What makes China so appealing in the twenty-first century is its combination of the transformative power of market economy and the super-stability of authoritarian rule. China’s leadership adapts certain tenets of capitalism such as opening up to foreign investment, deregulating labor market and building infrastructure, while maintaining firm control over government, military, public security and information. This has enabled China to surpass Japan to become the world’s second largest economy in 2010. By 2016 the International Monetary Fund (IMF) forecasts China will overtake the U.S. as the largest. Paralleling the success of China’s economic miracle is consolidation of authoritarianism and escalation of internal unrest. Understanding the paradox of state-managed capitalism’s global appeal against growing domestic discontents is a key to diagnosing the development challenges facing China today.

Most conventional studies on China’s rise have focused either on its grand strategy to pursue international and domestic security for economic growth (Kissinger 2011; Wang 2010; Lampton 2008; Leonard 2008) or on its geostrategic challenges to the U.S.-dominated global order (Yee ed. 2011; Foot and Walter 2010; Halper 2009; Hsiao and Lin eds. 2009; Kerr, Harris and Qin eds. 2009; Odgaard 2007). But little attention has been paid to several interrelated policy issues confronting the Chinese leadership: how to contain growing discontents and sustain authoritarianism at home, how to co-opt the international world for China’s continuous growth, and how to advance a new Chinese developmental model as opposed to the Washington Consensus. In Search of China’s Developmental Model examines these issues and discusses the global implications of China’s seemingly unstoppable rise.

This book has twelve chapters. The opening essay by S. Philip Hsu reveals the orthodox and unorthodox dimensions of China’s development. The orthodox dimension entails the construction of a new developmental discourse and the promotion of a state-led capitalism as an alternative to free market capitalism protected by the rule of law. These policies fit the Communist leaders’ vision of what China should strive to be like, and which difficulties ought to be overcome in order to achieve modernization. But there is the un-regulated world of power abuses, rampant corruption, and popular activism outside the state’s control. This unorthodox realm contradicts the policymakers’ image of China the way they think it ought to be, and reveals the state’s failure to address the concerns of its frustrated populations. Therefore, the juxtaposition of economic success and authoritarian control lies at the heart of discussion.

Part one critiques the theorization of China’s developmental experience. Scott Kennedy debunks many myths surrounding the notion of “Beijing Consensus,” developed by Joshua Cooper Ramo in 2004 as an alternative to the Washington Consensus. Kennedy argues that the Beijing Consensus lacks substance because the Chinese have not yet developed the kind of cutting-edge technology that strengthens the country’s enormous potential, from biomedical devices to renewable energy. These technological advantages would guarantee more robust economic growth and transform China into a knowledge-based economy. “China Model” (Zhongguo moshi) is another problematic terminology used by Beijing today. Before the global financial crisis of 2008, this official label referred to China’s gradualist reform strategy against the “shock therapy” approach widely adopted in Eastern Europe and after 2008, it meant China’s export-oriented growth strategy. These terminologies only reflect a growing sense of frustration with the relative decline of the U.S.-led global order in the post-9.11 era. By comparison, Suisheng Zhao is more optimistic about China as “a successful model of rapid economic growth and relative political stability.” (p.60) First, its modernization is driven by pragmatism rather
than dogmatic ideology. Second, the government ensures national consensus on development and maintains effective control at home. Third, the state has modernized the country and stopped any liberal challenges to its governance. All the institutional reforms are designed to enable the Communists to deliver economic good and maintain its rule over the diverse populations. But this centralized model discourages any liberalization from within and puts subordination to collective interests ahead of the impulse to reform society.

Part two draws on statistical analysis to investigate the sustainability of Chinese economy. Barry Naughton points out that the state has skillfully combined material incentives with administrative assessment to pressurize local officials to implement growth strategy, but he cautions that China has reached a developmental turning-point because its economic structure becomes more sophisticated than before. The old top-down developmental strategy has to be replaced by a new mechanism that engages officials and urban professionals to pursue diverse economic policies and management practices. Thomas G. Rawski revisits the economic history of modern China and highlights the importance of human capital. From the Maoist to the Deng era, the state equipped a large number of people with entrepreneurial, managerial and communicative skills. These human resources have contributed to China’s success.

