I was born in Shanghai at the height of the Cultural Revolution. My grandmother tells me that she heard gunfire along with my first cries.

When I was growing up, I was taught a story that explained all I ever needed to know about humanity. It went like this:
All human societies develop in linear progression, beginning with primitive society, going through slave society, feudalism, capitalism, socialism, and finally, (guess where we end up?) Communism! Sooner or later, all of humanity, regardless of nationality, culture, language, will reach that final stage of political and social development. The entire world’s peoples will be unified in this paradise on earth and live happily ever after. But, before we get there, we are engaged in a struggle between good and evil: the good of socialism and the evil of capitalism. And the good shall triumph!

That, of course, was the meta-narrative distilled from the theories of Karl Marx. And the Chinese bought it.

We were told that grand story day in and day out. It became part of us and we believed in it.

The story was a best seller. A full one-third of the world’s population was living under that meta-narrative.

Then, the world changed, overnight.

As for me, disillusioned by the failed religion of my youth, I went to America – became a hippie in Berkeley.

As I was coming of age, something else happened. As if one big story wasn't enough, I was told another one. This one was just as grand. It also claims that all societies must develop along linear progression towards a singular end. It goes as follows:

All societies, regardless of culture, be it Christian, Muslim, Confucian, must progress from traditional societies in which groups were the basic units to modern societies in
which atomized individuals are the sovereign units. All these individuals are by
definition rational, and they all want one thing - the vote!

Because they are all rational, once given the vote they produce good government and live
happily ever after - paradise on earth. Sooner or later, electoral democracy will be the
only political system for all countries and all peoples, with a free market to make them
all rich. Before we get there, however, we are engaged in a struggle of good against evil.
Good belongs to those who are democracies charged with the mission of spreading it
around the globe, sometimes by force, against the evil of those who do not hold
elections.

This story also became a best seller. According to the Freedom House, the number of
countries practicing electoral democracy grew from 45 in 1970 to 115 in 2010. In the
last 20 years, Western elites tirelessly trotted around the globe, selling this
prospectus - multiple political parties fight for power with everyone voting on them - as
the only path to salvation for the long suffering developing world. Those who buy the
prospectus are destined for success and those who do not are doomed to fail.

But this time, the Chinese didn’t buy it. Fool me once ... 

The rest is history. In just 30 years, China went from one of the poorest agricultural
countries to the world’s second largest economy. 650 million people were lifted out of
poverty. A full 80% of the world’s poverty alleviation during this period happened in
China. In other words, without China’s numbers, the world’s poverty reduction would
have been almost flat. Apparently, all the new and old democracies put together
amounted to a fraction of what a single one-party state did - without voting.

See, I grew up on these things - food stamps. In Shanghai, meat was rationed to 300
grams per person per month. Needless to say, I ate all my grandmother’s portions.

So, I ask myself, what’s wrong with this picture? Here I am, in my hometown, my
business growing leaps and bounds, entrepreneurs are starting companies every day,
middle class is expanding in speed and scale unprecedented in human history. Yet,
according to the grand story none of this should be happening.

So I went and did the only thing I could, I studied it.

China is a one-party state - run by the Chinese Communist Party - the Party; and they
don’t hold elections. Three assumptions are made by the dominant political theory of our
time: Such a system must be operationally rigid, politically closed, and morally
illegitimate.

These assumptions are wrong. The opposites are true. Adaptability, meritocracy and
legitimacy are the three defining characteristics of China’s one-party system.
Adaptability

Most political scientists would tell you that a system monopolized by a single party is by
definition incapable of self-correction. It can’t survive long because it can’t adapt.

Here are the facts: During its 64 years running the largest country in the world, the
range of the Party’s policies was broader than any country in recent history. Radical
land collectivization and the Great Leap Forward, then the quasi-privatization of
farmland. The Cultural Revolution, then Deng Xiaoping’s market reforms. Deng’s
successor, Jiang Zemin, took the giant political step of opening up Party membership to
private businesspeople – something unimaginable during Mao’s rule. The Party
self-corrects in rather dramatic fashions.

Institutionally, new rules get enacted to correct previous dysfunctions. For example,
term limits. Political leaders used to retain positions for life. They accumulated power
and perpetuated their rules. Mao was the father of modern China, yet his prolonged rule
also led to disastrous mistakes. So the Party instituted term limits with mandatory
retirement age of 68 – 70.

One thing we often hear is that political reform has lagged behind economic reform and
China is in dire need of political reforms. But this claim is a rhetorical trap hidden
behind a political bias. Some have decided a priori what changes they want to see and
only such changes can be called political reform. But political reforms have never
stopped. Compared with ten years ago, twenty years ago, and thirty years ago, just
about every aspect of Chinese society and how the country is governed, from the most
local to the highest center, are unrecognizable. Such changes are simply not possible
without political reforms of the most fundamental kind.

I would venture to suggest that the Party is the world’s leading expert in political
reform.

The second assumption: one-party rule leads to a closed political system in which power
gets concentrated in the hands of the few. Bad governance and corruption are the
results.

Yes, corruption is a big problem. But let’s first look at the larger context. It might be
counter intuitive to you, but the Party is one of the most meritocratic political
institutions in the world.

China’s highest ruling body is the Politburo. It usually has 25 members. In the most
recent Politburo only five came from privileged backgrounds (the so-called princelings).
The other 20, including the president and the premier, came from completely ordinary
backgrounds. In the larger Central Committee of over 300, the percentage born into
wealth and power was even smaller. The vast majority of senior officials worked and
competed their way to the top. Compare that to the ruling elites in both developed and developing countries, I think you would find the Party ranks near the top in upward mobility.

The question then is how could that be possible in a system run by one party? Now we come to a powerful institution little known to Westerners - the Party's Organization Department. The Department functions like a human resource engine that would be the envy of even the most successful corporations.

