THE COLOR OF THE CHINESE CAT:

Resetting the Discussion on China's Economic Development

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SUMMARY

The 'reform era' starting in 1978 marked a new beginning for China. Deng Xiaoping's 'open door' policy embarked a new direction for the country, which would resolve in an extraordinary and admirable economic development. But China's achievements has also raised the question of whether China represents a new model for economic development, a question which has received intensive interest in academia. In the quest to find the answer, a long-lasting and recurring controversy between the 'Washington Consensus' on the one side and the 'Beijing Consensus' on the other, has so far led to no consensus at all. This paper argues that the academic discussion has suffered from a 'backward' approach to finding answers. In an attempt to reset the discussion, the paper offers a re-evaluation of the Washington- and Beijing Consensus, as well as a comparison of China's economic development vis-à-vis the other 'successful Asian economies'.

This paper finds that neither the Washington- nor the Beijing Consensus explain China's economic development. Further, it finds that China's economic development does not represent a distinct model of economic development, and hence suggests that future endeavors to define a specific model should be captured within the framework of an 'East Asian Model'.

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01 INTRODUCTION

''*It doesn't matter whether a cat is black or white, as long as it catches mice''* - these famous words by Deng Xiaoping has come to serve as a quote on China's 'open door policy', which marked the beginning of China's remarkable economic growth. However, as China has grown into the world's second largest economy 'the color of the cat' seems to suddenly matter a great deal. While China's economic development has been widely discussed in various forums, academia has assigned special interest to whether or not China offers a new and distinct model for economic development. In the quest to find the answer, a long-lasting and recurring controversy between the 'Washington Consensus' on the one side and the 'Beijing Consensus' on the other, has so far led to no consensus at all. This paper finds that non of these widely discussed frameworks offer an explanation, and that in order to find an answer, the discussion on China's economic development has to be reset. The academic discussion has suffered from a 'backward' approach to finding answers. Hence, to determine if China's economic development represents a distinct model for economic development, it has to be established if China's development has been unique in the first place. I will do this by answering the following research question:

Does China's economic development since the beginning of the 'reform era' represent a distinct model of economic development?

To answer this question I will set out to distinguish if China's economic development has been unique, or if it resembles that of other East Asian economies. To help guide the thesis, I will apply the following structure: I will begin by a literature review in which I will present 4 schools of thought. The review will underpin the large differences within the literature. Chapter 3 will raise the question ''what makes a model''. Here I will discuss the challenges associated with determining models of economic development through five theorems, which might help explain the disagreements within the existing literature. In chapter 4 I will argue why both the Washington Consensus and the Beijing Consensus fail to explain China's economic development. And finally in chapter 5 I will compare China's economic development with other East Asian economies to determine if China's development experience has been unique and hence 'qualifies' as a distinct model of economic development.

However, besides the sheer admiration most people have for China's growth experience, then why is this discussion interesting, relevant, and important? For several reasons actually. In 1989 Francis Fukuyama famously published his essay titled ''The End of History'', in which he argued that Western liberal democracy may be the final form of human government [Fukuyama, 1989]. With the rise of China as the worlds second largest economy under an authoritarian regime, Fukuyama's claims might have been premature. But it is also interesting because China might offer an alternative to the international development agenda, which since the Second World War has been set by the Bretton Woods institutions and the U.S. And ultimately it is interesting to determine if China's development experience can help other countries grow. Although it is beyond the scope of this paper to cover all these areas, it will serve as an important next step in determining the answers to these questions.

Delimitation of the paper

This paper will focus on China's economic development since its 'reform era' beginning in 1978, as this marked a new beginning for China under the leadership of Deng Xiaoping. While I will provide a detailed discussion of why the Washington Consensus and Beijing Consensus both fail to explain China's economic development, I will not discuss or suggest any specific models of development. Hence, the focus of this paper is on China's economic development, in order to establish whether it has been unique and hence qualifies as a distinct model. This paper will hence serve as a foundation for subsequent work within the subject, and should thus be seen as a stepping stone in determining a specific model of development.

Method

The posed research question will be answered through an explanatory case study. The study will be based on existing literature (hence secondary source material), as this will: 1) enable an in depth analysis of the existing academic discussions regarding China's economic development, and 2) allow me to cover a relatively extensive area within the literature in the discussion on China's economic development vis-à-vis other successful economies in Asia.

2.0 LITERATURE REVIEW

While there is an extensive literature on the field of economic development, this paper will limit its scope to the literature relevant for the economic development in China. But even here we will find a relatively extensive literature. Ignited by Ramo's 2004 essay 'The Beijing Consensus' scholars started paying special attention to China's economic development, and whether or not it was significantly different from the development faced by other countries. In the wake of the 2008 financial crisis, when the sustainability of the Western economies were being questioned, academic discussions on the subject re-ignited, however with no dominating consensus. Hence, in an attempt to provide the reader with an overview of the academic discussion, I have identified 4 schools of thought which I will elaborate on in this chapter.

The first school of thought, *Proponents of a Beijing Consensus,* argues that China's economic development is not only significantly different from other models of development it is also characterized by some distinct features which define the 'Beijing Consensus' apart from other models. This school originates from Ramo and his 2004 essay but has attracted others along the way, notably Li, Brødsgaard and Jacobsen who contributed with their own definition of Beijing Consensus (2009). The second school of thought, *A China Model Without Consensus*, recognize that China's economic development is unique but ascribes it mainly to the gradualist reform strategy rather than because of a distinct growth model. However, interpretations of the China Model vary far and wide among its proponents, and non of these interpretations seem to propose a concrete summary of China's developmental experience. The third school of thought: *Washington Consensus With Chinese Characteristics*, argue that although China's development is different it is best described by the principles included in the Washington Consensus. The fourth school, *There Is No Consensus - Yet,* does not fundamentally disagree with the notion of models, but argue that if there is a consensus on economic development it still hasn't been found.

Before elaborating on these 4 schools, I find it relevant to briefly outline the content and history of the Washington Consensus as it will be referenced subsequently in this chapter. However, a much more thorough discussion of the model will be conducted in chapter 4.

As a response to the debt crisis in Latin America in the 1980s the U.S., under the presidency of George H. W. Bush, offered to reduce the commercial bank loans for Latin American countries in return for market liberalizations. In support of the initiative the Institute for International Economics drafted a paper outlining ten policy recommendations including: *fiscal discipline, reordering public expenditure priorities, tax reform, liberalizing interest rates, a competitive exchange rate, trade liberalization, liberalization of inward foreign direct investment, privatization, deregulation, and property rights*. The author of the paper, John Williamson, coined the paper 'Washington Consensus' as he believed that the list of policies had reached a reasonable degree of consensus in Washington as to what was needed to restore the economies in Latin America [Li et al., 2009: 2]. Williamson has later pointed out that the term 'Washington Consensus' had reached far beyond its initial scope and had come to mean very different things by different people [ibid: 3]. A more detailed discussion of the Washington Consensus will follow in chapter 4. But for now let's return to the 4 schools of thought identified above.

2.1 PROPONENTS OF A BEIJING CONSENSUS

Ramo's 2004 essay ''The Beijing Consensus'' established itself as a cornerstone in the discussions on China's economic development. Possibly because of its striking and provocative title rather than because of its actual content. Nonetheless the essay fueled intense subsequent discussions on the subject, notably among those who perceived the work as an attempt to rival the Washington Consensus. In sum Ramo argues that China is pioneering a new route towards development based on three theorems [Ramo, 2004: 11 - 12]:

1. Innovation-based development
2. A development model based on sustainability and equality
3. Self-determination for China and for other countries vis-à-vis the United States:
    - Opposition to the Washington Consensus
    - Globalization on their own terms
    - Chinese influence by example - not weaponry
    - Develop asymmetric capabilities to balance against the United States

Ramo's essay is however not as clearly structured and to the point as the three bullets above might indicate, and the text needs careful reading to extract the essential elements. In between the above mentioned theorems, Ramo emphasize China's urge for a peaceful rise, while drawing on ancient Chinese history and culture to help explain why China never embarked on the principles of the Washington Consensus, which he describes as *''a hallmark of end-of-history arrogance [leaving] a trail of destroyed economies and bad feelings around the globe''* [Ramo, 2004: 4]. Other than that, Ramo doesn't leave much space for discussing the Washington Consensus, but notes that *''Williamson wrote [the Washington Consensus] out of empathy with the bankers. Beijing thinks […] out of empathy with citizens stuck in an environment of failed development''* [ibid: 30].

At times Ramo's essay can seem as more of a future assessment of what China needs to do to successfully deal with the challenges ahead, than as an actual reflection of China's economic development. This might have led Li, Brødsgaard and Jacobsen to redefine the Beijing Consensus into 10 more concrete principles and thereby making their edition of the Beijing Consensus more of an equal contestant to the 10 principles of the Washington Consensus. Li et al. fundamentally agree with Ramo regarding the need to distinguish China's development from the principles of the Washington Consensus, but they disagree with his three theorems which they argue are inaccurate [Li et al., 2009: 7]. Li et al. stress that their 10 principles are assessed as widely accepted and represent more general policies than China-specific or highly technical factors, which make their version of Beijing Consensus more generally applicable.

The 10 principles [Li et al., 2009: 8 - 21]:

1. Localization of best practices borrowed
2. Combination of market and plan
3. Flexible means to a common end
4. Policy rights
5. Stable political environment
6. Self-reliance
7. Constantly upgrading industry
8. Indigenous innovation

9. Prudent financial liberalization
10. Economic growth for social harmony

Although Li et al. are more concrete in their version of Beijing Consensus, they do share some of the same fundamental ideas as Ramo. However, this will be further discussed in chapter 4.

2.2 A CHINA MODEL WITHOUT CONSENSUS

Those belonging to this school acknowledge the unique characters of China and its growth trajectory but finds it difficult to form a consensus. A common feature of for this school is however the use of the term 'China Model' which is applied to characterize those elements of China's development that separates it from other countries. Meanwhile, there is no clear definition of the China Model. Some use the term as an umbrella to cover everything related to China's development, while others use it as a differentiation from Ramo's Beijing Consensus. It is however also used in other contexts, for example to describe China's 'model of governance' (Bell, 2016). This of course complicates the use of the term, however in this paper the China Model will be references in the context to China's economic development

Suisheng Zhao is among the dominant scholars within this school of thought. Although he doesn't engage in the discussion regarding a China Model vis a vis Washington Consensus, Zhao acknowledge the significance of China's impressive economic growth over a 30 year period, which transitioned the country from one of the poorest into the second largest economy. Zhao labels this transition the China Model. According to Zhao the China Model debate came in three stages. The first stage emerged with the publication of Ramo's article 'The Beijing Consensus' which generated broad academic interest. The second wave came around the 2008 Olympics hosted by China, which created a 'discourse of greatness' which was only amplified in the wake of the 2008-09 financial crisis. The third wave emerged when President Xi Jinping took office in 2012, calling for the China Dream of great national rejuvenation. In a serious of speeches, both in- and outside China, Xi proclaimed the necessity for China to chose it's own developmental path - as should be the right for any country [Zhao, 2017: 3-5]. However, while recognizing China's achievements, Zhao argues that the country's transformation has been almost completely biased towards growth. And although growth has been exceptional, Zhao stress that growing the economy is easy compared to the challenges awaiting. Since 2015 these challenges has moved closer, as growth figures has decreased below double digits and as rampant pollution and social inequality is increasing. Hence, Zhao argues that the assumption that economic growth trumped everything else turned out to be false, as Chinese citizens are beginning to show demands of increased transparency and environmental protection. Thus, China's ability to achieve transformation on both the economic and political fronts will measure the real strength of the China Model.

Alvin So (2014) is another scholar belonging to this school. And in an attempt to specify the term, he has provided a simple interpretation of the China Model, captured in five main characteristics [So, 2014: 3-4]:

- Fast-speed economic growth
- Export-led industrialization
- Innovation and technological upgrading
- Poverty reduction
- Independent and autonomous development

Although some of the characteristics are featured in Ramo's 'tribute' to the Chinese developmental experience, So stress that the characters are not unilaterally successful. Almost every part of China's growth adventure has another less successful side to it, for example increasing social inequality. For the very same reason So argues that the celebration of the China Model is premature, as the country still faces serious challenges that needs to be overcome and in a number of areas it is still too early to determine the implications of China's development approach. However, So apply a more nuanced approach to China's development model, as he argues that the discussion of whether China is fundamentally a socialist country or a capitalist one is too unnuanced. Hence, So prefers to label China as 'State Neoliberalist' as he argues that it is neither purely statist nor neoliberalist, but a hybrid possessing both the characteristics of state developmentalism and neoclassical neoliberalism [So, 2014: 8-9]. So also ascribe great importance to the Maoist legacy in China's ability (or success) to achieve a China Model, as the Leninist state apparatus put in place by Mao provided his successors with the ability to reach (and control) all corners of society both horizontally and vertically [ibid: 13-14]. Finally, So argues that one of the main reasons why China has managed to maintain its one party state was its approach to reforms, notably in the wake of the Cultural Revolution, where economic reforms were implemented prior to political reforms [ibid: 17].

2.3.WASHINGTON CONSENSUS WITH CHINESE CHARACTERISTICS

The third school identified revolves around the argument that China's growth and development experience is best explained by the Washington Consensus. Huang (2010) argues that China's rapid growth can be divided into two ''eras''. The first one took place under Deng Xiaoping's government from the late 1970s to the late 80s. Huang calls this the 'Washington Consensus era', as the period was marked by financial liberation, support for private entrepreneurship, and some political liberalism. However, this period was replaced by the 'Beijing Consensus era' (or economic statism) in the wake of the Tiananmen Square incident in 1989. Many of the liberal policies were revoked in favor of increased political control - both financially and politically. Huang leverages what he assess as four main building blocks in China's growth to convey the argument that Washington Consensus offer the best explanation for China's economic development. The first block is *private entrepreneurship*, which he argues has been more viral than often anticipated. Although disguised as 'township and village enterprises' (TVEs), private entrepreneurship did contribute significantly to China's growth, especially in the era of Washington Consensus [Huang, 2010: 34-36]. The second is *rural financial development* which flourished in the early 1980s, where startups and small and medium sized enterprises (SMEs) had easy access to microlending through Rural Credit Cooperatives (RCCs) and Rural Credit Foundations (RFCs). However, in the 1990s access to micro loans became more difficult as public funds were redirected towards larger - more visible - infrastructure projects, and in 1998 RFCs were declared illegal all together - putting an end to an otherwise successful credit program. However in the wake of the ban, Huang argues that private household loans became a proxy for RCC and RFC capital [ibid: 36-38].

