

**STATE LED DEVELOPMENT IN HISTORICAL PERSPECTIVE:
FROM FRIEDRICH LIST TO A CHINESE MODE OF
GOVERNANCE?**

SHAUN BRESLIN

Professor of Politics and International Studies

The University of Warwick, UK

Coventry CV4 7AL

Tel: 44 2476572558

Email: Shaun.Breslin@warwick.ac.uk

<http://www2.warwick.ac.uk/fac/soc/pais/staff/breslin>

Co-editor, The Pacific Review

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Abstract

The relationship between states and markets has been at the heart of academic debates in International Political Economy (IPE). Indeed, it was at the heart of the creation of a “scientific approach” to political economy in the work of Adam Smith and resulting debates over the efficacy of free trade in generating growth in the eighteenth and nineteenth centuries. For Friedrich List, free trade could only work in a theoretical cosmopolitical world order; in the real world of competing states, free trade had become a tool used by the powerful to promote their interests, and the less powerful were best served by the existence of a strong state to guide economic development and protect domestic industries until they were able to compete on an equal footing.

This paper uses the Listian critique of Smith as a means of assessing the causes and consequences of crisis – not just the current global crisis but also the crises that hit Asia and elsewhere in 1997. It argues that despite historical evidence of the benefits of state-led development, neoliberalism became an almost unchallenged (even unchallengeable) ideology in the West in the 1990s, resulting in the promotion of a liberalisation agenda even though the lessons of the 1997 crises seemed to point to different solutions.

The paper concludes by considering alternative development models/theories that may emerge from the current crisis, with a specific focus on whether China can act as a “model” for others. It suggests that the crisis has exacerbated tensions within the Chinese mode of development that were already evident before 2008, and that there is much to do to establish a sustainable development trajectory in China itself. It also questions whether the “Chinese model” is distinctly “Chinese in nature and whether it is transferable to other economics – in short, is it correct to talk of a “Chinese model” at all. Rather than a model, China acts as a metaphor for an “alternative” – the most recent example for others that the Listian state-led approach has much to offer as an alternative to the neoliberal agenda.

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Introduction

Over three hundred years since Adam Smith developed the “scientific” study of political economy with the publication of what became known as “The Wealth of Nations”¹, the debates over the relationship between states and markets that inspired Smith remain at the heart of the study of International Political Economy (IPE). Moreover, in the wake of the economic crises that began to shake the world in 2008, the relationship has once more become central in policy debates – both debates over economic governance within individual states, and debates about the nature of global governance and regulation.

The argument here is that understanding some of the early debates fired by Smith’s path breaking work has much to offer for those seeking to understand what is going on today. In particular, by considering Friedrich List’s critiques of Smith and the nature of free market capitalism², we not only gain an insight into the relationship between states, markets and development, but also the relationship between power and the promotion of ideational orthodoxies.

By taking a longer term historical perspective, we can also place the contemporary Chinese developmental/governance experience in context. In short, state-led development instead appears to be much more mainstream (if not dominant) in promoting growth and development than the recent ideational hegemony of the

¹ Formally titled “An Enquiry into the Nature and Causes of the Wealth of Nations” published in 1776.

² Not a term that Smith actually used himself but one that has become widely accepted as the modern version of the subject of Smith’s attention.

Washington Consensus would seem to suggest. Thus, the Chinese experience might not be quite as peculiar or innovative as appears at first sight. It's also not clear whether there is a Chinese "model" as such – something that is identifiable, distinctly Chinese and transferable to other settings. And notwithstanding the impressive "bounce" in 2009 as a result of government initiatives and bank spending, nor is it clear how the Chinese project be affected by the global crisis in the long term. Nevertheless China provides an important example of an alternative to the neoliberal project – particularly as state-led alternatives seemed to have been somewhat undermined by the Asian crisis of 1997. And it is in this promotion of alternatives – perhaps China as a metaphor for "difference" - that the China has perhaps most to offer in the development of new forms of governance.

This paper refers throughout to neoliberalism and the neoliberal project, but does so with considerable unease. All governments intervene in the economy to some extent or another and provide obstacles to truly free trade – as the protection afforded to agricultural groups in Europe Japan and the USA amply demonstrates. Indeed, one of the core arguments in the second part of this paper is that core states in the developed capitalist democratic world attempt to impose levels of liberalisation on others that they don't tolerate at home. Even in the most free of markets, firms themselves try to find ways of managing the economy to work for their interests, and the attempt to emulate such processes has been part of those government reforms that are often badged as "new institutionalism".³ In many respects, the term "managed neoliberalism" is more appropriate definition (even if it is something of a contradiction in terms). So "neoliberalism" is used here as a reference to an idealised

³ Mark Bevir (2003) 'Narrating the British State: An Interpretive Critique of New Labour's Institutionalism', *Review of International Political Economy* 10(3): 455–80.

type of economic preferences in those states that broadly support the principles of the Washington Consensus (for others at least); preferences that do not always conform to the actuality of economic policy and management within those states themselves.

Ideational Hegemony

The lessons of the financial crisis seem to be clear. The speed and extent of liberalisation created conditions where transnationally mobile capital could not just flood into developing countries, but also flood out equally rapidly when “the market” panicked. In a form of self-fulfilling vicious cycle, perceptions of economic weakness resulted in rating agencies downgrading whole countries, which then prompted the withdrawal of capital which created structural economic weaknesses that then led to further capital flight. Having been previously criticised for its relative lack of liberalisation, particularly in financial fields, China emerged from the crisis relatively unscathed because of this relative lack of liberalisation.⁴ To be sure, export markets were hit and the extent to which China had become over-dependent on exports as a source of growth came into question. But currency and financial controls meant that China came through the crisis relatively unscathed.

Of course, the crisis referred to here is not the 2008 (and ongoing) variety, but the 1997 crisis in Asia.⁵ Yet, despite the evidence (for me at least) apparently pointing to the consequences of too much liberalisation, the solutions prescribed by the institutions of the Washington Consensus – most notably the IMF – pointed instead to the negative consequences of interference in the (free) market. The solution was to be

⁴ Yu Yongding (1999) ‘China’s Macroeconomic Situation and Future Prospect’, *World Economy and China* (2): 4-13.

