China: An East Asian Alternative to Neoliberalism?

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1. Introduction

China is the world's second largest economy today. GDP growth over the past 3 decades has outpaced the 'miracles' posted by other 'developmental states' in East Asia, namely Japan, South Korea, Taiwan and Singapore. Chinese per capita income relative to US levels (in PPP terms) may be at present roughly equal to where South Korea was situated economically relative to the USA in the mid-1990s, namely, far behind. Two decades on, South Korea's per-capita GDP is almost 2/3 of that of the USA. However, income distribution in China today is much more unequal than in 1990s South Korea.[1] This naturally begs the question of how proximate Korean and Chinese economic policies have been; more importantly, it begs the question whether South Korea's path might indicate the much bigger Chinese economy could avoid a social backlash in the face of growing inequality, and one day perhaps catch up perhaps with American living standards.

The institutional foundation of China's success have been the subject of research in political economy. Many scholars sought to explain how this spectacular economic expansion was constituted by -- a self-perceived or substantive -- *historically* exceptional 'China model' (Arrighi, 2007; Naughton, 2010; Breslin, 2011; Bell, 2015; cf. Perkins, 2013). Others have questioned whether the Chinese developmental experience was underpinned by structures similar to those of East Asian 'developmental states' (Baek, 2005; Boltho and Weber, 2015). There is, quite clearly, no theoretical consensus on the Chinese growth story.

This paper addresses this controversy from a broad historical and geographical framework. It begins from the presupposition that comparisons between different political economies would be incisive only if they are historically grounded and incorporate geographically variegated expressions of development. While policies in post-Mao China might *look much like* those of other countries, they are on occasion simply *concrete extensions* of institutions, interests and ideas inherited from the Mao era or earlier. On the other hand, the Mao legacy as a whole should not be simplistically contrasted with developmental statism as key parts thereof, e.g. rural land distribution in the early 1950s, aligned in fact with coeval policies in Japan, South Korea and Taiwan (Perkins, 2013; Studwell, 2013).

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[1] Data adapted from IMF World Economic Outlook Database, available at http://www.imf.org/external/pubs/ft/weo/2016/01/weodata/index.aspx; See also Kroeber (2016), pp. 9-12. Whilst facets of the Chinese economic miracle might bear similarity to Japan, South Korea, Taiwan in terms of technological catch-up -- the latter three, unlike low-income China, all eventually softened up politically; they embraced social welfare to a much greater extent and permitted more popular participation (Kim, 1997; Hu, 2005; Wong, 2006; Morley, 2015).

States drive and adapt to fluid processes, often calling into question the utility of comparative prototypes (for an excellent discussion see Peck and Theodore, 2007; Peck and Zhang, 2013). A more incisive form of analytical comparison should therefore take into account the *constitutive* roles of China's multifaceted economic history and geography. This is the overarching aim of the critical review presented in this paper.

Here, whilst broadly accepting post-Mao China to be an East Asian developmental state on most counts, we aim to originally contribute to the existing body of pertinent scholarly literature by capturing the fluidity and distinctness of the Chinese trajectory. To that effect, the ideological origins and legitimacy of the Chinese variant of the developmental state are sought earlier back in time: we situate Deng's reform rationale and much of the current developmental discourse in China within the context of Leninist thought. Beyond concrete economic-policy outcomes, which often resemble the Japanese, Korean or Taiwanese post-war experience, China's trajectory since 1978 is conceptualised by equal measure here as re-adaptation of Lenin's New Economic Policy. Creative lesson drawing and policy transfers from other countries served at the same time the overarching goal of harnessing the global system of capitalism *selectively* toward state-led development.

The discussion will be organized into two complementary parts. Section 2 critically evaluates the emergence and rationale of China as a modern nation-state. Section 3 then establishes connections and tensions between developmental statism (including its putative effect, political democratization) and residual Soviet-style corporatism. The concluding section synthesizes the foregoing analysis and offers a framework that is capable of explaining the selective adaptation of neoliberal logics in Chinese political-economic evolution within a context of deepening global economic integration and against the backdrop of Leninist state capitalism.

2. China as a (capitalist) state

The modern state, as Holloway (1994: 32) sees it, should not be construed as a rigidified entity that contains a definitive ‘national capitalism’; rather, through actively (re)producing the conditions and relations of production within what has become a predominantly capitalist global economy, the state exists in a co-constitutive relationship with capital accumulation.

If all national states – regardless of governance ideologies – are defined in relation to the transnational capital accumulation dynamic, it might then be more plausible to view the national territorial scale not so much as a temporally-static and geographically-homogeneous whole. Indeed, the national scale of socioeconomic regulation has been dynamically constituted by – and in turn re-constructed – processes occurring at the subnational and international scales (Massey, 1984; Peck, 2002; Brenner 2004). How state apparatuses ‘relate’ to the ‘totality of capitalist social relations’, Harvey (2005a: 81) explains, is predicated on an active and regular reconstruction of what constitutes the national.

