

Preface and Acknowledgments

This book analyzes the origins and evolution of totalitarianism from the perspective of institutional genes, focusing on Chinese institutions. Contemporary China's system is the largest and most enduring totalitarian system in human history, with a profound impact on the world. The concept of institutional genes is introduced to help overcome analytical difficulties in this multidisciplinary exploration.

It encapsulates over half a century of my research and thoughts on the totalitarian nature of communism. My inquiry into this subject began in 1967, at the height of the Cultural Revolution. This was driven by the stark contradictions I observed between the rhetoric of communist propaganda, which depicted the Communist Party/society as a paradise on Earth, and the brutal reality of the totalitarian regime and its practices. This contrast extended to the ideal of a classless society promised by communism and the actual endless, ruthless class struggles, along with the emergence of institutionalized privileged social groups in the regime. Despite approaching this subject from a Marxist perspective, my research on the communist system, which was strictly prohibited, led to over a year of imprisonment and more than five years of enforced labor on a farm. Only after the end of the Cultural Revolution was I able to resume this intellectual journey.

While earlier experiences and observations provided a foundational motivation, they alone were insufficient for a deep scientific exploration of the topics in this book. The principles and methodologies in social sciences acquired through my economics training at Harvard and subsequent professional experiences have been particularly influential. Notably, the insights from Kornai's political economy of communism, Maskin's theory of mechanism design, Hart's theory of property rights, and North's theory of path dependence

have significantly shaped my perspective. These intellectual contributions are evident throughout the book.

This book reflects the profound spiritual influence of my parents, Liang-Ying Xu, a historian and philosopher of science, and Lai-Di Wang, a historian of modern China. Beyond the impact of their lifelong works, their intellectual pursuits in the last two decades are particularly relevant to this book. During this period, they embarked on a project titled “The History of Democracy” (originally “The Theory of Democracy”), which analyzed the evolution of constitutional democracy in the West and the challenges faced by China, especially in modern times. Our numerous and in-depth discussions covered a range of important concepts and historical facts, including democracy, constitutionalism, totalitarianism, the creation of the Chinese Communist Party (CCP), the challenges China has faced since the nineteenth century, and the painful yet profound reflections of some veteran CCP members on themselves and the communist regime. These conversations also delved into reform and related social issues. Despite amassing a wealth of profound thoughts and knowledge, they were unable to complete their book due to their advanced age. As such, I consider a substantial part of this book as both a continuation and a tribute to their scholarly endeavors.

My first PhD research project at Harvard involved a game theory model analyzing power structures within a totalitarian regime. I learned a lot from my co-supervisors Kornai and Andreu Mas-Colell. Although I eventually moved away from this project for my PhD due to dissatisfaction with the cooperative game-theoretical approach and the lack of predictive power in my model, my refocusing on communist totalitarianism was merely postponed.

Mechanism design theory, including theory of information and incentives, taught by Eric Maskin, was transformative for me in reconsidering how to analyze institutions and institutional changes, particularly in the context of totalitarianism. After completing my PhD, working jointly with Eric and engaging in countless discussions

with him provided me with further opportunities to deepen my understanding of this aspect.

Under the guidance of Maskin and Kornai, the focus of my doctoral dissertation shifted to an analysis of the planned economy as an institutional barrier to disruptive innovation. While this work did not directly address the political power of a totalitarian system, it enhanced my understanding of the nature of a communist totalitarian system from the perspective of innovation and long-term growth.

Janos Kornai's unwavering focus on the totalitarian nature of the communist regime has been crucial in my intellectual journey. In the summer of 1989, when I was a PhD student, I had daily exchanges with him about the communist crackdown and massacres in Beijing, drawing parallels to the suppressed Hungarian Revolution from thirty years prior. Later, during my tenure at the London School of Economics (LSE) in the 1990s, Kornai invited me to lecture on China's reforms at Harvard. In his comments, he cast deep doubts on China's gradual reform, highlighting the CCP's apparent unwillingness to cede absolute power. He argued that it was impossible for the CCP to transition gradually from a one-party to a multiparty system. This perspective was reinforced a decade later. In 2009, after I presented my paper analyzing China's regionally decentralized authoritarianism at the United Nations University conference commemorating the twentieth anniversary of the fall of the Berlin Wall, Kornai responded by emphasizing the unyielding totalitarian nature of the Chinese communist regime and its potential impact on China's long-run trajectory. The version later published in the *Journal of Economic Literature* (Xu, 2011) reflects revisions made in response to his comments. So to this book.