⁵ And to an extent those in Latin America and Russia as well.

found in the promotion of further liberalisation and the adoption of market fundamentals.

In considering the fallout of the 1997 crisis, it is easy to fall into dichotomisation; on the one side, the “west” enforcing its views and preferred policies through the major global institutions, and on the other side, the oppressed east being subject to a new form of western colonialism. The danger for those on the left of the political spectrum who seek alternatives to neoliberal capitalism is that these alternatives are often not built around what is best for the masses (more on this shortly). So it’s important to note that criticisms of “crony capitalism” are not necessarily invalid. The relationship between state and business in parts of Asia did indeed create economic systems that controlled the market to deliver surplus into the hands of the few at the expense of the many. So the problem here is not so much the identification of problems, but rather the solutions that were developed (imposed?) to remedy them. Indeed, many in the region suffered from the “double whammy” of first the authoritarian capitalist bias of regional states, and second the liberalising solutions imposed in the wake of the crisis.

Nevertheless, the neoliberal prescriptions suggested and in places imposed by the west and the global institutions reflect the ideational dominance of neoliberalism in the post Cold War era. Indeed, for some the 1997 crisis marked the highpoint of neoliberalism as it provided an opportunity to “punish” the region for departing from the dominant model⁶ - having developed an erroneous form of Asian capitalism, the

⁶ Higgott, R. (1998) ‘The Asian Economic Crisis: A Study in the Politics of Resentment’, *New Political Economy*, 3 (3): 333-356.

crisis allowed the west to make sure that from now on Asia would have “proper” capitalism.

Ideational hegemony and global governance

While the second section of this paper points to the promotion of neoliberalism as a tool for the pursuit of other ends, it is important to recognise that the policy debates in many western countries have become constrained by the parameters of acceptance of the broadly defined neoliberal (or market conforming) paradigm. And it is particularly notable – perhaps even remarkable – that this does not seem to have been fundamentally changed by the global crisis. Radical alternatives are notable by their absence from mainstream discourses, with the debates instead focussing on how to restore confidence in the current system, and how to make sure that it works better in the future.

And of course, this is not a phenomenon that is unique to the UK. Neoliberalism has become the dominant paradigm in not just individual states, but also in the major global institutions. Policy in the Bretton Woods institutions has become dominated by the Ten Commandments of the Washington Consensus, namely:-

1. Fiscal discipline;
2. Redirection of public expenditure toward education, health and infrastructure investment;
3. Tax reform - broadening the tax base and cutting marginal tax rates;
4. Interest rates that are market determined and positive (but moderate) in real terms;
5. Competitive exchange rates;

6. Trade liberalization - replacement of quantitative restrictions with low and uniform tariffs;
7. Openness to foreign direct investment;
8. Privatization of state enterprises;
9. Deregulation - abolition of regulations that impede entry or restrict competition, except or those justified on safety, environmental and consumer protection grounds, and prudential oversight of financial institutions;
10. Legal security for property rights.

But it is not just in the well documented policies of the World Bank, IMF and WTO that these ideas dominate. Official statements from the UN increasingly seem to reinforce the hegemony of neoliberal economics as not so much the *best* as the *only* economic strategy that will deliver countries from underdevelopment. In “In Larger Freedom” Kofi Annan noted that there is ‘an unprecedented consensus on how to promote global economic and social development’.⁷ This consensus – embodied as the 2002 “Monterrey Consensus” – recognizes that the international economic order contains important structural constraints on developing countries. Most clearly of all, they are denied access to the most lucrative potential markets because of the protectionism in the developed world. So while the system is imperfect, it is largely because it is not liberal enough – the system doesn’t need changing, rather it needs to work correctly.

⁷ Kofi Annan (2005) *In Larger Freedom: Towards Development, Security and Human Rights for All* (New York: United Nations): 7.

Moreover, while the developed world needs to change, ‘the primary responsibility for achieving growth and equitable development lies with developing countries’⁸, and is not the fault of the international economic order. Indeed, at the heart of this Monterrey Consensus is a commitment to principles that have much in common with the Washington Consensus. In order to reduce poverty

Governments should attach priority to avoiding inflationary distortions and abrupt economic fluctuations that negatively affect income distribution and resource allocation. Along with prudent fiscal and monetary policies, an appropriate exchange rate regime is required.⁹

The Monterrey Consensus also emphasizes the importance of private capital flows through FDI as a means of generating development which necessitates key policy reforms in developing countries:

A central challenge, therefore, is to create the necessary domestic and international conditions to facilitate direct investment flows, conducive to achieving national development To attract and enhance inflows of productive capital, countries need to continue their efforts to achieve a transparent, stable and predictable investment climate, with proper contract enforcement and respect for property rights, embedded in sound macroeconomic policies and institutions that allow businesses, both domestic and international, to operate efficiently and profitably and with maximum development impact. Special efforts are required in such priority areas as

⁸ UN (2004) *Unleashing Entrepreneurship: Making Business Work for the Poor: Commission on the Private Sector and Development Report To The Secretary-General Of The United Nations* (New York: United Nations): 1.

⁹ UN (2002) *Report of the International Conference on Financing for Development* (New York: United Nations): 4

economic policy and regulatory frameworks for promoting and protecting investments¹⁰

The importance of policy adjustments to allow the private sector to flourish was also at the heart of The Commission on the Private Sector and Development's 2004 report.¹¹

Moreover, the channels for challenging this orthodoxy seem to be declining at the UN. UNCTAD once acted as a forum for “developing countries’ refusal from the start to accept a universal model of development’.¹² To be sure, there might not be a consensus on what needed to be done, but there was more or less agreement amongst the G-77 countries that the global trading system and the capitalist global economy perpetuated the exploitation of poorer countries by the rich. What this New International Economic Order might look like was unclear, but for this study, perhaps more important than specific policy prescriptions was simply that alternative models and ideas were on the UN agenda.

But by 2004 at the latest, this position had changed. The 2004 São Paulo Consensus effectively argued that globalisation was good, and developing countries needed to adapt their national strategies to fit into the existing global liberal order to make the most of it.¹³ For Taylor, this left UNCTAD in “acceptance of the hegemonic discourse while (at best) attempting to ameliorate the worst aspects of the established order”.¹⁴

¹⁰ Ibid: 5.

¹¹ UN (2004) *Unleashing Entrepreneurship*, op cit.

