



The economic growth of China: enabling politico-institutional and socio-cultural factors

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Abstract

The focus of this paper is to analyze sociocultural and politico-institutional factors that contributed greatly to China's economic expansion. In doing so, the article reveals the importance of long-standing heterodox threads, namely, the role of history, political economy, institutional structures, local culture, social psychology, and international relations. In contrast to neoliberalism's theoretical fallacies and destructive socio-economic outcomes, it is argued here that purposeful developmental intervention is crucial as it can promote the growth, positioning, quality, and competitiveness of local industries in international markets. The line of argument of this contribution is as follows. Through a lens of political history, the first section analyzes the country's past development efforts. Subsequently, the main sections discuss important aspects of an alternative economic development framework in the context of China; these are based on a highly interventionist, heterodox, developmental state analysis and are examined by placing special emphasis on its politico-institutional and sociocultural traits. Finally, summary and conclusions end the paper.

Keywords China · Political history · International relations · Developmental state · Socio-cultural aspects · Politico-institutional factors

JEL codes B2 · B5 · F1 · F5 · O2 · Z0

Although 'growth' and 'development' are often observed simultaneously and may have a causal relationship, we consider 'economic development' as a more multifaceted concept, which has both qualitative and quantitative aspects.

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1 Introduction

Globalization is far from new. Modern economies, societies, cultures, and languages have become increasingly integrated through international trade and regionalism, modern forms of international relations and politics, and the astonishing revolution associated with information technology and fast-paced digital world. What makes the present globalization different is the degree to which the technological revolution has led economic and cultural outcomes to be interconnected or converge. There is an implicit supposition in the pomposity of neoliberal globalization that the dynamics of the global capitalist system will ultimately make local cultures obsolete. Yet, several countries in East Asia, particularly China, have been resisting traditions from Western culture. For instance, the beliefs and practice of Confucianism have lastingly marked their governments, societies, and family patterns.

Global capitalism advocates assumed the superiority of ‘Western values’, but they continually assert that material prosperity can be achieved within endogenous contexts. Mainstream attempts to apply a historical lens have engaged in gross simplifications and misreading of the relevance and importance of thousands of years of Chinese thought and culture. Nevertheless, any useful analysis cannot take place in the absence of historical understanding, which is precisely what orthodox theories, rational decision models, mathematical perceptions, and economic projections lack. The theory of the developmental state, therefore, is one useful option that has already been adopted in some areas. This theory permits countries to accept some of the practices of corporatism, but it should take apart others and redefine them within the ‘socio-cultural matrix’ in which they may be placed (Karagiannis and Madjd-Sadjadi 2007).

Clearly, China and newly industrialized countries of East Asia have similar culture and tradition and their own heritages, which may be *foreign* ‘for all that North Americans and Europeans know of them’ (Doughty 2007, p. 1), given the absence of the wholesale importation of Western cultural norms to these societies. China is a particularly interesting case as the country has been able to organize its economy effectively. It has also developed its related philosophical and political structures, and has come to rank among the most influential nations in the world.¹ Moreover, while effective industrial strategies and policies are largely dependent on institutional design, they are heavily influenced by culture (Morishima 1982; Dore 1987).² Culture and tradition have had a profound impact on the Chinese economy because the ‘Great Power’ of China, its culture and institutions, survived and thrived despite shifting philosophical perspectives of its political leaders.

The trend towards neoliberal globalization frequently seems to conceal the ‘active’ role of the sovereign government. Accordingly, the debate between the developmental state argument and the free market approach is based on the

¹ Consequently, now, more than before, there is a great need and interest for a better understanding of the social and psychological processes that characterize Chinese people (Bond 2010).

² The issue of local cultures and capitalism has been masterfully analyzed by Michio Morishima, Ronald Dore, and others since the 1980s, with special reference to East Asia.

philosophical inconsistencies and false assumptions of most orthodox economic analyses³ as well as the fallacy that free-market capitalism promotes perfect competition and increases prosperity. The Chinese saying ‘a crisis is also an opportunity’ motivates us to think realistically and avoid ideological blinders that can push unrestrictedly towards market fundamentalism. It is sufficient to make clear the need for a compelling argument for a re-evaluation of interventionism, which has already challenged neoliberal ideology with regard to its theoretical assumptions about human nature, the origins and ‘appropriate’ role of the modern nation-state, and the actual workings of the economy (Karagiannis and King 2019). On the positive side are matters such as capitalization of domestic economies, technology transfer, regional growth, the possibility of improvements in the host country’s balance of payments, innovative ideas, and the promise of beneficial cultural change.

Within such a context, the focus of this contribution is to provide an analysis of socio-cultural and politico-institutional features that contributed greatly to the Chinese success. The argument, advanced here, is based on a developmental state analysis with ‘Chinese characteristics’. This is incompatible with the *market supremacy* and *optimality* conceptions of the mainstream.⁴ Being more specific, it relies on heterodox, including evolutionary-institutional, topics like emergence, path-dependence, power, idiosyncrasies, and national development acumen; these appear to have played a significant role in China’s evolution and economic rise. In addition, a surge in policy implications of economic complexity is taken into account (Elsner 2019).⁵ With some explicit considerations accounted for, Elsner (op. cit.) reveals the importance of long-standing heterodox threads, namely, the role of history, local culture and social psychology, institutional structures, political economy, and international relations.

This contribution is structured as follows. Through a lens of political history, the first main section analyzes the country’s past development efforts since the late nineteenth century. Subsequent main sections discuss important aspects of an alternative economic development framework for China, based on a highly interventionist heterodox developmental state line of argument, by placing special emphasis on the

³ ‘Economic liberalism’ as a political and economic ideology is based on strong support for a market economy. Consequently, the resultant socioeconomic system may be described as liberal capitalism or liberal economy. But the premises of such a socioeconomic system cannot elucidate the Chinese socioeconomic organization, which is of a socialist type.

