

TEACHING ECONOMICS AND STUDYING  
ECONOMIC REFORM IN CHINA

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Econometric Research Program  
Research Memorandum No. 339

December 1988

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1. Introduction

Economic reform in China initiated by the Third Plenary Session of the 11th Central Committee of the Communist Party in December 1978 has just reached a ten-year mark. My participation in the teaching of economics and the studying of economic reform in China covered the second half of this period. I had served as a lecturer of an econometrics workshop in Beijing in the summer of 1980, hosted by Xu Dixin, then Vice President of the Chinese Academy of Social Sciences, and organized by Lawrence Klein of the University of Pennsylvania. I had lectured in Zhongshan, Wuhan, Huazhong, Peking and Nankai Universities in the summer of 1982. As Chairman of the American Economic Association's Committee on Exchanges with PRC, I had organized lectures by American economists in China and hosted delegations of economists from the Chinese Academy of Social Sciences. However, it was not until October 1983 that I became seriously involved in economics education in China. Perchance I met Wang Fusun and Wang Zenong,

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\*For moral and financial support respectively in the preparation of this paper the author is much indebted to Paula K. Chow and the National Science Foundation.

respectively Director of International Cooperation and Director of Law and Economics of the 1st Department of Higher Education of the Chinese Ministry of Education, while they were visiting Princeton on October 20-21, 1983. Learning of their interest in modernizing economic education in China, I offered to organize and teach three summer workshops in China in 1984-1986, to cover respectively microeconomics, macroeconomics, and econometrics. They were enthusiastic and accepted my proposal. I made clear that the Chinese government had to provide all the funds required. Wang Fusun said he would take care of that, perhaps through applying for support from international organizations or American foundations.

In January 1984, a letter from Wang Fusun arrived to tell me that, regretfully, he was unable to obtain the required funding in U.S. dollars and that the microeconomics workshop contemplated for the summer of 1984 had to be cancelled. I was ready to abandon the project, if not for a conversation with Leon Gordenker, Professor of Political Science at Princeton, during a dinner party at my home. When I mentioned this correspondence from Wang Fusun, Gordenker said that the 1984 summer workshop was too important to forgo and that I myself should try to obtain some funds for it. He convinced me. After some unsuccessful attempts negotiating with American foundations and with a potentially interested agency in Washington, D.C., I finally called the secretary of President William Bowen of Princeton at 9:30 a.m. on March 28, 1984, to make an appointment. I went to

see Bowen at 11:15 for about fifteen minutes. Around 2:00 p.m., Vice President Robert Durkee called to tell me that Bowen had decided to provide funds for the lecturers' international travel. They later referred me to Albert Rees, President of the Sloan Foundation and a former colleague at the Economics Department of Princeton, for possible funding of the honoraria for the lecturers. I was impressed by the swift decisions and grateful to these Princeton colleagues for their contributions to the 1984 summer workshop.

## 2. Economics Education

The microeconomic workshop took place in Peking University for six weeks from June 11 to July 21, 1984. It was fortunate that distinguished economists Sherwin Rosen, Edwin Mills, and Marc Nerlove (in order of appearance) agreed to lecture for two weeks each. There were about 45 to 50 students selected by the Chinese Ministry of Education from various universities. The main textbooks used were Gould and Ferguson's Microeconomic Theory and Henderson and Quandt's Microeconomic Theory: A Mathematical Approach. The lectures were given in English without translation, such a decision having been made after consultation with Wang Fusun and Wang Zenong. Classes met six days a week for two to two and a half hours in the morning. Following the lectures given by the above mentioned economists, I lectured briefly, providing applications to China and commenting on the relevance of the lectures. At the end of the six weeks, a

final examination was given. Twenty-four students took the examination, and some did very well. Considering the limited background of the students in both modern economics and in English, we were impressed by their performance.