¹² Kathryn Lavelle (2001) ‘Ideas Within a Context of Power: the African Group in an Evolving UNCTAD’ *The Journal of Modern African Studies* 39 (1): 31.

¹³ UNCTAD (2004) *The São Paulo Consensus* (New York: United Nations).

¹⁴ Ian Taylor (2003) ‘The United Nations Conference on Trade and Development’ *New Political Economy*, 8 (3): 412.

The UN may not be **that** important as a promoter of economic and developmental norms when compared to the other agencies of global economic governance.

Nevertheless, that change in the development discourse in the UN from ideational competition (if not conflict) to one of unanimity and consensus is significant. For Gosovic, the UN can be seen as promoting ‘Global Intellectual Hegemony’ designed to influence and homogenize world public opinion.¹⁵ That it is perhaps seen as being more politically neutral than the Bretton Woods institutions which are expected to promote neoliberalism might even make this ideational transformation even more significant.

Neoliberalism and Ideational Hegemony: A Caveat

This brief discussion of the dominance of neoliberalism is a caricature of reality. Like all caricatures, it has its basis in reality, but contains exaggerations that are designed to show it in a specific light. But it is important to recognise that it is an exaggeration nonetheless.

For example, what Kofi Anan says or the UN publishes does not reflect the unanimous position of all member states. Neither does the reality of what is actually done in terms of development assistance always accord with the neoliberal consensus – particularly when it is done by national development agencies, and even more particularly when it is done by NGOs.

Nor is ideational competition entirely dead. If we put the Chinese case to one side for a moment, the promotion of quasi-socialist alternatives by people like Hugo Chavez

¹⁵ Branislav Gosovic (2000) ‘Global Intellectual Hegemony and the International Development Agenda’ *International Social Science Journal*, 52 (166): 447-456.

in Venezuela is a good example of emerging alternatives. Indeed, former Costa Rican President José María Figueres has argued that Latin America has freed itself from the “neo-liberal dogmas” that stunted growth in the region for a decade.¹⁶ Indeed, the architects of the Washington Consensus have rethought their basic principles and understandings in light of the failure to promote development in many parts of the world – albeit to largely conclude that the right institutional framework needs to be in place to make the commandments work, rather than questioning their fundamental applicability.¹⁷ And critiquing and rejecting the Washington Consensus has become such an important focus of academic studies that it almost constitutes a sub discipline in itself.

So the hegemony of neoliberalism is not undisputed or unchallenged. But if we look backwards to earlier debates over the nature of the relationship between states and markets, then perhaps we can increase our understandings of how and why neoliberalism is projected in the way that it is by key states in the global political economy, and also suggest that it is in fact state-led projects that historically have been more successful in promoting development and growth than the current orthodoxy suggests.

The First Washington Consensus? Friedrich List and State-Led Development

Strange Bedfellows? The Left and List

It is not hard to find historical cases of strange bedfellows forming alliances to fight common enemies. When my enemy’s enemy is my friend, then almost anything is possible. Witness, for example, China’s relations with the Pinochet regime in Chile in

¹⁶ <http://go.worldbank.org/YIMSCROJ00>

¹⁷ Pedro-Pablo Kuczynski, John Williamson (2003) *After the Washington Consensus: Restoring Growth and Reform in Latin America* (Washington: IEE).

the 1970s; or the numerous and shifting alliances that the UK and USA have formed with a variety of regimes in the Middle East. The search for alternatives to neoliberalism can also result in some strange alliances – a form of ideational realpolitik. This is particularly the case for those on the left who are seeking alternatives to neoliberalism in the contemporary era, as the alternatives are often nationally based projects undertaken by governments that are often to the right of the political spectrum.

Interest in Listian state-led developmentalism is an exceptionally good example of the conundrum that a number of anti-capitalists face. On one hand, it is in Listian ideas, and in particular, their application in places like Germany and Japan that we see perhaps the strongest alternative to neoliberal prescriptions for growth and development. Moreover, List's critique of the political use of free trade agendas by the strong chimes with current understandings of the promotion of neoliberalism as a deliberate tactic by the powerful core states in the west to protect and promote their interests.

But on the other hand, List was above everything else a nationalist and not an internationalist. A nationalist who was committed to doing what he thought was best for what was to become modern Germany. Even though he cannot be blamed for what became of his ideas when put into practice in Germany, he was committed to the creation of a strong army and a strong states to defend the national interests in a hostile international environment. Moreover the national project was the end, and the

mobilisation of the people a means to that end. For Marx, List was “a true German philistine”¹⁸ who (at best) misunderstood Ricardo and the nature of labour:

Friedrich List has never been able to grasp the difference between labour as a producer of something useful, a use-value, and labour as a producer of exchange-value, a specific social form of wealth (since his mind being occupied with practical matters was not concerned with understanding)¹⁹

In short, the concentration on the nation resulted in workers being perceived of as units of production to be deployed and mobilised to provide surplus for the (German) bourgeoisie.

And it is not just in List himself that seekers for alternatives find their beliefs challenged. Where the ideas have been put into practice, this has typically been by authoritarian and even anti-democratic governments that organise workers behind a national project – often if not typically trampling over workers’ rights in the process. The alternative to neoliberal capitalism, then, appears to entail the use and abuse of the workers as a means of national generation both in (Listian) theory and in practice. In at least two cases (Germany and Japan), these developmental states have destabilised regional security and ultimately contributed to global warfare – not exactly the sort of regime supported by the left. Or as Ben Selwyn puts it in a recent article that explores the beliefs of adherents to Listian economics in more detail,

¹⁸ Karl Marx (1845) Unpublished Article on Friedrich List’s book: *Das Nationale System der Politischen Oekonomie* available at <http://www.marxists.org/archive/marx/works/1845/03/list.htm>

¹⁹ Karl Marx (1859) *Critique of Political Economy: Part I: The Commodity*, footnote 8.

There is, consequently, a disjuncture between the political regimes that neo-Listians aspire to (democratic and liberal) and those they assert are required for high-speed catch-up development (authoritarian)²⁰

In the following section, the analysis focuses on List's critique of Smith, the use of free trade as a political tool, and the origins of his statist response. The paper will return to the relationship between authoritarianism and (state-led) development in the concluding section.