Policy liberation is the third bloc, and here Huang argues how the apparent increase of the private sector under Beijing Consensus is incorrect. According to official figures, the private sector has increased in China on a steady pace since the early 1980s. However, while there was a genuine growth in the private sector in the 1980s, the growth under the Beijing Consensus has been driven by efficiency gains rather than organic growth. Hence, rather than using an output-based measurement Huang argues that an input-based measure (e.g. Fixed Asset Investment) would provide a more correct picture. That would show that the growth within the private sector has been much lower under Beijing Consensus than under the Washington Consensus era, and hence undermine what Huang describe as one of the supporting arguments for Beijing Consensus [Huang, 2010: 38-40]. The fourth bloc is *politics*. Under the Washington Consensus adage that ''*all good things go together''* - liberal economics is compatible with liberal politics and vice versa, Huang describes how things has moved in an opposite direction under the Beijing Consensus era. Since the early 1990s has the public sector increased and the government payroll increased more than twofold, while the fixed asset investments in buildings, properties and asset bases controlled by the government more than tripled. Huang thereby equates the size of the public sector with an overall negative trend in China's economic development [ibid: 40-41].

This lead Huang to conclude that the Washington Consensus does explain the development in China, as his study shows that the (political) liberal tendencies in the 1980s furthered a GDP growth which was more welfare enhancing - while the opposite political direction starting in the 1990s created a GDP growth which was less welfare enhancing. He agrees with proponents of Beijing Consensus that China has applied experimental reforms, but he also stress that these reforms did not automatically lead to financial liberalization and private entrepreneurship. Hence, although the Chinese leaders during the 1980s might not have applied Washington Consensus principles, the path they chose ultimately resembled the model.

2.4 THERE IS NO CONSENSUS - YET

Although a consensus might exist on ''ideal'' economic development, it has not yet been captured and formulated. That is the overall theme of this school of thought. Joseph Stiglitz is probably the most prominent scholar here. Although Stiglitz acknowledges Williamson's Washington Consensus as a model specifically aimed at Latin America (he even admires it for its simplicity [Stiglitz, 1999: 14]), he sharply criticizes the term for what it has become (which we will get back to in chapter 4) [Stiglitz, 2008]. His critique is especially aimed towards the international financial institutions (IFIs) (notably the Bretton Woods institutions) which he argues have been the primary promoters of the ''one-size-fits-all'' approach to economic development [ibid: 13]. Stiglitz firmly argues that the blind belief in market-fundamentalism proved ill suited for most of the countries on which the principles were applied. However, despite repeating failures the IFIs continued their neoliberal course - if only slightly modified [ibid: 5]. He points out that the most significant flaw of the model was (and is) its neglect of the importance of governmental institutions [ibid: 14]. Without a robust (or at the very least pro-active) government, countries might succeed in GDP-growth but fail at economic development and thereby long term success. According to Stiglitz the most successful developing economies were those East Asian countries who didn't strictly follow the principles of the Washington Consensus, while several economies in Latin America and Sub-Sahara Africa failed in the attempts to apply the principles imposed by inter alia the World Bank and IMF [ibid: 4]. The negative experience of these countries adds to a vicious circle, as failure in economic development leads to decreasing credibility, which then leads to a further weakening of (often) already weak institutions [ibid: 12].

Stiglitz stress that there is no consensus on how to effectively develop countries economically. There may be consensus that excessive protectionism is bad, but there is certainly no consensus that rapid liberalization, especially in countries with high unemployment, will lead to faster growth [ibid: 14]. Some East Asian economies has found their own successful way, however the question is how the experience of these countries can be transferred to others [ibid]. Although Stiglitz argues that there is no current consensus on economic development, he stresses that if a consensus were to be found on a successful development model, it cannot be derived from what is assessed to be consensus in Washington. It has to involve those in the developing world in a meaningful way as well [ibid].

Scott Kennedy is another scholar searching for consensus. In his 2010 article ''*The Myth of the Beijing Consensus''* Kennedy boldly state that ''*[m]y own review of the Chinese debate is that if there is a consensus in China, it is that the Beijing Consensus is wrong […]*'' [Kennedy, 2010: 472]. Hence, I need not say that Kennedy doesn't support Ramo's Beijing Consensus. However, he does acknowledge that China's development has unique characters - often referred to as the China Model. This term, he argues, has attracted much more interest among Chinese analysts and scholars. However, it suffers from one big flaw - namely that it has no common and widely agreed upon definition. Some distinguish it merely as a phrase used to set apart China's gradualist reform strategy from the 'shock therapy' approach adopted by post-Communist states of central Europe [Kennedy, 2010: 474].

Another interpretation of the term is to justify Chinas move away from Maoist policies towards what some call 'capitalism with Chinese characteristics'. Others use the term mainly to highlight the strategy of steep economic growth while successfully maintaining China's one-party system. However, as Kennedy points out, if this latter use is the only feature of the model, it does not deserve the adjective 'China', as many other countries have succeeded to implement rapid economic reforms while maintaining an authoritarian one-party regime [ibid: 474 - 75]. In the wake of the 2008 financial crisis, the China Model has been used by many as a reference to the country's export-oriented growth strategy. However, by this the model is used to describe merely one aspect of China's growth experience - a part that ironically is consistent with the trade liberalization aspect mirrored in the Washington Consensus [ibid: 475]. Clearly then, a term with so little coherence is hardly a model. Kennedy does however point out that *''if the China Model is reduced to mean modifying China's policies as circumstances change over time or choosing policies through experimentation, then it is robbed of much analytical rigor''* [ibid]. Concludingly Kennedy argue that there is elements of China's growth experience that deserves further study and perhaps adoption by other countries, but they do not add up to a distinct model. Rather they have given additional impetus to the breakdown of any universal dogma regarding economic growth and transitioning [ibid: 476].

WRAPPING UP

This aim of this chapter was to provide the reader with an overview of the different schools of thought on China's economic development within the academic literature. Clearly there are very different opinions on the subject, which stress the need for additional clarification and quality contributions to the literature. The Washington Consensus and Beijing Consensus will obviously be discussed in much greater detail in chapter 4. While the China Model is appearing across the literature, there is very little coherence in the use of the term no consensus on what it covers. Although So did attempt a more distinct characterization, it still lacks a clear definition not least in terms of how it separates from the Beijing Consensus.

3.0 WHAT MAKES A MODEL?

In this chapter I will discuss some issues related to the determination of economic development models in general, which might help understand why it is so difficult to find consensus on the subject. This chapter will also serve as an explanation for why I will beyond the scope of this paper to suggest a specific model of development, but merely focus on whether or not China's economic development has been distinct or comparable with that of other successful Asian economies. This discussion will hence lean on the argument posed by several influential scholars (e.g. Stiglitz and Kennedy), namely that economic development is multifaceted rather than universal. I will pose five theorems each based on a challenge regarding the determination of models of economic development. However, I will begin by briefly outlining what is commonly understood by economic development.

Despite the inherent meaning of the 'economic development' there is no consensus as to what 'development' means or requires [O'Brien and Williams, 2013: 233], and hence there seems to be mixed interpretations of the term across the literature, where economic growth and economic development sometimes get confused. Economic growth is understood as the rise in national or per capita income or product, typically measured by gross domestic product (GDP) or gross national product (GNP) [Grabowski, 2003: 5]. These two indicators were the first to be used as measures of economic development. However, in the late 1960s economists acknowledged that economic growth-measures doesn't tell much about how wealth is distributed within a given country, and hence if there is a general increase in the living standard, or if the economy is centralized among an elite. This led to the use of more sophisticated means of measurements, such as the Human Development Index (HDI), which sets out to provide an aggregate measure of life expectancy, education, and income [Dang and Pheng, 2015: 13]. These more nuanced ways to assess ''real'' development, came to define economic development which also made it a much broader concept than economic growth. Today we understand economic development as a combination of five main elements [Adelman, 2000: 1]:

1. Self-sustaining growth

2. Structural changes in patterns of production
3. Technological upgrading
4. Social, political, and institutional modernization
5. Widespread improvement in human conditions

However, in addition to the more formal elements, other questions arise when discussing when a specific economic development experience qualify to become a model. The Washington Consensus is based on principles considered widely acknowledged in Washington as needed in Latin America [Williamson, 2003: 1475]. But ultimately the 10 principles were a reflection of the U.S.' approach to growth, along with the principles exercised by the Bretton Woods institutions at the time. One of the reasons why the principles were agreed upon as suitable for Latin America, were that these policies were assessed as well-tested and sustainable. However, despite Francis Fukuyama's (1992) claims on 'The End of History', the western liberal-democratic model is still being continuously tested. The 2008 financial crises left deep scars, while recent nationalistic tendencies challenge some of the fundamental democratic values otherwise so deeply rooted in most Western democracies. Furthermore, critics argue that the Washington Consensus never had much success as a development model (e.g. Stiglitz and Serra, 2008) although frequently applied on other countries. But despite this, the Washington Consensus is still the most recognized and used developmental model [Stiglitz, 2008: 1]. Hence, below I have listed five questions in an attempt to pin out what I assess as the main challenges in determining a development model. I will discuss these questions in five respective theorems.

1. When has a development experienced passed the test of time to qualify as a model?
2. How successful does a developmental experience have to be to qualify?
3. Should a model be fully applicable to other countries, or can a model merely be used as guidance or source of inspiration?
4. How unique shall the development experience be, before it qualifies for its own model?
5. Does there need to be a consensus?

Theorem 1

The first question is perhaps the most challenging, as history will continue to run its course. Some critics of a distinct Chinese model (e.g. Huang, 2010) argue that China's development, in some regards, has shown resemblance to the Washington Consensus principles, and that over time it will become more and more aligned with the Washington Consensus. However, by such argument there is a risk of overlooking some of the unique elements that led to the discussion of whether or not a country qualifies for its own model in the first place. A valid argument could then be that rather than the test of time, a development experience should pass the test of reality - meaning proving capable of dealing with challenges related to economic development along the lines of Adelman's five elements. But even then there is no guarantees that a given model is sustainable in the long run, or at the very least subjected to corrections and further development along the way. China has for example not had any major changes politically since the beginning of its reform era in 1978. However, if substantial political changes were to be made, would that then rule out China's remarkable economic development over the past 40 years as a potential model for others to follow? Hence, returning to the significance of time, which can hardly be neglected. For the sake of exemplification, one could imagine that China would have chosen a different development path (if communism at all) if it had observed how communism played out in Russia. Of course China's adoption of communism cannot be reduced to the question of which development model to chose, but it underlines the important aspect of time.

Theorem 2

The complex in the first theorem naturally leads to the second - how successful does a development experience have to be to qualify as a unique model? In short - no development experience is spotless when viewed over the course of history. But mistakes and bad decisions are corrected along the way, and the sum of successful policies will eventually constitute a model - or that is at least the simple answer. However, could the 10 principles in the Washington Consensus ever have been formulated had it not been for the mistakes and developmental ''detours'' that constituted the U.S. development experience? Bad decisions and crises led to corrections which then gradually changed the development model. Think of The New Deal in the wake of The Great Depression, which not only led to a series of bank reforms but also to enhanced social security. And yet, despite the lessons learned from the Great Depression, the U.S. still wasn't able to avoid subsequent financial crisis, which again led to new reforms and policy changes aimed at strengthening the existing model. Hence, no model is complete and even though we stand on the shoulders of our ancestors, history has shown that - not only does history repeat itself, we also have to learn from our own mistakes rather than those of others. Thereby one must also acknowledge that there is no end-stage when it comes to determining the success of a given economic model or experience - it has to be accepted at 'face value'.

Theorem 3

Opinions are divided regarding how broadly applicable a model needs to be. From its outset the Washington Consensus was ''export oriented'', meaning that it was meant as a development model to help other countries (Latin America specifically). However, because of this the discussion regarding new potential development models often revolve around the question of whether or not a potential model is applicable to other countries. This discussion is justified by the argument that a model, which is only applicable to the country from where it origins is of limited use in general. However, to what extend should a model be duplicable? Some scholars (So and Tay, 2014) argue that even if the Chinese experience qualify as a distinct model, it would be difficult for other countries to copy due to the distinct features of China's historic and cultural background, combined with its significant institutional setup. However, does that mean that China's development experience should be disregarded as a model? This paper argues that there is no such thing an off-the-shelf development model, due to the fact that all countries are different and face unique challenges. Hence, local conditions will alter the path of development. Stiglitz and Serra argue that the 'one-size-fits-all' approach of the original Washington Consensus was doomed to fail from the beginning [Stiglitz and Serra, 2008: 7]. Thus, while a development model should be applicable to other states, it is not a step-by-step recipe with a predetermined outcome.

Theorem 4

Regarding the fourth question, it is difficult - if not impossible, to set a fixed bar for when a development experience is unique enough to qualify as a model. However, it is apparent that the characteristics of a country's development has to be different from that of others to qualify as a new model. If a development experience was assessed unique merely because of demographic or cultural differences, almost every country in the world would qualify for their own model. On the other hand, demographic and cultural differences are not to be ignored, as they can very well play a key roll. Just think of China or India which each have populations exceeding 1 billion including numerous cultures and languages. Neglecting these factors in their respective development experiences would most likely be misleading. Hence, any factor decisive for a country's development should be included when assessing the uniqueness of a given experience. This means looking beyond economic policies and institutional setups. However, as will be apparent later, it is not very easy to find common grounds on exactly which aspects that qualify as unique - even when differences appear substantial.

Theorem 5

Although Williamson believed that his Washington Consensus represented a general consensus in 'Washington' at the time of its publication, he later found out that it was far from the truth (I will return to this in the next chapter). Ramo also made claims to a consensus which was even more dubious. But that alone didn't make his framework less correct. Stiglitz argues that ''*a […] consensus cannot be arrived at simply within the confines of Washington. The development of a successful development strategy will have to involve those in the developing world in an important and meaningful way''* [Stiglitz, 2008: 14]. But the truth is of course that there will always be opponents and people with different opinions regarding what is deemed successful. Williamson included 'Consensus' in the title of his model because it reflected the policies actively applied by the IMF and World Bank. However, it could be argued that a model is brought to life under less formal circumstances and without a consensus. For example when country B successfully imitates the development experience of country A. While this does resemble the development of several Asian countries, who largely looked towards Japan's successful development, there is still no consensus on a 'Japan Model' or 'Asian Model' of development.

WRAPPING UP

The purpose of this chapter was to highlight the challenges associated with determining when a given economic development experience qualifies as a model. As discussed in the previous chapter, there are many different views on China's economic development and on whether it is unique. However, even if a consensus could be found on this question, a whole other discussion would arise around the question of whether China's development is sustainable or applicable to others - a discussion much more complicated than the former. Along this argument this chapter has also served as an explanation for why this paper will limit its focus to whether or not China's development is unique, and leave it to others to subsequently determine the specific features of such a model.