⁴ According to orthodox interpretations (Balassa 1988; World Bank 1993, among others), China’s rapid growth may be ascribed to the market-oriented structure of its economy since 1978 (see also note 4). Besides, Justin Y. Lin at Peking University considers ‘comparative advantage’ as the most desirable strategy under the present Chinese situation. From his perspective, the support for capital-intensive industry under present conditions would deepen the problem of capital shortage, which in turn might cause inefficient government investment and high dependence on foreign capital inflows (Lin and Wang 2017a, b). However, in addition to their theoretical and policy shortcomings, it is a common mistake that mainstream economists and social scientists believe that the rapid growth in China only happened in recent years.

⁵ Karagiannis, Cherikh and Elsner (2020), among others, discuss Chinese development planning and industrial targeting aspects. This extensive analysis will not be replicated here.

country's politico-institutional and socio-cultural traits. Finally, relevant summary and conclusions end the paper.

2 China's political history and development in retrospect

China has a rich history of ancient civilization going back more than 3000 years. Before the arrival of Europeans in Asia, the country had been one of the most powerful and advanced nations in the world; it was heavily populated and politically unified, and had developed the art of agriculture despite the fact that industrialization exertion was negligible. When European powers emerged in China, they found a nation that was highly appreciating traditional culture and warfare. However, in the late nineteenth century, China came under pressure because of famine and civil unrest after many years of foreign control. At the same time, China's government began to fail in the early period. The end of imperial rule was followed by nearly four decades of major socioeconomic developments and socio-political discord, like the 'Boxer Rebellion' during the 3-year period of 1899 to 1901, which was an anti-imperialist, anti-foreign uprising towards the end of the Qing dynasty. Furthermore, the situation in China was exacerbated by internal mayhem brought about by what many believed to be unsuccessful policies and corruption within the Qing dynasty. In 1912, the dynasty fell and the Republic of China was created.

With respect to international relations, Thomas (2007) distinguishes two eras—"limited national sovereignty" from 1860 to 1949, and "full national sovereignty" from 1949 to the present—with radically different consequences [flowing] from China's interaction with the global economy during [each of them]' (p. 1). From 1839 to 1949, known as the 'century of national humiliation', was a period of intense interventions by Western superpowers, Russia and Japan, during which China lost almost all of the wars, experienced major internal disintegration, and was often forced to provide a number of concessions to the world powers in subsequent treaties. As a result, even though Chinese security arrangements varied from one dynasty to another and between periods of strength and weakness, the national government had limited power and control over local resources and decision-making. That limited sovereignty level coupled with often unstable borders, vulnerability to attacks, and unfavourable international treaties significantly reduced endogenous development opportunities of China.

The twentieth century saw some of the most significant changes in Chinese history that have led to its position today. At the beginning of the twentieth century, China was divided into areas of influence by powerful European nations, with each of them seeking to exert as much control as possible. The Chinese people, being resentful of foreigners and dissatisfied with the inability of their national government to expel them, were able to replace the Chinese 2000-year-old imperial system with the Republic of China. In March 1912, Kuomintang or KMT, one of China's first political parties, appeared in the country's affairs (MacFarquhar 2012; Heilmann 2017).

In 1917, China entered World War I on the side of the allies, even without participating in any military action, by providing labourers that worked in allied factories and mines. As the Treaty of Versailles ignored the country's plea to end the foreign

domination and concessions, subsequently, the *May Fourth Movement* took place on 4 May 1919, during which Chinese students protested against the Treaty. The May Fourth Movement helped greatly with the promotion of science, and making the Chinese language adopt a new easier form of writing. The Movement was also the foundation for the formation of China's Communist Party (CCP).⁶

In China, and from 1949, there have been three broad political appeals competing with each other: 'traditional values', Maoism, and economic pragmatism. Following World War II, China came under the leadership of Mao Zedong, who founded the People's Republic of China (PRC) and declared the end of the 'century of national humiliation'. After 1949, the Communist Party regained full national sovereignty and used this control to take over ownership of China's domestic economy from both foreign and Chinese investors. From 1949 to 1978, China steadily built its industrial base and transformed itself from an agrarian economy to an industrial one. The country's political leadership, by utilizing continuous central planning, gave high priority to rapid industrialization and created the industrial foundation for China's economic success. During this era, under Mao's dictation, China as a nation started its industrialization, created its university system and constructed hundreds of labs all over the country, and developed its technological foundation in such important sectors as nuclear weapons, satellites, rocket science, and computers. These national development efforts prepared China with numerous talented scientists and engineers, many of whom became technocrats in the government (Naughton 2007).

Moreover, Chinese political leaders cultivated a potent brand of nationalism incorporating developmentalism into a narrative of creating Chinese greatness. As a result, the transformation of the old relations of production into new socialist ones was more important than the quantitative expansion of its productive forces. The period 1949–1956 was widely acknowledged as 'the golden period of Chinese industrialization', during which its GDP grew at the rate of over 20% per year, and the country established its core industries including steel, textile, chemical, automobile, and defence. China's government implemented 5-year plans that consisted of three main reforms, land, social, and cultural, in addition to economic planning. The changes not only led to the *Great Leap Forward* and the *Great Proletarian Cultural Revolution*, but also resulted in the economic recession in 1958 and 1959, and the downturn in the early 1960s.⁷⁸ Furthermore, in 1949, China implemented a 30-year

⁶ For a detailed discussion, see, Heilmann and Perry (2011) and MacFarquhar (2012). In addition, Leon Poon's 'History of China' (available at: <http://www.chaos.umd.edu/history/prc.html>) includes a timeline of major Chinese eras and provides a brief description of each.