The Political Economy of Friedrich List

If you search for mercantilism on google (or any other source) it is common to find List included as a classic example of a mercantilist thinker. But in many respects, this is a miscasting of his position. List did not want to return to the mercantilism that Adam Smith had attacked in "The Wealth of Nations". In the preface to "The National System of Political Economy" (1841), he responds to accusations that he is trying to revive mercantilism by arguing that

those who read my book will see that I have adopted in my theory merely the valuable parts of that much-decried system, whilst I have rejected what is false in it; that I have advocated those valuable parts on totally different grounds from those urged by the (so-called) mercantile school, namely, on the grounds of history and of nature

Indeed, though much of his work specifically focuses on what he sees to be the problems with Smith, he was in many ways an admirer. Smith, after all, had been the

²⁰ Ben Selwyn (2009) "An Historical Materialist Appraisal of Friedrich List and his Modern-Day Followers", *New Political Economy*, 14 (2):165.

first person to undertake a comprehensive study of this kind and was the originator of the science of political economy. Rather than simply reject Smith, he wanted to build on his ideas and take them further and in particular “politicise” what he thought was a purely economic approach that was not informed by the concrete political realities of the actual world. Mathematic theories require simplicity to work and in the case of Smith require a cosmopolitical perspective where individuals act within a single global economic entity.

For List this was all well and good in theory, but the reality of the actual world was rather different. In the real world, economies are “national” and government’s must decide what is best for the nation in competition with other rival national political economies – and what is best for the nation might not be what is best for individuals. Thus, for example, if the nation as a whole benefitted from the development of a canal system to build a national infrastructure, then this should be promoted (and funded) by the state even though the interests of some (for example, waggoners) would be harmed by this development. Quite simply the interests of the individual were less important than those of the nation, and the government had to intervene to guide and lead based on long term national interests - though not intervene in daily economic activity as over regulation was also seen as a problem for List. The key was strategic intervention.

For List, Smith had paid too much attention to exchange in his cosmopolitical world, and not enough to production. But in thinking about production, he went further than the mercantilist emphasis on “natural capital” (land, sea, rivers, mineral resources and so on) and included “material capital” (machines, tools and so on used in the

production process) and “mental capital” which included skills, training, and enterprise as well as the more traditional tools of state power (armies, naval power, and so on).²¹ A key role for governments was to consider what would create wealth in the future – how to support and promote scientific discoveries, advances in technology, improvements in transport, the provision of educational facilities and so on. It also entailed governments provided the environment within which these advancements could occur – most clearly through the maintenance of law and order. All other things being equal, the more time and money that any government devotes to mental capital, then the more successful the nation will be in the long run.

Free trade as tool of political power

But it is not just in developing national strength that economics was political. For List, the promotion of free trade was political in itself. For List, “the English were the greatest bullies and good-for-nothing characters in Europe”.²² Their supremacy as an industrial power put Britain in a position to exploit its comparative advantage through the promotion of free trade with those states/entities²³ that could not compete under free trade conditions. But where Britain did not have a comparative advantage it through away its laissez-faire ideology and instead resorted to high tariffs to defend domestic producers. As a result, German states had been unable to move forward and compete with the dominant powers. With the exception of Prussia

all the rest of Germany had for centuries been under the influence of free trade—that is to say, the whole world was free to export manufactured

²¹ David Levi-Faur (1997), ‘Friedrich List and the Political Economy of the Nation-State’, *Review of International Political Economy*, 4 (1), pp. 154–78.

²² Note that List always referred to England and the English rather than Britain or the British even though much of the theory and practice of free trade took place in and via Scotland. Friedrich List (1841) *The National System of Political Economy: Fourth Book, The Politics*, Chapter 33, available at <http://www.efm.bris.ac.uk/het/list/list4>

²³ Bearing in mind that the process of state formation in Europe was still unfolding.

products into Germany, while no one consented to admit German manufactured goods into other countries.²⁴

As a result, there was little to no evidence of the benefits of free trade as a means of promoting development

It cannot, however, be asserted that the predictions and the promises of the school about the great benefits of free trade have been verified by the experience of this country, for everywhere the movement was rather retrograde than progressive. Cities like Augsburg, Nürnberg, Mayence, Cologne, &c., numbered no more than a third or a fourth part of their former population, and wars were often wished for merely for the sake of getting rid of a valueless surplus of produce.²⁵

Rather, it was the lack of free trade that seemed to be most beneficial to German producers – most notably during the Napoleonic Continental System where a European blockade of British imports²⁶ created a space for domestic industries to grow where British imports had previously dominated. Though the end of the continental system in 1812-13 brought back a flood of cheap British goods into Europe, List was convinced about the benefits of a large internal unified market protected from more powerful competitors (and also convinced about the importance of a strong army and in particular a strong navy to support economic interests through military force).²⁷

²⁴ First Book, Chapter Seven.

²⁵ Ibid.

²⁶ Originally those territories under Napoleonic rule in 1806 but extended through the Treaty of Tilsit to Russia in 1807. The blockade included goods from the British colonies that had transited through Britain.

²⁷ List was also a proponent of strategic political and military alliances to counter the hegemon and potential future hegemons. Initially focussing on “England” he later came rather prophetically to see Russia and the USA as emerging forces, and even called for an Anglo-German alliance as a countervailing bloc.

Thus, the evidence pointed to the importance of protecting infant industries and the state led promotion of industrial innovation, transport and infrastructure, education and so on. The state also should provide stability and legality, and also invest in those harder military sources of power such (essentially armies). But this was not a rejection of trade per se. Rather, it was the promotion of delinking until the nation was able to compete on an equal footing with existing powers – or even better, to compete from a position of strength.

List and the American System: The First Washington Consensus

In addition to being a theorist, List was also politically active as a proponent of a unified German state. List was imprisoned and then exiled for his political views (under the guise of corruption) in 1825, and it was in the USA that he found new evidence to support his emerging ideas. List was particularly impressed by the “American System” promoted by John Quincy Adams and Henry Clay. This “system” entailed the creation of a national bank and sovereign credit to enable the government to guide development; the active promotion of agriculture, industry and science to integrate or “harmonize” them into a single economic structure; continental integration through government funded infrastructure developments; and high public land prices and external tariffs (notably the “Abominable Tariff” of 1828) to raise income for government projects and also to protect domestic producers from competition from more developed states.