Glassman’s (1999: 673) processual notion of states adds yet another dimension to the concept of the ‘interventionist state’: a state is fundamentally “a process in which the state apparatus becomes increasingly oriented towards facilitating capital accumulation for the most internationalized investors, regardless of their nationality.” As Glassman (2004: 41) adds, “states should not be seen as anchored solely to those social forces designated as falling within the state’s formal realm of territorial authority”.

In tandem with large-scale territorial decolonization after WWII, multiple state institutions have become entwined in an inherently capricious, competitive and often tension-filled relationship with the logic of capital accumulation (ref. Desai, 2013; cf. Harvey, 1985; Jessop, 2015). One of these states is CPC-governed ‘new China’. After its revolutionary success, the CPC was originally committed to a gradual transition to socialism. Underpinning this gradualism were differences in opinions amongst the top policymaking circles on how to inherit the agricultural economies run by middle and rich peasants. What ensued in the early 1950s was a willingness – even on the part of Mao Zedong – to accommodate private enterprise and landownership.

Taken together, these developments bear striking similarity to Leninist ‘state capitalism’. First introduced by the Russian revolutionary leader, Vladimir Lenin, following the victory over tsarism in 1918, ‘state capitalism’ refers to the state’s *control* of key factors of production while leaving room for private capital accumulation. It was, *pace* Lenin, a transitional stage between capitalism and socialism in which Russia was situated but of which fast-industrialisng Germany was the epitome in 1918. Lenin believed socialism was inconceivable without large-scale capitalist engineering feats drawing on cutting-edge technology borrowed from the developed world. Nonetheless, he prophetically observed that state capitalism in Germany at the time was at the behest of *junker bourgeoisie* and would therefore end in militarism, whereas in Russia a (self-perceived) proletariat steering could use it to yield socialist outcomes (Buick and Crump, 1986; Desai 2004, 136-135). Notably, however, state capitalism behoved coordination with and concessions to capitalists in both settings with a view toward limiting private enterprise and guiding it according to state priorities (Ball, 1990).

Between 1918 and 1922, Lenin put in place the New Economic Policy (NEP or *Novaya Ekonomicheskaya Politika*). It is widely seen as the reintroduction of private initiative to the preceding system of compulsory requisition known as ‘War Communism’, during which the Soviet economy was negatively affected. Central to this was an awareness that an instant adaptation of communism was impossible because of the large peasant base. Rather, Lenin introduced a tax – the *prodnalog* – that was lower than the levels forcibly collected from peasants during the civil war. Peasants could then retain and sell the surplus, which offered an incentive to raise production. The process is summed up in Lenin’s terms (rep. 1966, vol. 33, p. 64):

> The New Economic Policy means substituting a tax for the requisitioning of food; it means reverting to capitalism to a considerable extent—to what extent we do not know. Concessions to foreign capitalists (true, only very few have been accepted, especially when compared with the number we have offered) and leasing enterprises to private capitalists definitely mean restoring capitalism, and this is part and parcel of the New Economic Policy; for the abolition of the surplus-food appropriation system means allowing the peasants to trade freely in their surplus agricultural produce, in whatever is left over after the tax is collected—and the tax~ takes only a small share of that produce. The peasants constitute a huge section of our population and of our entire economy, and that is why capitalism must grow out of this soil of free trading.

As is well-documented, the NEP was unable to support the state enterprises in the cities as grains remained in short supply. Attributing this to the profiteering tendencies of increasingly influential peasants (the *kulaks*), Josef Stalin, Lenin's successor, abolished the NEP and re-introduced totalizing state control over production in 1928. What followed was a state-led model of industrialization that prioritized urban development and which led to the detention, suppression and execution of several million *kulaks* (Kuromiya, 1990; Hughes, 1998; Viola, 2007).

In an intriguing analysis, Li (2006) argues that Mao strongly admired the Soviet experiences of developing socialism in the 1920s and 1930s, as described in Joseph Stalin's *History of the Communist Party of the Soviet Union (Bolshevik): Short Course*. So deeply-rooted was Mao's Soviet – or, more precisely, Stalin – envy, he paradoxically chose to overlook Stalin's later advice for a gradualist transition. Instead, as Li (2006: 3) observes, Mao "relied on this work [the *Short Course*] as a roadmap to lead China to socialism". The CPC's total commitment to replicate the Soviet experience could be seen clearly in a 1953 speech by Deng Zihui, one of the 'five horses' deployed from the six administrative regions to Beijing along with Gao Gang and Rao Shushi. As Deng puts it, the CPC equated its developmental trajectory with Soviet history:

> It must first be made clear what is called a transition period. I think fellow comrades are all clear, the revolution in China is divided into two stages: the first stage is New Democratic revolution; the second stage is socialist revolution. The first stage does preparatory work for the second stage, it prepares the conditions for socialist revolution in the second stage, the first New Democratic revolutionary stage has concluded, it has finished, it has passed…The Soviet Union implemented the New Economic Policy from 1921 to the time the first five year plan was launched in 1929, that was a transition period. Our current transition period is basically the same as that of the Soviet Union. (Deng Zihui, 2006: 182-185; authors' translation)

By Deng Zihui's account, the CPC's planning logic could be interpreted according to this periodization: pre-1953 state-building was Leninistic, while the post-1953 transition period, beginning with China's First Five-Year Plan in 1953, was to take the form of Stalinization. This periodic shift was reflected by drastic adjustments to developmental policies between 1953 and 1958. Under a quasi-bourgeois capitalist model (i.e. that adopted by Lenin), uneven economic-geographical development was at once contingent and necessary (cf. Harvey, 2005). A Stalinistic model, however, sought "balanced, proportionate development" across the whole country; by implication, uneven development was a contingency that could and had to be eased so long as its primary cause – the bourgeoisie – was first exterminated.