4.0 GETTING THE CONSENSUS RIGHT

This chapter will elaborate on the Washington Consensus and Beijing Consensus, and discuss why neither of them serves a model for China's remarkable development. I will allocate some space for this discussion, as the two terms have served as opposing models - and potential answers - in the academic discussion on China's economic development. Although I have already touched upon some of the main characteristics of the two models, this chapter will present a more detailed picture as well as a discussion on why non of them fully works as models depicting China's development experience. However, since the two terminologies were introduced in 1989 and 2004 respectively, they have both been subject to intense discussions and, not least, re-interpretations, which tend to distort the actual meaning and initial intentions behind the terminologies. According to the original author of the Washington Consensus, John Williamson, ,,*the Washington Consensus has been used to mean very different things by different people*'' [Williamson, 2008: 9]. But Williamson has also acknowledge that some of the principles included in the original version were either premature or should have been re-formulated. The Beijing Consensus has also come to mean other things than initially anticipated. According to its author, when the article was first published in 2004, the goal was merely to highlight the fact that China's national conditions and political environment demanded a unique development model [Ramo, 2016]. Hence, this chapter will serve as a pre-discussion for the main analysis, but also as a base for common understanding of the two terms, which is probably the most ''iconic'' in the academic discussion on China's development. We will begin by looking at the oldest of the two - the Washington Consensus.

4.1 THE WASHINGTON CONSENSUS

I find it especially important to elaborate on the Washington Consensus for two main reasons. Firstly, in parts of the literature and discourse on economic development, the term 'Washington Consensus' is used as a synonym for ''failed development policies'' or as a term for ''the U.S.' neoliberal agenda for development abroad''. While there is some truth to both of these assertions, they are contributing to an unnuanced, if not incorrect, discussion on the subject. And as this section will highlight, then there might not be all that much consensus in Washington after all. Secondly, it seems that many people see Williamson's 1989 policy framework as what laid the grounds for the policies later applied by inter alia the World Bank and the IMF, when it was really the other way around. Hence to assure a common understanding of the term, and to do Williamson (and his use of the 'Washington Consensus') justice, this chapter will provide what is hopefully a more nuanced understanding of the term.

The original framework

In 1989 the Institute for International Economics convened a conference on the topic of the development in Latin America. The goal was to examine the extend to which the old ideas of development economics, that had governed Latin American economic policy since the 1950s, were being swept aside by the set of ideas that had long been accepted as appropriate within the OECD. And to ensure a common outset for the conference Williamson made a list of 10 policies that he thought more or less everyone in Washington would agree were needed more or less everywhere in Latin America [Williamson, 2008: 2]. Williamson titled the background paper 'Washington Consensus', a term he would later regret due to its value-laden character which to some was seen as propagandistic or as an image of neoliberalism [ibid: 8]. An important note here however that Williamson's Washington Consensus was not meant as a list of neoliberal policies, although later interpretations of the model might suggest. Williamson acknowledged the success of increased privatization which by 1989 had proved its worth. However, monetarism, supply-side economics, and a minimal government had, according to Williamson, proved impractical and undesirable and hence left out of the paper [ibid: 4]. The list hence included the following 10 principles [Marangos, 2007: 38-39]:

1. **Fiscal discipline**: The IMF stipulates that borrowing is conditional in the achievement of fiscal discipline, as long as they do not result in the debt-GNP ratio rising. Any deficit should be the result of expenditure in productive infrastructure investment.

2. **Re-ordering public expenditure priorities**: Expenditures in politically sensitive areas (administration, defense and 'white elephants') should be substantially reduced since they

receive more resources that economic returns justify. Subsidies to inefficient state enterprises should also be reduced, or even better eliminated. Meanwhile, investments in human capital helps to enhance income distribution, why the funding of public health and education is appropriate.

3. **Tax reform**: Broadening the tax base, including taxing capital flight, and reducing marginal tax rates to moderate levels is recommended. The goal of tax reform should be to increase incentives and improve horizontal equity by maintaining moderate progressivity.

4. **Liberalizing interest rates**: In the long run the goal should be market-determined interest rates. However, during the initial stages of reform, market-determined interest rates may be too high as to threaten the viability of enterprises and increase the burden of government debt. Thus, real interest rates should be positive and moderate to discourage capital flight. At the same time any preferential interest rates should be abolished.

5. **A competitive exchange rate**: A managed competitive real exchange rate is fundamental in achieving an outward-oriented economic policy and to maintain competitiveness. The balance of payments constraint would be overcome by export growth in nontraditional exports rather than by import substitution.

6. **Trade liberalization:** Import liberalization and abolition of quantitative trade restrictions to reduce corruption are also required for an outward-oriented economic policy. Concerns of infant industries justify strictly temporary protection. A moderate general tariff would also provide a bias toward diversifying the industrial base, without a real substantial cost. Concerns about timing justify a gradual removal of protection.

7. **Liberalization of inward foreign direct investment (FDI)**: Barriers restricting the entry of foreign firms should be abolished and there should be free competition between domestic and foreign firms. FDI can bring desired capital, skills and knowhow and produce goods required for the domestic market or contribute to new exports.

8. **Privatization**: The main rationale for privatization is the belief that private firms are managed more efficiently than state enterprises due to the direct incentives faced by managers and owners. The lack of a strong indigenous private sector is an insufficient reason to preclude privatization; this can only be justified on the grounds of economic nationalism - which is unacceptable.

9. **Deregulation**: Governments should abolish regulations that restrict the entry of new firms and/or restrict competition. Regulations might be warranted by such criteria as safety, environmental protection or prudential supervision of financial institutions.

10. **Property rights**: The legal system should provide secure, uniform and low cost property rights available to everyone, even the informal sector.

But despite the deliberate decision not to make the list a neoliberal stooge, the model quickly came under attack from critics calling it a new form of imperialism; bashing of the state; and the creation of a laissez-faire global economy, where the only thing that matters is GDP growth [Williamson, 2008: 9]. In a 2008 article titled ''A Short History of The Washington Consensus'', Williamson accounts for how the term was received and used subsequently. Here he argues that two dominant interpretations (in addition to his own) has later come to define the model. The first interpretation refers to the policies applied by the Bretton Woods institutions towards their client countries (or perhaps the attitude of the U.S. government plus the Bretton Woods institutions). Williamson finds this interpretation reasonable as the policies largely portrayed what the Bretton Woods institutions were 'preaching' at the time. And as these institutions evolved, the term continued to refer to their policies [Williamson, 2008: 10]. The second interpretation of the term uses Washington Consensus as a synonym for neoliberalism or market fundamentalism. Williamson is far more oppose to this latter interpretation, as it deviates from the fundamental content of the 10 principles. Although the model does share features with neoliberal policies, it is far from a pure neoliberal model. Many of the neoliberal policies presented under the Thatcher and Regan administrations (some of them listed earlier) was not assessed appropriate for Latin American countries at the time, nor was there a consensus for such policies in Washington [ibid]. Finally, Williamson stress that the Washington Consensus was aimed specifically at Latin America at a particular moment in history, rather than claiming to be a text for all countries at all times [Williamson, 2008: 12]. Hence, despite the terms later use, it was never meant as a universal model for development.

Stiglitz is among the term's recurrent critics - both in its 'Bretton Woods policy form' and in the form of Williamson's original framework. Regarding the latter, Stiglitz does however acknowledge two things: that it was not designed as a universal model and that ''*[t]he success of the Washington Consensus as an intellectual doctrine rests on its simplicity''* [Stiglitz, 1999: 14]. But he also argues that its simplicity is also its Achilles' heel, as it fails to include important features for successful economic development - notably the importance if the government. His two main points is that the model's determination to minimize inflation, led to macroeconomic policies that might have been unconducive for long-term economic growth and which pulled attention away from other major sources of macroeconomic instability - namely weak financial institutions [ibid: 13]. Secondly, he argues that Williamson's strict focus on trade liberalization, deregulation, and privatization ignored other equally important factors for developing an effective market economy - most notably competition [ibid]. Stiglitz then propose six overall ideas for a more holistic approach to economic development [Stiglitz, 1999]: 1) Macroeconomic stability; 2) Financial reform; 3) Competition; 4) Government as a compliment to markets; 5) Making governments more efficient; 6) Broader goals of development.

Williamson has later acknowledged that some of the policies in the model invited for a very narrow interpretation, which could have been avoided simply by re-formulating them. He specifically commented on the following policies [Williamson, 2008: 4-5]: '*Re-ordering public expenditure priorities*' was a suggestion to switch focus towards pro-growth and pro-poor expenditures, from things like non-merit subsidies to basic health care, education, and infrastructure. It was never meant as an attempt to achieve fiscal discipline through expenditure cuts. On the contrary, the intention was to be strictly neutral about the size of the public sector. '*Liberalizing interest rates*' should have been formulated more broadly as 'financial liberalization' with an underpinning that views differed on how fast it should be achieved, and especially recognizing the importance of accompanying financial liberalization with prudential supervision. '*A competitive exchange rate*' never reflected a consensus in Washington when seen in retrospect. Ensuring a competitive exchange rate implies an intermediate regime. However, at the time Washington was 'already' beginning to edge towards the ''two corner doctrine'', which holds that a country must either fix firmly or float cleanly. And finally '*Privatization*' - the policy which reflected the one neoliberal area which had won broad acceptance. The policy was thought of in ideal conditions, as when privatized enterprises either sells into a competitive market or is properly regulated. However, it later became clear that it matters a great deal how privatization is done, as it can become a highly corrupt process where assets are being transferred to a privileged elite for a fraction of their true values.

In 2003 Kuczynski and Williamson published a follow-up to the original Washington Consensus, suggesting four overall policies to succeed and strengthen the 1989 principles: *1) Crisis-proofing; 2) Completing and, where necessary, correcting the 'first generation' liberalizing reforms that constituted the core of the Washington Consensus; 3) Complementing them with 'second-generation' (institutional) reforms; and 4) Broadening the reform agenda to include a concern with income distribution* [Williamson, 2003: 1]. However, by that time the Washington Consensus had long left Williamson's command and moved into the public discourse where it served as a reflection of the development strategies exercised by inter alia the World Bank and the IMF.

The Bretton Woods institutions

Turning the focus towards the International Monetary Fund (IMF) and the World Bank (sometimes referred to as the Bretton Woods institutions) is another important piece to the puzzle in a comprehensive understanding of the Washington Consensus. These two institutions are important because they in many ways are the executing elements of the Washington Consensus framework. Although the term is not exclusively referring to the work of these two institutions, they are the grand institutions in global economic development. As mentioned initially there seems to be some confusion regarding the separation of the policy agenda of the IMF and World Bank respectively, and Williamson's policy framework. While the latter was born as a reflection of what Williamson assessed consensus on economic development in Washington at the time, it naturally also mirrored the policies of the IMF and World Bank, which headquarters are both located in Washington DC. However, as time past and Williamson's framework for economic policies in Latin America became 'outdated', the term stock to the policy agenda of the IMF and World Bank and the original model became an easy way to conceive what was often perceived as the failed development agenda of the IMF and World Bank. Arguably there is some truth to the these assertions, but the agendas of the two institutions did eventually become more nuanced than Williamson's relatively simple model. This section will include two examples of how consensus has gradually withered within the Washington Consensus framework.

Rodrik (2006[1]) tells how Williamson's original framework was augmented by the IMF and World Bank throughout the 1990s - if not formally, then in practice. The so-called ''second generation'' reforms consisted of 10 principles - all heavily institutional in nature [Rodrik, 2006[1]: 978]:

- Corporate governance
- Anti-corruption
- Flexible labor markets
- WTO agreements
- Financial codes and standards
- ''Prudent'' capital-account opening
- Non-intermediate exchange rate regimes
- Independent central banks/inflation targeting
- Social safety nets
- Targeted poverty reduction

While the policies themselves are not that important at this point, the list conveys the message that the IMF and World Bank needed to build upon Williamson's fairly simple framework. Rodrik argues slightly ironically that ''*the list tends to change depending of who you ask and when you ask, often* *reflecting the things that the reformers may not have had the chance to do''* [Rodrik, 2006[1]: 978]. This provides the first example of how the original term deviates from its subsequent use.

This second example serves to illustrate that even between the IMF and World Bank, there seems to be differences in how they applied the framework. In the early 2000's the IMF and World Bank each published reports on their lessons from economic development throughout the 1990s. The IMF report ''*Stabilization and Reform in Latin America: A Macroeconomic Perspective of the Experience since the 1990s*'' (Singh et al., 2005) evaluates the economic growth and development in Latin America specifically. In the executive summary it is mentioned that ''*[f]rom an institutional and structural perspective, reforms were uneven and remained incomplete. More progress was made with measures that had low up-front costs, such as privatization, relative to reforms that promised greater long-term benefits […]*'' [Singh et al., 2005: xiv]. The report also includes some positive notes on Latin America's economic development (notably on low inflation and macroeconomic stability), but the 'disappointments' section take up most of the space in the concluding remarks. Although weak institutional structures is highlighted as one of the main drivers for unsustainability in the region, the report does suggest more of the same along the lines of what had already been conducted as a feasible way ahead [Singh et al., 2005: 108-14]. According to Rodrik (2006) the IMF did not attribute the 'disappointing' results in Latin America to the approach taken to reform, but rather concluded that they didn't go ''deep and far enough'' [Rodrik, 2006[1]: 977]. This leads Rodrik to conclude that the policy implications for the IMF is fundamentally ''*do more of the same, and do it well*'' [ibid]. Where it gets interesting is in the comparison between the IMF report and the World Bank report, both published in 2005, which shows that the degree of consensus - even in Washington - might be more limited than perhaps anticipated.

While the World Bank report, ''*Economic Growth in the 1990s: Learning from a decade of reform''* (The World Bank[3], 2005) departs from some of the same conclusions as the IMF report - notably regarding weak institutional structures, the World Bank report has a different assessment of what went wrong and how to precede. Rodrik, one of the endorsers of the reports, highlights five key take-aways from the Work Bank report [Rodrik, 2006[1]: 976-77]: Firstly, the conventional reform-package was too obsessed with deadweight loss and quick fix efficiency gains, rather than looking at the dynamic forces that lie behind the growth process. Secondly, the broad objectives of economic reform has been interpreted too narrowly to mean ''*minimize fiscal deficits, minimize inflation, minimize tariffs, maximize privatization, maximize liberation of finance*'' [ibid]. Thirdly, different contexts require different solutions to solving common problems. Fourthly, there is no alternative to improving the processes of decision-making within the government institutions - they are the backbone in development. And finally, reform efforts need to be selective and focus on the binding constraints on economic growth rather than take a ''laundry-list'' approach à la Washington Consensus. (Interestingly the report mirrors some of the thoughts shared by Stiglitz, who also happened to be the World Bank's Chief Economist and Senior Vice-President from 1997 - 2000).