I must express my gratitude to my long-term co-authors, Eric Maskin, Katharina Pistor, Yingyi Qian, and Gérard Roland. Some of the ideas expressed in several chapters are, to some extent, related to or inspired by our discussions during our decade-long joint work in the 1990s and the 2000s. Particularly, I would like to thank Yingyi Qian, my longest-standing collaborator. We worked together from

my doctoral student days for nearly two decades. Our past discussions about Chinese institutions have influenced the formation of the ideas in parts of this book. Furthermore, some ideas discussed in Chapters 2 and 3 were inspired or stimulated by conversations with Patrick Bolton and Oliver Hart. My heartfelt thanks go out to all of them for their stimulating collaboration in the past and enduring friendship. However, the views expressed in this book are solely my own and I am the only person responsible for any potential errors or controversies.

The completion of this book is a testament to the support of many individuals and institutions. I am especially grateful to the Stanford Center on China's Economy and Institutions (SCCEI) for its generous financial backing and invaluable support in various other aspects, and to the co-directors of the SCCEI, Scott Rozelle and Hongbin Li, for their enthusiastic and long-lasting support of my work. Additionally, I wish to extend my heartfelt thanks for the 2019 Dr. Hsieh Memorial Lecture at Stanford University, the bimonthly lecture series hosted by SCCEI and many seminars organized by the Hoover Institution, during the book's development. These events provided a platform to systematically present and refine the ideas in this project and offered invaluable opportunities to share my views with multidisciplinary scholars. Feedback from insightful audiences is essential in improving the book. Moreover, I must thank Debin Ma. His invitation for me to contribute a chapter to the *Cambridge Economic History of China* provided a platform to encapsulate the core ideas of this book and an opportunity to obtain valuable feedback during the writing process.

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Hebrew University of Jerusalem, the Chinese University of Hong Kong, Corvinus University of Budapest, the LSE, and Imperial College London have significantly contributed to this work. The feedback and insights from colleagues and students at these institutions have been invaluable and I am immensely grateful for their support and hospitality.

Additionally, I want to thank all the participants in my presentations on related topics for their valuable feedback, comments, and critiques. These include the annual meetings of the Association for Comparative Economic Studies, the Asia Society, the Bank of Israel, University of California Berkeley, University of California San Diego, Ben-Gurion University of the Negev, Bucknell University, University of Chicago, the Chinese Economists Society, Chatham House, Corvinus University of Budapest, the Center for Strategic and International Studies, the University of Duisburg-Essen, Harvard University, the Hebrew University of Jerusalem, the University of Hong Kong, the Chinese University of Hong Kong, the Japan Association for Chinese Economic Studies annual meetings, the Japanese Institute of Development Economics, Hitotsubashi, the University of Tokyo, the Fondation Maison des sciences de l'homme, National Bureau of Economic Research, the Ronald Coase Institute (Tel Aviv and Warsaw seminars), Stanford University, Seoul National University, School of Oriental and African Studies, Tel Aviv University, Academia Sinica, National Taiwan University, Tsinghua University (Beijing), Tsinghua University (Taiwan), National Chengchi University, Utrecht University, and the World Interdisciplinary Network for Institutional Research conferences.

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To ensure the precise and clear expression of my ideas, reasoning, and narratives in both Chinese and English and to avoid distortions

in a strict translation, this book has been written in both languages. Each version stands as an original, with neither being a direct translation of the other. In the course of my research related to this book, the majority of the original notes for the subtopics were drafted in English and others were in Chinese. In synthesizing the first draft of the entire book, the initial step involved compiling the original note fragments into Chinese. Subsequently, the Chinese draft was translated into an English draft. Based on this, the final English version was created through substantial revisions and rewriting. Then, using the English version as a reference, the final Chinese version was created by revising the initial Chinese draft. Throughout this process, my focus was on expressing ideas with clarity and accuracy, rather than achieving complete consistency in every sentence or word across the two languages. Therefore, I allowed for slight variations in expression and even in some minor details between the two language versions.

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This book is dedicated to my wife, Di. Her unconditional love, profound understanding, and unwavering care have been the pillars enabling me to complete this work. She is much more than my beloved companion; as a fellow scholar in the social sciences, she has been my closest colleague, my soul mate, and keenest critic of my scholarship. Throughout the decade-long journey of crafting this book, it has woven itself into the very fabric of our family life. Almost all the ideas expressed in this book were first shared with her as my initial listener and critic, often before they were committed to writing. She has been the diligent first reader and editor of every chapter, tirelessly reviewing each page in both English and Chinese. Together, we humbly hope that this book will not only enhance scholarly understanding of the totalitarian communist system but also, in time, make a modest contribution to the journey towards freedom for our fellow Chinese.