The repudiation process was first enabled by the confiscation and redistribution of land, the primary means of production for the majority of Chinese citizens at the time. It was introduced in June 1950 as the Agrarian Reform Law (土地改革法) and implemented over two years. Land, farming tools and animals were confiscated from landlords – labelled by the state apparatus as 'class enemies' – and reallocated to peasants and sharecroppers across the country. As Bramall (2004) shows, this wave of land reforms did not enhance egalitarianism and raise output; it was a *function* of intensifying CPC control of the economy. Underpinning this version of state capitalism was a re-adaptation – not renouncement – of capitalistic techniques. As Howe (1973) shows, accounting rules for defining the components of enterprise wage bills remained unchanged until 1965, while rules for calculating minimum wages in 1957 were the same as those in 1948. Land titling rights were also largely unchanged in the cities, which mean private ownership remained a legal possibility there throughout Mao's tenure (Hua, 2009). What ensued, then, was a removal of the private capitalists without totally uprooting the laws of capital accumulation.

Employing Marx's dichotomous base-superstructure conceptualization of politico-economic development, Mao inverted Stalin's focus on the primacy of the economic 'base' by prioritizing the importance of the 'superstructure'. Emphasizing 'politics' meant the integration of ideological lines and the notion of 'permanent revolution' into daily economic practices across the communes and state enterprises (Schram, 1971; Walder, 2015; Dikötter, 2016; Liu, 2016).

Faced with the catastrophic upshot of the Great Leap Forward, senior CPC cadres like Liu Shaoqi, Li Fuchun and Deng Xiaoping sought to re-introduce private initiatives in order to boost output. Schurmann (1964) likened the economic recovery of the early 1960s to be a renewed attempt to launch the 'New Economic Policy', though he also presciently noted – in view of the brutal campaigns of the Cultural Revolution during and after 1966 – signs that China "may be approaching another 1928". What this reveals was a strong undercurrent within the senior CPC leadership that capitalistic techniques as recommended by the NEP were fundamental to socialist construction. Mao did not agree and went on to label Liu Shaoqi and Deng Xiaoping as 'capitalist roaders' at the onset of the Cultural Revolution.

Any meaningful attempt at reinstating NEP-styled reforms came only after Deng successfully out-maneuvered Mao's appointed successor, Hua Guofeng, in 1978. Deng would subsequently affirm the value of the NEP during a meeting with Zimbabwe's Prime Minister, Robert Mugabe, in August 1985: "What really is the appearance of socialism, even the Soviet Union could not be completely clear despite working on it for many years. Maybe Lenin's line of thought is better, he developed a New Economic Policy, although the Soviet model subsequently stiffened" (Deng, 1993: 139, authors' translation). In fact, the two latest most comprehensive biographies of Deng – whilst at loggerheads on the overall assessment of his legacy – both concur that he remained a committed Marxist who had been inspired by Lenin's New Economic Policy throughout his life: the NEP rationale thus underlay in no small measure not just much of the land reform in the early 1950s and the move away from the Great Leap Forward in the early 1960s, but also Deng's open-door policy (*gaige kaifang*) in the 1980s. To be sure, Deng's favouring of foreign investment had also been inspired by his 1978 visit to 'capitalistic' Singapore but that aspect was more pragmatic than ideological. Suffice it to mention here that Deng was in fact equally impressed by Singapore's top-down 'social engineering', e.g. its heady public housing scheme (Pantsov and Levine 2015: 7, 38, 211-218, 373; Vogel 2011:24-26).[2]

By contrast, the biggest faux pas in the Mao era had arguably been its belief that national economic competitiveness could be attained within an insulated system of production (Whyte, 2012). As the next section will elaborate, however, it was Deng's commitment to re-engage with Leninist state capitalism that underpinned marketization and liberalization reforms and which, crucially, distinguishes in part the Chinese variant of 'developmentalism' from the other East Asian economies.

3. Is China a developmental state?

The notion of the East Asian 'developmental state' has received significant research attention in political economic research over the past three decades. This began with Johnson's (1982) seminal study of post-WWII socioeconomic policies by Japan's Ministry of International Trade and Industry (MITI). While there are multiple definitions of the 'developmental state', scholars agree that this state form is characterized by (a) a nationalistic and authoritarian state committed ideologically to augmenting the competitive advantage of domestic firms and grooming them to become leading global exporters; (b) the willingness to facilitate a favourable domestic environment through protectionist international trade policies, macroeconomic policies that ensure devalued currency and interest rate stability; and (c) the existence of relatively homogeneous and egalitarian populations that were ready to work with the state to drive growth. (see, for instance, Öniş et al, 1991;

[2] As Vogel (2011: 290-291) perceptively notes, before Deng's visit Singapore had routinely been described as a running dog of American imperialism in the PRC press. After his visit that press started describing Singapore as an impressive hub of economic modernisation that was well worth studying. In line with briefing he received from local left-wing informers, Deng naively expected throngs of Singaporeans to greet him upon arrival. B Following meetings with the thoroughly-Anglicised Lee Kwan Yeo -- Deng realised Singaporean society hadin fact become much more self-determined and free-wheeling than he had imagined, notwithstanding that it was majority ethnic-Chinese.