However, the importance of government interaction was already warily acknowledged by the World Bank in their 1993 report ''*The East Asian Miracle*''. Here it was noted that ''*[…] all the high-performing East Asian economies […] were open to foreign ideas and technology, policies that, along with other fundamentals, facilitated efficient allocation and helped to set the stage for high productivity growth. But these fundamental policies do not tell the entire story. In each of these economies the government also intervened to foster development, often systematically and through multiple channels''* [The World Bank, 1993: 6]. Subsequently the importance of government interaction has been emphasized by a number of scholars (e.g. Stiglitz 1998; Stiglitz and Serra 2008; Das 2015; and Rodrik 2006) who argue that the significant role of the government has been key to East Asia's success, and one of its defining factors vis-à -vis e.g. Latin America and Sub-Saharan Africa. In a study on technology adoption in developing countries Chandra and Kolavalli (2006) concluded that the governments of almost every country that has experienced significant, sustainable growth has been involved in a major way in promoting technological development and in supporting the private sector in the quest to improve productivity [Chandra and Kolavalli, 2006: 1].

Based on the 2005 reports from the two Bretton Woods institutions, Rodrik cautiously propose that the World Bank-report indicate a change in its development agenda, while the IMF-report bore witness of a mere continuation of the hitherto approach to economic development a la Washington Consensus [Rodrik, 2006[1]]. However, the fact that the World Bank acknowledged the importance of the government in economic development in 1993 and still discussed it in their 2005-report, bares witness of how long time it takes to change the course of a large organization like the World Bank.

The Shock Therapy Model

The so called Shock Therapy, which was applied by many of the transitioning economies in Eastern Europe (most of them former Soviet Union) in the early 1990s, is often portrait as another failure of the Washington Consensus. Hence, I will briefly elaborate on the term, and how this too has become an extended version of Washington Consensus.

Russia frequently serves as an example of a former soviet state that applied the Shock Therapy in an attempt to quickly shake off the economic lethargy from its communist era but failed. Fundamentally the 'Shock Therapy model' strives to ensure economic growth at full employment with low inflation and stability [Lipton and Sachs, cited in Marangos, 2007: 43]. The model offered a ''leap to a market economy'' by introducing reforms simultaneously rather than gradually. Fragmented changes was assessed ineffective. The essence of the Shock Therapy is captured well by Åslund - one of the model's proponents: *''[i]t is hard to be convinced by the arguments for a slow change. If things are fundamentally wrong, it is better to put them right as fast as possible. If a house is on fire, you do not tell the fire brigade to pour water slowly''* [Åslund, 1994: 37]. However, the high pace with which economies should change, turned out optimistic and reform changes eventually slowed down as reality struck. For example, you can liberalize prices overnight but you cannot privatize state enterprises in the same speed [Marangos, 2007: 48]. The governments in democratic countries who applied the Shock Therapy faced difficulties in getting re-elected as reforms stalled, and many countries had to eventually abandon the model [ibid]. When the failure of the Shock Therapy was indisputable, proponents of the model was quick to blame the IMF as the main course for failure. The reasons were not due to the fundamental elements of the reform strategy, but rather to the inconsistent policies and inadequate support by 'Washington' in assisting the transition economies [ibid].

Although the Shock Therapy is often regarded as an extended arm of the Washington Consensus (e.g. Li et al., 2009), Marangos (2007) argues that it deviates from the Washington Consensus. According to Marangos, the Shock Therapy model is a mixture of Williamson's original model (which he refers to as 'Washington Consensus proper') and its later interpretation ('Washington Consensus as a neoliberal manifesto') - but it is not identical to either [ibid: 34].

Washington Confusion

This first section has showed how Williamson's original framework has lived its own life since it was first published. While it did in fact portray the policy agendas of the IMF and World Bank through the 1980s and 1990s, it gradually became insufficient as a stand-alone framework due to its simplicity, and an augmented framework was gradually established on the institutions own behalf. But the section also pinpointed how Williamson, wrongly, received criticism for the less successful attempts of development, notably in Eastern Europe and Sub-Saharan Africa - regions outside the scope of the original framework. The second section underlined that even if Williamson's 10 principles reflected a consensus in Washington in 1989 it hardly lasted very long. Hence, it is incorrect when the term is used to coin the U.S.' development agenda abroad, or probably even that of the Bretton Woods institutions, as the agendas did differ internally. And finally, it was briefly discussed how the Shock Therapy served as yet another deviation of Williamson's original model. In section 5.3 of this chapter I will argue why the Washington Consensus does not explain China's economic development. The next section will focus on the Beijing Consensus.

4.2 THE BEIJING CONSENSUS

The Beijing Consensus was initially broad to life as a descriptive article, in which its author argued that the unique characters of China's development experience required a unique development model [Ramo, 2016]. But like the Washington Consensus, it came to mean a lot of things not necessarily intended by its author. More than anything it was seen as a contestant to the model from where its provocative name was inspired - something that it definitely wasn't. One only had to read the article to acknowledge that, no matter the authors intentions, it was no match for the simple and logically framed Washington Consensus. Rather, it was a mix between a description of China's hitherto development with frequent parallels to its unique and ancient cultural characteristics, and a set of proposals for what China needed to do to continue its growth path. Although Ramo have said that his article was meant as a dispassionate description of China's development, some scholars characterize it as a tribute to China and its significant growth trajectory (e.g. Kennedy, 2010). But aside from the initial intentions with the article, it did manage to do two things: firstly it sparked a vivid and ongoing discussion on China's economic development. Secondly, it did pose some genuine arguments for why China's development didn't fit into the Washington Consensus framework. Hence, in this section I will briefly elaborate on the original Beijing Consensus as well as on one of its worthy interpretation.

The original framework

As mentioned in chapter 2 Ramo posted the following three theorems: *Innovation-based development; Sustainability and equality; and Self-determination*. The former theorem builds on the argument that *''the only cure for the problems of change is more change and more innovation''* [Ramo, 2004: 15]. According to Ramo China will not do with trailing-edge technologies. Rather it insists on the necessity of constantly innovating new solutions to create change that moves faster than the problems arising from change [ibid: 12]. And the only way to achieve this is by systematizing innovation through increased education - something China has invested extensively in and will have to continue to invest in. Ramo argues that this will be the only solution to making scale a source of stability rather than chaos [ibid: 19].

The second theorem (*Sustainability and equality*) departs from the issues arising from the emergence of capitalism in China. Ramo stress that since the late 1970's the Chinese economy moved from one of the most equitable in the world in terms of income distribution to one of the most inequitable [ibid: 24]. And with that came increasing corruption, growing mistrust in the political system, and not least heavy pollution. China needs to create an environment for development which is sustainable and equitable [Ramo, 2004: 21]. This is not only because of the social risks of uneven development. Without change to a more sustainable growth model, China's economy is likely to sputter out, choked off by shortage of resources and hampered by corruption and pollution [ibid: 22]. The only way to tackle these issues (and avoid chaos) is by applying a development model where sustainability and equality become first conditions rather than luxuries [ibid: 12]. He further argues that the most effective (and possibly only) way to achieve this is through political stability, something which was seriously challenged during Deng Xiaoping's liberal reform era and retraction of the Communist Party during the 1980s, but re-established after the Tiananmen Square incident in 1989, where attempts to limit the influence of the Party were rolled back [ibid: 24].

The third theorem (*Self-determination*) is rooted in China's determination to choose its own path rather than following in the footsteps of others. Hence, the Chinese want to control, localize, and administer their own global future, which instinctively set them up against what Ramo calls the '*mail-order prescriptions of the Washington Consensus'* [ibid: 33]. This self-determination is accompanied by a fundamental distrust in globalization, out of fear that blindly adopting new global ideas might interfere with local culture jeopardizing the ability to self-determination. Thus new global ideas are carefully examined against local suitability before adopted [ibid: 34]. Another theme in the third theorem is China's urge to rise peacefully and lead by example based on its economic position rather than through military power. To avoid being rolled over by the U.S. at some point, Ramo argues that China is leveraging the U.S. through asymmetric power [ibid: 37-38]. This develops into a fairly detailed discussion about Chinese security policy and military strategy, which is beyond the scope of this paper. Regarding the Beijing Consensus' ability to serve as a model for other countries to follow, Ramo is a bit ambiguous. On the one side he points out that it will serve as a model for inspiration for other countries more aligned with the 'Chinese way of doing things', while on the other arguing that China's path to development and power will be unrepeatable by any other country [ibid: 3-5].

Ramo's Beijing Consensus has received intense criticism for being inconsistent with China's actual development as well as for being a pale contestant for Williamson's model from where it inherited its name. The latter critique might be unjust, as Ramo's article wasn't intended as an economic model. Kennedy made the following characterization of Ramo's article: *,,[if] one reads 'The Beijing*

Consensus' as a manifesto meant to trumpet China's success and challenge the normative authority of the Washington Consensus, then one can admire the boldness of Ramo's effort and the rhetorical flourishes of his prose. […] Nevertheless, as a piece of analysis, the Beijing Consensus is relatively incoherent and largely inaccurate'' [Kennedy, 2010: 467]. With regards to Ramo's three theorems, Kennedy points out the following [ibid: 469 - 71]:

Firstly, Innovation based development has certainly been, and will most likely continue to be, a relevant part of China's growth story, but it has never been the centerpiece as suggested by Ramo. Kennedy stress that China has never been innovation leaders, but rather positioned themselves as assemblers and manufacturers of others' designs. Secondly, Chinas path towards sustainability and equality can at best be seen as future goals, as there is very limited evidence to support the claim that China has been pursuing sustainable and equitable development during the Reform era. It is correct that China has taken significant steps to create regulatory infrastructure and environmental protection, but whenever there appears to be a tradeoff between the environment and growth, the latter usually wins. Meanwhile, although several hundred million people has been lifted out of poverty, inequality has increased in China, especially between coastal areas and interior.

Thirdly, Kennedy acknowledge that China's growth path is to some extend unique, as it has been conditioned by its massive size and political institutions, which to some extend sets it apart from others. However, by that token every successful country should have their own consensus, which would make such a term insignificant. Meanwhile, China's growth path share many of the same characteristics as other Asian countries, as well as policies included in the Washington Consensus. In addition to this Kennedy argues that the picture depicted by Ramo that the different elements of China's development has walked arm in arm in harmony towards a well defined goal is false. To a large extend China's leadership has had to react to economic and political pressures not of their choosing. Hence, compromise between different groups, not consensus, has been the source for most of China's economic policies [Kennedy, 2010: 472]. Finally, Kennedy argues that the Beijing Consensus makes claim to a consensus that does not exist, as Ramo's theory has gained very limited backing among the intellectual elite in China [ibid: 473].

Das (2015) share many of the same views as Kennedy, as he argues that, at least until recently technological innovation was neither the mainstay of China's growth nor the policy that made it a globally influential economy [Das, 2015: 29]. Das does however pinpoint that incremental innovation is occurring in China's manufacturing sector, which is regarded as one of the unquestioned strengths of its economy [ibid]. He also concurs with Kennedy that China's development has been far from equitable, as social inequality has only increased since the early 1980s. However in Ramo's defense, he also acknowledged the issue of increased inequality as a consequence of the Deng Xiaoping's liberal reforms. Hence, Ramo identified it as an issue that had to be tackled for China to maintain its growth trajectory. And finally, Das stress that even though China's development strategy was unique, it also bore resemblance to other successful East Asian economies [Das, 2015: 29]. Das concludes that ''*the Beijing Consensus cannot be regarded as a coherent and persuasive development strategy*'' [ibid: 28].

Li, Brødsgaard and Jacobsen (2009) also criticized Ramo's depiction of Beijing Consensus, but agreed with his overall thesis that China's development called upon a unique model. Hence, Li et al. re-interpreted the term in ten principles - making it more of a reflection of the Washington Consensus. Although they don't plea complete consensus they argue that their 10 principles are assessed as widely accepted and command a moderate degree of consensus in Beijing [Li et al., 2009: 8].

The 10 principles [Li et al., 2009: 8 - 21]:

1. **Localization of best practices borrowed**: Chinese leaders firmly believe that every state is unique, why simply copying so-called best-practice theories of economic growth is very difficult if not impossible. Hence, external principles has to be aligned with local conditions to become successful. Chinese leaders all the way back to Mao Zedong has been very aware of this issue. Hence, China does not promote universal application of its development model and therefor China does not pursue hegemonic power of the Beijing Consensus. This fundamental principal deviates from the Washington Consensus which seeks to promote itself as universally applicable.

2. **Combination of market and plan**: Choosing an extreme ideological path - either free-market capitalism or fully-planned communism is doomed to fail. Hence, a state needs to find the 'perfect' combination of market and plan to become successful. China's decision to open up its markets (and to re-join the WTO) induced competition and ensures that only the strongest survive. On the other hand the intervention of public institutions proved vital already in the 1930's where it became evident that a market without public regulation and intervention could lead to devastating financial crisis. During the 1980's and 90's, China pushed reforms for 'Caged Marketization' which proved successful.

3. **Flexible means to a common end**: Western economic theories and policies have their merits, but they are usually based on the 'ideal' conditions present in most developed economies, which make them difficult to impose in developing markets where the conditions might be far from ideal. Therefore reforms should be gradualist in design and flexible in execution. As oppose to the 'shock therapy' imposed in Eastern Europe and former Soviet Union (EEFSU), China has adopted this principle of gradual design and flexible execution, beginning with the easiest reforms first combined with experimenting in smaller areas before rolling out reforms nationally. Chinese leaders actually believed that the reform process would advance much faster (5 - 10 years), however they have acknowledged that the process takes much longer (30 years pending). China has also succeeded in applying a dual system approach, as when Hong Kong returned to China under the approach of 'One Country - Two Systems'.

4. **Policy rights**: Chinese leaders consistently believe that a country should be able to choose its own strategies and policies for economic development (hence 'policy rights'). A strong argument for China's approach (and against the export tendency of the Washington Consensus) is that many of todays developed economies benefited from 'policy rights' during their transformation.

5. **Stable political environment**: Chinese leaders have been aware that political stability is a precondition for economic growth. Hence, while economic reforms has taken big leaps, political reforms has been far more cautious. Some Washington Consensus-minded scholars have argued that political reforms must precede economic as the former will impact every level of economic reforms (North, 1990; Coase, 1937; Williamson, 1975 [cited by Li et al., 2009]). However, according to Li et al. the political environment and economic reforms are mutually dependent and hence mutually reshaping one another. The 'Shock Therapy' in the EEFSU is, according to the authors, a good example of how starting with political reforms can lead to poor results.

