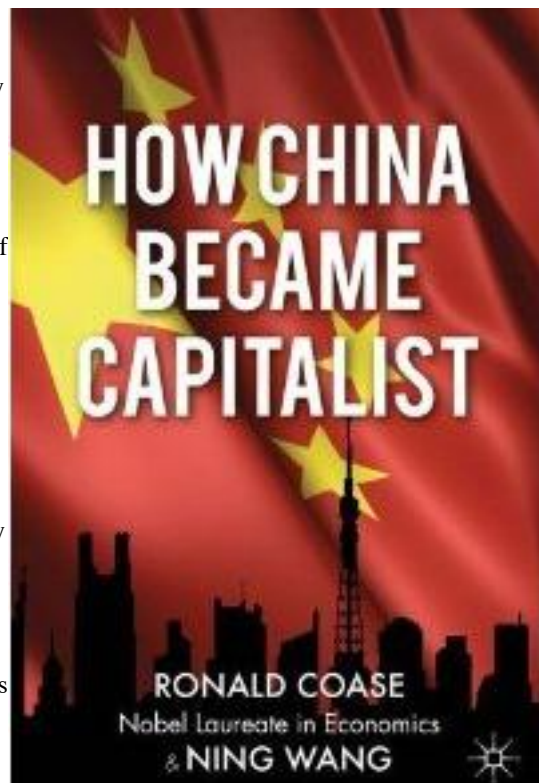
**RC & NW:** China's economic reform was under heavy political and ideological attack from 1989 to 1991. Many market reforms were reversed. The private sector was chastened as the root source of China's political and economic problems.

Nonetheless, China kept its commitment to opening itself to the West. Even the most conservative Chinese leaders realized that China could not afford a return to isolation, and that China had too much to learn from the West. On November 28, 1990, at the 10th anniversary of the Special Economic Zone, Shenzhen was hailed as "a vanguard in conducting reform and opening up to the outside world."

Moreover, the first decade of reform had generated many economic gains and improved the lives of so many Chinese that a full-scale rejection of reform would jeopardize further the legitimacy of the government. As long as pragmatism prevailed and the Chinese government continued to "seek truth from facts," China's reform and opening up had a great chance to survive.

**NS:** You write, "The most extraordinary feature of Chinese economic reform is perhaps that the Chinese Communist Party has survived, and indeed thrived, over the three decades of market transformation." What accounts for this survival and thriving?

**RC & NW:** After Mao's death, the Chinese Communist Party quickly distanced itself from a radical revolutionary party committed to fighting capitalism and spreading communism. With the return of Deng Xiaoping in 1978, the new party leadership returned to pragmatism and jettisoned radical ideology. As the fledgling private sector outperformed the state sector and the marginal revolutions outshined the state-led reform, the party gradually embraced the market economy.



Even though the Chinese Communist Party still monopolizes political power, it is no longer an ideology-driven political party. Indeed, it is communist only in name. It welcomes global capitalism and claims its legitimacy on peace and prosperity. Its political philosophy is no different from the “Mandate of Heaven.” It is this de-politicization of the party, its continuous adaptation, and self-transformation that has allowed the party to grow with the Chinese market economy.

Today, the Chinese government faces enormous challenges, including corruption from within and the increasing demand for political participation from without. As we have argued in the book, an open market for ideas offers a gradual and viable path for China to further reform its political system.

**NS:** You note that “capitalism with Chinese characteristics is impoverished by the lack of a free market for ideas.” What hope is there of that changing?

**RC & NW:** We are cautiously optimistic that China in the coming decades will embrace the market for ideas, just like it embraced the market for goods three decades ago. Our optimism mainly rests on the following three considerations. First, in the early 1980s Steve Cheung predicted that China would go capitalist because the potential economic gains were simply so overwhelming. Today, a similar but stronger argument can be made for China’s move toward a market for ideas. Second, the market for ideas is politically neutral. A market for ideas can work in many different political systems. As long as the Chinese government continues to commit itself to pragmatism, upholding practice as the criterion of testing truth, it will come to realize that an open market for ideas is indispensable for the Chinese people to realize their potential. Third, a free market for ideas has long been respected in China as a political ideal, as captured by the Chinese aphorism, “let a hundred flowers bloom, and a hundred schools of thought contend.” Only an open market for ideas can turn that dream into reality.

**NS:** You are critical of much modern economics, saying it has been transformed “from a moral science of man creating wealth to a cold logic of choice and resource allocation.” How did this happen? Where did economics go wrong?

Even though the Chinese Communist Party still monopolizes political power, it is no longer an ideology-driven political party. Indeed, it is communist only in name.

**RC & NW:** Adam Smith, the founding father of modern economics, took economics as a study of “the nature and causes of the wealth of nations.” As late as 1920, Alfred Marshall in the eighth edition of *Principles of Economics* kept economics as “both a study of wealth and a branch of the study of man.” Barely a dozen years later, Lionel Robbins in his *Essay on the Nature and Significance of Economic Science* (1932) reoriented economics as “the science which studies human behavior as a relationship between ends and scarce means which have alternative uses.” Unfortunately, the viewpoint of Robbins has won the day.

The fundamental shift from Smith and Marshall to Robbins is to rid economics of its substance — the working of the social institutions that bind together the economic system. Afterward, economics has turned into a discipline without a subject matter, advocating itself as a study of human choices. This shift has been assisted by what Hayek (1952) criticized as the growing trend of scientism in the study of society, which took mathematical formalism as the only secure route to truth in the pursuit of knowledge. As economists become more and more interested in formalism and related technical sophistication, it becomes secondary whether the substantive questions that they choose to perfect their methods or to illustrate their theoretical models bear any resemblance to the real world economy. By and large, most of our colleagues are not bothered by the fact that what they profess is mainly “blackboard economics.”

We are now working with the University of Chicago Press to launch a new journal, *Man and the Economy*. We chose our title carefully to signal the mission of the new journal, which is to restore economics to a study of man as he is and of the economy as it actually exists. We hope this new journal will provide a



platform to encourage scholars all over the world to study how the economy works in their countries. We believe this is the only way to make progress in economics.

We are very much aware that many of our colleagues whose work we admire do not share our criticism of modern economics. But our goal is not to replace one view of economics that we don't like with another one of our choice, but to bring diversity and competition to the marketplace for economics ideas, which we hope most, if not all, economists will endorse.

**Nick Schulz is the editor of THE AMERICAN.**

***FURTHER READING:*** Dan Blumenthal and Phillip Swagel discuss U.S.–China relations in their new book [\*An Awkward Embrace: The United States and China in the 21st Century\*](#). Blumenthal also explains “Why Isn’t China Democratizing? Because It’s Not Really Capitalist” and “[The ‘Beijing Model’ Bubble](#).” Michael Auslin says “[China’s Party Is about to End](#).”

Image by Darren Wamboldt / Bergman Group