At 5:00 p.m. on July 5, I met with Premier Zhao Zhiyang. We discussed economics education, economic reform, and the future of Hong Kong for about one hour and a half. It was my first meeting with Premier Zhao. He met me at the door when I arrived at the Purple Light Pavilion. During our conversation, Premier Zhao impressed me by his very personable style, his intelligence and his firm grasp and intuitive understanding of economic issues. After forty-five minutes or so into our conversation, I commented that he was a very good economist. He said he was not an economist but a practitioner of politics.. Our meeting was broadcast on national television the same evening and reported on the front page of the People's Daily on the following day (showing a picture of the two of us). The publicity signalled that China officially endorsed modern economics. During our conversation, I mentioned that I had written a textbook entitled The Chinese Economy which attempts to introduce modern economic tools to study the Chinese economy. The book was used as a supplementary text in the microeconomics workshop. The Premier commented immediately, "We should translate it." I said, "It is already translated into Chinese." "We should publish it," was his response. Without his comment, the book would not have been published in China at that time, as three university presses in

China had rejected the manuscript before July 5. A Chinese edition of the book was finally published by Nankai University Press in July 1985.

After the completion of the microeconomics workshop, my wife, our daughter and I travelled South to Shanghai and from Shanghai to Hangzhou in order to go by car to visit Huang Shan. This summer and the summers to follow, I travelled as a guest of the Premier, meeting leaders of cities and provinces, and discussing economics and world affairs with them. Most of them expressed great respect for Premier Zhao, telling stories about him and his leadership. My family and I have enjoyed and learned a great deal from these travels. Sometimes we encountered difficulties en route in spite of the special treatment given to us.

On the train ride from Shanghai to Hangzhou on July 21, 1984, I thought of the idea of asking the ministry of education to sponsor graduate students to come to the United States and Canada to study economics. I was willing to help place the students, provided that they passed a nationally administered examination in economics and mathematics, with the questions on economics given by me and based on The Chinese Economy. Students were to be selected nationally from those majoring in the natural sciences, mathematics, and engineering besides economics. This would provide a larger pool for selecting students with analytical abilities. Since very few students had previous training in modern economics, they could read The Chinese Economy

to acquire some knowledge before entering graduate schools in Canada and the United States. I wrote a short note describing this idea to Xia Zi-Qing, Deputy Director of the 1st Department of Higher Education as well as Wang Fusun and Wang Zenong, indicating that if they accepted the idea, they could send me a telegram in Guangzhou within eight to ten days, before my return to the U.S. I thought that they could make the decision that soon. I did not hear from them in Guangzhou, but within two weeks after my return to the U.S. I received a communication from Wang Fusun saying that my recommendation concerning sending graduate students to the U.S. was accepted by the Ministry of Education.

The first examination was given in the fall of 1984. Over 160 students selected from about twenty universities took the examinations in mathematics and economics. They were first selected by their own universities. Each university was given a quota of candidates to take the examinations--Peking, Fudan, and one or two other major universities had a quota of 10 students, whereas some lesser known universities had a quota of one or two. In January 1985, I received a list of 81 students who had passed the examinations, meaning having received a score of 60 percent in both economics and mathematics. Later, 63 of these students were placed in about 45 universities, most receiving financial support. Edwin Mills, Sherwin Rosen and I formed an ad-hoc committee to sign letters of recommendation on behalf of the students describing the examinations and the method of selection.



(John Taylor joined the Committee in the following two years.)  
The program of sending students abroad has continued. During the first three years of 1985, 1986 and 1987 I provided the economics examination questions based on The Chinese Economy. Afterwards, the students were asked to take GREs given by the Educational Testing Service in the same ways as other students wishing to apply to graduate schools in the United States.