⁷ According to Mao, the Cultural Revolution had to be an enduring process; hidden opponents in the party and intellectual circles had to be identified and removed; and anything that was suspected of being feudal or bourgeois was to be destroyed. Discussions strictly should not depart from the CCP's decided politics or thinking. The aim of the Cultural Revolution was to attack old ideas, old culture, old customs, and old habits in order to bring the areas of education, art and literature in line with the Communist ideology. Yet, the Cultural Revolution had also serious negative consequences for the Chinese society, e.g., millions of people suffered from malnutrition, and many were executed, sent to the countryside or uprooted (Heilmann and Perry, 2011).

⁸ For important socio-political events, such as, the 'cultural revolution' and the 'gang of four', see, MacFarquhar (2012); and, cautiously, Wikipedia, 'Economic history of China (1949-present)'.

alliance with Russia against Japan and Japanese allies, even though tensions strained after Stalin's death in 1955. Relations between the two countries remained tense until 1985 (MacFarquhar 2012).

During the 1970s, most Western nations established diplomatic ties with China, and the country was incorporated into the world capitalist system. On the other hand, the founders of the People's Republic of China were slowly dying. Chinese reformer Deng Xiaoping succeeded Mao's death in 1976. Seeing this great opportunity, Deng Xiaoping took over and brought younger people with similar views to power. He focused on economic development and international trading that helped transform relations with the West, and developed state constitutions and brought new policies to CCP in 1982 (Heilmann 2017).

Taking into consideration that the country had the natural and human resources to build and possess the largest economy in the world, Deng Xiaoping's plan was based on five modernizations of agriculture, industry, national defence, science, and technology. These five modernizations became the main policy agenda within the party, state, and society. In 1987, Deng Xiaoping retired, and Zhao Ziyang became the CCP general secretary and Li Peng premier. Ziyang continued Deng Xiaoping's philosophy, reaped the positive results of the economic reform that had been started by his predecessors, and China started to change from the economy of import substituting to export-led (Brandt and Rawski 2007). However, in 1989, China came again into the world's eyes with the 'Tiananmen Square' incident, which gave the opportunity to nations around the world to question China's approach to human rights and freedoms, and to point out violation of such civil rights.

In essence, two important but distinctive approaches emerged between Chinese leaders: the one by Mao Zedong, Lin Biao, and the 'Gang of Four', who believed that the socialist goals of equality and increased political consciousness should take priority over material progress; and the other by Liu Shaoqi, Zhou Enlai, and Deng Xiaoping, who viewed industrial growth and practical economic considerations as important requisites for the achievement of a successful socialist order. Hence, important political debates and policy shifts in China reflected the oscillating emphasis on different political and economic goals, and were largely associated with changes in the positions of persons in the political power structure. Yet, as each new policy era retained most characteristics of the existing economic organization, the notions of an economic paradigm and the policies that emanated from it at any given point in Chinese history reflected both the current policy emphasis and the structural foundation built up during the previous periods (Brandt and Rawski 2007; MacFarquhar 2012).

With the beginning of the twenty-first century, a new generation of leaders emerged who steadily replaced the old ones, and skilfully managed to stir the idea that the country needs to stand up in the new world environment. As a result, China has engaged in gradual, planned economic adjustments, such as the fiscal decentralization element of SOE (state-owned enterprise) reforms since the late 1990s.⁹ Those were efficiency enhancing and interest-compatible, and enabled

⁹ Moreover, looking at the decisions taken in October 2017 and March 2018, there were a lot of reshaping of government structures.

the country to join WTO in 2001. Jiang Zemin slowly gave up his leadership role and, by 2004, moved into a position of elder statesman, still with obvious influence exerted through his protégés who were embedded at all levels of the government. The ‘politics in command’ of the Maoist era were subliminally present when technocrat Hu Jintao emerged by 2004 as the dominant leader¹⁰ with reluctance by Jiang and his followers. The current President Xi Jinping took office on 14 March 2013 (Heilmann 2017).

Clearly, the economic and socio-political landscape in China has changed in the last few decades, and has developed disproportionately across the country. Evidently, there are large disparities in per capita income and production levels between regions. Under the socialist control, living standards were comparatively low but there was no big gap between rich and poor. Xiaoping indicated that it was acceptable for some regions to become wealthy before others and, consequently, the idea that ‘poverty is more lamentable than inequality’ has applied throughout the society. China’s economic development has generally been more rapid in coastal provinces than in the Mainland. In reality, Chinese development has been uneven because of different region-based preferential policies and effect of geography per se.¹¹ The result is a huge wealth disparity between coastal and inland regions, and between certain cities and rural areas (Démurger et al. 2002). Furthermore, foreign investment has remained important to China’s remarkable expansion in world trade and has been a main factor in the growth of urban job creation (Chow 2007; Kroeber 2016; Naughton 2018).

Overall, China’s history has been a narrative of rise and fall of strong and weak rulers, the development of lasting philosophical traditions and religious incarnations, bureaucratic cliques, and a frequent restructuring of the empire’s geographical borders. After 1949, ‘higher sovereignty levels combined with a less imperialist global situation’ enabled China to reap significant development gains from its interaction with the global economic environment (Thomas 2007, p. 1). Nowadays, when discussing the future of the world capitalist economy, China is one among the most highly debated countries. With a population of more than 1.3 billion people and an economy that once was based on agriculture, China has

¹⁰ President of China, CCP’s general secretary, and chairperson of both the state Central Military Commission and party Central Military Commission.