Grabowski, 1994; Johnson, 1995; Huff *et al*, 2001; for an excellent definitional review, see Stubbs, 2009).

Observers found this variant of state-led development especially fascinating vis- à-vis other state forms – in particular the neoliberal prototype based on free market principles. This is because developmental states managed to deliver high GDP growth rate over a relatively short period of time through state-identified 'champion' industries. Such was the success of the Japanese experience in the 1970s that Vogel (1981) famously touted it could supersede the free-market-oriented USA as the number one economy in the world.

Through the 1980s (and sporadically since), Japanese policymakers and think tanks began to promote the Japanese experience as an alternative to Western-style free market capitalism. Ironically, this ambition was viewed in East Asia as rekindling the 'Flying Geece' paradigm that had underpinned Japanese imperial ambitions during WWII: Japan would be the 'lead goose' that elevate other East Asian economies along the industrialization flight trajectory insofar as these economies are integrated within a regional division of labour driven by Japanese firms (for an overview, see Kasahara, 2013; cf. Park, 2009).

Yet, interestingly, the larger East Asian catch-up economies – namely South Korea and Taiwan – became increasingly successful precisely through *circumventing* any concrete or perceived hierarchy of Flying Geese in the 1980s-1990s. What they selectively adopted instead were key tenets of state-capital relations and export orientation first instituted in Japan yet designed to compete in the export of capital goods with the very same Japan. Evans (1995: 12) describes these tenets as "embedded autonomy": an effective developmental state entails a bureaucracy that is capable of making decisions without being captured by private economic interests (autonomy), yet the state needs to be "embedded in a concrete set of social ties" and establish "institutionalised channels for the continual negotiation and renegotiation of policies" in order to avoid being disconnected from society (embeddedness). The term 'selective' is deliberate and deserves emphasis: the South Korean, Taiwanese and Singaporean states were arguably less 'embedded' socially than the

Japanese government in that they were less inclined to encourage private firms to provide life-long employment and broad-based social benefits. More prominent was the ability of state bureaucracies to launch industrial policies in the name of national development, although these also varied in degrees (Huff, 1995; Amsden, 1992; Wade, 2003; Greene, 2009).

A particular streak of research on the developmental state – now extended to the analysis of the post-Mao Chinese political economy – is the attempt at cross-country comparison on the basis of an ideal-type template. This began in the late 1980s when Johnson (1988) developed his previously-mentioned thesis of post-WWII Japanese development into a comparison of government-business relationships in Japan, South Korea and Taiwan. The literature was further developed through studies evaluating the state's multi-dimensional relationships with capital, labour, political ideology (primarily liberal democracy) and the global economy (Douglass, 1994; Aoki *et al*, 1997; Doner *et al*, 2005). With the deepening of market reforms in China after the mid-1990s, scholars began to critically interrogate whether the developmental-state model is capable of explaining the changing conditions in China within a very short period of market-oriented reforms (Breslin, 1996; Baek, 2005; Boltho and Weber, 2015; Beeson, 2009).

This comparative engagement with the developmental state template can be very useful in providing a contemporary snapshot of where individual states stand in relation to one another. Table 1 shows how China stands at the current moment vis-à-vis Japan, South Korea, Taiwan and Singapore in terms of two well-defined concepts, namely Johnson's (1982) industrial policy and Evans' (1995) embedded autonomy. What this shows is not only how the Chinese experience differs from the other East Asian developmental states, but also how the others have creatively evolved since the 1970s. The paradox of this contribution is it accentuates the primary *limit* to this ideal-typical template: contrary to the 'Flying Geese' imagery of a 'leading goose' (Japan) taking a skein on an upward curve, there is no fixed historical spectrum of the developmental state along which one country can evolve insofar as specific conditions are met. This can be attributed to three reasons.

Table 1. Can China be framed conceptually as a developmental state? A comparison with Japan, South Korea, Singapore & Taiwan