In January 1985, at the initiative of Peter Geithner of the Ford Foundation, a U.S. Committee on Economic Education and Research in China was formed, with Dwight Perkins and me serving as co-chairs, and Robert Dernberger, D. Gale Johnson, Lawrence Klein, Lawrence Lau and Herbert Simon as the other members. This Committee cooperates with the Chinese Committee on Economics Education and Exchange with the U.S. formed by the Chinese Ministry of Education (or the State Education Commission since July 1985) consisting of representatives from seven universities, Peking, People's, Fudan, Nankai, Wuhan, Jilin, and Xiamen, and chaired by Vice President Huang Da of the People's University. One activity of the U.S. Committee is to support some of the students who did not receive financial support from the universities accepting them. Out of the 61 students accepted in the first year to enter in 1985, only 11 required support from the Committee. The funding of the Committee is mainly from the Ford Foundation. Other activities supported by the Committee include the summer workshops from 1985 to 1988, a year-round graduate economic training center (at the M.A. level) at Renda

(The People's University) beginning in 1985, a second graduate economic training center with some emphasis on international economics at Fudan University beginning in 1987, visiting scholars from China to the United States, joint research projects with the Chinese Academy of Social Sciences and other research, academic and government institutions. Peter Geithner is to be congratulated for the energy, resourcefulness and insight in guiding and supporting the activities of this Committee, not to mention the contributions from its distinguished members. The activities of the Committee are continuing.

The macroeconomic workshop took place in Beijing from June 10 to July 20, 1985. The People's University served as the host institution. Over 90 persons attended, including graduate students, young teachers as well as research staff members from government organizations such as the People's Bank, the State Statistics Bureau, research centers at the State Council, and the Chinese Academy of Social Sciences. It was again fortunate that such distinguished economists as William Branson, Dwight Jaffee, Richard Portes, and John Taylor served as lecturers. I played a similar role of interpreting their lectures, adding some of my own, and discussing relevance and applications to China. The average student's comprehension of English and basic economics definitely improved as compared with that of the participants of the microeconomics workshop in 1984. The lecturers were impressed by the quality of the students. A final examination was also given, and the results were good.

On June 28, 1985, Chen Yiji, Gong Jumin and two other persons working on economic reform and economic policy at The State Council came to the Xiyuan Hotel to visit me. I was told that Premier Zhao would be interested in an estimate of the rate of inflation resulting from the rapid increase of the supply of money (currency in circulation) in China by 50 percent during 1984. I estimated two or three econometric equations relating the rate of inflation to current and past money supply and real output increases and presented them in the macroeconomic workshop for illustrative purposes, emphasizing the possible pitfalls of these equations and econometric equations in general. (Revised versions of these equations can be found in my paper "Money and Price Level Determination in China," Journal of Comparative Economics, 11, Sept. 1987.)

In the evening of Monday, July 15, 1985, Premier Zhao invited my wife, our son and daughter, and me for dinner. One of his first remarks was on my estimate of possibly 7 to 9 percent annual inflation in the coming year or two resulting from the recent increases in money supply, which had been reported to him. Attending the dinner, I was expecting an entirely social evening, having prepared nothing to talk to our host. After drinking a few glasses of Moutai, I heard the Premier ask, "Would you help invite some overseas economists to study issues of economic reform in China?" This question took me by surprise, and I could not think of an appropriate direct response. Just to keep the conversation flowing, I said, "How could we study economic reform

without sufficient economic data?" That remark was partly to buy time before I could think about the Premier's question. I then mentioned that I had visited the State Statistics Bureau and could not find certain economic data. The Premier commented that the officials of the State Statistics Bureau might not have revealed everything they knew to me, which I could believe. The dinner went on. I forgot much of the conversation, but remember one comment of our host: "In spite of the great turmoil and suffering inflicted on the Chinese people, the Cultural Revolution has one positive effect. It frees us from certain ideological restrictions."

Waking up the next morning on July 16, I thought that, in view of the conversation concerning the availability of economic data in the previous evening, it would be useful to write to the Premier to suggest the establishment of an economic data center at the People's University, which was hosting our macroeconomic workshop. Around 7:30 a.m., I called Vice President Huang Da to obtain his opinion concerning the suggestion, and he was enthusiastic. I immediately wrote a short letter making the suggestion to Premier Zhao, and had the chauffeur deliver the letter on the same day. Two days later on July 18, I received a call early in the afternoon from the Premier's office informing me that the Premier had already approved my suggestion to establish an economic data center at the People's University. I was very happy and impressed. The Center is now in good working condition.

