

State Capitalism: The Western Image of the “China Model”

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Abstract: The “China model” which has created the “Chinese miracle” of long-term rapid economic development has been fabricated as the development model of state capitalism by the Western strategic community. The paper intends to explore how and why the “China Model” has been regarded as state capitalism in the West, which as a theoretical question has been seldom investigated in the academia. By employing the relevant newspapers, periodicals and academic literature, it is concluded that the “China model” is essentially the road to modernization with Chinese socialist characteristics, which is pioneered by the Communist Party of China since the Reform and Opening up. The cognitive differences between China and the West on China’s development model are rooted in the vast differences of their respective ideologies and values, especially their cognitive differences on “democratic politics”. Presently, the largest difference between the “China model” and the “Western Model” lies in their different attitudes and approaches to the relationship between government and market and that between state and society. Therefore, defining the “China model” as state capitalism is only the cognitive product distorted by the manipulation of the Western values and ideology, but it does not conform to the unique practice of the socialist modernization in contemporary China.

1. Introduction

As is well known, the Reform and Opening-up policy initiated in 1978 has made contemporary China embark on a new road of socialist development with its own characteristics. The successful practice of the new road of China’s socialist development not only creates the “Chinese miracle” of long-term rapid economic development, but also brings the successful development model of China into focus at home and abroad. Professor Yu Keping of the Central Compilation Bureau of China believes that the “China Model” is essentially a strategic choice for China as a developing country to materialize its social modernization in the context of globalization, and it is a set of developmental strategies and governance models gradually formulated in the process of China’s Reform and Opening up to meet the challenges of globalization. [1] Shen Yunchao, also a Chinese scholar, defines the “China Model” from the perspective of developmental path and experience, which refers specifically to the road or the experience of social development since China’s initiation of its Reform and Opening-up policy, and to the road of social development pioneered in China which is viewed from the perspectives of globalization or world vision, so it is also known as the

“China Road” or the “China Experience”. [2] Therefore, in essence, the “China Model” is the road to modernization with Chinese socialist characteristics, which has pioneered by the Communist Party of China (CPC) since the Reform and Opening up was launched in 1978. Instead it is by no means the development model of state capitalism fabricated by the Western strategic community, which in this paper mainly refers to the scholars, journalists and politicians from the U.S. and European countries. By employing the relevant newspapers, periodicals and academic literature, the author intends to explore how and why the “China Model” has been regarded as a development model of state capitalism in the West, which as a theoretical question of great importance has been seldom investigated in the academia. In this way, we can advance our comprehension of this theoretical issue and clarify some misinterpretations of the China issue.

2. State Capitalism: The Western Image of the “China Model”

In 2004, Joshua Cooper Ramo, who was a senior editor of *Time Magazine* and a senior consultant of Goldman Sachs, proposed the “Beijing Consensus” on China’s development model. Since then, numerous terms describing the “China Model” have been put forward by those scholars who focus on China’s development in the western strategic community. Ding Xueliang, another Chinese scholar, summarizes such terms describing and commenting on the “China Model” in the English literature (including a few Chinese terms) as “state capitalism”, “bureaucratic capitalism”, “authoritarian capitalism”, “neo-authoritarianism”, “power capitalism”, “privileged capitalism”, “party-state capitalism”, etc. [3] Judging from the terms listed above, it is apparent that in the eyes of many Western scholars, the “China Model” is essentially a “Western Way” to modernization, namely, a mode of capitalist development. However, this mode of development is quite different from the liberal democracy prevailing in the West as the “China Model” is prominently characterized by the presence of a strong state which plays an extremely important role. Therefore, according to many Western scholars, the “China Model” is the development model of state capitalism.

