1 Introduction

1.1 OVERVIEW

The fundamental institution of contemporary China is communist totalitarianism with Chinese characteristics. This institution differs fundamentally from non-communist totalitarian regimes, ancient Chinese systems. It also differs in many aspects from the Soviet Union. It originated in Soviet Russia and its deep roots in China are inseparable from the foundations of ancient Chinese institutions. How does this institution dictate the behavior of the contemporary Chinese government? How have China's institutions and their basic features evolved to the shape that we observe today? In which direction will these institutions change in the future? Academic research in this area is generally weak and has many gaps. This book aims to strengthen academic research in this area and fill in those gaps. By doing so, I hope to establish a solid foundation for interpreting China's historical and contemporary context, while offering insights that may assist in predicting potential future shifts. For those who care about China's reforms, this provides the basis for recognizing where the country's fundamental problems lie and for understanding how to reform its institutions.

In this book, totalitarianism refers to an extreme type of modern autocracy characterized by total control over society through a totalitarian party, which is categorically different from any political party (further explained in Chapter 8). A totalitarian party is a modern organization that applies modern methods of control and propaganda. The descriptive definition proposed by Friedrich and Brzezinski in 1956 is still a valid summary of the system. This definition identifies six fundamental, complementary components of

the system: Ideology is at the core of the totalitarian party's control of the populace; and the party monopolizes and relies on ideology, secret police, armed force, the media, and organizations (including businesses) throughout society and controls all resources through this channel (Friedrich and Brzezinski, 1956, p. 126).

The first totalitarian regime that fit the above definition emerged from the October Revolution in Russia in 1917. Since then, the world has seen totalitarian systems founded on various ideologies. However, the term "totalitarianism" was not coined until the 1920s. The value of a totalitarian ideology at the core of the system lies more in providing legitimacy, cohesion, and mobilization to the regime as a governing tool, rather than in its nominal expression, which has purposely been made misleading by the communists (see Chapters 8, 10, 11). In fact, its extreme autocratic nature determines that regardless of its nominal ideology, essential parts of its expressions will be grossly self-contradictory to the operation of that system. For example, for communist totalitarianism with a nominal ideology of Marxism, the fundamental ideology is the dictatorship of the proletariat and the party's unquestionable ruling position (Leninism). These are not only the basic principles of the specific institutional arrangements of the totalitarian regime but also the basis of its legitimacy. However, the communist ideology of absolute egalitarianism and the Marxist ideology of human freedom with humanitarian connotations are in serious contradiction with the operation of the totalitarian system. Anyone who adheres to a given nominal ideology, yet disobeys the paramount leadership, will face severe punishment under the totalitarian system, regardless of their position. They may even face physical elimination, as was the case with figures like Bukharin and Trotsky of the Soviet Union and Liu Shaoqi and Zhao Ziyang of China, among others.

While the entry of communist totalitarianism into China was initiated and strongly supported by the Soviet Communist Party, it is indisputable that the establishment of a communist totalitarian system in China, at the cost of millions of lives, was a choice made

by Chinese revolutionaries, not the Soviet Red Army. The question is, the end of the Chinese imperial system (*dizhi* 帝制)[1] was brought about by a series of reforms and revolutions aimed at promoting constitutionalism,[2] but why did China ultimately choose the opposite, totalitarianism? Moreover, a recent puzzle is why China is still stuck with totalitarianism after several decades of reform and opening-up and with private enterprise already dominating its economy.[3] Why has the totalitarian system taken root in China so profoundly? A more fundamental and universal question is, why did human society give rise to a totalitarian system? Why did this system originate in Russia? What similarities exist between the institutional legacies of Russia and China? To answer these questions, this book proposes an analytical concept of institutional genes. "Institutional genes" in this book refer to those essential institutional components repeatedly present throughout history. In Chapter 2, we will discuss the definition and mechanisms of institutional genes in detail. Using this concept, we will analyze the emergence, evolution, and characteristics of contemporary China's institutions from both a transnational and historical perspective. Additionally, we will explore the genesis of totalitarianism, particularly in Russia. The concept of institutional genes and its analytical framework are significantly inspired by institutional design (mechanism design) theory[4] and the path-dependence theory of North in economics.