Soon after returning to the United States, I wrote to Premier Zhao on August 13, 1985, saying that I had been thinking about his suggestion to invite foreign economists to study issues of China's economic reform. I made several suggestions concerning economic reform and asked for guidance as to how to proceed. Soon afterwards I received a letter from the Premier dated August 24, 1985 suggesting three topics for deliberation: (1) the establishment of a sound banking system, (2) money markets and stocks and bonds of state enterprises, and (3) the supply and control of foreign exchange. The letter stated that these problems can be discussed by economists in and outside China. For further arrangements I was asked to contact An Zhiwen, Vice Chairman of the Commission for Restructuring the Economic System (Premier Zhao being Chairman of the Commission) and Liu Hongru, Vice Chairman of the People's Bank. This was the beginning of my working relationship with these and other colleagues in China concerned with economic reform.

Before discussing economic reform further, let me return to economics education. In May 1984, I attended a meeting of 11 students from China, including Yang Xiaokai and Yu Dahai, two students of Princeton, at the home of Liang Heng, co-author of Son of the Revolution. This meeting marked the beginning of the Chinese Young Economist Society, Inc., which was officially formed soon after the June 1985 meeting of over 50 Chinese students in economics, management, and related subjects in the Chinese Consulate General in New York. This organization now has

over 300 members. It sponsors annual conferences, in which members and guests deliver papers on economics in general and on Chinese economic reform issues in particular. The quality of the papers presented at the annual conferences has improved a great deal in the last few years, as one can expect. The Society also sponsors a new journal, China Economic Review, beginning in 1989.

An important event in Chinese economic education and in Chinese higher education in general occurred on Sunday, March 27, 1988 on the occasion of the 100th Anniversary of the establishment of Lingnan University in Guangzhou. On this occasion President Li Yueshen of Zhongshan University announced that a Lingnan University College would be established with the approval of the Chinese State Education Commission. The College in the beginning is formed by the Departments of Economics and Computer Science of Zhongshan University, and has about 1600 students. Lingnan was a private university originally founded by American educators. It became an entirely Chinese institution in 1927. I was a student of Lingnan Primary School, Middle School and University for most of my school life beginning in the second grade in 1938 in Hong Kong through the completion of my freshman year at Lingnan University in Guangzhou in 1948, before coming to the United States to attend Cornell University as a sophomore. All private universities in China were absorbed by national universities in 1954. The reestablishment of Lingnan University College marked the first time that a former private university was at least partly reestablished in China. It has a Board of

Trustees consisting of two thirds of its members from overseas and one third from the Chinese mainland. I am fortunate to serve as its Honorary President as well as a member of its Board of Trustees.

In the spring semester of 1989, Eytan Sheshinski of Hebrew and Harvard Universities and Athar Hussain of the London School of Economics will be lecturing at Lingnan University College. The academic programs of this College, unlike those of the graduate economics training centers at Renda and Fudan, are a part of a Chinese university. It is interesting to observe how modern economics is being integrated into the Chinese university curriculum. Many organizations and scholars, including the World Bank in particular, have helped promote modern economic education in China, by suggesting certain reforms in the curriculum. The Chinese State Education Commission is paying serious attention to their recommendations, now organizing several study groups to prepare teaching material on ten subjects suggested by a committee of the World Bank in the summer of 1987. How individual universities will integrate the new material into their curricula remains to be seen. Lingnan University College is one institution in which such an integration is taking place.