Moreover, the proponents of the American System shared the same view of the inequity of supposedly free trade and the importance of maintaining national political

perspectives in a competitive system of rival national states. The following quote is from Henry Clay's defence of the American System which had in his words created an "existing state of unparalleled prosperity" after proposals to replace it with a less protectionist policy in 1832. It is rather long, but worth repeating here as it has salience for contemporary debates over free trade and the neoliberal agenda:

When gentlemen have succeeded in their design of an immediate or gradual destruction of the American System, what is their substitute? Free trade! Free trade! The call for free trade, is as unavailing as the cry of a spoiled child, in its nurse's arms, for the moon or the stars that glitter in the firmament of heaven. It never has existed; it never will exist.....Gentlemen deceive themselves. It is not free trade that they are recommending to our acceptance. It is, in effect, the British colonial system that we are invited to adopt; and, if their policy prevail, it will lead substantially to the recolonization of these states, under the commercial dominion of Great Britain.²⁸

For Clay, the whole basis of taxation in the USA from 4 July 1789 apart from paying the debts incurred in wars was, in the words of the second ever statute of the USA is for "the encouragement and *protection* of manufactures" (emphasis added to original by Clay).²⁹

In the heading above I refer to the American system as the first Washington Consensus. This takes liberties with the definition of "consensus" as Clay and Adams faced constant criticisms from proponents of free trade. Yet within a very short period of time, this state-led American System transformed the country – in the words of the preamble to Clay's three day defence of the system on the US Senate Website:

²⁸ Henry Clay (1831) "The American System" in Wendy Wolff (ed) *The Senate 1789-1989: Classic Speeches 1830 - 1993 Vol III* (Washington: US Government Printing Office): 91.

²⁹ Ibid: 86.

Henry Clay's "American System," devised in the burst of nationalism that followed the War of 1812, remains one of the most historically significant examples of a government-sponsored program to harmonize and balance the nation's agriculture, commerce, and industry³⁰

Although he had a clear political purpose in lauding his own successes, Clay's summary of the achievements of the American System are impressive. Again, the quote is rather long, but as the speech was delivered over three days in Senate, then it seems quite apt to reproduce a long section of it here:

We behold cultivation extended, the arts flourishing, the face of the country improved, our people fully and profitably employed, and the public countenance exhibiting tranquillity, contentment and happiness. And, if we descend into particulars, we have the agreeable contemplation of a people out of debt; land rising slowly in value, but in a secure and salutary degree; a ready though not extravagant market for all the surplus production of our industry; innumerable flocks and herds browsing and gambolling on ten thousand hills and plains, covered with rich and verdant grasses; our cities expanded, and whole villages springing up, as it were, by enchantment; our exports and imports increased and increasing; our tonnage, foreign and coastwise, swelling an fully occupied; the rivers of our interior animated by the perpetual thunder and lightening of countless steamboats; the currency sound and abundant; the public debt of two wars nearly redeemed; and to crown it all, the public treasury overflowing, embarrassing Congress, not to

³⁰ http://www.senate.gov/artandhistory/history/common/generic/Speeches_ClayAmericanSystem.htm

find objects of taxation, but to select the objects which shall be liberated of the impost.³¹

Notably, while the American system overlapped with the establishment of the Zollverein, the German customs union advocated by List and others that did much to lay the foundation of the modern unified German state, it preceded the implementation of List's programme in a more systematic manner under Bismark by the best part of half a century. So we might suggest, then, that the USA was the first "Capitalist Developmental State". And just as the nascent American System played a key role in aiding development in the USA, so the Bismarkian project propelled Germany to centrality in Europe. This success subsequently influenced the ideas of Toshimichi Okubo, who placed "learning from Germany" at the heart of the renaissance of the post-Meiji Japanese economy (beyond his own truncated political career).³²

While somewhat modified by the experiences of the second world war and indeed the aftermath of the war, these ideas were again to play some part in influencing Japanese development from the 1960s, and subsequently the capitalist developmental states in East Asia in the 1970s and 80s.³³ Here, of course, state led development and protectionism was much aided by the geostrategic context of the Cold War which meant that the USA not only tolerated protectionism and state led development in Taiwan and South Korea, but largely funded it; partly through aid and military

³¹ Clay "The American System" op cit: 83-4.

³² Iwata Masukazu (1964) *Okubo Toshimichi: The Bismarck of Japan* (Berkeley: University of California Press).

³³ It might also be worth mentioning here that at various stages of the post WWII era, both the North Korean and Romanian economies were the fastest growing in the world and that the reconstruction of Europe owed more to planning than free markets.

protection, and partly through allowing unprecedented access to the US market without seeking reciprocal market access and liberalisation.³⁴

And the end of the Cold War helped the shift from geostrategic to a geo-economic agendas in shaping the nature of many sets of international relations – in particular (but not only) relations with the United States. The collapse of communist party rule across Europe also did much to undermine arguments for statist economic structures, and the transition from socialism in places like China gave further evidence to those who were seeking it that getting the market fundamentals right was the only way forward.

Towards Alternative Post-Crisis Modes of Governance

Having revisited, albeit it very briefly, these experiences of strong state led development, it is difficult to understand exactly why the Washington Consensus has become so dominant as a development model in the recent era. It might be fair to point out that state led development might have its limits – either the listian capitalist developmental state or indeed perhaps the socialist planning version of state led development. Indeed, List thought that it should indeed have its limits. And we can and indeed should debate the extent to which this development can occur without treating workers as cheap components in the unit of production to be mobilised manipulated and frequently be oppressed in the name of the national project. But as a prescription for initial industrialisation, for national construction (or reconstruction), and what Clay called the “harmonisation” of the national economy – for example, balancing agricultural and industrial development – and for planning for the future

³⁴ Bruce Cumings (1984) “The Origins and Development of the Northeast Asia Political Economy: Industrial Sectors, Product Cycles and Political Consequences”, *International Organization*, 38 Winter: 1 – 22.

through investment in “mental capital”, then strong state-led development seems to have much more to offer than the dominant orthodoxy suggests.