Between 1989 and 1992, totalitarian regimes in the Soviet Union and Central Eastern Europe collapsed. This series of historical events stimulated academic research on institutions and spurred significant developments in the field. Several scholars, such as North and Coase, received the Nobel Prize in Economics for their work related to institutions. Nonetheless, aside from Kornai's work in 1992, most renowned political economy studies have not delved into the subject of totalitarianism, nor have they analyzed the transition from totalitarian to authoritarian regimes in those countries.[5] This research gap in economics and political economics, in particular, has caused a lack of basic understanding of the regimes of China, the Soviet Union,

and other former communist countries, making it difficult to anticipate or respond to political reversals in those countries. From an academic and policy perspective, this seems similar to the awkward situation economists faced in predicting and responding to the global financial crisis of 2008. However, the comprehensive consequences of a totalitarian superpower across the globe, from direct geopolitical, economic, and military impacts to the indirect influence on the institutions of other countries, far surpass the consequences of a financial crisis in terms of breadth and depth. The propositions discussed in this book, therefore, pertain to institutional evolution in general and are not limited to China, Russia, or countries experienced in totalitarian rule.

This book presents and develops the basic concept, or analytical framework, which I refer to as "institutional genes." "Institutional genes" is a term I coined in this book. It refers to essential institutional elements that serve as the foundations for other institutional elements and often appear repeatedly in history. It is a methodological approach proposed for the in-depth analysis of major issues in institutional evolution. This book applies the institutional genes framework to organize historical evidence, using historical narratives to elucidate why the constitutional revolutions in Russia and China in the late nineteenth and early twentieth centuries faltered. It also examines the paradoxical outcome of these revolutions, which, rather than fostering constitutional principles, instead gave rise to totalitarian systems that contradicted them. Further, it sheds light on the crucial institutional changes that these two countries have undergone over the past century and their lasting influence not only on their own trajectories but also on the global political economy.

There are many conceptions of institutions. In this book, the discussion of institutions focuses on three fundamental elements: human rights, property rights, and political power. In connection with this focus, the Locke–Hayek thesis on the inseparability of human rights and property rights is reinterpreted in the context of the history and reality of totalitarianism (Chapters 2 and 3). The

essence is that the property rights structure of any society is inseparable from the structure of political power in that society, as can be observed from the arguably most egalitarian distributional structure of Scandinavian regimes to the most unequal structures of communist regimes. Accordingly, the concept of property rights used in this book is based on the notion of ultimate control rights – a concept employed by Locke, Marx, Mises, Hayek, and Hart (residual rights, Hart, 2017), and one that was widely accepted in academia and practice before the twentieth century. Chapter 3 explores the relationship and differences between this concept and the concept of a "bundle of rights" that has gained popularity since the twentieth century. Throughout the book, the origins of totalitarian systems are explored through historical narratives, emphasizing how the institutional genes of these regimes stemmed from a deep-rooted monopoly on property rights and power and the resulting social consensus that solidified these structures.

From the perspective of property rights and power structures, a totalitarian regime consolidates all property rights and power within society under the control of the totalitarian party, thereby subjecting all individuals' human rights entirely to the party's authority. In contrast, no dictator, government, party, or institution in any other autocratic system enjoys such comprehensive control over property rights and power. Furthermore, the nature of the totalitarian party dictates that it is not a political party in the conventional sense (as detailed in Chapter 8).

With the world currently facing the threat of the totalitarian power of the Chinese Communist Party (CCP), it is particularly important to revisit Mises' warning at the end of the Second World War – that the free world's multi-decades' efforts to contain totalitarianism have all failed. Unfortunately, this warning has long been completely forgotten. The neglect of totalitarianism in academic and policy circles has allowed the CCP to receive unchallenged assistance from the West across various domains, fueling its meteoric rise not only in economic strength but also in the expansion of its propaganda,

police, and military capabilities. Even today, recognizing the totalitarian nature of the CCP remains a significant challenge in the West. Under such favorable conditions, the collapse of the Former Soviet Union and Eastern European (FSU-EE) totalitarian bloc was followed by the unfortunate expansion of the Chinese totalitarian regime into a threatening superpower – a development that could not have occurred without the support of the United States and other democratic nations. Existing academic discussions on totalitarianism, while still valid, are largely based on decades-old literature. These discussions have often been confined to philosophy, intellectual history, or the historical records of Soviet Russia, with few efforts made to systematically study the comprehensive and fundamental mechanisms of totalitarianism within the context of the century-long rise of communist totalitarian regimes. Addressing these gaps, Chapters 6 to 8 of this book explore the origins of totalitarianism as both an ideology and a system, the reasons it emerged first in Russia, and the mechanisms through which it rises and operates.

