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## Wan, Ming. *The China Model and Global Political Economy – Comparison, Impact, and Interaction*. New York: Routledge, 2014.

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**Wan, Ming. *The China Model and Global Political Economy – Comparison, Impact, and Interaction*. New York: Routledge, 2014.**

This book consists of interdependent but self-contained chapters on China's economic growth and the global impacts thereof. Excluding the first and last chapters, which serve as both introduction and conclusion, respectively, the seven main chapters discuss different aspects of China's phenomenal economic success. These include the differences and similarities between China's growth model and other growth models, the impacts of China's economic success on global economy, and China's interactions with other hegemonic countries over contemporary global political economic affairs. The author maintains that we should examine the complex and evolutionary process of the development of the Chinese political economy through a coherent framework and that the proposed concept of the "China model" can serve this purpose. According to the author, the China model can be best understood as a complex interaction between the Chinese "national [system of] political economy" and the post-war global governance system. Citing Robert Gilpin, the national system of political economy in China refers to "the purpose and role of the state in the economy, and the dominant form of corporate governance and business practice," which has been guided and influenced by the Chinese state economic policies (p. 9).

The first portion of the work attempts to address how China has maintained its unique institutional constellation, in which the state's national goals have defined the evolving national innovation system and corporate business practices. The first five chapters, including the introduction, address this question from a comparative and historical perspective. The author defines the concept of "the China model" (in chapter two) and compares this benchmark model with the "Washington Consensus"<sup>1</sup> (in chapter three), the Japan model<sup>2</sup> (in chapter four), and both the East Asian<sup>3</sup> and Soviet development models<sup>4</sup> (in chapter five), in order. Historically, the

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<sup>1</sup> An economist John Williamson used this term, 'Washington Consensus', in 1989, to describe a particular set of economic doctrine and policies proposed by the U.S. Treasury, the Federal Reserve, and the International Monetary Fund during 1980s. At that time, the U.S. Treasury and the IMF were playing a role as vocal advocates of globalization, and they strongly advised many governments in developing countries to adopt financial market liberalization measures (opening up domestic financial markets to foreign investors), trade liberalization policies (abolishing and lowering tariffs and other trade barriers), and privatization of state-owned enterprises as a set of precondition for entering the world trade organization and for making regional and bilateral trade deals with the U.S. They preached the benefits of free international trades and free international mobility of private capital with a minimalist government intervention. This particular policy stance is known as Washington Consensus. For more information, see Williamson, John. 1990. *Latin American Adjustment: How Much Has Happened?* Washington, D.C: Institute for International Economics.

<sup>2</sup> In the early 1980s Chalmers Johnson suggested that Japanese economic development after WWII was fundamentally different from the conventional (perception of the normal) path that most Western capitalist development processes exhibited. According to Johnson, Japanese rapid economic growth and industrialization in 1960-70s was largely associated with the Japanese governments intentional planning and guidance over private corporate investment and product innovations. Johnson particularly emphasized the critical role played by Japanese Ministry of Finance, such as export performance-based tax exemption and low cost credits and R&D subsidies, granted to private corporations. Together with these particular policies measures used by the Japanese government to nurture and grow domestic industries, social scientists have used the term Japan model or Japanese model to broadly characterize the close relationship between the government and private corporations in Japan. For more information, see Johnson, Chalmers. 1982. *Miti and the Japanese Miracle: The Growth of Industrial Policy, 1925-1975*. Stanford, California: Stanford University Press.

<sup>3</sup> The East Asian model is another concept that describes a certain characteristics that some of the successful East Asian countries such as South Korea, Taiwan, Singapore, and Hong Kong might have shared. Scholars often disagree whether the East Asian model is a mere replication of the Japanese prototype model in East Asian countries

China model sprung out the debris of the failed economic experimentation during Mao Zedong's era. Subsequently, Deng Xiaping initiated a quite flexible "reform and opening up" policy package in 1978, partially introducing market-oriented incentive payments in rural China in the early 1980s. Since then, the China model has evolved from "private entrepreneurship" based on land to the "state-led urban development," as of the 1990s (p. 5). These evolutionary stages of internal development notwithstanding, the author claims that we can still use the same term the China model as a unified conceptual framework.