In searching for why this is the case, List gives us two possible suggestions. First, the scientific nature of the “project” and the separation of economics and political economy as two distinct and separate spheres of analysis. Mathematical based economic theories, as List argued, require simplicity and understandings about the nature of knowledge, rationality and decision makings that assume away the messy complexity of real political life. In short, they only work when politics is “discounted” – which is a bit of a problem when it comes to transferring theory to actuality.

Second, it’s difficult not to return to List’s idea of the promotion of free trade as a tool in the promotion of the national interest by the strong. On one level, we see the promotion of an extent of liberalisation overseas that is not countenanced for political reasons at home; to quote Clay one last time “freedom on one side and restrictions, prohibitions, and exclusions, on the other”.³⁵ On another, there is the idea that the already rich are trying to deny later developers the ability to do the same as they once did themselves – the idea that first Britain and later others “kick away the ladder” after they have used it to stop others following suit.³⁶

So we have a situation where the neoliberal model apparently not only failed to result in the expected development in the south, but also resulting in a catastrophic crisis in the north. Moreover, this crisis might well have been even worse if governments had not decided to put their neoliberal principles aside to first bail out failing companies

³⁵ Clay “The American System” op cit: 91.

³⁶ Selwyn “An Historical Materialist Appraisal”: 159, and Ha-Joon Chang (2002) *Kicking away the ladder? Economic Development in Historical Perspective* (London: Anthem).

and banks and second to pump enormous quantities of tax payers' money and national debt to prevent total collapse and to spur recovery.

We should acknowledge that the response to at least part of the Listian critique is not more of the state but less of it. As the Monterrey Consensus argued, the advanced economies need to practice what they preach and open their markets so that there is full and effective free trade rather than the partial freedoms that characterises the current global trading order. And this solution might entail an even stronger role for the global financial institutions than before the crisis – particularly a (re-constituted and reformed) WTO. It strikes me as somewhat ironic that the ultimate logical conclusion of the complaints of at least some anti-capitalist demonstrators who bemoan the duplicity and protectionism of the US and the EU is actually more and freer liberalisation rather than less of it.

But if we assume for a moment that the messy real world of politics will make such a transformation somewhat unlikely (and I'm aware that I am “discounting” here in the same way that I have accused others of so doing), is there a change in the dominant orthodoxy in the offing? And if there is, might this new orthodoxy become influenced by a Chinese mode or model of development and governance?

Plus ça change

First, we have to acknowledge that there are strong arguments to suggest that nothing much will change – or at least that things will change but the fundamental dominance of capitalism (if not neoliberalism) will remain in place. In the UK at least, those who failed to prevent or even see the crisis in the first place have been involved in a

concerted attempt to restore themselves and their reputation. This quote from a speech by the FSA's Jon Pain is typical of the type:

Much of our early effort was focused on restoring confidence in the financial system, rocked to its foundations by what, in retrospect, were serious mistakes by financial institutions, governments, central banks and regulators, including the FSA. We have subsequently played a leading role in helping shape the debate (through the Turner Review) on how the regulatory framework should be strengthened, and in some areas rebuilt, to avoid the likelihood of this financial crisis ever reoccurring. But though confidence is vital to the banking system, as a whole we needed to do more.... we have strengthened both specific institutions and the financial system as a whole, through bank recapitalisation and asset-protection schemes. And critical to the effective operation of the markets has been the additional central bank and Treasury funding schemes³⁷

In short, there is nothing fundamentally wrong with the system. In the short term, those in danger of collapse need to be bailed out by government intervention, but in the long term market fundamentals should be fully restored but this time with the instruments of regulation working properly (the same message that followed previous bank failures and “mini crises”).

Capitalism needs to be both facilitated and legitimated by government action. In large parts of the world, for a decade at least, the dictates of neo-liberalism placed an emphasis on governments undertaking liberalisation and deregulation – the process of facilitating. Now, with neo-liberalism challenged (to say the least), the task turns to

³⁷ Jon Pain (2009) “Mortgage Market Review and Regulation of Secured Lending” 1 July 2009 available at http://www.fsa.gov.uk/pages/Library/Communication/Speeches/2009/0701_jp.shtml

legitimation. Or put another way, there is a need to prevent a crisis *in* capitalism becoming a crisis *of* capitalism.

This might entail legitimating capitalism by re-writing the rules of the global economy at the global level – reforming the IMF, finding agreement at the WTO, *ad hoc* agreements at the G20 and so on. It will also play out at the national level, with different governments striving to show how they are defending the national interest in the face of global economic turmoil. And rejecting global neo-liberalism can actually legitimate domestic alternative forms of capitalism – forms that might be more regulated, which might have a greater role for the state and state owned enterprises, and that might promote the expansion of health education and welfare for the workers. But economic forms that are nevertheless designed to generate, appropriate and distribute surplus to the bourgeoisie.

Towards a Chinese mode of governance?

It might also be the case that national forms of capitalism are increasingly influenced by the Chinese experience – that we might move towards a Chinese mode of governance. I am not referring here to an increased Chinese influence in existing global institutions and/or emerging alternative forms of global regulation and interaction. In many respects, like the UN, the power structure of the Bretton Woods institutions reflects the balance of global power in 1944 more than the structure of today, and the case for an increased Chinese influence at this global level seems inarguable (and also for other “emerging powers” and those that are being asked to take an increasing role in funding the global institutions). Neither am I referring here to the promotion of a “different” Chinese mode of international relations (though this

does play some role as should become clear shortly). Rather, the focus here is simply on the ideational appeal of a Chinese “model” for other (later) developing states.

Is there a Chinese model?

Whether there really is something we can call a Chinese “model” is debatable. Is there something that we can characterise simply as the key elements of this model, something that is distinctly Chinese, and something that is transferable to other settings? Indeed, is there something that **SHOULD** be transferred? The truthful answer is that I am not sure – yet to be convinced one way or the other – and am interested to hear the views of others at this forum. But on balance I probably think that the idea of a model perhaps goes a tad too far. Thus, building on discussions with Zhang Xiaomin, I prefer the translation of 模式 in this context as “mode” rather than “model”, and thus the idea of a Chinese mode of governance rather than a Chinese model³⁸ or the concept of a 共识 popularised by Ramo.³⁹

Firstly, then, the problems in identifying the constituent elements model. Part of the problem here is the diversity within China itself. To talk of a single Chinese model misses the huge variety – the different models – of economic structures within China itself. The political economy of Zhejiang where small scale private industry dominated (until recently at least) within a strong political climate is rather different from the more mercantile political economies of Chongqing and Shanxi, which are different again from the Marxist-Maoist social norms of Henan.⁴⁰ Notably, even areas

³⁸ Email discussions with Zhang Xiaoming. See also Luo Jianbo and Zhang Xiaomin (2009) “China’s African Policy and its Soft Power”, AntePodium, <http://www.victoria.ac.nz/atp/articles/ArticlesWord/JianboXiaomin-2009.doc>.