Cui Yu, a contributor to the Chinese website of *The Wall Street Journal*, points out that “the current Chinese model is not so much a socialist market economy as a state capitalism under the governmental control and intervention.” [4] Ian Bremmer, an American political scientist, maintains that in essence China’s state capitalism is to “play the basic role of market in resources allocation under the national macro-control, and to combine the ‘visible hand’ with the ‘invisible hand’ in an organic way”. [5] However, the relationship between the “visible hand” and the “invisible hand” is not equal as the latter is restricted by the former. That is, in the relationship between the state and the market, it is not the market that counts, but the state has the final say. [6] He concluded that “state capitalism dominates the market for the political purposes of the state.” [7] Enrique Vanhoul, a former commercial counsellor of the Spanish Embassy in China and the chairman of the Spanish-Chinese Entrepreneurship Commission, also views the “China Model” as state capitalism. He holds that state capitalism is an economic system in which the state power has a decisive influence on the economy. The role of state power is not limited to providing subsidies and supervision. Despite a central role that the market plays, the state plays a “leader” role in setting the preferential direction and objective of its economic development and guiding its economic system to develop in line with the market demand. [8]

Zhu Kexin, a Chinese scholar, maintains that those foreign scholars intentionally neglect the socialist character of the “China Model”. When dealing with the connotation and characteristics of the “China Model”, they seldom touch upon its institutional aspects just because of the fact that the establishment of a system represents the realization of a concept and that in the view of most Western scholars the values underlying the Chinese system is inconsistent with those of the West.

Hence, there arise a lot of remarks on the “China Model” with distinct ideological hues, making it in opposition to the Western values system. [9] The author believes that the cognitive differences between China and the West on China’s development model are rooted in the vast differences of their respective ideologies and values, especially their substantial cognitive divergences on “democratic politics”. If the “China Model” in the Chinese discourse system is a socialist development model with Chinese characteristics, then the development model in the Western discourse system has been transformed into a state-led capitalist development model after filtering through the Western values system. Simplifying this viewpoint as the following illustrations, we can better understand the logically thinking process of such misinterpretations:

Table 1: The “China Model” in the Chinese and western discourses.

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| The “China Model” in the Chinese Discourse | The “China Model” = Market Economy + State Regulation + Progressive Democracy = The Socialism with Chinese Characteristics |
| The “China Model” in the Western Discourse | The “China Model” = Capitalism + State Intervention + Political Repression = State Capitalism |

If the road of socialist development with Chinese characteristics is regarded as a combination of market economy and state regulation at the economic level and is the gradualist and democratic model of political development with Chinese characteristics at the political level, we can find the following cognitive process of the Western scholars under the guidance of the Western liberal values. First of all, they will view China’s market economy as a capitalist phenomenon, because they think that market economy is the patent of capitalism and that socialism is basically in conflict with market economy. Secondly, they will regard the Chinese government's macroeconomic regulation and control as the powerful intervention and manipulation of the market by the state under the political dictatorship, thus seriously distorting the market in the sense of the Western neoclassical economics. Thirdly, based on the criteria of the values of liberal democracy in the West (which seems to be the only inviolable criterion of democratic politics in the theory of “The End of History”), the Western scholars will maintain that the progressive and democratic model of political development with Chinese characteristics is a non-democratic and anti-democratic model of political development. In the words of Rowan Callick, a journalist stationed in Beijing and the editor-in-chief of Asia-Pacific news of *The Australian*, one of the connotations of the “China Model” is “political repression”. [10]

Liu Aiwu, another Chinese scholar, believes that the Western scholars never contemplate the “China Model” as a new type of socialist development model, and all deny that the rise of the “China Model” represents the revival of the world socialist movement. They all regard the “China Model” as another model of capitalism, which poses a challenge to the liberal capitalism. They still see market economy and free trade as the patents of capitalism, and macro-control and state intervention as authoritarianism. Meanwhile, they always deny the existence of China’s democracy. In their view, the “China Model” has run counter to the well-accepted basic interaction between economic development and political progress, because China has achieved economic growth under the premise of “political repression”, and economic growth has failed to promote the further development of democracy in China. [11] In fact, this is a one-sided viewpoint. Indeed China has made great achievements in the construction of democratic politics while sustaining continuous economic growth. However, due to the distinct political values between China and the West, the concept of democratic politics in China is naturally different from that of liberal democracy in the West.