¹¹ This economic successes since 1978 have pulled 200–300 million Chinese peasants out of poverty (Thomas 2007, p. 28). Yet, about 150 million Chinese fall below international poverty lines, and the government of China has been struggling to contain environmental damages —notably air pollution, soil erosion, and the fall of the water table— and social contention related to the economy’s rapid transformation. In theory, Veblen’s (1904) view —known as the ‘ceremonial-instrumental dichotomy’— could provide an explanation of income inequality, production growth disparities, and technological asymmetries in addition to other socioeconomic challenges between the coastal areas and the Mainland of China over the past 20 years. Indeed, according to Veblen’s analytical contribution, the key in human evolution is the invention of new, more effective technologies. Society progresses through learning how to deal with the material means of life. Veblen saw that although every society depends on tools and skills to support the ‘life process’, every society also appeared to have a ‘stratified structure of status group life’. This gave rise to the dichotomy of the ‘ceremonial’ —related to the past— and the ‘instrumental’ —oriented towards the technological progress of the future— (Veblen 1904; Knoedler 1997).

become heavily industrialized and has a significant impact on global trade (Hu 2011; Kroeber 2016).^{12,13}

Therefore, the economic power of China was a cumulative growth effort over the past 70 years or so, and the Chinese experience exemplifies the decisive role that the national government played in industrial enlargement and positioning. Furthermore, China has developed an approach to foreign trade (i.e. ‘managed’ or ‘strategic’ trade) that enabled the country to reap most of the benefits of global interactions while avoiding, largely, the East Asian financial turmoil of 1998–2000 (Das 2014). Evidently, Chinese policy-makers have adopted strategies and policies that, in many ways, violate the principles of neoclassical and neoliberal economics.

In the next decade, China may regain its place as a leading world economic power by becoming, perhaps along with India, one of the 2 or 3 largest and most important economic players in the world (Hu 2011).^{14,15} Yet, the emphasis placed on growth targets may have contributed to the neglect of adverse developments, such as rising inequality, social evolution shortfalls, environmental pollution, and trade wars. Moreover, the Chinese economy has been affected by the global financial turmoil, especially in 2019, and the more recent economic conditions of the trade, technological, tariff, and the coronavirus wars with the USA. All these adverse developments have greatly strengthened the argument for broadening government objectives beyond the previous narrow focus on high economic growth, in order to address the multiple challenges and changes the country faces, domestically and internationally—demographic, technological, environmental, macroeconomic, and institutional (Naughton 2018).

Having discussed China’s development efforts and legacies since the late nineteenth century, in the following sections, we juxtapose the traits of the general East Asian developmental state model with those of the particular Chinese brand of the developmental state. In addition, we analyze important enabling politico-institutional and sociocultural factors that contributed greatly to its successful present economic rise.

¹² In February 2021, the Chinese government declared success in the long fight against poverty, marking the official conclusion of President Xi Jinping’s signature campaign to lift nearly 100 million people out of poverty since 2012. Nowadays, China is recalibrating its national strategy of poverty alleviation towards one of rural revitalization, with the aim of achieving ‘common prosperity’ by preventing people from falling back into poverty and narrowing the wealth-divide between cities and the countryside (see China’s 14th Five-Year Plan 2021–2025).

¹³ Although China has experienced rapid economic growth for over 30 years, most western countries paid attention to that success only after its entry into WTO and the hosting of the 2008 Olympics.

¹⁴ According to several sources, China had not become the second largest economy until 2010. Louis Kuijs (2009), a senior economist at the World Bank’s Office in Beijing, said that China’s economy might even be (as of January 2009) as much as 15 percent % larger than Germany’s. According to Gallup polls, many Americans rate China’s economy as first; but considering GDP per capita, the United StatesA remains the largest economy in the world. Still, there is an on-going debate among Western analysts and academics about whether China can continue its record of success. For example, World Bank analysts and many others believe that China will continue its current successful path to development at impressive economic growth rates of at least 7% annually for another 20 years.

¹⁵ Important political initiatives during the post-2000 going global era, e.g., ‘Belt-and-Road’ Initiative, ‘Made in China 2025 strategy’, and the so-called ‘Beijing consensus’ or aid/resource diplomacy, go beyond the main focus and thrust of the paper’s argument and will not be discussed here.

3 Aspects of the developmental state approach

China's economic rise as a global production powerhouse did not simply happen as long-standing, deep-rooted political and social institutions have shaped the country's trajectory of national development. This notable economic achievement has not followed the Western world's favourite development paradigms but rather China's unique experience. Such an experience is based on the country's 3000-year-old civilization and largely on Confucianism, forged by the efforts, innovations, and trial and error process of several recent generations; also, it is guided by the Chinese Communist Party in the past 70 years or so. Since the establishment of the People's Republic of China, the government centrally administered the country's development efforts and played an important role in this rapid expansion (e.g. 14 5-year plans since 1953) possessing the characteristics of a developmental state. Thus, China's approach to economic planning seems in line with the developmental state model as it can be interpreted as the latest heir of this experience. However, to frame a Chinese developmental state, specific politico-institutional and socio-cultural elements are essential. It must consider the country's socio-cultural and institutional matrix, and should be framed within the context of the institutions that shape and define it (Karagiannis and Madjd-Sadjadi 2007).

Moreover, Chinese attributes of the developmental state include the following: the legacy of central planning; a strong central administration with a huge bureaucracy; the massive infrastructure of heavy industry; the active support of industrial policy; labour-intensive industry accompanied by import substitutive capital-intensive industry; the high rate of domestic savings; and corporatist control over the society. The Chinese brand includes an authoritative regime that is 'organized into an expansive, hierarchal network [...] that reaches into many aspects of society, guides economic development by explicitly promoting broad sectors, limits access to the policy-making process, and prevents the formation of interest groups, like labour unions, which would distract from national priorities' (Dumbaugh and Martin 2009, p. 4). A comprehensive account of the broader literature on the developmental state, however, points out those three political-structural factors that seem to be essential in the Chinese context (Chang 2010).