³⁹ Joshua Ramo (2004) *The Beijing Consensus* Notes on the New Physics of Chinese Power (London: FPC).

⁴⁰ I am grateful to Wang Zhengyi for these comments and ideas.

that on the face of it seem very similar have adopted remarkably different development/growth strategies as shown by Linda Li in her study of Shanghai and Guangdong,⁴¹ and more recently by John Donaldson's study of Yunnan and Guizhou.⁴²

But perhaps this diversity itself is part and parcel of this mode of governance. For Yao Yang, getting the balance right between centre and provinces – particularly in the distribution of finances since 1994 – is an essential components of the China model. He also points to the significance of pragmatism 务实主义 in policy formation and above all else, the Chinese experiment seems to be just that – an experiment. For most observers, it is this experimentation and non ideological (perhaps even de-ideologised) commitment to doing whatever it takes to promote growth whilst maintaining political stability that is the defining hallmark of the Chinese mode of governance. Perhaps best defined by Heilman:

The key to understanding the adaptability of China's political economy over the last few decades lies in the unusual combination of extensive policy experimentation with long-term policy prioritization⁴³

Wang Shaoguang similarly argues that the lack of a single way of doing things in individual areas is one of the key strengths of policy reform in China; not just in the current era, but under Mao as well. But the key difference now from the Mao era is

⁴¹ Linda Li (1998) *Centre and Provinces: China 1978-1993: Power As Non-Zero-Sum Game* (Oxford: OUP).

⁴² John Donaldson (2009) "Why do Similar Areas Adopt Different Developmental Strategies? A study of two puzzling Chinese provinces" *Journal of Contemporary China*, 18 (60): 421-444

⁴³ Sebastian Heilmann (2009) "Maximum Tinkering under Uncertainty: Unorthodox Lessons from China", *Modern China*, 35 (4): 450. See also Sebastian Heilmann (2008) "Policy Experimentation in China's Economic Rise", *Studies of Comparative and International Development*, 43 (1): 1-26.

the much more open and plural political system that allows a variety of different voices and is unrestrained by being “politically correct”.⁴⁴

Crucially, these experiments have taken place “under regime continuity”⁴⁵ – but for Yao Yang a regime that has lost its previous ideological *raison d’être* and become a “disinterested” government (中性政府).⁴⁶ By “disinterested”. Yao Yang means a government that is not influenced by representing narrow sections of society, as is the case in populist regimes, but instead takes the long term perspective of what is best for the country.

This state led experimentation (or devolved state led experimentation) fits in with the perhaps more dominant and long-standing idea of the Chinese experience as characterised by “gradualism”. As Sun Liping argues, what this actually means in practice is open to debate, but what is clear is that this gradualism stands in stark contrast to the “shock therapy”⁴⁷ than was not only the prescribed policy of choice of the global neoliberal institutions, but also the main *modus operandi* in the transition from socialism elsewhere.

And crucially, this gradualism means that state remains a powerful force within the domestic political economy, not only protecting key sectors and potentially vulnerable

⁴⁴ Shaoguang Wang (2009) “Adapting by Learning: The Evolution of China's Rural Health Care Financing” *Modern China* 35 (4) 370-404.

⁴⁵ Sun Liping (2008) “Societal Transition” 88-113.

⁴⁶ The fourth element is a new road to democratisation. See Yao Yang (2008)

“是否存在一个中国模式?” Tianyi jiangtang, Ningbo Library, March 8, available at www.ccer.pku.edu.cn/download/8912-1.doc. The translation of 中性政府 as “disinterested” is Yao Yang’s own preferred translation in private email communication with the author.

⁴⁷ Sun Liping (2008) “Societal Transition: New Issues in the Field of the Sociology of Development” *Modern China*, 34 (1): 106-7.

producers but promoting key national projects including the outward promotion of Chinese economic interests under the banner of 走出去. And perhaps another broad characteristic of the Chinese mode is a ‘managed’ process of re-engagement with the global economy or a state-led engagement of globalisation with a “nationalist tinge”.⁴⁸ In economic terms, then, we see relatively strong state control and/or national ownership of key sectors and direct global interactions to serve the perceived ‘national interest’; or globalising on your own terms rather than somebody else’s.⁴⁹

China as Model or China as Metaphor

The extent to which this is a Chinese mode rather than a Chinese variant of existing strong state models is open to question. Much of the debate over the nature (or existence) of a Chinese model seems to stress the importance of the uniqueness of the Chinese experience. If there is a “model”, it is one that by definition is not transferable – or not something that can be transplanted wholesale from the Chinese context to other developing states. Rather the single most important lesson that China provides for other developing states is “start from national conditions, take your own road”从国情出发，走自己的路。⁵⁰

Indeed, one of the major criticisms of neoliberalism and the Washington Consensus is the attempt to impose a “one size fits all” solution on countries with different structures and systems and different needs. Shen Li and Bai Shunying argue that although developed nations are all “market economies” the nature of these market economies are not identical – they emerged in different ways because of the different

⁴⁸ Tian Yu Cao (2005) “Conclusion: The Theory and Practice of the Chinese Model” in Tan Yu Cao (ed) *The Chinese Model of Modern Development* (London: Routledge): 303.

⁴⁹ I am grateful to Greg Felker for discussions that clarified the nature of this attraction and its difference from other sources of soft power.