6. **Self-reliance**: China has a long history of depending on their own ability to tackle issues and generate wealth. They have managed to do so over and over again, which have provided them with a high degree of resilience. Deng Xiaoping once pointed out that 'in order to develop, we must mainly rely on ourselves, while opening up can attract foreign capital and technology as a supplement to our socialism' [Li et al.: 16]. Although China has been receiving financial grants both from the former Soviet Union and in the form of Foreign Direct Investment, China has over and over again found themselves isolated and self-relying as when the Soviet Union ceased to exist or when the West (notably the U.S.) imposed sanctions on China in the wake of the Tiananmen Square incident.

7. **Constantly upgrading industry**: China has realized that the Chinese industry needs to start competing on the global level playing field, rather than merely being a hub for cheap labor and production. In 2001 the Chinese government identified 120 local companies that should be developed into major international players, and thanks to extensive state support this has proven largely successful.

8. **Indigenous innovation**: China knows that innovation is a precondition for continues economic growth, and the strategy is to gradually transition from a government-centered to an enterprise-centered innovation web. Hence, China has invested heavily in education and technology. It is however worth noting that innovation is not just technological but also

institutional. Regarding the ladder, China managed to make institutional innovations which ensured a much more smooth transition from centrally-planned to a market economy compared with the ‘big bang reform’ in the EEFSU.

9. **Prudent financial liberalization**: Chinese leaders have been cautious about completely liberalizing China’s financial markets, primarily due to the risks identified with extreme financial liberalization which has proven vulnerable at times of financial crises. Hence, the fundamental idea is that prudent financial liberalization will make the economy more robust and resistant towards financial crises.

10. **Economic growth for social harmony**: Chinese leaders are enthusiastic about building a harmonious society and they believe that this is best achieved through economic growth. Although somehow different from the original ideologies, this vision can be traced all the way back to the ‘New China’ in 1949. Although Mao’s vision of collective and equal prosperity fundamentally failed, it did pave the way for his successors, notably Deng Xiaoping who inherited Mao’s vision but took another direction arguing that letting some people and regions become wealthy first will allow them to help other people and regions do the same.

Although Li et al. propose a much more structured framework of the Beijing Consensus, their interpretation hasn’t really had its breakthrough in the literature - and possibly it haven’t received the credit that it deserves. In any case, their 10 principles does provide a very accurate summary of China’s development since the late 1970s. However, in some regards it has already been overtaken by events. Firstly, Ramo (2004) argued that Chinese leaders where now searching for a ‘’*cat that is green*’’, i.e. making environmental policies a political priority. Li et al. removed this from their list of principles, as there was very little to back that claim. However, after the U.S.’ withdrawal from the Paris Agreement, China has (at least verbally) positioned itself as the ‘’torch-bearer’’ of global environmental policies [The Economist[1]]. However, China is of course facing serious domestic environmental challenges which they will have to face head-on, before they with some credibility can call themselves the torch-bearers. Secondly, and perhaps more credibly, in Davos (2017) Xi Jinping told the assembly at the World Economic Forum that China should ''*guide economic globalization''* [The Economist[2]]. This broke with a long Chinese tradition of keeping a low profile, or as Deng Xiaoping put it ''*[China shall] keep a low profile, never take the lead […] and make a difference*'' [ibid]. While this contradicts, or at least challenges, principle one there are still no indications of China seeking to impose a certain development model onto other countries.

4.3 WHICH CONSENSUS?

Which consensus? That would be an appropriate question for the Washington- and Beijing Consensus alike. Both with regards to their plea for consensus and with regards to which of them (if any) depicts China's economic development. While the former question has already been discussed in the two previous sections, with the conclusion that their plea for consensus is at best optimistic, this section will discuss if any of the models captures China's actual development - or rather why they don't.

China & Washington Consensus

Beginning with the Washington Consensus, it is fairly evident that China chose another development path than that offered by 'Washington'. However, some of the policies incorporated by China resemble those of Williamson's model, such as low inflation and fiscal prudence. But those policies which were ''imported'' were adapted to fit the ''Chinese model'' and hence integrated in a highly unconventional framework. McNally (2012) introduced the term ''state capitalism'' to describe China's remarkable market structure, which combines top-down state-led development with bottom-up entrepreneurial private capital accumulation (something I will elaborate further in the next chapter) [McNally, 2012: 744]. Hence, China's development experience did clearly not resemble what Stiglitz (2008) calls the ''*one-size-fits-all''* approach of the Washington Consensus.

Secondly there is a clear dichotomy between the Washington Consensus' market fundamentalist approach to development (especially in its neoliberal interpretation), and the dominant role played by the government - not just in China - but in several of the successful Asian economies. The importance of government interaction in China's economic development is recognized broadly among scholars and economists (Stiglitz 1998; Stiglitz and Serra 2008; Das 2015; and Rodrik 2006), and even by the World Bank (1993; 2005). Hence, the important role of government interaction in China's impressive development during the first two decades of its reform era, stands in stark contrast to the Washington Consensus-led policy agendas of the IMF and World Bank through the 1980s and 1990s. Studwell (2013) stress that China did benefit from project-specific advice and financing from the World Bank in this period, but very much on its own terms and without the World Bank's 'neoliberal' prescriptions [Studwell, 2013: 315]. China did however largely steer free of the IMF which turned out decisive for their subsequent successful growth [ibid]. Meanwhile, the South-East Asian countries were more keen on their advice which meant that they remained less industrialized and less competitive than East Asia and China [Studwell, 2013: 161].

Thirdly, China never subscribed to the Shock Therapy approach which was applied in several other transitioning economies in the early 1990s - notably Russia. In stead China applied a gradualist reform strategy not least with respect to market liberalization and privatization [Walder, 1995: 964]. Deng Xiaoping philosophically described it as *''crossing the river by feeling the stones''* [Li et al., 2009: 6]. Das argues that one of the reasons why the East Asian economies didn't embark on the Washington Consensus was because of its failure to produce encouraging results when the Shock Therapy was applied in Eastern Europe during the early 1990s [Das, 2015: 24].

Hence, it is evident that China's development show very little resemblance of the policy prescription of the Washington Consensus - in any of its interpretations. A few scholars (e.g. Huang, 2010) have argued that the Washington Consensus does in fact provide a better explanation of China's development vis-à-vis Ramo's Beijing Consensus. While this might true - it is a poor comparison, as Ramo's article is no match for Williamson's stringent model. But surely - under the right lens one can argue that certain features of China's growth experience resemble features represented in the Washington Consensus. But as a whole there are very few similarities between the two. Although the Washington Consensus appears to remain a centerpiece in the academic discussion on China's development model, it does not offer an explanation to China's development.

China & Beijing Consensus

After close scrutiny it is difficult, if not impossible, to find anyone who endorse Ramo's Beijing Consensus as a viable model for China's economic development. Which is not that strange considering that the author himself has stated that it was never meant to be that. But even as a description of China's development experience, several points seem to be either optimistic or suffer from wishful thinking. However, Ramo does capture some important, and perhaps overseen, elements in China's development which is not easily measured - namely its cultural heritage. While the literature is very focused on which policies China implemented and how they adopted them, there seems to be a lacking interest in what led to their distinction in the first place. (As I will argue in the next chapter, I assess China's cultural heritage as an important element in China's model development). Hence, even though Ramo's Beijing Consensus cannot be seen as a development model, it does capture important elements of China's growth experience, which laid the grounds for vivid subsequent discussions on the subject. By choosing the title as Ramo did was an open invitation for misinterpretations of his key message - namely that China required a unique model of development. Those scholars who comprehended this replied with different interpretations, usually in the form of a new ''China Model'' - a term with a trade-off. On the one side it detached itself from the prejudice and criticism attached to the Beijing Consensus, as well as the dissociation of the term within China. But on the other hand, by adhering to the China Model, they became part the indefinable pool of 'China Models', which at the end of the day is the term's biggest weakness.

Li, Brødsgaard and Jacobsen were brave enough to challenge the original term in their own interpretation, but with no apparent academic reaction. They acknowledge themselves that there might be other factors contributing to China's success than their 10 principles, and stressed that their framework should be seen as a flexible guidance rather than a rigid recipe for any other country to follow. When comparing the 10 principles of Li et al. to Williamson's, it is clear that the former is more of a 10-bullet summary of China's development experience and hence rather difficult to operationalize. One of the few things that seems to be broadly recognized about Williamson's framework is that it is so simple and (at least in theory) easy to apply. For a country to apply the model by Li et al., it would be necessary to first make an intermediary analysis to assess how each principle would transition into the reality of that specific country. Hence, while Li et al. succeeds in capturing China’s development experience in a very simple framework, they fail to establish a distinct and operationalizing model for China’s economic development.

Wrapping Up

This chapter has presented a detailed elaboration of two contesting frameworks - the Washington Consensus and the Beijing Consensus. While they have both been mis- and re-interpreted frequently since their publication, non of their versions successfully depict China’s development. While the interest for the two models is still vivid in connection to China’s development, this chapter should make it clear that they can only serve as telling part of the story, while the answer to China’s development is to be found elsewhere. In the next chapter I will argue why attention should be directed towards an ‘East Asian Model’ of development, rather than on a strictly Chinese.

5.0 A UNIQUE EXPERIENCE?

In the previous chapter I concluded that although China's economic development showed traces of both the Washington- and Beijing Consensus, non of them qualified as ''the'' model reflecting China's development experience. However, as already implied China's development does share features with other Asian countries, notably East Asian. While China is often portrait by the media as Asia's biggest growth success, it actually shares several of its characteristics with other Asian economies. At a glimpse China's economic development might even seem as Asian conformity, which has led some scholars to suggest an 'Asian Model' (e.g. Das, 2015). Hence, based on the conclusions in the previous chapter, I will now shift the focus towards Asia in an attempt to conclude if China's development is in fact unique - and hence qualifies for its own model, or if it shall be seen as part of a larger 'Asian Model'.

The chapter is structured as follows; I will begin by a short recapitulation of China's history since the Mao era. The intend is not to provide a detailed elaboration of China's contemporary history, but merely to allow the reader to contextualize the sections that follow. Next I will briefly present the 'successful Asian economies', before moving on to the actual comparison of China's economic development. Here I will include five elements, which seems to be the most frequently discussed characteristics of China's development. Those being state capitalism; industrial policies; export-led growth; FDI liberation; and finally China's gradualist- and dualist reform strategy. In the final section of this chapter, I will briefly tie China's development with seven main strategies of an 'Asian Model'.

5.1 A BRIEF HISTORIC RECAP

The Mao Zedong era (1949 - 1976) is often depicted largely as a failure in terms of economic growth and development. Mao's ideas for development was often characterized by idealism, as when he encouraged the population to build furnaces 'in their backyards' to produce steel, which resulted in some 500,000 backyard furnaces. Mao acknowledged that the steel wouldn't be of the highest quality, but assumed that it would be good enough for kitchen equipment etc. However, as it turned out almost all of the steel produced in backyards were useless, and even worse - considerable timber was cut to fuel the furnaces [Rossabi, 2013: 382]. The 'Great Leap Forward' stands out as an example of how the idealist approaches to state development could resulted in catastrophe. While the intend was to transform China from an agrarian economy into a socialist society through rapid industrialization and collectivization, the strategy led to a state wide famine killing tens of millions of Chinese [ibid: 382-85].

Following the (Great Proletarian) Cultural Revolution (1966 - 1976) - a failed attempt to preserve 'true' Communist ideology - China had been turned upside down, resulting in political anarchy [ibid: 387 - 90]. This however paved the way for China's modernization starting in the late 1970's after the rise of Deng Xiaoping - a pragmatist who paid little attention to the revolutionary ideology of Mao [So, 2014: 10]. The strong Leninist party-state established by Mao was however kept, as it would serve as a vehicle to carry out the developmental policies envisioned by the new government [ibid: 11]. Xiaoping managed the difficult task of transforming the communist ideology into a developmental framework allowing for the beginning of the Chinese reform era. However, according to So (2014), this would not have been possible without the fading of the Cold War combined with the success of the Asian Newly Industrializing Economies (Hong Kong, Singapore, South Korea and Taiwan), which provided the incentive for Chinese leaders to pursue developmental objectives [So, 2014: 11].

New winds were blowing over China and new reforms meant that greater autonomy were given to the Chinese population, for example through de-collectivization of the communes, and even though household business still had to reach a quota, they were allowed to sell excess production on the free market [Rossabi, 2013: 395]. On a macro level it was decided to engage in the export-oriented industrialization which China's neighboring NIEs had benefited from since the 1960s. Furthermore, due to China's abundance of cheap labor, land, and other resources, Xiaoping identified an opportunity for China to take on a new competitive role, at a time where several of its East Asian neighbors had lost many of their trade privileges after being upgraded to the status of NIEs [So, 2014: 12]. Hence, China set up four special economic zones (SEZs) in 1979, opened fourteen coastal cities and Hainan Island in 1984, and three delta areas in 1985 for foreign investment, and pursued a coastal development strategy to enhance export industrialization in 1988 [ibid]. The first SEZ was established in Shenzhen near Hong Kong. This paved the way for the so-called 'one country - two systems', which meant accepting capitalism in Shenzhen while maintaining communism in the rest of China [Rossabi, 2013: 396]. This strategy was later adopted to other SEZs and Hong Kong.

However the new direction of China's development was somehow schizophrenic. Liberal political reforms did not follow the liberal economic reforms. This caused increasing dissatisfaction among especially the younger generation of Chinese. But the government struck down hard on those voicing disapproval of the political direction, and people calling for more openness were imprisoned [ibid: 398]. However, after the death of the democratic minded Hu Yaobang, former Secretary General of the Communist Party, protests increased especially in Beijing where protestors gathered on the Tiananmen Square to voice their discontent with the political system. A visit to Beijing by then Secretary General of the USSR, Mikhail Gorbachev, further fueled the moral among demonstrators, who adhered to his political visions of *perestroika* (reconstruction of the economy) and *glasnost* (greater openness and freedom of expression) [Rossabi, 2013: 398-99]. Eventually the government intervened with military forces clearing the square. However, encounters between soldiers and civilians led to the deaths of an estimated 3,000 people - mainly civilians.