Concept	Characteristics	Japan	South Korea	Taiwan	Singapore	China
Embedded autonomy	• Government agencies are embedded in socioeconomic affairs through direct information sharing & deliberation with key corporate players • At the same time, they remain autonomous from private interests, seeking instead to attain national-level developmental goals	• Very strong between 1960s & early 1990s • State-firm relations increasingly decoupled in the wave of intense global competition, but possibly still the highest of the five countries • Firms show signs of retreat from social welfare provision	• Very strong between 1970s & early 1990s, albeit initially under state authoritarianism • Decoupling took place in financial realm which led to harsh outcomes during the 1997 Asian financial crisis • Korean *chaebols* have since diversified ownership; Korean state became less embedded within corporate strategies	• Not as embedded as that of Japan & South Korea during the 1950s & 60s; KMT implemented authoritarian control over socioeconomic life to ensure political survival • Room was created for large-scale growth of small & medium enterprises	• Increasingly strong since the early 1970s; labor movement integrated within political structure & led by government minister • Private interests clearly autonomous, though strategies of government-linked firms overlapped with state & industrial policies (e.g. the regionalization drive)	• Most intense embeddedness since 1949, with the CPC directly in control of decision-making in firms & regulation of social life • Lowest autonomy of the five; despite SOE reforms in the 1980s & 1990s, both the party & the state directly impact SOE interests. Private firms are not explicitly part of industrial policies but their autonomy is constricted by the state
Prevalence of industrial policy	• Industrial policies affect industrial performances through state-driven adjustments of microeconomic variables • Involves sectoral targeting & deliberately 'getting prices wrong'	• Very strong between 1960s & early 1990s; declined sharply thereafter • Bureaucratic influence over firms through microeconomic variables constrained by economic globalization	• Very strong between 1960s & early 1990s; declined sharply thereafter • Decline in bureaucratic prowess similar to the Japanese experience	• Primarily evident through the national science policy aggressively pursued since global diplomatic recognition was significantly reduced during the 1970s • Currently evident in biotech, hi-tech electronics & nuclear power	• Remains high since the 1970s, but impact primarily government-linked firms; overall effect is not as strong as in Japan, South Korea & China • Export-oriented policy of the 1970s remain, & there is minimum influence over the strategies of foreign capital	• Very strong during the Mao era; emphasis on light industry in the three decades after 1978 as the CPC pursued export-oriented growth • Grooming state-owned "national champions" in specific sectors like tele-communications, aerospace engineering & automobiles • Enabled by 'Go Abroad' strategy

Source: Authors' compilation.

First, the ‘developmental state’ is neither a simple fact nor a static conceptual model: it is rather an approach which can be seen dynamically at work in different countries. It is, in other words, an entity that responds to the changing conditions of and pressures from both its domestic environment and the demands of the global economy for e.g. more skilled labour (Evans, 2008).

To abstract and generalize from this fact is problematic given the different contextual conditions of other states. For this reason, the relevance of the developmental state framework vis-à-vis intensifying neoliberalizing processes is increasingly called into question over the last decade (see Glassman, 1999; Beeson and Islam, 2005). Reflecting on state-business linkages in Korea, Kim (1999: 441) argues that the developmental state has gradually eroded as its power and capability “was increasingly affected by economic liberalization and political democratization” (see also Minns, 2001; Park, 2010; Yusuf, 2014).

A similar decline in state activism, job security and social welfare is also observed of 21st-Century Japan. In tandem with the Japanese state’s deployment of the ‘self-responsibility’ discourse is the rise of ‘freeters’ (freelancer) and ‘haken-workers’ (temporarily-contracted employment with minimum benefits). That decline amounts in effect to a retreat from the so-called 'three treasures' of Japanese industrial relations: lifetime employment, strong unions and guaranteed seniority pay (Honda, 2004; Hook and Hiroko, 2007). Pekkanen (2004) notes how the proliferation of civil society groups in Japan has been enabled by the decline in the bureaucracy’s political insulation. In its heyday, the Japanese bureaucracy was protected from disruptive influences from interest groups and civil groupings and could thus institute industrial policies unilaterally. Corresponding to emergent tendencies in South Korea and Taiwan, this changed following conscious application of neoliberal logics in Japan since the 1990s (Shibata, 2008). “While it is clear”, writes Beeson (2009: 20), “that Japan’s developmental state played a pivotal role in shaping its post-war recovery, it is equally apparent that it has become increasingly dysfunctional.”

On the other hand, there is a growing body of literature that points to the resilience of developmental-state thinking among East Asian elites even after the Asian Financial Crisis of 1997, and more so in the wake of the Global Financial Crisis of 2008 (e.g. Thurbon, 2016). Whereas in the US and Britain, neoliberal orthodoxy prevails for the most part on the back of the new knowledge economy, in East Asia one can more often than not find frequent recourse to the developmental catch-up toolbox even in democratic settings: the use of fiscal and monetary incentives to groom industries deemed strategic; or the deployment of price controls to drive down labour costs (Chu, 2016).

Never the less, the *private-sector* 'champion firms' historically groomed by government in Japan, South Korea and Taiwan – major examples being Sony, Samsung and Acer – have by now become transnational corporations (TNCs) in essence. These firms concomitantly prioritized the coordination of global production networks over the attainment of domestic developmental objectives. Their primary operational strategy has shifted from expanding and enhancing domestic manufacturing (which has been predominantly outsourced to different countries) to market control (which similarly extends beyond the home base). This not only explains why industrial policies have become increasingly ineffective in these countries; the attainment of social objectives (egalitarianism and growth) through moral suasion have been concomitantly destabilized (ref. Table 1).