In the process of promoting modern economics education in China, I have been much impressed by the talented people in the Chinese government and among the Chinese students. To illustrate, the dedication of Wang Zenong to higher education in China deserves admiration. Besides developing higher education

in economics, Wang Zenong is also responsible for education in law. Furthermore, when an opportunity became available, he seized it to promote education in statistics by working with George Tiao of the Graduate School of Business of the University of Chicago, initiating a program to send graduate students to the United States to study statistics. The efficiency of Wang Fusun compares well with that of any administrator that I have met. After the first summer workshop in 1984, I received a phone call from Edwin Kuh of the Sloan School of Management at M.I.T. expressing an interest in visiting China in connection with his trip to Japan. I sent an airmail letter to Wang Fusun recommending Kuh. About ten days later, which was the time it took for my letter to reach Beijing, Ed Kuh read to me over the phone a telegram from Wang Fusun inviting him to lecture in Beijing for a week in a format similar to the 1984 summer workshop, stating that showing this telegram to the Chinese Consulate General in New York Kuh and his wife could obtain their visas. Both Kuh and I were very impressed by Wang Fusun's efficiency.

Government officials and educators such as Wang Zenong, Wang Fusun, Huang Da and Li Yueshen make it worthwhile for me to work on the modernization of China's economic education. Huang Da, a noted economist trained in the Soviet Union and Vice President of The People's University, is able, energetic, and eager to introduce important economic ideas and knowledge from the West as well as from Eastern Europe to China. He chairs the China



Committee on Exchanges with the U.S. effectively. I have a favorite story about President Li Yueshen of Zhongshan University. In 1985, after the macroeconomic workshop, I visited Zhongshan University to give a lecture. At 10 a.m. I arrived at the Zhongshan campus, half an hour before my lecture. I found President Li and several faculty members, including chairmen of the Economics, Computer Science and Mathematics departments waiting in the reception room. Li held an informal meeting with these faculty members at my presence, opening the meeting by the remark that in Zhongshan the development of modern economics should become an important task. He pointed out that faculty talents were limited and were scattered around several departments represented at the meeting. The interested faculty members from these departments should help organize an informal seminar on modern economics. Before my lecture at 10:30 a.m., such a seminar was already decided upon, with its coordinator appointed. Later I reported this event to friends at Princeton University, saying that people in Princeton could not have done it more efficiently.

Certainly there are many bureaucrats in China with whom one would not like to cooperate. However, there are enough talented and devoted colleagues in China to do much good, if we try to find them. There are more talented people in China for us to work with than we have time and energy to spare. Never mind the corrupt government officials.

Turning to the talents among Chinese students, I have often received very complimentary reports from faculty members of the universities which have accepted Chinese students in economics coming out through our program. From my own observations, among the students passing the national examination sponsored by the Ministry of Education in 1984, Zhou Lin from Fudan University is now completing his Ph.D. in Princeton, writing an outstanding thesis in mathematical economics. Before the program began, Yang Xiaokai and Yu Dahai had come to Princeton in 1983. Yang had had no formal college education and was much older than the average graduate student when entering Princeton, but he worked very hard and managed to catch up and complete a good thesis on the division of labor. He is now teaching at Monash University in Australia. Yu Dahai, receiving A+'s in both microeconomics and macroeconomics during his first year in Princeton, impressed me also by his leadership in forming the Chinese Young Economist Society, Inc. Instead of consulting a lawyer as I would have, Yu looked up the required law books in the library and had the Society incorporated himself, being one of its leaders. I am constantly being impressed by the students from China whom I meet in Princeton and elsewhere.

### 3. Economic Reform

My involvement in economic reform in China began at the meeting with Zhao Zhiyang in June 1984 when we exchanged views on economics education, economic reform and the future of Hong Kong.

One important issue discussed at the meeting was price reform, a subject which was soon to be a main component of the October 20, 1984 Decision of the Central Committee of the Communist Party on economic reform. In 1984, after the meeting with Premier Zhao, I wrote to him suggesting the abolishment of the foreign exchange certificate, which is a second currency besides the RMB being circulated in China. The foreign exchange certificate is obtained by surrendering foreign currency. It is supposed to have the same value as the RMB, except that certain foreign goods can be purchased only with the certificate and not RMB. There are pros and cons concerning the use of the foreign exchange certificate in China, which I do not have space to go into. My view has been that China is better off in having only one currency which, in spite of the low per capita income of China, would command a set of equilibrium exchange rates with the hard currencies of the world. Whether the reader agrees with me or not, it was my suggestion to Premier Zhao in 1984 to abolish the exchange certificate. In 1986, I was delighted to read that the government was to abolish the exchange certificate as of July 1, but the date was later postponed to September 1, and later postponed indefinitely, for reasons beyond the scope of this paper to discuss.