**It operates a rotating pyramid.**

Made up of three components: civil service, state-owned enterprises, and social organizations such a university or a community program. They form separate and yet integrated career tracks for Chinese officials. They recruit college grads into entry-level positions in one of these tracks. They start at the lowest level, called keyuan. Periodically, the Organization Department reviews their performance and can promote them up through four increasingly elite ranks: fu ke, ke, fu chu, and chu. These are not moves from Karate Kids. It's serious business.

The range of positions is wide, from running health-care in a village to foreign investment in a city to manager in a company. Once a year, the Organization Department reviews their performance. They interview their superiors, peers, and subordinates, vet their personal conducts, conduct public opinion surveys. Then they promote winners.

Throughout their careers, these cadres could rotate through and out of all three tracks. Over time, the good ones move beyond the four base-level grades to the fu ju and ju levels. There they enter high officialdom. At that point a typical assignment is to manage districts with populations in the millions or companies with hundreds of millions of dollars in revenues. To show you how competitive the system is, in 2012, there were 900,000 fu ke and ke levels, 600,000 fu chu and chu levels, and only 40,000 fu ju and ju levels.

After the Ju level, the best few move up several more ranks and eventually make it to the Central Committee. The entire process takes two to three decades. Does patronage play a role? Yes, of course. But by and large, merit is the underlying driver. In essence, the Organization Department runs a modernized version of China's centuries old Mandarin system.

China's new president Xi Jinping in son of a former Chinese senior official - very unusual, the first of his kind to get the top job. Even for him the career path took 30 years. He started as a village manager and when he entered the Politburo he had managed areas with total populations of over 150 million and combined GDPs of more than US$1.5 trillion.
Please don’t get me wrong. This is not a put-down of anyone but merely a statement of fact. George W. Bush before becoming governor of Texas, or Barack Obama before running for president, would not make a small county chief in China’s system.

Winston Churchill once said, “Democracy is a terrible system except for all the rest”. Well, apparently he hadn’t heard of the Organization Department.

Legitimacy

Westerners assume that multiparty election with universal suffrage is the only source of legitimacy. I was asked once, “the Party was not voted in by election, where is its source of legitimacy?” I said, “how about competency?”

We know the facts: In 1949 when the Party took over, China was mired in civil wars and dismembered by foreign aggressions; average life expectancy was 41. Today, it is the second largest economy in the world, an industrial powerhouse, and its people live in increasing prosperity.

Pew Research polls Chinese public attitudes. These are the numbers in recent years, and they have been largely consistent in the last couple of decades:

- Satisfaction with the general direction of the country - 85%
- Those who report significant progress in their lives in the past five years - 70%
- Those who expect the future to be better - a whopping 82%

Financial Times survey of global youth attitudes just released:

- 93% of China’s generation-Y are optimistic about their country’s future!

If this is not legitimacy, I’m not sure what is.

In contrast, most electoral democracies around the world are suffering from dismal performance. I don’t need to elaborate for this audience how dysfunctional it is from America to Europe. With a few exceptions, the vast number of developing countries who adopted electoral regimes are still mired in poverty and civil strife. Governments get elected and then fall below 50% approval a few months later and stay there or get worse till the next election. Democracy is becoming a perpetual cycle of “elect and regret”. At this rate, I’m afraid democracy itself, not China’s one-party system, is in danger of losing legitimacy.

Now, I don’t want to create the misimpression that China is hunky dory on way to superpower-dom. China is not a superpower and probably will never be one. The country faces enormous challenges. Economic and social problems that come with such drastic changes are mind-boggling: pollution, food safety, population issues. On the political
front, the biggest challenge is corruption.

Corruption is widespread and undermines the system and its moral legitimacy. But most commentators misdiagnose the disease. They say corruption is a result of the one-party system and to cure it you have to do away with the entire system. A more careful look would tell us otherwise.

According to Transparency International, China ranks in recent years between 70 and 80 among some 170 countries and has been gradually moving up. India, the largest electoral democracy in the world, 95 and has been dropping. More than half of the 100 countries below China are electoral democracies. If election is the panacea for corruption how come these countries can't fix it?

I'm a venture capitalist. I make bets. It wouldn't be proper to end this talk without putting myself on the line and making some predictions.

**In the next ten years:**

1. China will surpass the US and become the largest economy in the world; Income per capita will be near the top of all developing countries.
2. Corruption will be curbed, not eliminated, and China will move up 10 - 20 notches to above 60 in TI ranking.
3. Economic reform will accelerate, political reform will continue, and the one-party system will hold firm.

We live in the dusk of an era. Meta-narratives that make universal claims failed us in the 20th century and are failing us in the 21st. Meta-narrative is the cancer that is killing democracy from inside. Let me clarify one thing: I am not here to make an indictment of democracy. On the contrary, I think democracy contributed to the rise of the West and the creation of the modern world. It is the universal claim many Western elites are making about their political system - the hubris - that is at the heart of the West's current ills. Perhaps, if they spend a little less time forcing their ways onto others and a little more on political reform at home, they can give their own democracy a better chance.

China's political model will never supplant electoral democracy because, unlike the latter, it does not pretend to be universal. It cannot be exported. But that is the point precisely. The significance of China's example is not that it provides an alternative but the demonstration that alternatives exist.

Let us draw to a close this era of meta-narratives. Communism and democracy may both be laudable ideals. But the era of their dogmatic universalism is over. Let us stop telling people, and our children, there is only one way to govern ourselves and a singular future towards which all societies must evolve. It is wrong, it is irresponsible, and worst of all,
it is boring. Let universality make way for plurality. Perhaps, a more interesting age is upon us. Are we brave enough to welcome it?

END