First, a competent and relatively autonomous state, largely unrestricted from particularistic social pressures, can facilitate planned development efforts through purposeful intervention in the national economy. This requires a stable policy environment, which would be able to insulate government bureaucrats from partisan pressures that might interfere with state-led efforts (Woo-Cumings 1999). Otherwise, policy formulation and enactment would inevitably suffer from the negative externalities of parochial demands. Yet, 'a developmental state with Chinese characteristics' faces the important challenge of unfriendly global conditions.¹⁶ Thus, this relative autonomy also needs to incorporate an international dimension, where the government's policy space is not sternly curtailed by terms and conditions imposed by external interests and/or powerful organizations.

¹⁶ This phrase was initially utilized by Karagiannis, Cherikh and Elsner (2020).

Second, the Chinese administration is staffed with competent bureaucrats, ‘selected under strict recruitment standards and incentivized by the Communist Party’s performance-based promotion system’ (Knight 2014, p. 1338). CCP’s strategic partnership with business elites ensured the state’s *embeddedness* into the economy, giving it extensive network-based channels for information exchange and effective policy response. This embeddedness also sets the ties that can bind the state to society, and opens up channels for ongoing ‘negotiation and renegotiation of goals and policies’ (Onis 1991, p. 123; Evans 1995, p. 12 and pp. 24–25; Dickson 2003). More to the point, China’s state is authoritative, competent, and socially embedded into the economic system, which has given it overall capacity and ensured its rise as ‘the Chinese brand of the developmental state’. Although China enjoys political stability under its Communist Party, the question remains whether its national government has established adequate institutions and policies to steer the economic development plans. Consequently, the state would need to place special emphasis on a more functional and accountable integration into the society through state-business and state-society arrangements.

Third, as development is a dynamic multifaceted process, it must continue relying on human efforts transformed by centuries of philosophy, and on thorough technically proficient plans that seek to pursue newest industrial goals (e.g. green industrial progress) and further uplift China’s society. The ‘developmental state with Chinese characteristics’ has been led by government entities capable of constructing and implementing policy without giving into the demands of the public, which could have undermined endogenous development efforts. Moving forward, a relatively clear impression for the country’s future has to be deliberated and articulated so that a consensual vision for the means and ends of national development is shared among state officials, dynamic local industries, and society.

Evidently, there is little doubt concerning the historical importance of Confucianism to Chinese politics; consequently, the rise of ‘a developmental state with Chinese characteristics’ has been highly dependent on certain historical, structural, cultural, and political factors, which are quite different from those of most other countries (Karagiannis and Madjd-Sadjadi 2007; Knight 2014). There is also the fundamental issue of the *type* of the development strategy. The different approaches adopted by different Chinese leaders over the years, in terms of their philosophical devotions, national development paradigms and instruments, have differential impacts on the modes and outcomes of state intervention since they serve as the strategic frameworks that guide policy actions. The crucial issue here is that ideologies and policies can only succeed in promoting industrial transformation if they are mutually and contextually compatible (Gerschenkron 1962).

Clearly, a controversial issue in the long-standing debate on the developmental state concerns the relationship, and the possible compatibility of rapid economic and industrial transformation with democratic forms of governance. This question is clearly related to the future path of China’s development efforts and the extent of gradualism, i.e. whether the country will follow the Anglo-Saxon orthodox path or retain the characteristics of a highly interventionist developmental state, and will continue to be a source of on-going intellectual debates and political tensions in the context of contemporary realities of the international environment. Another critical issue concerns

the lessons to be drawn from the East Asian success story, which can subsequently be applied in the Chinese case. Ample evidence clearly demonstrates that the successes of East Asian countries were products of their own specific historical circumstances (Onis 1991).

Despite the fact that cultural acceptance is high between the people of China, the country's historical legacies and internal conditions are different from those of East Asian economies, and these differences can result in a different development path. Notable differences are as follows: the state-owned entities, which still hold the lion's share in the economy; the high rate of domestic savings supplies funds to state-owned companies; the open-door policy has been mainly restricted to eastern coastal areas; capital controls and the underdeveloped financial market restrict the free flow of global finance; medium- and small-sized investments by overseas Chinese have brought massive FDIs; and township and village enterprises in rural areas are the lifeblood for the growth of labour-intensive activities (Beeson 2009).

Therefore, there may exist significant institutional and other constraints on the transferability or replicability of the East Asian developmental state in China. It may be necessary to take into account the ways in which the leadership of the Communist Party and the relationship between the Party and the government could be changed by reshaping of organizations and by the creation of highly skilled elites as main pockets of administrative efficiency improvements. While private expertise could be employed and utilized, the state would still be able to guide development efforts, fuel the investment engines, and oversee the policy implementation. The development challenge for China's decision and policy-makers could be to achieve a more limited concentration of government power, but with less corruption (Onis 1991, p. 123). While China has long lacked those government-led institutions tasked with coordinating state-private partnerships, it has recently begun to establish sophisticated politico-institutional arrangements to support newest national goals and policies (such as increase in energy efficiency, poverty alleviation, and rural revitalization) since economic growth spurs demand for development across several sectors of society. In the long run, the formation that is emerging in China, which is a product of internal and external factors combined, would support or confirm the country's status as a developmental state (Baek 2005; Knight 2014).