The China model, according to the author, is the Chinese national system of political economy, which is characterized by a "hybrid" mixture of a profit-driven, "partially liberalized economy" with "top-down political control" by the Chinese Communist Party (CCP) (p. 2; p. 9; p. 16; p. 20 and many other pages). In terms of economic policies, this China model may have contained "export-led" economic growth strategy, "heavy investment in infrastructure," and a "packaged approach to foreign aids" given to developing countries in Latin America and Africa (p. 16). But these latter elements of growth strategies are rather minor aspects from the author's point of view. More important characteristics of the China model are "intense competition between local governments" under the centralized control by the communist party and the CCP's "pragmatic and experimental" approaches in selecting and adopting particular sets of institutions to forge economic development in China.

After defining the China model in this way, the author begins to compare the China model with other historical development models from chapter three. Some Western scholars once used the term "Beijing Consensus," as a way to contrast the Chinese political economy with a dominant American development doctrine known as the Washington Consensus. The author correctly observes in this context that the China model cannot be directly compared to the Washington Consensus, because the latter is a rather recently coined term reflecting the particular economic development strategies that the U.S. and international financial institutions, including the International Monetary Fund and World Bank proposed and preached (p.58).

The work next covers the ways in which the China model is different from the Japanese and East Asian models. In chapters four and five, the author discusses the main differences and similarities between the China model and other previous development models. According to the author, the China model has "strong operational similarities" with both the Japan and East Asian models, especially during their early stages of economic development. However, whereas Japan has recently sought to adapt itself to the Anglo-Saxon system, China has not made "any major

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or whether there is a certain unique and common aspect associated with economic development experiences in these countries. More importantly, whether there are commonalities among the Japan model, East Asian model, and nowadays China model has been one of the most hotly debated research topics in social sciences. The term, East Asian model or East Asian tigers has been popularized by many serious sociological and economic researches on these issues, and interested readers may find the following books particularly informative: Amsden, Alice. 1992. *Asia's Next Giant: South Korea and Late Industrialization*. Oxford University Press; Wade, Robert. 1992. *Governing the Market: Economic Theory and the Role of Government in East Asian Industrialization*. New Jersey: Princeton University Press; World Bank. 1993. *The East Asian miracle: economic growth and public policy*. World Bank (Available <http://documents.worldbank.org/curated/en/1993/09/698870/east-asian-miracle-economic-growth-public-policy-vol-1-2-main-report>)

<sup>4</sup> Here the Soviet model is broadly defined to describe common characteristics of the former USSR (Union of Soviet Socialist Republics)'s socialist economic development strategies. Both China and the USSR followed similar footsteps in socialist development trajectories after their respective socialist revolution in 1920s (the USSR) and 1940s (China) up until early 1960s. While the USSR socialist economy ultimately collapsed in the early 1990s after having years of failed market-oriented economic reform experiments in vain, China has successfully transformed itself toward market-oriented economy and has shown a remarkable economic success up until now.

reform initiatives” in this direction (p. 64). In addition, the China model is based on the “hybrid system of authoritarian politics and partial market economy,” with a high degree of competition from local governments. Compared to this, the Japan model has mainly relied on “centralized, bureaucracy-led economic policy-making,” without having local competition under the hegemonic dominance of a single party (p. 75). Of course, all of these similarities and differences partly stem from different historical circumstances, the path-dependent nature of the development process, and the “historical interactions” of the states’ respective processes, “spanning at least two thousand years” (p. 77).

Regarding the relationship with the East Asian model, the author seems to generally agree with Chalmers Johnson’s observation that the economic success of the East Asian tigers’ (i.e., South Korea, Taiwan, Hong Kong, and Singapore)<sup>5</sup> was largely a result of country-specific imitations and replications of the original Japanese growth model (p. 86). Nonetheless, the Chinese policy-makers have gleaned particular yet significant lessons from these four East Asian tigers in a highly selective manner, and “China continues to select what it views as relevant experiences” from these countries (p. 92).