The Tiananmen incident is by many regarded as a corner stone in China's contemporary history, as it caused a rollback of some of the reforms that had otherwise loosened the grip of the Communist Party of China (CPC), as well as a contemporary downturn for China's economic development [Ramo, 2004: 24]. According to Minzner (2018) the Tiananmen Square protests, combined with the fall of the Soviet Union, ended any flirtation with serious political reforms in China [Minzner, 2018: 9]. Since then the communist leadership has walked a tightrope, balancing a liberal economic development within a communist framework. However, the substantial decrease in poverty rates during Hu Jintao's government (2003 - 2012) combined with general economic growth and enhanced public infrastructure has managed to satisfy most of China's population and quelled potential public disturbances [Rossabi, 2013: 401-3]. But with an estimated 55 million poor people in China's rural areas alone [The World Bank[1]], social inequality within China continues to be an issue, especially between the less resourceful rural areas and the much richer urban areas (notably those located by the coast).

Although the Chinese government itself has turned out more pragmatic than in the days of Mao's leadership, political reforms has been conducted in a regular 'one-step-forward, one-step-back dance', and any reforms challenging the core principles of one-party control has been systematically neutered [Minzner, 2018: 9]. Minzner hence argues that China is moving in an ever more authoritarian direction, an argument supported by the recent decision to abolish the term-limits on presidency - effectively allowing Xi Jinping to remain in office. However, Mr. Xi might also mark the beginning of a new and more outreaching era for China. In 2013 the Chinese president revealed the Belt and Road Initiative - a development strategy focusing on strengthening infrastructure, trade, and investment links between China and some 65 countries that collectively account for over 30 percent of global GDP [The World Bank[2]]. On the 19th National Congress of the Communist Party, Xi Jinping's remarked that ''socialism with Chinese characteristics shows that there is a new choice for other countries'' [BBC]. This too indicate a new focus and a change away from China's previous cautiousness regarding officially recognizing the 'China Model' as an example to follow.

5.2 THE SUCCESSFUL ASIAN ECONOMIES AND HOW THEY GOT THERE

This section will serve as an introduction to what Das has called ''*the most influential geo-economic space in the world''* [Das, 2015: 50]. A statement that stands in stark contrast to how the reality of the mid twentieth century, where Asia was largely impoverished and partly devastated by wars (inter alia the Second Sino - Japanese War, the Chinese Civil War, and the Second World War). Several scholars didn't grant the region many chances of success (e.g. Kuznets, 1973 and Gerschenkron, 1962). However, over the next half a century the gloomy prospects for Asia would be proven wrong. The first to break out of the shadows of economic stagnation was Japan. The country had already developed incredibly under and after the Meiji era, which left it with a strong basis to build upon after the Second World War. Its strong post-war recovery and impressive growth is largely attributed to the actions and involvement by the government [Das, 2015: 3]. Through its Ministry of International Trade and Industry (MITI), it orchestrated the economy towards an export-based one. By 1968 Japan assumed the position as the world's second larges economy, cementing its determination to leave the economic backwater it had been in only a few decades earlier.

After Japan followed the Newly Industrialized Economies (NIEs); Hong Kong, South Korea, Taiwan, and Singapore. Inspired by Japan the NIEs engaged in export-led growth with labor-intensive and inexpensive products. Like in Japan, the respective governments played an active roll and invested in inter alia education of the people, which over time increased the value of the products they were offering [Das, 2015: 3]. This also allowed them to gradually move into more lucrative areas, such as their active engagement in the so-called ʹʹsecond industrial revolutionʹʹ provoked by the application of microelectronics to commercial products marketed on a global scale [Schmiegelow, 1992: 8]. However, there were internal differences to how big a role the respective governments played with South Korea having the most influential government and Hong Kong the least [ibid: 7]. In the wake of the NIEs followed the ASEAN-4[1]; Indonesia, Malaysia, Thailand, and the Philippines. And in 1978, the same year Deng Xiaoping came to power, China joined the group of 'successful Asian economies' (SAEs) [Das, 2015: 3]. A common feature for the region was that agriculture served as a vehicle for change. Although not simultaneously, each of the above mentioned countries applied agricultural policies as a vehicle to lift them out of the economic backwater that many of them had been in for a long time.

The reason why China entered the club of SAEs so relatively late was not because of its communistic rule *per se*. When the Communist Party of China came to power in 1949, it was just as committed to economic modernization as the governments in Japan, Korea or Taiwan. However two elements kept them from succeeding. The first was its belief that agriculture could only be efficient at scale, which led to the collectivization of farming in the mid 1950s. However, it would soon become clear that scale does not apply to agriculture the same way as it does to manufacturing, why the benefits of scale was very limited. Furthermore, premature agricultural mechanization caused ʹʹun-employmentʹʹ among rural populations and even reduced yields. The result of the collectivization and mechanization eventually led to hunger and starvation, rather than economic growth [Studwell, 2013: 314-15]. The second reason for China's late entry was its belief in 'self-sufficiency'. Whereas this, at times of isolation, might have provided the Chinese with some robustness (as argued by Li et al., 2009), it unfortunately also transitioned into China's manufacturing-policies. Here it was believed that effective manufacturing could occur without trade. However, with the removal of

[1] ASEAN stands for the Association of Southeast Asian Nations

companies ability to buy, borrow (or steal) existing technology from others elsewhere in the word - China had to reinvent the wheel whenever new solutions were needed. This often led to overcomplicated, expensive, and inefficient solutions. This approach largely throttled China's technological development after the Second World War, and affected both the domestic industries, in which these solutions were used, but also meant that China had very few, if any, industrial products with which to compete internationally [Studwell, 2013: 315-16].

Under Deng Xiaoping the course of China changed and the negative spiral were broken through a combination of new policies and local incentives for change. An important step was the de-collectivization within agriculture which meant that the Chinese could resume household farming, which quickly resolved in increased output. Next, Deng Xiaoping initiated a series of official visits to other countries including the U.S. This move served as a first step in opening up the Chinese economy. Over the next four decades China and the SAEs came to play a crucial role in fueling global economic growth. Something that, according to Das, was made possible because of the influential role played by the respective governments during these countries economic development [Das, 2015: 12]. In the following sections I will elaborate on what is assessed to be the most important features of China's development vis-à-vis the other dynamic economies, to see if China's experience is in fact unique or if it followed in the footsteps of others.

5.3 STATE CAPITALISM

A good place to begin is with China's 'state capitalism' which in many ways form the overall and guiding framework for China's economic development. I will not move into a deep discussion of Varieties of Capitalism (VoC), a term that springs from Soskice and Hall (2001) and their substantial work by the same name. This is a substantial field in itself and one that has been covered extensively by others (e.g. Moore, 2018; Carney, 2015; and Hundt and Uttam, 2017). However, I will take a closer look upon how state capitalism was introduced in China and if it shares elements with other Asian economies.

Das argues that many analysts today regard state capitalism as the principal driving force behind the success in several Asian countries [Das, 2015: 30]. According to Hundt and Uttam, a defining feature of Asian capitalism is a relatively strong degree of government intervention. Something which is usually a response by the state to a perceived social need, but individual societies differ in their developmental stages, histories and social conditions [Hundt and Uttam, 2017: 30]. Henderson (2011) outlines the overall characteristics of state capitalism across several Asian countries, arguing that Japan is characterized by its *collective* capitalism whereby the state fosters consultation between firms and employees. South Korea by *state-directed* capitalism where the state plays the role as senior partner to big businesses. Taiwan by *coordinated proprietorial* capitalism where the state partakes in market-leading activities, including direct participation in some sectors. And last but not least China with its *market neo-Stalinism* where the state oversees a partly marketized and global economy [Henderson (2011), cited by Hundt and Uttam, 2017: 30]. Although Henderson might not be absolutely correct, his overall differentiation outlines some key differences among the successful Asian economies. More specifically, Schweinberger (2014) offers what he deems the most widely accepted definition of Chinese state capitalism: *''Chinese state capitalism is a political, social, and economic system which combines state power with some policy tools and institutions of liberal capitalism to promote a sustained and rapid growth of Chinese GDP and economic development''* [Schweinberger, 2014: 172]. While this version might be more correct than the traits suggested by Henderson, it is still fairly superficial.

In Hundt and Uttam's extensive study on VoC in Asia (2017), they argue that Japan paved the way for Asian (state) capitalism after the Second World War, where it also demonstrated the significance of the state as orchestrator of economic growth and development [Hundt and Uttam, 2017: 11]. Korea, Taiwan, Singapore, and Hong Kong belonged to the 'second generation' of Asian capitalism from the 1960s and onwards, while China, Malaysia and Thailand emerged as part of the third generation in the 1970s and 1980s [Hundt and Uttam, 2017: 11]. But China differs from all of these as it was not, either formally or de facto, allies with the U.S. which meant that it did not enjoy the same support that many of these countries received from the U.S. in one way or the other (something I will return to in the next section). In stead China embarked on the road to communism and thereby distanced itself from international cooperation and trade [ibid: 189]. However, while this imposed a series of challenges for China, not least a developmental detour, it also provided the country with a Leninist party state which proved valuable in China's later endeavors to rise from poverty. Under Mao Zedong the state extended both vertically and horizontally to include every sphere in the Chinese society. Vertically, the Leninist structure allowed the Chinese state to exert its political control all the way down to villages and families - something that had never been possible before. Horizontally, the state was expanded too with requirements to carry out communist reforms across the country while maintaining oversight of education, health care, culture, marriages etc. [So, 2014: 11]. With Deng Xiaoping at the helm and with his 'open door' policy, there was no longer an interest in promoting revolutionary socialism, however the robust 'state machinery' was kept - only this time as a vehicle for change.

Hundt and Uttam argue that three elements were decisive for Deng Xiaoping's ability to bridge Maoism to state capitalism: egalitarianism, Confucianism, and learning from its East Asian neighbors. Chinese egalitarianism played a crucial role in the first years after Mao, when China had to search for new ways of development to avoid collapse. Although Chinese egalitarianism had its roots in the sixteenth century, it had remained part of Chinese culture and self-perception, and had been further enforced under Mao. Hence, when a new set of leaders came to power after Mao they promoted the interests of the masses and established a regime based on the input of labor (or a '*labour-intensive, mass-manufacturing-led economic regime'* as Hundt and Uttam terms it). This stood in stark contrast to for example India who had an elitist order, which promoted the interests of a privileged minority with poor results to follow [Hundt and Uttam, 2017: 197].

Confucianism serves as another important reason for why China adopted state capitalism, as well as a possible answer to why the Chinese people accepted the continuation of the CPC post Mao, despite its poor results in terms of economic development. Some of the general features of Confucianism is the legitimization of power as well as the moral superiority of leaders; a strong sense of hierarchy as a precondition for stability; centralized statecraft and high bureaucratic regimes; and a strong tradition of scholarship and learning, which means that educational achievements are often considered more important than wealth and power [Hundt and Uttam, 2017: 79;83;98]. These elements proved important in China's transition towards the 'open door' era. Hence, as much as the Chinese people welcomed Deng Xiaoping's words ''*to get rich is glorious*'' they remained loyal to the communist system that they had put in place themselves in 1949.

Schmiegelow (1991) argues that Confucianism is hardly the main argument for why China pursued state capitalism or why they did so well growth-wise. However, it is undoubtedly still deeply rooted - not only in China but also in other successful Asian economies such as Japan, Taiwan, and South Korea [Schmiegelow, 1991: 15]. Schmiegelow thus underlines that this is likely to have influenced normative values and political decision-making in these countries. Furthermore, Confucianism also emphasize caution and the importance of savings to prepare for tougher times ahead - features reflected in China's cautious reform policy on a macro level, and in the generally high personal saving rates among Chinese on a micro level [Studwell, 2013: 263]. Hundt and Uttam further argue that although China learned from inter alia South Korea and Taiwan in term of growth policies, China has to be credited for providing them with a blueprint for the languages, cultures, and social values based on Confucian morality, which is deeply engrained in these two countries governance mechanisms as well as their emphasis on the importance of education [Hundt and Uttam, 2017: 79].

Thirdly, China's learnings from other transitioning Asian economies paved the way for state capitalism. Mao acknowledged that the Soviet heavy-industry doctrine didn't work in China, which was labor abundant but not technologically refined, and hence heavily dependent on Soviet support. In stead Mao pursued labor-driven collectivization, and introduced the Great Leap Forward. During the poor results of this strategy, China's next generation of leaders observed how other Asian countries successfully adopted neomercantilism to create economic development [Hundt and Uttam, 2017: 204]. Hence, when Deng Xiaoping came to power with the acknowledgement that scale didn't apply to agriculture the same way as with manufacturing, he introduced new agricultural reforms as means to move China towards its successful transitional cousins, where substantial state intervention had orchestrated growth through economic policies.

Hence, China's path to state capitalism was a combination of underlying cultural traits and inspiration by other Asian economies. However, in an effort to maintain the one-party system and concentration of power, China adopted state capitalism in an authoritarian framework. In that sense

China differs from the other SAEs with the exception of Singapore. Ortmann and Thompson argue that China looks at Singapore as a mentor for how to combat democracy in ideological and practical terms [Ortmann and Thompson, 2014: 447]. However, differences does of course persist between Singapore and China, not least in terms of the sheer size of the two countries, which is assumed to complicate matters to China's disadvantage. But Singapore is also more ''management-oriented'' with its pro-market approach and more careful and result-oriented market intervention [Das, 2015: 36]. According to Zhao (2017), China's authoritarian approach to state-capitalism is likely to create troubles for the regime as growth flattens. Its Asian neighbors, such as Japan and South Korea, all experienced periods of rapid unbalanced growth followed by periods of stagnation as the imbalances were reversed. Hence, to continue growth and maintain long-term political stability, all these countries made transformations, not only in their growth model, but also from authoritarianism to democracies [Zhao, 2017: 16].

Wrapping up

Although China is sometimes perceived as a leading country within state capitalism, it was actually among the last of the successful Asian economies to embark state capitalism. Confucianism was an important part of the emergence of state capitalism - not only in China but across Asia. Although Confucianism originates from China the adoption of state capitalism can hardly be ascribed to China, as Confucian values has been engrained in Asian culture since 500 A.D. However, without the Confucian cultural traits, it is hard to imagine that state capitalism would have become so successful and socially embedded across Asia as it did. However, equally important for China's adoption of state capitalism was its learnings from other Asian economies who had proved its worth. It is difficult to imagine that Deng Xiaoping's open door policy being so successful right from the beginning without his observations of his neighboring countries. And finally, although state capitalism is a shared feature across the SAEs, China and Singapore does stand out with their persistent authoritarian regimes.