4 Politico-institutional and sociocultural elements

The Chinese Communist Party has governed the People's Republic of China, as a one-party country, since 1949. China's post-1949 authority structure provides a good explanation of political behaviour at the top and between elites and people. The Chinese Communist Party calls the country's system a 'socialist consultative democracy',¹⁷ and there is continuing responsiveness of the top authority to the needs of the society. The politics of the People's Republic of China takes place within a socialist republic framework run by the Communist Party. Furthermore, the political leadership 'controls, coordinates and motivates officialdom at all

¹⁷ Available at: www.chinadaily.com.cn, Socialist Consultative Democracy, accessed on 13 Feb 2020.

rungs in the [government bureaucracy]’ (Knight 2014, p. 1338).¹⁸ The combination of a one-party government under the authority of the Chinese Communist Party, a largely subservient society with a fairly high degree of trust and compliance, and a unitary-provincial system reserves to the centre overall policy control and oversight. Besides, a relatively homogenous ethno-cultural configuration, with the Han being the dominant ethnicity, has allowed the state to have a more independent role in formulating and enforcing nationally oriented developmentalist policies. Ethnic minorities generally receive benefits in social policy areas, such as government employment, school admittance, population control, and military recruitment (Cultural Atlas 2016). Consequently, the government in China has felt much less partisan pressure or influence, be it from ethno-cultural, regional, or class formations.

The Chinese entire government machinery is effectively divided into two sets of organizations: ‘a system of [bureaucratic] organizations and a system of geographic organizations’. The state authority is exerted through the Communist Party, the Central People’s Government (State Council), and the provincial and local representation. Geography has also a ‘politico-institutional’ connection since delegation of political power has been devised along geographical lines. Institutional structures may change at the direction of China’s political leadership, and structural changes may happen more than cultural change. Yet, ‘political power in China has recently become diffuse, complex and, at times, highly competitive’ (Dumbaugh and Martin 2009, p. 1). Main actors that coexist with China’s Communist Party at the top of its political configuration are as follows: (1) A national government bureaucracy, whose structures ‘closely parallel the Party’s throughout China, operating in a largely separate but [nevertheless] inter-locking way to implement and administer state business’. (2) The People’s Liberation Army, ‘operating largely separately and with a tenuous distinction between civilian, military, and Party leadership’; and (3) The National People’s Congress, ‘constitutionally the highest entity of state power but in practice the weakest of the top political institutions’ (Dumbaugh and Martin, *op. cit.*, pp. 9–10). Other political structures in China include the following:

- A number of official and quasi-official policy research units and think tanks that are able to feed proposals into the policy-making process¹⁹;

¹⁸ Although China’s political system is often erroneously criticized in the West for not having elections, elections are an element in the country’s ‘socialist consultative democracy’. This error may stem from a misinterpreting of the political system of People’s Republic of China (see also endnote 18).

¹⁹ Top ten prominent PRC think tanks are (Dumbaugh and Martin 2009, p. 13; quoted from People’s Republic of China, ‘First Forum on China’s Think Tanks’, Beijing, 2006):

- Chinese Academy of Social Sciences (CASS).
- Development Research Center of the State Council.
- Chinese Academy of Sciences (CAS).
- Academy of Military Science.
- China Institute of International Study.
- China Institute of Contemporary International Relations (CICIR).
- China National Committee for Pacific Economic Cooperation.
- China Association for Science and Technology.
- China International Institute of Strategic Society.
- Shanghai Institute for International Studies (SIIS).

In addition, the People’s Bank of China is most likely to continue to be controlled by the State Council in the future (Dumbaugh and Martin, *op. cit.*).

- a collection of government, multinational, and private business interests exerting pressure on policy decisions;
- a vigorous academic and university community;
- provincial and local authorities as the country's population, geographical vastness, and social diversity may hamper efforts to rule from Beijing;
- a diverse media that informs public opinion; and
- an increasingly better-informed populace (Dumbaugh and Martin 2009, p. 1).

Five elements of China's economic system, i.e. economic structure, political structure, ideology, external environment, and reforms, have contributed greatly to its sustainability. Chinese culture and society can be defined as 'collectivist', and the combination of restrictions, punishments, and rewards ('sticks and carrots') offered by the Communist political configuration has a direct impact on the country's values and social psychology. However, changes that seek to remodel existing structures can face challenges that may cause upheavals in the socioeconomic milieu and, consequently, may be politically problematic. In the absence of more formalized and more accountable institutional structures, personal aspirations can play a major role in political decisions (Karagiannis and Madjd-Sadjadi 2007). In addition, discipline between the different levels of party and government structure can be weak, leading to ineffective policy implementation and problems with corruption. Despite internal problems and challenges, the PRC's Communist Party-led political system has proven remarkably resilient to past and current challenges, and, largely, has been reciprocated by the people's trust and compliance. But it is under stress and undergoing reluctant transition. 'Ironically, the Party's commitment to remaining in power appears to be forcing it to adapt continually to changing circumstances, and to make incremental compromises with other participants in the political process when it is pragmatic to do so' (Dumbaugh and Martin 2009, p. ii).

As China's strong and vibrant cultural heritage can be described as largely based on a skillful reshaping of elements from ancient Chinese creativity, the 'Great Power' of China, its culture and institutions, survived and even thrived despite the shifting identities of sovereign dynasties at the top. Indeed, the firmness of Chinese culture illustrates its direct impact on economic development outcomes, and explains the perseverance of its great power despite different dynastic heads. This firmness also explains China's later inflexibility and slowness to innovate economically. However, in order to understand what actually changed, we must first examine the factual 'Great Power' of China, namely, its political and cultural institutions. In doing so, we can see that Chinese institutions were heavily influenced by Confucian thought, and the call for a government to act benevolently stands as an important belief of this doctrine. Yet, while Confucianism has timeless influence, in practice, in dynastic China, it created an excessively centralized and rigid political formation that was especially vulnerable to capture by special interests that were more concerned with ideological purity than with economic success (Knight 2014; Cultural Atlas 2016).

China's economy today has shrugged off many of the habits and institutions of its imperial past, many of which were discarded by Mao Zedong and Deng Xiaoping. The modern one-party state cherishes stability with great effect. There is

administrative balance in Beijing, which diminishes the vulnerability to abrupt or inflexible policy swings. Nevertheless, China's economy remains centrally administered, which is a main feature that could make institutional progress less likely. Despite the political and social mayhems that sometimes have ravaged the country,²⁰ China is unique among nations in its longevity and resilience as a distinct politico-cultural experience. Much of China's cultural progress has been accomplished with relatively little outside influence (Bond 2010; Cultural Atlas 2016).

