



FOREIGN AFFAIRS

The Real China Model

It's Not What You Think It Is

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In 2016, the South Sudanese politician Anthony Kpandu led a delegation to China. What he saw there blew him away: modern industrial parks, high-speed trains, gleaming infrastructure, dazzling skylines. “It was magnificent,” he enthused. “You can’t believe it, but it’s there. I’ve never seen anything like it.”

Such reactions contribute to a growing fear in the West that developing countries are finding the so-called “China model” more appealing than liberal democracy. The Chinese leadership has inadvertently exacerbated these fears. At the 19th Party Congress in 2017, Chinese President Xi Jinping confidently declared that other states should learn from “the Chinese solution for tackling the problems facing mankind.” In an op-ed for *The Wall Street Journal*, the journalist Richard McGregor wrote that Xi is promoting the idea that “authoritarian political systems are not only legitimate but can outperform Western democracies.” Beijing’s real goal, he warned, “is encouraging the spread of authoritarianism.”

Yet for all of the panic and paranoia over this development, some basic questions remain unanswered. What exactly is the China model? It is clear that China's economy has boomed despite its decision to spurn Western-style democracy, but does this mean that authoritarianism was responsible for the country's capitalist success?

In reality, different parts of China have followed many different paths to economic and social development over the last several decades. The China model changes depending on where and when one looks for it. More important, it is inaccurate—and indeed misleading—to equate the China model with conventional authoritarianism. As I have argued in this magazine, the political foundation of China's economic success since Chinese leader Deng Xiaoping opened markets in 1978 was not autocracy, but autocracy with democratic characteristics. By reforming China's bureaucracy, Deng introduced democratic features, specifically accountability, competition, and partial limits on power, into the country's single-party system. China's experience in the reform era shows that even a partial injection of democratic qualities into an autocratic system can unleash tremendous initiative and adaptive capacity. Western democracies do not need to fear the China model. Instead, they should worry about the widespread misinterpretation of this model by the West, the developing world, and China's own political elites.

DEFINING THE CHINA MODEL

Today, it seems as if everyone has an opinion about the China model. To media outlets in the West, it is simply authoritarian capitalism—single-party rule combined with extensive state ownership and control over the economy. Many experts echo variants of this interpretation. McGregor defines China's system as “a Leninist-style party with a centuries-old

bureaucratic culture.” The economist Barry Eichengreen distills it to “strong political control.”

But others disagree. The analyst Joshua Cooper Ramo coined the term “the Beijing Consensus” to describe a model of innovation-based development in which economic success is measured “not by GDP growth but by sustainability and equality” (a surprise to anyone familiar with China’s serious inequality problem). The Chinese commentator Zhang Weiwei, on the other hand, says that “super” conditions—“a super-large population, super-sized territory, a super-long history, and a super-rich culture”—have created a model that is characterized by a mixed economy, incremental reforms, and an enlightened state. The theorist Daniel Bell, meanwhile, casts China as a meritocracy, in which officials are selected by competence rather than multiparty elections.

All of these interpretations are partially correct, but none of them is complete. China is a vast country that has changed rapidly over the past four decades. As a result, there are numerous and sometimes contradictory China models depending on where and when one looks.

Consider, for example, one of the most prosperous counties in Zhejiang Province (in my book, I use the pseudonym “Blessed County” to ensure anonymity). Between 1978 and 1993, when private capitalism was still forbidden, this county relied upon collective enterprises, which were owned by village and township governments. Despite the lack of formal private property rights, industrial output grew 33 times during this period as collective economic units were allowed to fully retain profits. Viewed in isolation, this snapshot demonstrates that incremental reforms on the margins of a planned economy were enough to fuel growth.

But the story doesn't end here. Between 1993 and 1995, as Beijing further liberalized markets, the county government privatized collective enterprises en masse. Although the lack of private property rights had not prevented industrial production from taking off, it had hindered business expansion. By facilitating privatization and refraining from intervening directly in the economy, local officials supported the emergence of the county's first generation of private entrepreneurs, several of whom went on to become globally competitive corporate titans. This second snapshot validates "the Washington Consensus," the belief that private property rights and a limited government are the necessary preconditions for economic growth.