5.4 TOP-DOWN AND BOTTOM-UP

In the early 1990s Chinese state manufactures faced increasing competition from an emerging global private sector. In the wake of The Cold War China was not on the list over U.S. Cold War-allies, as were the front line states Japan, South Korea, Singapore and Taiwan who was generally granted easy access to the rich markets in the west. This meant that in order for China to get access to these markets, it had to trade with more access to its own. Hence, foreign companies were given much greater access to the Chinese market than they had been given to inter alia Japan, Korea, and to some extend Taiwan [McNally, 2012: 755]. This meant that by the mid 1990s Chinese small- and medium-sized state enterprises were loosing loads of money to private and foreign competitors. As a countermeasure the CPC initiated a strategy known as 'Grasp the Big - Let Go the Small' [Studwell, 2013: 326-27]. The first step of the strategy was to redirect a large part of the national fiscal income away from the provinces and to the center. This would have a dual effect. Firstly, it effectively forced the local governments to critically assess their costs and get rid of loss-making operations. Secondly, it would allow for finance allocation at the CPCs discretion to for example large infrastructural projects.

A second pillar in the strategy was to increase competition among Chinese companies to achieve a ''survival-of-the-fittest'' mentality. Hence, large state-owned companies were deprived of their monopolist status and arranged into oligopolies of two, three or even four, to ensure internal competition and continues development. This proved successful in a number of industries including oil, coal, and gas as well as in the service sector, where the competition among a small number of big companies led to higher levels of efficiency and profitability [Studwell, 2013: 327]. And finally, to assure a favorable policy-framework for Chinese companies, the National Development and Reform Commission (NDRC) were established (or rather build upon the State Development Planning Agency) [NDRC[1]].

Furthermore, across the state sector the 196 largest businesses (mainly upstream and service related) were placed under the control of the State Asset Supervision and Administration Commission (SASAC). The SASAC was established in 2003 by premier Zhu Rongji (who also was the father of 'Grasp the Big - Let Go the Small'). The main intent with the SASAC was (and still is) to assure government control with large and important companies, while pushing for increased performance. Leading figures in each company is graded and paid in accordance with their ability to create profits. Companies that continuously underperform is either shut down or merged, which has led to a shrink in SASACs company portfolio from 196 to 122 in 2010. But although state-owned enterprises (SOEs) only constitute about 8 percent of all industrial firms, they do leave a big footprint. Combined they produce approximately 36 percent of industrial value added and about 44 percent of recorded industrial profits [McNally, 2012: 753]. And seen in an even bigger perspective SASAC-controlled companies managed to generate annual profits equivalent to 3-4 percent of China's GDP (2010). An astonishing achievement compared to the late 1990s, where the aggregate profitability of the same group of companies was almost non-existing [Studwell, 2013: 328].

Another benefit from controlling the large upstream companies is that they can cushion the economy against international price shocks [Studwell, 2013: 329]. This allows China to (at least to some extend) continue the market development independent of market and price fluctuations. This also contributes to the pipeline of successful international Chinese companies. Hence, a helping hand is also given to promising mid-stream companies which is identified as potential international players. To assure their steady growth, they are often offered easy access to capital as well as being protected by high capital barriers to entry by foreign competitors. However, as in the top, the government makes sure to allow for enough internal competition to assure a continues progression and to prepare them for international competition [ibid: 334].

China is however not the only Asian country who has and is helping their local businesses succeed. Japan worked on favorable conditions for its own industries through its Ministry of Trade and Industry (MITI), which was largely responsible for the rapid and successful growth in the wake of the Second World War. South Korea through its Economic Planning Board (EPB), and Taiwan with its Industrial Development Bureau (IDB) [Studwell, 2013: 129]. But China did succeed better than some of its neighboring countries in fostering sustainable SOEs. For example in Taiwan and South Korea where state-owned ship-building companies failed to keep pace with their private competitors. Or in Taiwan where state-owned chemical firms were beaten in regional competition by privately run companies from Japan and South Korea [ibid: 334].

State control is also true for the banking system. Like Japan, South Korea, and Taiwan - China made sure to have the banks working in favor of domestic investments. However, the control exercised by the Chinese government exceeds that of the other countries. Roughly, the Chinese banking system can be divided into three: The Big Four (Industrial and Commercial Bank of China, Bank of China, China Construction Bank, and Agricultural Bank of China); smaller national- and city-level banks; and finally China's three 'policy banks' created by Rongji in 1994. While all of these banks are ultimately controlled by the state and hence follow their guidance on lending priorities, the most important one is the China Development Bank (CDB) which belongs to the latter group. The CDB has the muscle to finance large projects and as of 2011 CDB had USD 900 billion of loans outstanding - well over twice what the World Bank lends globally [Studwell, 2013: 355]. Chinese government-control over the banking sector is thus actively used as a tool to guide the economic development. And when thinking of Xi Jinping's 'Belt and Road Initiative' which will require investments between USD 1trn and 8trn, it is clearly a very important tool [The Economist[3], 2018: 15]. But it is also a tool used to decide which companies that get a piece of the investment - usually favoring SOEs rather than private companies.

While the large and upcoming companies were absorbed by the state, most of the small and medium-sized SOEs were privatized during the 1990s in an attempt to increase focus - a measure that seemingly paid off. However, for the private sector if meant that it was left very much to itself. In the same fashion as Taiwan, China devoted its talent-development exclusively to SOEs, making it difficult for promising private companies to climb up the latter [Studwell, 2013: 157]. While both Japan and South Korea has been successful in pushing companies like Canon, Samsung, and Hyundai in the direction of global competitiveness, China and Taiwan has been less supportive. Returning briefly to the discussions in the previous chapter, one could make the argument that the non-supportive environment for private companies in China resembles the neoliberal - market fundamentalist features often coined the Washington Consensus.

However, internal competition is of course distorted as SOEs receive large benefits over the private sector. Chinese private companies does for example not get the same amount of orders for state procurement as their public sector competitors, which is a big disadvantage bearing in mind the extraordinary sums invested in infrastructure, renewable energy etc. Hence, although Chinese private firms have all the flexibility and entrepreneurial hunger required to expand, they lack the cash, subsidies, and more favorable policies to take off [Studwell, 2013: 347]. In comparison, most private consumer goods businesses are more open to international competition than were their Japanese and South Korean cousins at a similar stage of their development [Studwell, 2013: 348]. This can seem a bid ambiguous as China's private sector is responsible for the main part of the country's exports. Schweinberger does however point out that entrepreneurs enjoy a very high social status in China compared with many other countries, and that they usually have very large and lucrative networks to build their businesses on (another Confucian heritage) [Schweinberger, 2014: 175].

Wrapping up

In sum, China largely followed the market-nurturing tendencies of Japan, South Korea, and Taiwan. Most of whom had successfully applied a top-down capitalist development prior to China (admittedly strongly influenced by Confucian traits). Hence, China was hardly unique in applying a 'top-down - bottom-up' approach. But differences do persist. While all of these countries nurtured their SOEs in various degrees, China (and Taiwan) failed to provide the support needed for the private sector to rise and compete among other global market leaders. Although China has been able to foster large and profitable SOEs, it has largely neglected privately owned SMEs who as a result haven't grown to their full potential. Hence, it is questionable whether Chinese SOEs will be able to fuel economic growth in the long run, or if more support is required to develop Chinese equivalents to Google and Apple, or Hyundai and Toyota.

5.5 EXPORT DRIVEN GROWTH

In this section I will discuss the first of three decisive industry policies in China's successful development and transition away from an agricultural economy. I will begin with China's export driven growth, since trade with the outside world was the first step in China's economic opening up

[Min et al., 2013: 98]. An empirical study by Tingvall and Ljungwall (2012) suggests that China's growth post 1990 was largely driven by export, and that export growth played a more significant role in China than it did in any other Asian country [Tingvall and Ljungwall, 2012: 6]. In simple terms export growth are measured by a country's net export (i.e. the value of its total exports minus the value of its total imports). However, despite the significance of China's export-led growth, the 'Asian export-led growth model' stems from Japan [Das, 2015: 58-59]. Already during the Meiji era (1868 - 1912), Japan began to systematically develop its economy on the basis of exports. But it was not until after the Second World War that the export-led growth really took off. At the beginning it based its exports on labor-intensive industries, such as steel and textiles, but fairly quickly it climbed up the technological ladder and began producing more advanced technological products [ibid: 59].

Ten years after Japan had assumed the position as the worlds second largest economy, China was still among the poorest but looking for changes. And with extensive labor abundance Deng Xiaoping identified an opportunity for China to pursue the same path as Japan. As a first step China passed an export-processing law in 1979, which offered incentives for the processing and assembly of exports [Hundt and Uttam, 2017: 215]. And in order to give a competitive edge to China's exports, policymakers expanded the duty-free import of parts, components and other associated raw materials in 1987 [ibid: 216]

China then pursued a two-pronged strategy in order to capitalize on its labor abundant resources. On the one side it promoted labor-intensive mass-manufacturing industries, while on the other made sure to continuously upgrading its economy by producing high-tech products through technological diffusion [Hundt and Uttam, 2017: 219]. Hence, today China has managed to diversify its exports into capital- and technology-intensive products and is covering seventy percent of all manufacturing categories compared to only nine percent in 1972 [ibid]. Rodrik argues that the diversification of China's 'export basket' has been an important determinant of China's rapid growth [Rodrik, 2006[2]: 1]. Rodrik stress that China's export bundle resembles that of a country with an income-per-capita level three times higher than China. And the reason for this is mainly thanks to the Chinese government picking winners and meddling in markets [ibid: 24]. Although this is perceived as highly controversial by neoliberal spectators, Rodrik argue that it has proven necessary in environments with rife uncertainty and with technological and informational spillovers, where markets usually under-provide investments in non-traditional products due to the risk of bad returns. In such cases the state has to fill the gap through industrial policies, as exemplified by China.

On that ground Rodrik points out that China's successful export-led growth cannot be attributed to its comparative advantage alone, but also - and perhaps more importantly - to its policy framework. The large size of the Chinese economy in cooperation with state orchestration of industries has played an important role in China's success [Rodrik, 2006[2]: 22]. He argues that the large size of China's economy has had two decisive effects. Firstly it allowed for policy experimentation, and secondly it has been used as a carrot for foreign companies to form joint ventures with domestic producers in return for access to China's internal market. This allowed for faster technological development within Chinese industries, as local companies were able to benchmark more sophisticated technologies from foreign companies. Hence, Rodrik argues that China's ability to quickly climb up the technological ladder and diversify its export basket, was as much because of strategic industrial policymaking by the Chinese government as it was because of the free market [Rodrik, 2006[2]: 24]. Das argue how strong liberal and market-oriented policies were a common and important feature for all of the SAEs export driven growth: ''*Under this model of economic growth, trade policy played a central role. It gradually became accepted wisdom that growth prospects for developing economies were greatly improved by adopting outward-oriented trade regimes and fairly uniform incentives for production across exporting and import-substituting goods*'' [Das, 2015: 76].

Lin (2012) designed a six step framework for economies that aspire to emulate Asian export-led growth. While the framework reflects Rodrik's conclusions on the importance of combining market and policies, it also demonstrates how closely related China's export strategy is to Lin's framework which is a hotchpotch of the export strategies of the SAEs [Lin, 2012 - cited by Das 2015: 51-52]:

1. Identify an economy that has identical resources to you own but twice the real per capita income. Then identify the successful tradable industries in this proto-typical country.

2. If these industries exist in your economy, identify constraints to further upgrading and then proactively remove them.

3. If these industries do not exist, actively invite and encourage foreign direct investment in them.

4. Identify those domestic industries and services sectors that are successful and support scaling up. This could be done by improving infrastructural support and promoting research and development.

5. Economies that suffer from weak infrastructure should concentrate economic activities in special economic zones and industrial parks.

6. Select exemplary industrial performers at home and provide them time-limited incentives, so that they can become globally competitive.

Li's framework closely emulate China's development which started by simple manufacturing for export as well as components to foreign companies who where increasingly producing and operating in China as a consequence of China's successful foreign direct investment (FDI) strategy. And in the early phases of development, China successfully established special economic zones (which I will return to in the next section). And as discussed in the previous chapter, the Chinese government nurtured and supported promising companies. A good example is the Chinese auto-part industry, where foreign companies who wanted to invest in the market, were forced to apply up to seventy percent domestic content in their production (something that the WTO later forbid) [WTO[1]]. While this forced entrant companies to cooperate closely with local suppliers, it ensured that Chinese companies could benchmark their production and sometimes even gain access to more sophisticated technological knowhow. Lee emphasizes how the ability to diversify and continuously upgrade the export portfolio was not only crucial for China but for all of the SAEs, which meant that they grew more rapidly than any other region [Lee, 2010: 45]. And finally, China has invested intensively in R&D to maintain the technological development. By 2012 China became one of the few developing economies where R&D intensity has surpassed one percent of GDP [Woo, 2012 - cited by Hundt and Uttam, 2017: 218]

Wrapping up

Export driven growth was not an entirely new phenomenon when China's adopted the strategy. Japan and other SAEs had already pursued export-led growth with success. Das do however argue that even though demonstration effect and learning by watching did take place among the SAEs, the adoption of export-led growth strategies was largely unsynchronized and uncoordinated [Das, 2015: 60]. But as a latecomer there is hardly any doubt that China did capitalize on the experiences gained by other SAEs, which allowed China to achieve early success with its export strategy. And due to China's massive scale and cunning industrial policies it managed to pursue export-led growth like no other country.

5.6 FDI LIBERALIZATION

The second industrial policy I will highlight is China's FDI liberation which proved as an important second step in China's economic growth. While export-led growth was a very important component of the SAEs economic growth, it would be entirely specious, if not naive, to assume that export-led growth *per se* was the recipe for Asia's success [Das, 2015: 77]. Hence, a necessary consequence of adopting an export-led growth model was increased exposure to international economic activities, such as FDI [ibid]. To accompany the export growth strategies the CPC imposed a series of new laws to attract FDI. Beginning in 1979 China adopted a number of such laws including the *Sino-Foreign Equity Joint-Venture Law* (1979) which allowed foreign companies to establish joint-ventures with Chinese companies [Chinese Ministry of Commerce[1]], and the *Wholly Foreign-Owned Enterprise Law* (1986), which ultimately allowed foreign companies to operate without involvement of a mainland Chinese investor, unlike most other Chinese investment vehicles [Chinese Ministry of Commerce[2]].