Clearly, Chinese policy-makers should seek to work with the country's stakeholders to develop a distinctively Chinese developmental state model. In doing so, they need to take into consideration three crucial politico-institutional and socio-cultural trade-offs: between hierarchy and egalitarianism, between embeddedness and autonomy, and between mastery and social harmony. First, a muscular *technocratic-type* central core is necessary near to the top of government. The central core can consist of exceptional members from the civil service, top prominent PRC think tanks, industry, and academic, scientific, and professional circles. Such an important strategic planning bureau should be empowered to dealing with the qualitative and quantitative aspects of industrial investment and promoting significant regional growth (Cowling, 1990).

Essentially, the central core must be determined to manage and coordinate strong links between the political leadership, dynamic enterprises and clusters, universities and technological labs, funding agencies, networks, and contracting chains (i.e. *network building*) in order to reap important 'collective' economies of scale and scope, especially in mainland China. Chinese society needs policy-makers who can think 'outside the box' to restructure existing social and political institutions, support production-oriented, development-promoting, vertical and horizontal linkages, and boost promising dynamic sectors and activities of high potential (Karagiannis, Cherikh and Elsner, 2020, pp. 12–13).²¹

However, these changes cannot take place without political executives working hand in hand with industry participants to reshape the regional economy through targeted activities and sectors, and influence its openness to foreign investment. Therefore, to achieve these goals, the government should bring together 'various interest groups representing the [state] and business sectors as well as the broader [Chinese] society to generate broad consensus on strategic goals to be supported and implemented by the well-educated, well-trained, efficient, and morally committed technocrats of the central core' (Karagiannis 2019, p. 168; see also Evans 1995).

Such a 'developmental state approach with Chinese features' can continue to use development-focused institutions, along with the acquired capital, knowledge, and experience, to improvise and extend their growth activities; may well overcome politico-institutional challenges; and can realign policy-making with current

²⁰ For detailed information related to China's modern political history, see, among others, Dickson (2003); Heilmann and Perry (2011); MacFarquhar (2012); Heilmann (2017).

²¹ Considering the Chinese government's major emphasis on special economic zones ('enclaves'), where foreign investment could receive special treatment, as well as the designation of economic development zones in the largest coastal cities since the 1980s, the 'regional dimension' of strategic industrial policy is very important and relevant here.

pressing national development goals. Necessary means are as follows: (1) 'A new partnership model' for organizing and managing the complex relationships between China's national government and targeted local industries (Mazzucato 2013). (2) Appropriate and enabling political, economic, and other social institutions have to be in place as both culture and institutions can affect broader political choices, actions, and outcomes. Furthermore, two vital organizational requirements are as follows: (1) Standardization of procedures (for instance, procedures for project appraisals and project decisions) and (2) regular evaluations of agency performance (Wade 2014, pp. 12–13). Just as important, functions of think tanks and government entities need to be organized 'so that spheres of operation are not overlapping so as to eliminate interdepartmental conflict that [could] retard the ability to successfully implement [industrial and regional growth policies, particularly in Mainland China]' (Karagiannis 2019, p. 169).

Hence, 'a developmental state with Chinese characteristics' would need to pay special attention to the following interdependent themes:

- long-term developments in the economy, population, and the environment;
- contemporary links between the government, policy, politics, and social structure;
- the role of regional and local entities, farmers, labour, and business;
- relationships between economic change, political culture, and social psychology; and
- the history of family relations and gender.

Of course, the strategic planning process that takes the country to the next level ought to be 'inclusive at all levels', and may connect to the social need for a better overall quality of life for all. For this important reason, and perhaps for others, developmental state action in China requires extensive consultation, broad social and political consensus, incessant focus, and continuous commitment to 'national purpose' goals in order to ensure that thorough, technically proficient strategies and policies cannot easily be reversed. Such a framework requires a set of circumstances, favourable to such a policy shift; it would actually be a long-term project requiring multi-dimensional change (Evans 1995; Karagiannis 2002). More to the point, participation is one of the defining features of the process itself that allows everyone in society to buy in to the objectives that are defined. In the absence of such participation by 'social partners', side-lined groups will resist change in both the production and political processes (Karagiannis and Madjd-Sadjadi 2007).

Evidently, China's policy actions have generally aimed at a variety of political and economic objectives, always looking to long-term national interests, and taking on crucial developmental functions. After 1949, the country's engaged state has always been exercising significant political, executive, and sovereign power, and has been working towards continuous growth by stimulating agro-industry and manufacturing, and by boosting strategic positioning and overall competitiveness. Furthermore, in the Chinese case, utilizing a developmental state framework, over that of neoliberal globalization, provides a better understanding of its enabling sociocultural and politico-institutional attributes.

Lastly, it is important to understand that China has been developed upon its own social values, codes of behaviour and ethics, and these permeate its society's institutions. Indeed, many unique aspects of China's institutional arrangements are the product of particular situational imperatives and path dependence, including the fact that the country is more akin to an empire than to a typical nation-state. Although China is a large relatively homogenous ethno-cultural country, there are cultural and linguistic variations in its different regions. Yet, despite the diversity of Chinese communities, many shared characteristics persist. The three main traditions, i.e. Confucianism (a school of philosophy rather than a religion that signifies social hierarchy, and stresses work ethics, responsibility to community, and obedience and respect to elders), Taoism (that focuses on ideals of balance and order), and Buddhism (its goal is *nirvana*, a transcendence of the confines of mind and body, and is similar to Taoism in its rejection of striving and material goods), have left a collective and lasting impression on Chinese culture and tradition (Bond 2010; Cultural Atlas 2016). As a direct result, China has not imported the Western development experience wholesale.