Totalitarian regimes are characterized by the complete eradication of private property and total control over society through extreme violence. Such regimes emerged from a secular political-religious movement known as the World Proletarian Revolution. This movement, driven by the pursuit of egalitarianism and a form of secular messianism, relied on so-called class struggle, which was both highly seductive and inflammatory, fueled by hatred towards the so-called class enemies. However, this secular religious movement only succeeded in societies that possessed specific institutional genes – a highly monopolized structure of property and political power, along with a corresponding social consensus (Chapter 6). The communist totalitarian movement was first established in Russia because it had the necessary institutional genes to create such a regime. These genes included the autocratic Tsarist regime, the pervasive influence of Russian Orthodoxy, and the well-developed network of sophisticated secret (terrorist) political organizations (Chapter 7).

The Bolshevik Party, the world's first communist totalitarian party, originated as a secretive political organization. Chapter 8 discusses the creation of this party and its transformation into a full-fledged totalitarian party, including the development of its operating mechanisms. The role and mechanisms of the institutional genes that facilitated the formation of the Leninist party in establishing and consolidating a totalitarian regime are analyzed. The creation of the Soviet regime involved the suppression of opposition through the dictatorship of the proletariat, the establishment of a Red Terror regime, the creation of comprehensive state ownership, and the formation of the Comintern (Communist International), the organization that spearheaded global communist totalitarian revolutions. The CCP and other communist parties around the world were established with the support of the Comintern, with their founding principles and operational mechanisms transplanted from the Communist Party of Soviet Union (CPSU). To this day, all the CCP's fundamental principles remain derived from the CPSU. Additionally, Chapter 8 systematically analyzes the basic nature and operational mechanisms of totalitarian parties and how these evolved from the institutional genes of Tsarist Russia. This analysis is essential for understanding the nature of totalitarian parties in general, making this chapter crucial even for readers primarily concerned with China.

Chapters 4, 5, and 9 analyze the origins and evolution of the institutional genes of the Chinese imperial system and the mechanisms by which these genes impeded the development of constitutionalism within it. Chapters 10–13 explore how communist totalitarianism was transplanted into China by the Comintern, how China's institutional genes facilitated the establishment of this totalitarian system, and how a Soviet-style communist regime was formed. The chapters also delve into the evolution of communist totalitarianism with Chinese characteristics – regional administered totalitarianism – during the Great Leap Forward (GLF) and the Cultural Revolution (CR) in the Mao era, and how this system supported economic development and reforms during the post-Mao

era, ultimately preserving CCP rule while leading China into the trap of totalitarianism. From these discussions, it becomes clear that the so-called "middle-income trap" phenomenon observed since the late 2010s is merely a manifestation of the totalitarian trap, inherent in the nature of totalitarianism itself.

The final chapter briefly discusses the institutional transformations of the FSU-EE totalitarian bloc and Taiwan through the lens of institutional genes and explores the implications of these transformations for China's future. The key feature that distinguishes the Chinese system from the FSU-EE totalitarian regimes – Regional Administered Decentralized Totalitarianism (RADT) – was instrumental in enabling China's private enterprises to flourish under communist rule during economic reforms, becoming the primary engine of China's economic growth and thereby sustaining the Chinese Communist regime. However, the sweeping reversal since the late 2010s suggests that the CCP may not be able to fully escape the fate of the CPSU. The fundamental institutions of communist totalitarianism remain unreformable and economic reforms appear destined to fail (Chapters 13 and 14). Furthermore, the peaceful abandonment of totalitarianism by the FSU-EE communist parties was driven not only by economic stagnation but also by immense social pressure and a growing social consciousness regarding human rights and humanitarian values. These pressures and social consensus are deeply rooted in the institutional genes of the FSU-EE countries (Chapter 14). In comparison, China has a much weaker social awareness of human rights and humanitarianism. Additionally, under CCP rule, the military has long been involved in politics and the CCP has deliberately institutionalized the grooming of princelings as successors (Chapter 14). These factors suggest that even in the face of prolonged economic stagnation, it may be more difficult for the CCP leadership to peacefully renounce totalitarianism than it was for their FSU-EE counterparts.