The partial rollback of the state vis-à-vis the TNC champions it had created itself means its "dominant actor" position in Japan and South Korea has diminished on balance in recent years. This arguably offers the CPC a major incentive to *avoid* wholesale imitation of their 'developmentalist' policies. As discussed in section 2, the CPC has re-adopted an authoritarian, Leninist variant of 'state capitalism', and research has demonstrated this approach was repurposed rather than jettisoned during the post-Mao era to facilitate the transition to a 'socialist market economy' (Huang, 2008; Lin, 2011; Coase and Wang, 2012). Otherwise put, the Chinese variant of "state capitalism" enshrines not just state-ownership of “national champions” but also CPC dominance therein (cf. Bremmer, 2010). At the same time, persistent and widespread state ownership arguably empowers society as a whole insofar as it retains a generous welfare-regime for those hordes of shop-floor workers that hung on to their posts through Zhu Rongji’s enforced down-sizing in the 1990s (Zweig, 2001; cf. Eaton, 2016; Wade, 2003, for South Korean and Taiwanese society).

Initially, Deng had inverted Mao’s developmental focus in an effort to defer the tensions triggered by the incommensurability between capitalistic logics and geo-economic insulation. As is well known, the rural element in Deng's 1979 reform was embodied in the in the expansion of the Xiaogang-village-style style household responsibility system (*baochan daohu*) nation-wide, namely, effective de-collectivisation of land tilling along nuclear family lines. Not long after followed the setting up of Town and Village Enterprises (TVEs), meant to soak in excess labour in the countryside along the Eastern seaboard – something the larger urban SOEs never achieved. TVEs spread rapidly in response to the surge in consumer demand that followed the agricultural productivity spurt and higher income in the countryside in the early 1980s: they dealt in mainly labour-intensive pursuits where capital entry barriers to markets could not be effectively blocked by urban SOEs -- from apparel and hosiery, renovation materials, niche food and beverage, to small-scale coal mining. They came in many institutional shades too: in Southern Jiangsu, for example, they were mostly local-government run, in Wenzhou more local private ownership was allowed, and in Guangdong TVESs were commonly invested by Hong Kong business people (Naughton, 2007, 271-293).

Contrary to the negative reception towards foreign direct investments (FDIs) during the inception of the Japanese and Korean developmental states, the CPC adopted a ‘dual track’ developmental approach that emphasized reforms of rural production on the one hand and welcomed FDIs on the other. Concomitantly, the establishment of Special Economic Zones (SEZs) and subsequent ‘liberalization’ of city-regions nationwide for foreign capital inflows emphasized how China needed to accommodate – rather than negate – transnational capital circulation if the CPC wanted to secure perpetual rule (ref. the state as a function of global capitalism in section 2). Relative to Yeung's (2014) postulation, Chinese SOEs have not decoupled from the party-state apparatus as they partake in and drive new forms of global production over the last two decades. What ensued, rather, was a three-pronged developmental approach where (1) TNCs were allowed to subcontract work with medium and small enterprises (many of which are privately-owned) across China or establish joint ventures with SOEs if the aim was to produce for domestic consumption (Yang, 2014); (2) financial capital was re-concentrated in central hands through a series of repressive policies, in turn enabling the state to finance SOE and local state projects in spite of perceived inefficiencies (Shih, 2008; Huang and Wang, 2011; Johansson, 2012); (3) SOEs (including state-owned banks) underwent a series of corporatization and consolidation reforms (Aivazian *et al*, 2005; Chiu and Lewis, 2006). Officially termed 'catching the big and releasing the small' (*zhuada fangxiao*), the latter approach not only strengthened the economic capacities of Chinese SOEs vis-à-vis those of other national economies, they are now strongly encouraged to participate in the global system of capitalism through a state-driven 'Go Abroad' program (Nolan, 2012; Kowalski *et al*, 2013).

Notwithstanding the CPC's Marxist rhetoric, the persistence of corporatism might also partly explain the third feature of the Chinese-style developmental state. As Kim (2009: 383) shows, the developmental state elsewhere in northeast Asia was an outcome of a political-ideological commitment to break away from colonial-styled governance structures and lay the groundwork for socio-spatial egalitarianism.

What emerged on balance since the CPC took over in 1949 was entrenched uneven regional development, however. While the CPC inherited a mix of extractive institutions and practices from the same colonial entity – Japan – that governed Taiwan and South Korea, its commitment to egalitarianism was only the transient redistribution of agrarian land in the early 1950s. As is well known, individual wealth disparities as well as regional disparities have skyrocketed in China since 1979.

To be sure, what followed land reform in the 1950s was an enforced and eventually catastrophic collectivization of the means of production to facilitate state extraction of surplus value (ref. section 2). This was facilitated by the household registration (*hukou*) system of demographic regulation instituted in 1958. Modelled after the 'internal passport' system of the Soviet Union, the *hukou* system classified each Chinese citizen as either an 'agricultural' (*nongmin* 农民) or 'non-agricultural' resident (*fei nongmin* 非农民). A certain set of rights (and prohibitions) was associated with this classification, the primary of which was severely restricted movement between (rural) communes and/or (urban) industrial units (for a historical overview, see Cheng and Selden, 1994; Chan, 2009).