China's policy-makers cannot adopt the East Asian model indiscriminately either, because its culture is highly complex. Indeed, the country has generated its own rich and profound system of values that belongs to one of the oldest civilizations, and has its own social and psychological processes (Bond 2010). The most important values of Chinese culture include the following: the importance of the family; the hierarchical structure of social life; cultivation of thrift, morality, and self-restraint; and the emphasis on hard work and achievement. These derive largely from the pervasive influence of Confucian philosophy of the Chinese culture and they are at the very core of the country's identity (e.g. the development of a moral code based on honesty, respect, education, kindness, and strong family values). In Weiming's (2002) words, Confucianism is 'the substance of learning, the source of values, and the social code of the Chinese' that helped the government 'produce well-trained officials' and society by shaping a cohesive set of values, beliefs, and norms.²²

Accordingly, the government emphasizes high moral values, integrity, and benevolence, with the legal system serving as complementary. Chinese work ethics and culture stress the importance of self-cultivation, diligence, prudence in the use of resources, and respect for authority. Confucianism-influenced entrepreneurial drive lays emphasis on enthusiastic effort, efficiency in resource use, morals, and business ethics. Social harmony is achieved by accentuating the values of humanism, benevolence, righteousness, group-mindedness, and trust. Confucianism in practice created a highly centralized and rigid political order, and brought about a blending and balancing of 'right' work ethics with industrial growth and entrepreneurial drive within a politically and socially stable and harmonious society. Thus, since Confucian thought has dominated the Chinese way of life for about 2000 years, it will continue its great influence.

Inclusion of sociocultural and politico institutional aspects add rigour to intellectual inquiries, thereby making them better able to expound the nuances of the real

²² See Tu Weiming's 'Confucianism', available at <https://www.britannica.com/topic/Confucianism>.

world.²³ As politico-institutional and cultural traits are clearly responsible for socio-economic outcomes, without these preconditions, such an alternative developmental state framework could founder on the existing configuration of socioeconomic relations and certain interests; or the mind-sets of politicians and people. All these socio-cultural and politico-institutional notions fully endorse China's brand of the developmental state. At the end of the day, the country's late arrival to the developmental field does not discount its qualification as a successful developmental state (Karagiannis 2002; Knight, 2014).

5 Summary and conclusions

As discussed extensively in this contribution, and despite different degrees of policy emphasis and resource allocation towards different sectors over time, the Chinese growth model has retained most characteristics of the East Asian model, rather than following the Anglo-Saxon type of economic liberalization, and has illustrated the effects of culture and institutions on endogenous development outcomes. What is more, the developmental state view provides a politico-institutional system that can pursue even better economic and social results. In reality, the Chinese developmental state has been capable of adapting its organizations for appropriately complex and effective action with a view that intervention, learning, adaptation, and flexible experimentation in policy may never end.²⁴ Policy interventions in China have been able to shape social and political arrangements, which have been effectively interacting with dynamic and emerging constellations in favour of superior outcomes, consistent with broad socio-political goals. Thus, amidst all of this complexity across a huge country, purposeful policy action managed to 'unlock/de-block, support, and accelerate internally propelled development' (Elsner 2019, p. 41). The assumption here, however, is that, in complete contrast to orthodox and neoliberal models of development (such as, total factor productivity or microfinance), enabling institutionalized policy intervention remains an important positive force within the present context of globalization and financialization as socioeconomic advancement is a continuous 'work in progress' for countries at all levels of development (Karagiannis and King 2019).

Although there have been numerous political power struggles, changes and oscillations, and socio-economic externalities—e.g. the Great Leap Forward and the

²³ Even some progressive heterodox attempts have not been able to explain the Chinese experience successfully. Supporters of the New Developmental theory (for example, Lopes Milare 2020) utilize a very narrow approach that places great emphasis on the 'five macroeconomic prices' but discounts almost everything else (i.e., history, society, culture, institutions, and political system, etc.), including the very important role of development planning and industrial strategy in Chinese government's policy-making. Clearly, New Developmentalism does not put strategic industrial policy "in first place, but as a complement to the adequacy of the five macroeconomic prices" (Lopes Milare, op. cit., p. 55). Consequently, 'the middle-income trap' argument, applied to Latin America, makes clear that China has not gone, and will certainly not go, the way of Latin American regimes.

²⁴ A quote from Joan Robinson (1978, p. 27) is very interesting, important, and relevant here: "It is a popular error that bureaucracy is less flexible than private enterprise. It may be so in detail, but when large scale adaptations have to be made, central control is more flexible".

tumultuous years of the 1970s—a relatively coherent approach that clearly prioritized national development and real production was usually present within most post-1950 state initiatives. Even though there are concerns with the recent slowdown in China’s economic performance, as well as current world happenings,²⁵ its growth continues to exceed the rates of a majority of economies worldwide. In addition, there are hopes that its population will continue to experience an increase in quality of life as access to public services continues to expand and improve (Hu 2011; Kroeber 2016). On the other hand, pragmatic and far-reaching heterodox views reveal major failures and limitations of the *ahistorical*, *apolitical*, context-free mainstream and neoliberal analyses in their shallow attempts to explain the long-lasting Chinese development.

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²⁵ The unprecedented calamity of COVID-19 poses tremendous challenges for China and beyond; thus, calling for further research and scholarly contributions on the geopolitical landscape of global mobility across many countries around the world. However, as history proves, there will be no war. Considering that China has become a global production powerhouse (the ‘global darling’) over the past few decades, the world capitalist system, its main institutions, and dominant actors will sort out everything within a win–win logic. Therefore, all these calls by politicians and media commentators against China seem to be just smart or brave talk.

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