Since the Chinese and Western definitions of the “China Model” are simply the product of different perceptions under the guidance of distinct values, what are exactly the differences between the “China Model” and the “Western Model” since both are based on the same market mechanism? As is known to us, the introduction of market mechanism is an important symbol of China’s Reform and Opening up. The establishment of socialist market economy as the goal of China’s economic system reform began at the 14th National Congress of the CPC in 1992. Deng Xiaoping’s politically neutral definition of market economy has dispelled the traditional notion about the capitalist attribute of market economy, thus paving the way for setting market economy as the direction of China’s economic reform. As Zheng Yongnian, professor of National University of Singapore, points out, “Since initiating the reform and opening-up policy, China has produced a different view on the market. Deng Xiaoping believes that the market mechanism can be exploited by socialism as well as capitalism. This makes the market mechanism politically neutral.” [12] In the context of market economy as a politically neutral mechanism, market economy itself constitutes the largest common denominator of “China Model” and “Western Model”, and underlies China’s integration into the post-war international economic order dominated by the West. In the interaction between opening up and domestic reform, the international rules have been inch by inch imported into China through opening up, thus promoting the process of domestic reform in China. In the course of domestic reform stimulated by the continuous liberalization, the rules of the international order have been internalized in China, which gradually integrates China into the post-war international order. This process of rules internalization, which undergoes the filtering of China’s independent development strategy, has eventually created a unique “China Model” --- the socialism with Chinese characteristics. However, in the course of integrating into the world order China has not lost its unique identity due to its great differences from the rest of the world in historical traditions and state attributes. China’s independent, self-centred and self-sustaining way of liberalization enables China to retain its unique self-identity to the greatest extent in the process of its integration into the post-war world. Presently, the largest distinction between the “China Model” and the “Western Model” is their different attitudes and approaches to the relationship between government and market and that between state and society. Unlike the neoliberal model of economic development, China has abandoned the market fundamentalism with the least government and advocated the state-led macro-control mechanism (including the leverage of the state-owned economy). As Professor Zheng Yongnian put it, while emphasizing the function of the market, China has not moved towards the market omnipotence. Meanwhile, the state-owned sector has become a powerful economic lever of the Chinese government and also a policy tool to cope with the economic crisis. [13] It is also different from the so-called liberal democracy in the development of the Western politics. China has been always adhering to the consultative democratic political system under the leadership of the Party while incrementally granting more autonomy to the society and individuals.

3. Conclusion

In conclusion, defining the “China Model” as state capitalism is only the cognitive product distorted by the manipulation of Western values and ideology, but it does not conform to the unique practice of the socialist modernization in contemporary China. Commenting on the current Sino-US trade war, former chairman of Morgan Stanley's Asian Region, Stephen Roach points out that the deep-rooted prejudices and the “colour glasses” of the United States that could not be removed in assessing China had laid hidden dangers for the current Sino-US frictions. [14] Especially in the relationship between state and society, the “China Model” is more liable to be viewed as “capitalism without democracy” because of the great differences of political values between China

and the West. However, this is far from the case. As Thomas Heberer, a German political scholar, concluded, “China is not a pure autocratic regime which has not changed in recent decades as many people in the West feel. In fact, China is moving towards an open society with more autonomy, rule of law and participation.” [15] Furthermore, as both the “China Model” and the “Western Model” are based on the market mechanism, these two modes of modernization are not necessarily confrontational and conflicting. On the contrary, market mechanism just constitutes the space for the coexistence and cooperation between them. It is precisely because of the probable “symbiosis” of the two that China’s economy has been deeply integrated into the global economy since joining the WTO. Hence, we can make some bold speculations that such a deeply integrated world economic system reduces the possibility of the occurrence of the “new cold war”, or that it will tremendously increase the cost at which any member of today’s international community attempts to launch the “new cold war”.

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