My official participation in economic reform in China took place at a meeting in Hong Kong in January 1986 with An Zhiwen, Liu Hongru, and six other officials from Beijing. The meeting was the result of the suggestion of Premier Zhao Zhiyang at the

dinner on July 15, 1985 as mentioned above. An Zhiwen and I decided to hold the meeting in Hong Kong. He and Liu Hongru sent documents to me providing background on the relevant issues to be discussed. I invited John Fei of Yale University to join us. It was a private meeting. People in Hong Kong did not know about it. The meeting lasted for four days, from Wednesday, January 15 to Saturday, the 18th. We discussed all relevant issues concerning economic reform at the time. A similar meeting occurred on June 26 to June 30 in Beijing when the participants from the Chinese government increased to about 18, and I invited John Fei, Anthony Koo and Lawrence Lau to join us. This five-day meeting covered all important aspects of economic reform as well as current economic policy including the possible devaluation of the RMB which had a rate of 3.2 per U.S. dollar. I did not know the timing and exact amount of the devaluation which, to my surprise, took place two days later.

At the end of our meeting on June 30, the four visiting economists and their wives were invited to dinner by Premier Zhao Zhiyang. A picture of the five of us appeared on the front page of the People's Daily the following day. After leaving Beijing, all four of us went to Taiwan to attend a biannual meeting of Academia Sinica. We received some comments from our friends and colleagues in Taiwan concerning the picture on the People's Daily. Regarding Taiwan and Mainland China, in spite of some political differences among some government officials, the Chinese people are relatives and friends. There are some

difficulties in communications, however. For example, the parting words from Premier Zhao to the four of us at the dinner party were, "Please convey my best to Vice President Li Tenghui and Premier Yu Kuohua. I wish them economic prosperity and political stability." I believed that Premier Zhao meant exactly what he said. But when I met with Vice President Li (now President Li) and Premier Yu in Taiwan, privately and separately, I could not find an appropriate moment to convey the message.

In the summer of 1987, I invited Anthony Koo to join me in leading a workshop for members of the Association of Economic Reform. We benefitted from discussions with a group of some 40 persons working at the provincial and other levels of economic reform. At the time, a major issue was the introduction of the contract responsibility system to state enterprises. Several participants of the workshop were in favor of this system. In fact, the system was rapidly introduced into the state enterprises, covering over 90 percent of them by the end of 1987. Later when I travelled to some cities including Xiamen, I talked to local officials and heads of state enterprises and discovered some problems with such a system. These problems are discussed in a paper entitled, "Market Socialism and Economic Development in China," which I presented in the International Seminar on China's Economic Reform, 1979-1988, in Shenzhen on November 7, 1988.

From November 2 to 12, 1988, I was in China, spending the first two days in Beijing, two days in Shanghai, one day in

Guangzhou, and five days in Shenzhen to attend the above International Seminar. I delivered a speech on "Economic and Political Reform in China and the Future of Hong Kong" before the one hundred and sixty some participants (including about 35 foreign visitors). While in Beijing, I met with General Secretary Zhao Zhiyang for an hour and twenty minutes on Thursday, November 3, to discuss the topics of my speech. In Beijing, I did further work with officials responsible for economic reform, including the planning of a future meeting in 1989. Economic reform officials are open-minded and interested in listening to ideas from many foreign countries, including the West, Japan, and Taiwan as well as Eastern Europe, as a traditional Chinese in the process of assimilating foreign cultures would.