Moving into the first decade of this century, as local industries flourished, the county became congested and chaotic. This led private businesses to call for government intervention to coordinate the zoning of various industries and provide urban planning. To do so, the local leadership had to relocate factories and residents, sometimes through coercion. But this forceful step created a new business district in the heart of the county, where companies could congregate. This move stimulated the spread of services such as financial management and marketing that helped industries upgrade. It also vastly improved traffic and the quality of residential life. Such extensive measures took the county's prosperity to a new level, not simply by increasing production but by transforming the economy's structure. This third snapshot from 2000 to 2010 provides evidence for the theory that heavy-handed state intervention and planning can spur economic growth.

In one small area of China with a population of less than a million people, it is possible to observe three radically different models of development, each of which played an important role in the area's economic and social transformation.

DIRECTED IMPROVISATION

Most explanations of the China model highlight qualities that prevailed only in certain locations at certain points of time. This does not mean there is no China model, however. Since 1978, the most consistent feature of China's development has been the governing system that has allowed continuous change to emerge, often in unexpected ways.

This adaptive system, bequeathed by Deng, is what I call "directed improvisation." Three disastrous decades under Mao Zedong's dictatorship taught the reformists who took over about the limits and dangers of top-down control. Although Deng rejected Western-style democracy, he was also determined to remove ideological shackles and liberate bottom-up initiative within China's vast bureaucracy.

Under Deng, Beijing became a director, not a dictator. Instead of trying to command their way to rapid industrialization and growth, reformers focused on creating the right conditions for lower-level officials to kick-start development in their own communities using local resources. This entailed more than just decentralization. Simply allowing localities to do whatever they pleased would have bred chaos; Beijing was highly involved in setting boundaries, initiating reforms across policy areas that complemented one another, and defining the criteria of bureaucratic success. Later, it also began intervening to balance rich and poor regions by encouraging the domestic transfer of industry and capital.

Although the Chinese leadership did not grant formal political rights to civil society, these changes liberated China's vast civil service, which is as populous as a midsize country, to take initiative and innovate. In this environment, regions across China collectively improvised a large variety of development models that were tailored to local conditions and needs.

Once the full picture is revealed, it becomes clear that it was not simply single-party rule and state ownership that fueled China's dramatic economic rise. To be sure, Beijing has swerved back and forth on the control barometer over the last several decades, and Xi now exercises more control than his predecessors. But experience has shown that imposing tight political oversight and relying on top-down commands have usually backfired for Beijing. For example, in an attempt to save falling stock prices in 2015, Xi's administration rolled out a series of dictates, such as making state banks pledge to buy stocks and not to sell them. In the end, these efforts not only failed, they wasted billions of dollars. For the ruling elites, this was a fresh reminder that markets can be guided, but they cannot be precisely controlled.

THE REAL CHINA MODEL

Visitors impressed by the gleaming infrastructure and rising wealth of China's first-tier cities may be tempted to conclude that such prosperity is the result of authoritarianism. But since the Chinese Communist Party took power in 1949, single-party rule has coincided with abject failure as well as dramatic success. Mao's effort to catch up with the United Kingdom's industrial output in seven years culminated in the world's largest man-made famine: 30 million peasants starved to death within three years.

It is important to note that even Chinese policymakers cannot come to a consensus on what the China model is. In Beijing, elites are still debating whether it was Maoism or Dengism, central planning or decentralization, public investment or private capital, that played a larger role in China's development—and what the right balance ought to be going forward. Despite urging other countries to learn from “Chinese wisdom” and “the China solution,” Xi never specifies what this means. It is not surprising that China's attempts to share lessons from its development with other countries

are often reduced to showing off model sites, invoking Confucianism, or idealistically portraying the party as “meritocratic.” More worrying, by centralizing power and clamping down on freedom, the current regime is moving away from directed improvisation, which has enabled China's adaptability over the past four decades, and toward top-down control, which failed during the Maoist era.

There are certainly valuable lessons to draw from China's development—the country achieved an unprecedented duration of sustained economic growth and lifted hundreds of millions of people out of poverty in the process. But it is crucial to draw the right lessons. Autocracy alone was not the key to China's impressive growth. Rather, it was the introduction of some democratic qualities through bureaucratic reforms and Beijing's willingness to allow and direct local improvisation that enabled the nation's economic dynamism. Instead of relying on top-down commands, the country leveraged local knowledge and resources, promoted diversity, and motivated people to contribute their ideas and effort. These characteristics should be familiar to any democracy; China just incorporated them into single-party rule.

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