In addition to the enhanced policy framework, special economic zones (SEZs) would serve as the main instrument to attract FDI as well as increase exports and economic growth in general. Despite protests from some people within the Chinese politburo, who argued that such zones would be too controversial so soon after Mao Zedong's death, the Central Committee and the State Council issued a joint resolution in July 1979, approving the development of SEZs in Guangdong and Fujian [Coase and Wang, 2012: 61-62]. The term *special economic zones* were proposed by Deng Xiaoping, as the idea was to establish more than merely industrial parks. Hence, through careful observations of Hong Kong the CPC laid out there ideas for the new SEZ [ibid: 59-61]. In addition to industrial parks for export-oriented firms, and in line with Confucian values, the SEZs would provide educational, legal, commercial, and governmental services necessary to support the success of the manufacturing and trade within the zones. Furthermore, industrial parks would be joint by a science and research district, residential areas, commercial districts and so on, making each SEZ a self-sustaining entity [ibid: 62]. When China established its first SEZs the phenomenon had however been around for some time. The *Shannon Free Zone* in Ireland which was established in 1959 is widely acknowledged as the first [Engman et al. 2007: 11]. While India was the first in Asia to set up a SEZ (or *Export Processing Zones*) in 1965, Korea in 1970, and Malaysia in 1971 [ibid]. Hence, although China did come up with the terminology ''SEZ'' it didn't invent the concept. However, they did master it through continuous refinement of the zones and supportive industrial policies combined with their comparative advantages, making China the second largest receiver of FDI after the U.S. [UN Trade and Development].

Since the mid-1980s, the Asian economies have been highly successful in attracting global FDI, making it the largest continental grouping of FDI [Guardian, 2014]. Between 1986 and 1998 there was a 12-fold increase in inward FDI, and in 2015 Asia's global share of inward investment reached 23.8 percent [Eurostat, 2017]. However, while Asia generally, and East Asia particularly, grew at impressive rates, China beat them all. Compared with the Asian NIEs and ASEAN countries, China achieved a significantly higher growth during the 1990s. According to Urata (2001) this was partly thanks to China's devaluation of the yean in 1994 (which helped boost exports) and its relatively quick escape from the 1997 Asian economic crisis [Urata, 2001: 410]. Das does however stress that there was very little uniformity in how Asian governments pursued industrial policies [Das, 2015:

72]. There were some common elements among Japan, South Korea, and Taiwan, who all emphasized promotion of specific industrial sectors. However, Singapore intervened by attracting FDI in preferred industrial sectors. The governments in the ASEAN-4 economies and Taiwan established export-promotion zones tom invite FDI by preparing attractive incentive packages, including tax breaks. China adopted similar industrial policies and was highly successful in attracting FDI, technology and managerial know-how [Kuchiki, 2007 and Das, 2008 - cited by Das, 2015: 72].

Utara further argues that a few internal and external factors were responsible for the significant expansion in FDI inflows in East Asia. The internal factors consisted in the general liberalization of both trade and FDI combined with a stable macroeconomic environment. The external factors was the substantial realignment of exchange rates, particularly the yean-dollar exchange rate was important. But also the technological advance in information technology which significantly lowered the costs of communication. And finally increasing competition among multinational companies, which meant looking for new ways to outcompete rivals led to increased FDI [Urate, 2001: 418].

Wrapping up

The liberation of FDI was the next natural step for China to accompany its export-led growth strategy. Although not the first to establish SEZ it was not done blindly just because other countries had successfully done the same. It was carefully planned and elegantly executed by China's leaders, who was faced with the difficult task of bridging the era of Maoism to a new one with capitalism. But while the rapid increase in FDI and establishment of SEZ across China did resolve its economic stagnation, it presented another challenge - namely how to balance SEZ within a communist country. This challenge will be discussed in the next where I will focus on China's gradualist and dualist reform strategy.

5.7 GRADUALIST AND DUALIST REFORM STRATEGY

While a 'dualist policy approach' is present in various contexts (for example in the literature on wage and pension policies), China proved that a dualist-reform strategy could be successfully applied in the transitioning phase of an economy [Lau et.al., 2000: 122; 136]. Subsequently, a few other socialist economies, such as Vietnam, Slovenia, and to some extend Poland also adopted similar gradual, dualistic approach with rather good success [Lin, 2013: 263].

To avoid a 'shock therapy-like' transition when opening up its economy, China had to balance the opening up of markets with the reminiscences of the communist planned economy. Hence, to assure that the economy wouldn't collapse, China adopted a gradual, dual-track approach. The government first improved the incentives and productivity by allowing the workers in the collective farms and SOEs to sell products at market prices after delivering the quota obligations to the state at fixed prices [Lin, 2013: 262-263]. At the same time, the government liberalized the entry of private companies, joint ventures and FDI, while simultaneously making sure that important local companies and SOEs were protected through various mechanisms (as discussed in section 6.4). This allowed the Chinese government to maintain a stabile transition, as the dualist track gradually provided them with new comparative advantages and kept ''old'' industries from collapsing under overwhelming external competition [ibid: 263].

The dual reform strategy has often been characterized as a ''*reform without losers''* (e.g. Lau et al., 2000). However, according to Lin (2013) there is costs associated with the strategy including increasing income distribution inequality. The Gini coefficient increased from 0,31 in 1981 to 0.47 in 2008 (the same as in the U.S. [statista]) [Lin, 2013: 263-64]. Increasing social inequality between rural and urban areas was rising too. Hu Jintao addressed this issue in a key note speech in 2005, promising that a ''*new stage in which industry gives nourishment back to agriculture and cities support villages''* has commenced [Hu Jintau, 2005 - cited by Studwell, 2013: 320-21]. However, Studwell argues that the political tolerance for inequality is much higher in China than it is in for example Japan, Korea, and Taiwan. Without a new and dedicated effort by the CPC, inequalities is likely to become even grater, and hence might create serious challenges down the road [ibid: 321].

However, while the dualist reform strategy was largely a success, it was not necessarily as well designed and carefully executed as might appear - at least not initially. Grabowski argues that in reality the reform process in the initial phase of China's transition was very much driven from below, at regional and even local levels via experimentation [Grabowski, 2003: 270]. He argues that some of the apparent effects of the early de-collectivization reforms within agriculture actually emerged in secrecy on local levels, and then later - when proven successful - approved by local governments. Not from the top down as many might believe. Or for example the 'Grasp the Big - Let Go the Small'. While it is often portrait as a well designed and timely executed strategy, it was rather a fire blanket designed to put an end to the heavy drag by uncompetitive state-owned SMEs and large inefficient SOEs (which it did) [ibid]. According to Kennedy (2010), China's leadership has, to a large extend, had to react to economic and political pressures not of their choosing. He argues that during the first fifteen years of the reform era, many policies reflected a compromise between liberal and conservative wings of the CPC, rather than those of a single strong leader [Kennedy, 2010: 472].

Subsequently this approach has been referred to as 'China's gradualist reform strategy' usually followed by Deng Xiaoping's quote regarding ''*crossing the river by feeling the stones*''. And some scholars and economists has even highlighted China's gradualist approach as a cornerstone to its success (e.g. Ramo, 2004 and Li et al. 2009). Perhaps more dispassionately than Ramo, Das argues that the tendency not to ideologically adhere firmly to any standardized policy prescriptions, but rather adopt appropriate and functional policies under different domestic and global circumstances, characterizes not just China's approach to economic development, but is mirrored in all of the high-growth Asian economies [Das, 2015: 33]. Breslin even called this approach the ''*no-model, model*'' as the growth path was determined on what was needed on that specific point in time, even if that meant a reversal in the hitherto policy approach [Breslin, 2011 - cited by Das, 2015: 33].

Wrapping up

Most of China's reform policies were implemented after they had already proven successful in other Asian countries. However, to successfully transform the Chinese economy without risking a collapse as departing from the economic gridlock of the planned economy, China received little help from other Asian countries. Despite some critics' argument that many of the strategies wasn't part of a well sought out plan, China has been overall successful with the dualist reform strategy, which has gradually opened up the economy and provided extraordinary growth. As pinpointed by Lin, challenges has however arisen in the wake of the strategy - challenges which the government has to deal with, if they want to make assure that the dualist reform approach remains to be seen as a success in the future.

5.8 AN EAST ASIAN EXPERIENCE?

As apparent from this chapter, China's economic development has been heavily influenced by how other Asian countries developed before it. Hence, in this final section of the chapter I find it relevant to briefly highlight a few of the most significant policies reflected in the 'Asia Model'. While the term is not as frequently applied in the discussion on China's development as for example the Washington and Beijing Consensus, it does share the same main characteristic as the 'China Model' - namely a lack of coherence. However, as this paper merely sets the stage for further discussions on a particular model of development, it is crucial to determine if such a model should be determined on the foundation of a 'China experience' or an 'Asian experience'.

Although China did pursue its own gradualist reform agenda and dualist reform strategy, many of the policies that it applied were tried and tested by its Asian neighbors. Hence, Das (2008) argues that the term 'China Model' is inaccurate, as China didn't follow a well laid-out coherent model or grand design of development. As discussed in the previous section, reforms were completed in multiple stages, and each stage was in itself substantially different from the previous one [Das, 2015: 34]. Studwell argues that China merely followed Japan's development experience, which he assess as the true break-out example in successful Asian development [Studwell, 2013: 366]. What makes China's development exceptional, he adds, is hence not the tried and tested land reforms or infant and financial repression policies, but rather its scale. At more than ten times the population of Japan, anything that happens in China has an amplified effect - not just on China, but on the world [ibid].

However, in an attempt to capture what Das deems the most important supportive policies for Asia's growth more broadly, he composed an overall list of common features. He does however emphasize that it is far from complete, and hence not a framework for economic development. An exposition of an Asian growth model, he argues, would have to include a broader set of supportive strategies [Das, 2015: 70-71]:

1. High savings rates, which in turn were responsible for the rapid growth of investment rates in these economies. Together they interacted with high levels of human capital in a stable macroeconomic environment.

2. High educational attainments, particularly in the area of science, technology and engineering. This led to a sizeable level of human capital formation.

3. Sensible and appropriate macroeconomic policies with calculated policy reforms and the adoption of growth-friendly policies helped Asian growth performance. There was steady improvement in policies and institutional quality, which sustained high sectoral productivity growth.

4. Besides, there was active government intervention in these economies through 'industrial policy'. The lessons of the industrial policy of Japan's Ministry of International Trade and Industry in the 1950s and 1960s were regarded as valuable and worth following. When necessary, the governments prompted companies to move in a certain direction.

5. Transfer of technology and the relevant technology and R&D policies were wisely designed and implemented methodically by the Asian governments.

6. Asian governments were known to follow pro-business and market-friendly policies. Governments selected specific industries and sectors for encouragement and support. Bureaucracies were generally competent and governments were frequently authoritarian.

7. They adopted a policy framework that nurtured a competitive domestic economy, where firms were expected to fend for themselves against domestic competitors and also

compete externally in the global marketplace. Making the manufacturing sector competitive was paid extra attention.

Das' seven strategies underline the resemblance between China's economic development and Asia's in general, or perhaps more strikingly East Asia as some countries in particular in South, and South-East Asia deviated pursued different development paths.

Wrapping up

Das' seven step strategy-summary doesn't serve as a Asian (or East Asian) development model, but merely underlines the commonalities among the development experiences of East Asian countries. While China has undoubtedly contributed to the Asian development experience, it has certainly also benefited from the experiences of other Asian countries. As Studwell correctly points out, China's sheer size does make China's experience unique in its own right. However, proposing a 'China Model' based on China's ability to successfully scale the strategies of others, would be just as misguiding as proposing a 'Japan Model' because it served as the frontrunner. Each of the SAEs benefited from the experiences made by others. Hence, the most accurate framework for a potential development model would be an 'East Asian Model'. This would not only include Japan's important first findings, or China's ability to refine and scale, but everything in between.

6.0 CONCLUSION

A lot of ground has been covered in the attempt to answer the question of whether China's economic development represents a distinct model of economic development. What created the outset for this thesis is the lacking consensus across the relatively extensive literature on the subject. Rephrasing Williamson (2008), then it seems that China's economic development has come to mean very different things by different people. There seems to be a backward approach in much of the existing literature, where China's economic development is either sought squeezed into existing development models, or used to construct a new narrowly focused 'China Model'. This led to my discussion regarding how to determine when a development experience qualifies as a model. The prescription-oriented characteristics of the Washington Consensus has in many ways set the stage for subsequent discussions on the subject, which again has led to an academic discussion focused at prescription-like solutions. I argue that this contributes to the backward approach to finding answers. Models of economic development appears naturally when one country emulates the development of another, not by academic ''consensus''. Despite the continues recurrence of both the Washington Consensus and Beijing Consensus, I discussed why non of them succeeds in depicting China's economic development. Academics arguing that Washington Consensus offers the explanation to China's economic development, suffer from the backwardness of trying to fit China into an existing framework. While those who argue for a Beijing Consensus focus too narrowly on a China-based model.

Hence, in an attempt to reset the discussion on China's economic development I adjusted the focus towards what I assess the foundation for a potential development model - namely whether or not China's economic development has been unique. Here I found that China and the other SAEs were bound together by two main elements: their mode of capitalism and their cultural heritages. In various degrees (but at different times in history) the SAEs all applied state capitalism as the overall framework for their economic development. A dominating government was important for the successful development in all of the SAEs (although to a lesser extend in Hong Kong). This largely proved the importance of government interaction in economic development, not just in academia but to the Bretton Woods institutions as well. But the discussion also indicated the underlying importance of cultural heritage (in this case Confucianism), which traits were reflected in the SAEs 'variety of capitalism'. An area which I believe is largely overlooked in the literature.

Focusing on China's strategy- and policy-approach it became clear that, as a latecomer, it had largely benefitted from the development experiences of other SAEs. Almost all of the policies discussed had already been tried and tested by other Asian countries, which allowed China to pick and chose. However, the strategies and policies were not blindly imitated, but rather carefully adjusted with respect to China's own needs and unique conditions. Meanwhile, to say that China's development was merely an imitation would be wrong. Several features and some policies were indeed unique. Most distinctive was China's dualist reform strategy which prevented the economy from collapsing. Although the strategy might not be completely ''without losers'', it has so far managed to balance China's immense transformation and gradually opened up its economy. In addition, China stands out because of its sheer size, which unquestionably adds to the complexity of China's economic development and remains a challenge as China face increasing social inequality. But so far China has managed to leverage its scale as an instrument to economically outperform its Asian neighbors (and every one else except for the U.S.).

Hence, when assessing if China's economic development is unique the answer fundamentally depends on the perspective. If seen in the perspective of the achievements of a post-communist state, or in a close comparison with its closest 'demographic rival' - India, then China's development is surely both unique and remarkable. However, if seen from the perspective of an economic development model, then China's development is not unique. When seen from above, China's development-path resembles that of its East Asian neighbors with Japan as the original pathfinder. Deng Xiaoping's '*open door'* policy proved successful from the very beginning, and delivered early visible results. However, it is difficult to imagine that this would have been possible without the preceding development in the countries surrounding China to the east. Hence, if seen from a policy-perspective (which ought to be important features of a 'development model') China's development experience is not unique and hence does not represent a distinct model of economic development. Thus, rather than a 'Beijing Consensus' or 'China Model' I find it more appropriate to establish a clearly defined 'East Asian Model' of economic development.

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