The key to understanding Taiwan's democratic transformation lies in recognizing the pre-existing differences in institutional genes

between Taiwan and mainland China, as well as the fundamental differences between authoritarian Kuomintang (KMT) rule and totalitarian CCP rule in suppressing the institutional genes necessary for constitutional democracy (Chapter 14). First, the short-lived rule of the Chinese imperial system in Taiwan ended as early as the late nineteenth century, leaving only a shallow influence of Chinese imperial institutional genes on the island. During the Taisho democracy era under Japanese rule, Taiwan began to develop the institutional genes of constitutionalism, including local elections and the assembly of political parties. Furthermore, the Comintern never reached Taiwan and the KMT was not a totalitarian party. Under KMT authoritarian rule, the institutional genes of democratic constitutionalism were suppressed but not eradicated; in fact, some were able to survive and even grow, albeit with difficulty. During the authoritarian period, when the Republic of China (ROC) Constitution was partially implemented, these institutional genes saw significant development through local elections, the rapid expansion of private enterprises, and the spread of civil society. This led to a growing social movement towards constitutional democracy. Taiwan's institutional transformation was achieved precisely because the KMT authoritarian rulers yielded to and responded to this tremendous social pressure.

1.2 INSTITUTIONAL DIVERGENCE

China, Russia, and Japan, at the turn of the nineteenth and twentieth centuries, each endeavored to promote the establishment of constitutional government. Japan succeeded while China and Russia failed. Since then, there has been an ongoing institutional divergence between these three powers that has had a major impact on the world.[6] Japan was the first non-Western country to establish a constitutional government and became the first developed nation outside of Europe and North America (a thorough discussion of Japanese institutional changes, including its period of militarism, is beyond the subject of this book). After decades of endeavors towards a constitutional monarchy and republic, which ended their imperial systems, Russia and

China, respectively, created and transplanted totalitarian institutions that ran counter to constitutionalism.

Since the end of the nineteenth century, for the first time in 2,000 years of Chinese history, the reform advocates who tried to change the Chinese institution called the traditional Chinese institution the "imperial system" (*dizhi*). This tradition has continued to this day among Chinese intellectuals who are critical of the institutions of the Chinese Empire. This book continues this tradition. The closest term in political science to *dizhi*, the Chinese imperial system, is an absolute monarchy. However, the powers in the Chinese imperial system were much more concentrated, such that there was no boundary between sovereignty and property rights and no judicial institution separate from the executives (Chapters 3 and 4 will explain further). These make the Chinese imperial system categorially different from the absolute monarchy in Western Europe. The Tsarist imperial system is more similar to the Chinese system than it is to the Western European absolute monarchy (see Chapter 7).

The study of the Chinese imperial system is highly relevant to its economic position in the international arena. This book argues that the most important reason for China's decline and the limitations imposed on its catching up is its great institutional divergence. A century and a half ago, China, or the "Great Qing Empire," had the largest economy in the world. Its economy was bigger than the sum of the second and third largest economies at that time. However, since the mid nineteenth century, China had rapidly declined. Riots, revolutions, and civil and foreign wars persisted. Concurrently, two constitutional reforms faltered, leading to the collapse of the Qing Empire and the Republican Revolution. However, the Republican Revolution also soon faltered. As a result, China became one of the world's poorest countries, mired in conflict.

In 1949, backed by the Soviet Union, the CCP established the People's Republic of China (PRC). At this point, China's per capita gross domestic product (GDP) was a mere twentieth of the United States' (calculation based on Maddison [2003]). The nation remained in severe