So all in all, it may well be argued that Mao-era egalitarianism has been wound back in the name of Deng's embrace of Leninist state capitalism. To be sure, the gini coefficient in the Mao era was very low, and the "equalizing effects" of his Cultural Revolution have left vivid rhetorical ammunition to this day for the critics of economic reform (see e.g. Wang, 2011). Yet, it must be recalled that China's whopping disparities and alienation between cities and villages -- as well as between regions -- were persistent if not exacerbated later in the Mao era (Whyte, 2010; Dikötter, 2016). In that sense, one has to beware of facile dichotomy. Uneven development – as a tenet of the Chinese developmental state – cannot be reduced to Deng's legacy alone: in fact we find here some over-arching resonance. On the other hand, under the careful watch of the CPC, residual widespread state-ownership of key enterprises and industries has stopped China from degenerating into Latin-American-style alienation of the capitalist class from the rest of society.

Keeping labour power *in place* was the primary basis of the Soviet-inspired 'price scissors' developmental approach of the Mao-era. The *hukou* institution was retained to facilitate labour-intensive industrialization in the cities as marketizing reforms were set in motion. Even as individual household farming was reinstated in the early 1980s, surplus rural labour were to be denied social welfare offered to pre-existing urban residents when they moved to the urban-based factories. Municipal governments could therefore divert fiscal resources to capital-friendly projects and offer the 'China price' that has proven so competitive to global investors (ref. Harney, 2009). Despite attempts at reforms and widespread speculation of its abolishment, this system remains firmly in place today (Chan and Buckingham, 2008). Ironically, then, the sustained commitment to non-egalitarian development through the *hukou* system has become a vital enabler of what are termed local corporatist or local developmental states (ref. Oi, 1992; Zhu, 2004). In this regard, the apparent re-adaptation of Leninist state capitalism in the post-Mao era is in fact a fusion of Leninism, and new responses to the demands of global economic integration.

Enthusiasts of the "China Model" are aware of the developmental hiatus during the Mao era, to be sure, and most of them flatly reject Mao's economic legacy. By contrast, they point out that the Chinese trajectory has one compelling feature that is superior to the other East Asian developmental states; one that might usher China into the technological frontier, help it become globally more competitive and attain high income in due course: namely, greater receptivity to foreign direct investment (FDI). Remarkably, in 2014 China has overtaken the USA to become the largest destination of FDI in the world (Chen 2011) .

Attitudes to FDI in post-war Japan, South Korea and even Taiwan could arguably not be more different. As Simon Bytheway (2014) has recently shown, in fact, there has been less FDI coming into Japan in relative terms in the post-war years that during the pre-war era. Notably, even between 1860s and 1930s Japan mainly relied on loans and bond issuance in overseas securities markets to raise much needed capital rather than lure in foreign investors and foreign entrepreneurs per se. Foreign borrowing thus financed the establishment of infrastructure in Japan's largest cities, the nationalization of railways, and the rapid electrification of Japanese industry in the 1920s. To this day, there are in Japan relatively very few local-foreign joint ventures; foreign shareholders or directors in the Japanese corporate world are a fairly rare sight – foreign investment and ownership as a whole, one might observe, is discouraged.

From the foregoing discussion, it is apparent that the developmental experience of China was and remains in some ways distinct from those of other East Asian developmental states. In spite of superficial similarities, underpinning market-oriented reforms in post-Mao China is a *sustained preference* on the part of the CPC for strong control over the means and relations of production. It would be problematicto assume China can be neatly categorized as yet another East Asian developmental state (Wong, 2004; Beeson, 2009; Chen and Lees, 2016; So, 2016). Rather, the developmental process in post-Mao China has been one of selective adaptation and borrowing from the East Asian toolkit.

In order to reinstate and develop Leninistic state capitalism as discussed in section 2, one aspect classically borrowed from the East Asian experience was financial repression. Arguably the most contentious dimension of the East Asian developmental-state trajectory in the 20th century, at least in the eyes of economists of rigid neo-classical persuasion, is “financial repression”. What the term broadly conveys is the notion that banks in Japan, Korea and Taiwan throughout the post-war era have, at the behest of government, cheapened credit to a select group of hand-picked industrial export-geared firms at the expense of captive ‘mom-and-pop’ savers. That the overall private saving rate in East Asia remained high nevertheless is usually attributed to the government depriving individuals from alternative, more remunerative “financial instruments”. Moreover, in China, the banking system is still largely state-owned, thus the case for “repression” in the domestic economy is, in neo-classical parlance, even more severe. Indeed, pernicious credit discrimination between state-favoured large firms and bottom-up entrepreneurs has become the bugbear of not just foreign analysts like Nicholas Lardy (2008) but also China's own neo-classical minded economists.[3]

And yet recent, partly dissenting studies like that of Eun Young Oh (2011) offer a more nuanced picture. In Oh's view, South Korea's remarkable economic growth in the 1980s was in no small measure a product of "…government intervention such as channelling resources in selected industrial sectors which can significantly increase the efficiency of credit allocation". Oh further alludes to the fact that East-Asian style "financial repression" can assist other emerging economies. Huang and Wang similarly opine that in a transitional, largely-rural setting, Chinese economic planners were vindicated in instituting "financial repression" at least until the 2000s. They find circumstantial evidence to support the case that "repressive" policies on balance helped Chinese economic growth overall, but conclude that the pace of financial-market reform has since fallen behind, and does no longer suit the re-vaped Chines economy (Huang and Wang, 2011).