In chapters six through eight, the author discusses the international dimensions of the China model. The author traces China’s increasing global demand for primary commodities, its import and export with trading partners, its foreign direct investment, and the trend of Chinese immigrants residing and heading abroad as a way to examine China’s economic impacts on both developing and developed countries. The main theme of chapter seven is to reexamine the China model in terms of its relations with post-war international geopolitical governance and security regimes, and in terms of international political and economic order. The author’s core claim in this chapter is that the Chinese political economy and the global political economy have mutually interacted and been reinforced throughout the process of China’s global growth, making the current Chinese political economy an authoritarian state capitalism, or a hybrid of a partial market economic system with authoritarian government control. Finally, the author examines in chapter eight how China coped with the recent global financial crisis, which originated in the U.S. as a result of the bursting of the housing market bubble, and whether China’s relative insulation from this financial crisis might have been an early indication of a possible shift in global hegemonic power.

Overall, this book is highly informative. The author’s detailed discussion of internal debates on the China model within the Chinese academic and policy-making circles, introduced in chapter one, pp. 29-36, is one of the greatest services that this book offers. In this and many other respects, students and scholars in the area of international relations, economic development, and development studies will find this book insightful. It can also serve as a good reference for any further discussion for modeling China’s economic development.

Nonetheless, the book is not without limitations. The author’s proposition regarding the usefulness of and, indeed, his very characterization of the China model is rather weak and incomplete. In fact, virtually all states whose developments were analyzed in this work were authoritarian in nature, in the sense that the state played a dominant role in mobilizing, directing, and allocating financial resources, especially during the early stages of economic development, regardless of the states’ different official ideologies. One may even argue that most advanced capitalist market economies in the U.S. and Western Europe had relied on the state’s powerful

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<sup>5</sup> Western journalists sometimes called the successful economies of South Korea, Taiwan, Hong Kong, and Singapore East Asian tigers or East Asian tiger economies, and the author of this work uses the term, East Asian model, and East Asian tigers interchangeably.

industrial and trade policies during the early stages of economic development.<sup>6</sup> Thus, the author's first characterization of the China model – regarding state authoritarian control – is not unique to China, but rather a universal feature of all capitalist economic development processes with a varying degree of the state intervention. Second, the intense local competition, or the presence of the Chinese local governments' multi-layered interactions with the central government cannot be a defining feature of the China model, because it can also be understood as a mere result of China's vast geographical and territorial exigency. Finally, the author's claim that pragmatism and experimentalism are unique characteristics of the China model inspires doubt, because any developmental strategy, if it is successful, must be flexible and thus pragmatic and experimental in nature.

If these reservations are valid, the only defining feature of the China model fundamentally lies in its socialist legacy. The most important and distinctive feature of the China model stems not from the CCP's authoritarian control over society *per se*, but from the different historical trajectory that China has managed to follow, breaking out of past socialist development strategies. Compared to the experience of Japan and the East Asian tigers, China has propelled itself along an unlikely trajectory, moving from a socialist, state ownership structure, to a partial market-economy structure with government control. As such, one of the most important aspects that researchers should focus on is the evolution of property rights reform in the Chinese development process. How did Chinese reformist policy-makers transform the previous state ownership of land and other means of production in this market-oriented reform process, and how has this property rights relation evolved over time up to this point? Unfortunately, the author seldom discusses this important aspect of the Chinese political economy.

Another weakness of the work is the absence of an adequate analysis of divergent patterns of central-local government relationships. If the bureaucratic hierarchy within the state apparatuses and competitions among local government entities are largely driven by the CCP-led central government's state goal of holding together vast territorial diversities, the critical point of analysis is not local government competition *per se*, but the way in which individual local governments have interacted with the central government. In the process, we may end up seeing potentially divergent and constantly evolving patterns of the central-local government relationship across times and regions. Unfortunately, the author never discusses this aspect.

The last potential area of debate is the author's partial treatment of China's economic success. Just like any other state-led economic growth and development strategy, the China model has its own merits and limitations. Unfortunately, the author seldom discusses the downsides or weaknesses of China's political economy. As recent financial turmoil has shown, however, seemingly unabated economic success in China over the years has come at the cost of an excessive real estate bubble at the local government level, an expansion of virtually non-regulated shadow banking practices, an increasing and intolerable degree of domestic income disparity and a rural-urban divide, and serious environmental degradation, to name a few. In order to place China's economic success story in a proper historical context, equal attention must be paid to these negative aspects, as well.

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<sup>6</sup> See for example, Ha-Joon Chang. 2002. *Kicking Away the Ladder: Development Strategy in Historical Perspective*. London: Anthem Press.