Part three has four chapters reviewing the latest changes in China’s banking, central-provincial relations, legal system and elite recruitment. Yi-Feng Tao’s study of the banking reform is very informative. Since the 1990s, the government had depoliticized its central bank and protected it against the intervention of local authorities. The institutionalization of meritocracy and professionalism enabled the central bank to focus on fiscal matters such as controlling inflation and stabilizing fixed exchange rates. S. Philip Hsu critically examines the central-local relations, a key factor that has dictated the country’s modernization since 1979. From Deng Xiaoping to Hu Jintao, the central government has mediated interprovincial competition for outside resources. In recent years, the center has held profit-making as the major criterion for assessing the performance of all levels of government officials and state-owned business enterprises. The quest for profit creates a strong entrepreneurial culture among local bureaucrats and this is essential for sustaining China’s spectacular growth at the grassroots level. By comparison, there has been little progress in implementing the rule of law, as discussed in Jacques deLisle’s chapter. Faced with the problem of rampant corruption, the central government has recognized the need to create a comprehensive legal framework that protects legitimate marketing activities, punishes corrupt officials, resolves business disputes, and addresses popular grievances. Chen-Wen Kou’s analysis of those Western-educated returnees is quite insightful. Most of the returning scientists, engineers and economists have been assigned to government posts rather than holding leadership positions in the Communist Party. The one party-state still treats these returnees with suspicion.

The unintended consequences of China’s phenomenal development are explored in part four. Bruce J. Dickson refers to a new entrepreneurial class known as “red capitalists.” This class was initially composed of Communist Party leaders and state officials, ex-officials, their relatives and friends, but it has taken on a life of its own and become a powerful non-state sector with its own agendas. The state has already co-opted this fast-growing sector by admitting entrepreneurs into the Communist Party in 2001. As a result, these red capitalists have no intention of subverting the one-party state as the West has hoped. Instead they have supported the status quo and played a stabilizing role in times of crises. For example, many entrepreneurs donated large sums of money to support the state’s relief efforts in the deadly earthquake in Sichuan province on May 12, 2008. In a similar fashion, the state has co-opted different types of NGOs. According to Hsin-Hsien Wang, the NGOs are far from threatening the authoritarian state. It is only under
the state’s permission that the NGOs can widen their autonomy and advance their independent agendas. The final chapter by Szu-Chien Hsu cautions that economic growth and rampant corruption are interrelated because the one party-state permits government bureaucrats to participate in marketing activities without checking their absolute power. Although the Communist Party’s Central Discipline Inspection Commission has persecuted several high-profiled corrupt officials, the anti-corruption measures are still ineffective.

A major strength of this edited volume lies in its coverage of diverse perspectives and topics on China’s development. Taken together, the findings and insights of these essays are not only up-to-date and convincing but also provide much food for thought about the fragility of China’s extraordinary rise. One good example is the structural problem of Chinese financial industry. According to Carl E. Walter and Fraser J. T. Howie (2011), the Communist state is reluctant to transfer power to entrepreneurs and financial professionals, and the ruling elites have used state-run commercial banks to drive growth while hiding non-performing debts and distorting the value of these banks’ financial assets. Therefore, the most serious policy challenge facing the Chinese leaders is how to restructure the top-down command economy.

Methodologically, one should be aware of two problems in this essay collection. First, the possibility of an economic slowdown in China suggests that the state-led model of capitalism may have run its course. To ensure long-term economic expansion, Beijing needs to encourage domestic consumers to buy more locally produced goods and services. This would require a massive transfer of wealth from the state to citizens. But Beijing is doing the opposite. Instead of boosting consumption at home, the state has increased public spending on fixed investment. This has led to an explosive growth in real estate, more public expenditures on infrastructure, and more loans to state-owned enterprises. The officials who are concerned with the success of state-owned enterprises are reluctant to transfer their resources to private businesses and ordinary households. Since late 2011, many private enterprises in Wenzhou and the Pearl River Delta have gone bankrupt because they lacked political connections to secure bank loans to resolve their cash flow problem. Even though China can postpone a crisis for the time being, its economic growth is slowing down and socioeconomic grievances are rising. The days of China’s economic miracle seem to be numbered.

Second, the editors and contributors treat the Chinese economy as a homogeneous entity, and overlook the problem of uneven regional development. Economic diversities within China are as significant as developmental differences between East and West. Given the success of the “Special Economic Zones” along the coast, the most feasible option for the central government is to launch a series of political, financial and social reforms in some coastal cities and to make these well-developed regions into a model of governance for the whole country. This would make it easier to absorb the aftershocks of any large-scale institutional change. In this perspective, the future of China’s development lies in the leadership’s ability to experiment with new forms of governance for pursuing growth and resolving domestic discontents.

In short, the editors and contributors remind us to analyze China’s rise in relation to its internal political and socioeconomic challenges. This collection of essays is timely and informative, and should appeal to development economists, political scientists, and students interested in China’s future.

Joseph Tse-Hei Lee, Ph.D.
Pace University in New York
jlee@pace.edu
References