A study of the factors behind Japan's economic malaise since the "lost decade" of the 1990s is beset by much the same contention. On the one extreme, influential accounts such as *Japan: the System that Soured* by Richard Katz posited in the late 1990s that the Japanese economy is still heavily regulated as if it was still in a catch-up mode. Keeping a developmental state mind-set, the gerrymandered Japanese political establishment no longer promotes industrial export-geared "winners" and full employment. Rather, in Katz' view, it shields inefficient domestic-market-geared "losers" (particularly well-connected property developers) from competition at home and from cheaper imports, whilst letting them move jobs and invest more and more overseas. The way this is done, according to Katz, is through bank excessive cross-shareholding in these 'loser' firms (the notorious *keirestu* link), on the one hand, and by all-too-cosy relations between government bureaucrats and the banks. At heart, then is "financial repression" again: banks "too big and powerful" directing

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[3] The best-known Chinese economists who have raised criticism in that vein include Zhang Weiying, Wu Jinglian and Yu Maoshi. Proponents of state-led banking include the New left, Neo Maoists and Hu Angang. See e.g. *China 3.0* edited by Mark Leonard, published online 2012 by European Council on Foreign Relations. http://www.ecfr.eu/page/-/ECFR66_CHINA_30_final.pdf

cheaper capital to cronies, and paying little to no interest to small-time depositors (Katz, 1998, mainly Chapter 14).

But Katz's conventional neo-classical storyline has since been challenged. To be sure, in China that explanation has never fully sunk in. Instead, commentators on the other extreme believe it was the US that craftily foisted the "lost decade" on the Japanese economy through the 1985 Plaza Accord because of geo-political concern for American global primacy if the Japanese economy continued to grow. Much more importantly, more recent Western economic accounts like that of Richard Grossman's suggest that, far from a case of government over-regulation, the roots of Japan's "Lost Decade" can actually be traced back to excessive financial *de*-regulation in the early 1980s, allowing *keirestu* (diversified bank-centered conglomerates) to float corporate debt through bond issuance. Since Japan's saving rate did not diminish as a result, and since export-geared *keiretsu* were less in need of bank credit, Japanese banks were left with excess capital to lend out. That "easy credit" was channelled to realty, resulting in a pernicious asset bubble not unlike the one afflicting China in the late 2000s (Grossman, 2010: 276-281).

4. Conclusion

The 'freedom' associated with 'pure' neoliberal reasoning is often underpinned in practice by *pro*active state intervention. As Niall Ferguson (2001: 90) concedes, as late as the 18th century, even the minimalist British "night watchman" state had in fact to rely on government monopolies and postal services to partly defray empire-building alongside excise and customs. Similarly, Paul Bairoch (1993) famously described America's economic path to economic might, before its later 20th century association with neo-liberalism, as one based on state planning, mercantilism and “protectionism”.

It is often observed in this context that Japan, South Korea and Taiwan had all enacted re-distributional rural land reform under American auspices in the 1950s so as to mitigate peasant militancy and immiseration of the kind that -- many Westerners believed – led to the rise of the CPC. Indeed, the CPC itself staked its claim to authority on the rural land reform it carried out in North China whilst still in the underground. After it came to power in 1949, the CPC continued with a more moderate form of land reform, improving the plight of millions of smallholders and tenant tillers, but often executing wealthy land owners. In the early 1960s, however, smallholding was undone by the collectivisation of land during the Great Leap Forward, hence the break from the East Asian developmental mode right until Deng Xiaoping re-took the reins in 1979 to re-enshrine 'market gardening' (Studwell, 2013).

Granted, therere appear to be many policy similarities across the East Asian spectrum. China does appear to neatly fit the developmental-state mould in terms of its early rural land reform, export orientation, and its current preference for 'financial repression'. Nevertheless, the CPC’s direct economic involvement in the large state-owned sector and its spatially and socially uneven development pattern capture what we have called here the Chinese variant of the East Asian developmental state. In that sense, we do not presuppose or seek an ideal-typical entity known as a “developmental state” (cf. Knoight, 2013). . Rather, China's overall trajectory is characterized by a re-adaptation of Lenin’s New Economic Policy on the one hand and creative lesson drawing and policy transfers from other countries on the other hand. The overarching goal, it appears, is to secure freedom to engage the global system of capitalism while keeping intact its primary domestic focus of state-led development.

For these reasons, there are ample grounds upon which to assume the CPC has and will continue to differentiate itself developmentally and ideationally from neoliberalism while *simultaneously* championing global- free trade. Even democratization, widely heralded as the corollary of free markets, does not guarantee social equity. Rather, democratic polities in the West, East and South are all currently witnessing growing levels of inequality as a consequence of economic deregulation. Put in Leninist parlance, China’s state capitalism is meant to deliver equality in *the long-run* precisely through ideological commitment to the maintenance of large SOEs in the “commanding heights” of the economy.

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