

# What Happens When an MBA Student Raised in Communist China Reads Hayek

Imagine being born during the bloody Cultural Revolution in China and growing up in a country with little economic or personal freedom. Few Chinese citizens had the knowledge that human rights are not granted by government, and those few who knew could not say. Few knew that government is not the source of economic progress; and again, those who knew could not fully share their understanding.

Now imagine you're thirty-something years old, traveling to the United States to begin your MBA studies. In the spring of 1999, I taught an MBA economics class to a cohort of 30 such Chinese students.

The class was split between students from Beijing and Shanghai. Students from Shanghai—having more experience with the beneficial impact of liberalizing markets—were much more willing to embrace the ideas of classical liberalism.

Beijing students were more likely to believe in a larger role for government. This split between the Beijing and Shanghai students was most evident in a class discussion after the class read Hayek's ["The Use of Knowledge in Society;"](#) the reading led to a discussion of central planning.

A student from Beijing was emphatic, "This theory is not applicable to China—China is a relatively poor country, and in a poor country the government needs to plan."

An exasperated Shanghai student responded, "You miss the point, central planning is precisely why China is comparatively poor."

Hayek's ideas were so provocative that soon the entire class had joined in; the two factions began shouting at each other in Mandarin. Someone, concerned about the din, called campus security. The students lowered their voices, but Hayek's ideas had left their mark. I feel certain those students carry an indelible memory of that class.

## **The Light Goes On**

Recently, sorting through a box of former student essays, one written by a student in that 1999 class captured my interest. Almost twenty years later, as I read this student's essay, I was still spellbound by his clarity.

The essay writer observed, "I was always amazed by the great wealth the United States has created over such a short period of history compared to that of China." Formerly, he attributed the success of America to, "its abundant natural resources, its youth and talented population coming from all over the world."

The Chinese government, he explained, had ready excuses for its failures: "On the other hand, I ascribed China's slow progress to its scarce natural resources, the burden of its long history of feudalism and poor education of the population. My view was quite similar to what our government explained to us."

Over the course of the semester, the student recounts how he came to see "individuals are the source of the nation's greatness, not the government."

His studies of Hayek, Mises, Kirzner, and Rothbard gave him a fresh lens to examine, with a critical eye, the Chinese Constitution. He saw its foundation, placing the powers of government before the rights of individuals, was the exact opposite of the basis of the American Constitution. The founding principles of the Chinese Constitution, not scarce

resources, were at the heart of China's difficulties.

Article 1 of the [Chinese Constitution](#) states the Chinese system is socialistic: "The socialist system is the basic system of the People's Republic of China. Sabotage of the socialist system by any organization or individual is prohibited." Article 1 also introduces the oxymoronic concept of a "democratic dictatorship" which will guide the country.

The Chinese Constitution stipulates some rights for the people. For example, Article 35 seemingly grants freedom of speech: "Citizens of the People's Republic of China enjoy freedom of speech, of the press, of assembly, of association, of procession and of demonstration."

However, any freedoms granted are meaningless, as they are taken away in the catch-all Article 51; "The exercise by citizens of the People's Republic of China of their freedoms and rights may not infringe upon the interests of the state, of society and of the collective, or upon the lawful freedoms and rights of other citizens."

Despite Articles 38 and 39 guaranteeing "The personal dignity of citizens...[and that] the home of citizens of the People's Republic of China is inviolable," there was no freedom to oppose Mao's murder of millions of Chinese citizens, since to do so would infringe on the "interests of the state."

There is no freedom in China today to oppose appointment for life for President Xi Jinping. The Chinese Constitution was recently amended to elevate the supremacy of "Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era" for guiding the nation.

"Xi Jinping Thought," permeates everything, including [religion](#) and the arts. Recently China's top actors and directors were [sent for training](#) on how to "extol our Party, our country, our people and our heroes."

In other words, the interest of the “socialist state” as led by Xi is paramount. There is no freedom when the interest of government comes first.

Article 51 places society and the collective above individuals. Today on American college campuses, would students who advocate for the prohibition of “hurtful” speech feel right at home with China’s Constitution?

I can imagine my former student shouting at contemporary American students: Do you have the slightest idea of the hard-won freedoms you are clamoring to surrender?

## **The Revolutionary Basis of America**

The 1999 class of Chinese students grasped—perhaps more than many Americans—the gift that America’s founders bequeathed to humanity. That human rights are self-evident, unalienable, and originated in individuals is a powerful idea that struck, as another student in that class put it, like “a lightning bolt across my long-closed mind.”

For the essay writer and many in his class, Jefferson’s immortal words were sacred: “We hold these truths to be self-evident: that all men are created equal; that they are endowed by their Creator with certain unalienable rights; that among these are life, liberty, and the pursuit of happiness.”

Rose Wilder Lane, in her book [\*The Discovery of Freedom\*](#), brilliantly explains the uniqueness of the American idea. From Lane’s work, the essay writer quoted: “This revolutionary basis is recognition of the fact that human rights are natural rights, born in every human being with his life, and inseparable from his life; not rights and freedoms that can be granted by any power on earth.”

Lane continues,

*The true revolutionary course which must be followed toward a*

*free world is a cautious, experimental process of further decreasing the uses of force which individuals permit to Government; of increasing the prohibitions of Government's action, and thus decreasing the use of brute force in human affairs.*

No doubt, my former student is dismayed that the authoritarian Xi is increasing the use of government force in China.

## **Planning Is Counterproductive**

The Chinese students in that 1999 economics class began their MBA studies much like the essay writer who explained, "I had trouble conceiving of an economic or social order that is not deliberately made for a specific purpose." "Government planning," it seemed to him, was needed "to bring order and coordination to otherwise chaotic economic conditions."

Reading Hayek's, "The Use of Knowledge in Society" convinced him otherwise. He wrote, "Central planning ignores its impossible knowledge requirements. It demanded that all the fragments of knowledge existing in different minds be brought together in one mind, a feat requiring that single mind process knowledge far in excess of what anyone could ever comprehend."

The student realized, quoting Hayek from his book [Law, Legislation and Liberty, Vol. 2](#), there is no need to agree on aims: "The Great Society arose through the discovery that men can live together in peace and mutually benefiting each other without agreeing on the particular aims which they severally pursue."

After reading Kirzner and Mises, the student wrote,

*Pure profit opportunities emerge continually as errors are made by market participants in a changing world... Only through this process of error detection and correction within the*

*market that keeps entrepreneurial hunches reasonably abreast of changes in consumer tastes, resource availabilities, and technological possibilities... Without entrepreneurs, not only would markets fail to coordinate, they would also fail to innovate resulting in stagnation...The free market must depend on this entrepreneurial discovery process for its socially benign character.*

I graded student essays anonymously, so I don't know the career arc of the student whose essay I have quoted here. I would like to think he and others in his class have pursued entrepreneurial opportunities and are making the world a better place. During that spring of 1999, this student discovered freedom. With the knowledge he gained he could be indelibly changing the lives of those he touches. Such is the power of economic education.

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