As during the process of working on economic education, I also discovered talented officials while working on China's economic reform. The able leadership and the remarkable economic sense of Zhao Zhiyang have already been mentioned. Milton Friedman, who had a meeting with Secretary General Zhao in October 1988, wrote in a letter to me: "With respect to the General Secretary, we were very much impressed with his sophistication about economic arrangements and organization, and with his own commitment to moving in the direction of greater reliance on markets."

I was impressed by the openmindedness and the political sense of Mr. An Zhiwen. He has a deep understanding of what

kinds of reform proposals would be politically feasible, besides being a very personable individual to work with. Liu Hongru, having been educated in the Soviet Union, has received some poor publicity in certain Chinese presses published in Hong Kong and in the United States. I have been impressed by the intelligence and quick mind of Mr. Liu. The criticism of him by some writers, mainly because of his Soviet education, is unfounded. His education in the Soviet Union, where he completed a thesis on the central banking system of Eastern Europe, qualifies him to take responsibility in China's banking system. He understands the working of a market economy, being an interested reader of Milton Friedman. These and other colleagues make it very enjoyable to work on China's economic modernization.

#### 4. Political Reform and Hong Kong

While meeting with General Secretary Zhao on Thursday, November 3, I discussed the possibility of having more political freedom, including the freedom of speech, of publication and of assembly, and the possibility of promoting the respect for law in China. The General Secretary believes that China can make progress towards having more political freedom and respect for the law, but the process, as I see it, is probably going to be slow given China's historical and political background. After the meeting, it became clear to me that if Mainland China practiced political freedom and the respect for the law, which is being practiced in Hong Kong, the Hong Kong people would increase

their confidence in the government of the People's Republic of China. In my speech before the International Seminar on Economic Reform in Shenzhen on November 7, I pointed out that the confidence of the people of Hong Kong in the Chinese government and political reform in China towards more freedom and respect for the law are interrelated. I expressed my hope that China would make progress toward such political reform, which is not only good for Mainland China, but would also increase the confidence of the people of Hong Kong.

Soon after the Shenzhen Seminar, I discovered that Hong Kong could assert a positive influence on political reform in China. On December 5, 1988, concerned about the situation in Hong Kong after 1997, I wrote a letter to sixteen leaders of Hong Kong, fifteen of whom being my personal friends, suggesting that they have the power to help maintain the present system of Hong Kong, which is an announced policy of PRC. If in the future government officials appointed by Beijing to govern Hong Kong fail to preserve the system as promised, these leaders can assist them. If any official behaves poorly, they should expose him or her in the public media. I wrote, "Your power comes from three sources: (1) PRC's announced policy and Beijing's leadership, (2) your established influence which a newcomer cannot easily disturb, and (3) the support of the Hong Kong people and the world's public opinion. A corrupt government official will be afraid of you, realizing the above sources of power. You only need to exercise your power." "I propose that we form a Committee on the Future



on Hong Kong. Some of you might not wish to join; others will. You have diverse opinions and self-interests, but all of you agree on the main objective of the proposed committee--to preserve law and order and the existing system in Hong Kong." I believe that when such a committee is formed, its mere existence would do a great deal to alert some potentially misdirected or corrupt government officials and help preserve law and order and the present system of Hong Kong. The committee would do well by confining itself to preserving the system of Hong Kong while staying away from policy issues such as whether to accept more refugees into Hong Kong. One or several of its members can express themselves if they see any threat to the present system without necessarily obtaining the agreement of the majority of the members. We should encourage the forming of similar committees in Hong Kong to strengthen the influence of public opinion.

If such a committee or committees succeed in asserting their influence for the stability in Hong Kong, they will set an example to Mainland China, perhaps first to Guangdong province, which has followed Hong Kong in its economic development. The people in Guangdong and elsewhere would soon realize that their civic leaders (including managers of state, collective and joint enterprises, writers, university administrators, scholars, news broadcasters, government officials and others) can form similar committees. These committees could provide checks and balances in a one-party system, promoting good government and helping to

limit the misbehavior of government officials. The process of forming such committees in Mainland China might require some time, but it could be an important element of political reform and democratic government in China.