⁵⁰ Shen Li and Bai Qunying (2006) “Analysis of China’s Economic Model (*jiedu zhongguo jingji moshi* 解读中国经济模式)” *Guangming Ribao*, 15 May 2006

conditions and resources of each nation; for example, the evolution of German and Japanese capitalism and market economies being very different from the American experience. Diversity is right and natural – the attempt to impose uniformity and “indiscriminately copy another country’s model” is the problem. For example, the Latin American economic crisis has its roots in the emulation of the “Washington Consensus” model of free-market capitalism, rather than seeking development trajectories that suited the concrete circumstances of each Latin American state.⁵¹

But while the Chinese experience is clearly unique, drawing from a specific and particular set of circumstances, is it uniquely unique? The similarity to the authoritarian economic growth that occurred in other parts of Asia in previous decades led Peerenboom to call his chapter on the Chinese developmental model, ‘Déjà vu all over again’.⁵² In taking apart what he called the “myth of the Beijing Consensus”, Scott Kennedy argues that:

the intellectual source for most of China’s economic reforms has been the experiences of other countries, and China’s experts and officials have closely examined and borrowed from elsewhere. Ramo would have been closer to the mark if he said China was following in the footsteps of other developmental states⁵³

The idea of the “relative state autonomy” of bureaucrats in developmental states in East Asia also sounds rather similar to the idea of a pragmatic and “disinterested”

⁵¹ Ibid.

⁵² Randall Peerenboom (2008) *China Modernizes: Threat to the West or Model for the Rest?* (Oxford: OUP).

⁵³ Scott Kennedy (2008) “The Myth of the Beijing Consensus” Prepared for the conference, “‘Washington Consensus’ Versus ‘Beijing Consensus’: Sustainability of China’s Development Model,” National Taiwan University Center for China Studies and University of Denver Center for China-US Cooperation, Denver, Colorado, May 30- 31, 2008.
<http://www.indiana.edu/~rccpb/Myth%20Paper%20May%2008.pdf>: 14

government doing what is best for the country in the long term; indeed, it sounds rather similar to List's argument about the role of governments imposing national economic interests over those of individuals.

To be sure, there are many differences. The level of direct state control is probably stronger in China today than it was in South Korea for example, where the chaebols created an extra level or layer of authority between state and market. History matters, and China's history is obviously its own and by definition unique. The global context is also important and much changed from the Cold War for example. And of course the sheer size and scale of China marks it out as being different from anything we have seen before.

Nevertheless, I suggest that the specifics of what has happened in China and how it differs from previous (or even contemporaneous) strong state developmentalism is in many ways irrelevant. To be sure, there are things that can be learned from studying the specifics of the Chinese case, and indeed, there are now increased mechanisms for studying the Chinese way that might in the long run make the Chinese experience more of a model that can be implemented elsewhere.⁵⁴ Equally unimportant are the problems that China now faces as a result of the push for growth to date; environmental issues, inequality, corruption, unbalanced development and so on (an issue we will return to in the conclusion).

In many respects, these nuances are less important than the reality that others construct for their own purpose – the “ideal” image of China as “alternative” for those

⁵⁴ Luo and Zhang “China's African Policy” *op cit*.

who want it to fulfil a specific role in (often domestic) political discourses, irrespective of what that Chinese alternative actually is. And there are perhaps three different levels of the importance of China as alternative here.

The first level is the idea of China as metaphor for rapid economic growth without political liberalisation. Here, the economic context is less important than the maintenance of single party rule, and this is particularly salient in those parts of the world where authoritarian regimes are under pressure to not only economically, but also politically liberalise. The second is China as actual alternative – China as an alternative economic partner that is happy to deal with other countries with no democratising strings attached. Here, what China is or might be is less important than the space it gives others through being an alternative source of investment and/or an alternative market to develop their own indigenous strategies free from the imposition of liberalising conditionalities by the dominant Western powers. Of course, active Chinese policy helps in the promotion of the idea of China as alternative here – through the cancelling of debt, through the treatment of African states as partners and through the promotion of the idea of China as a different type of international actor to those in the West. If you like, when compared to the activities and objectives of the European colonial powers, and the later activities of the US (and the SU during the Cold War), China is an ‘uber-responsible’ great power. But in general, what makes the Chinese option attractive is not so much a Chinese ‘model’ but the lack of projection of any model.

The third level is the simple idea of China doing things its own way and not adhering to neoliberal prescriptions is enough in itself. It shows others that you can do things

your own way and achieve great successes – its not necessarily the model that is important here but the above mentioned argument that each country should do what works best for it. As such, it doesn't matter what the 'Beijing Consensus' or the 'Chinese Model' contain in detail as the terms are more potent as metaphors for the idea that there is an alternative to the western way of doing things and western preferences. The simple vision of China as an independent rising power is important in itself⁵⁵. But more important, "the economic success of China's strategy has relegitimised the state as a critical actor".⁵⁶ What specifically the state has done, then, is perhaps less important than the fact that the state led project in China seems to have been so successful. In the wake of the delegitimisation of state-led development in the wake of the Asian financial crisis and the decline of communist party rule in most parts of the world, China refocuses our attention on alternative modes of growth (if not development).

What China is, and what China might be

The promotion of the idea of China as different seems partly to be inspired by an attempt to show how existing theories and approaches to politics and international relations simply cannot predict how China will behave as a rising power. Such a project inevitably entails the creation and depiction of the "other" that China is different from. Thus, a form of Occidentalism appears to be occurring where the West becomes the benchmark of everything that China is not.

⁵⁵ Jennifer Cooke (2009) "China's Soft Power in Africa" in Carola McGiffert *Chinese Soft Power and its Implications for the United States: Competition and Cooperation in the Developing World* (Washington DC: Center for Strategic and International Studies): 27-44

⁵⁶ Eva Paus, Penelope Prime and Jon Western (2009) "China Rising: A Global Transformation?" in Eva Paus, Penelope Prime and Jon Western (eds) *Global Giant: Is China Changing the Rules of the Game* (Basingstoke: Palgrave): 17.

Thus, we see the promotion of a China that is not seeking to impose its world view on others, and a power that thinks that each country is free to do what it wants within its own sovereign territory; and by explicitly promoting China's position in opposition to those who promote normative positions, this anti-normative stance becomes something of a normative position in itself. Its preferred world order is one that allows for plurality and democracy built on China's historical cultural predilection for harmony, virtue and society. Again, this world order is deliberately promoted as being the polar opposite of that favoured by the interventionist unilateralist West with its emphasis on materialistic individualistic goals.

The suggestion in this paper, is that China's economic mode at least not only has much in common with the basic fundamentals of developmental statism in east Asia, but also with the basis of original industrialisation and nation building in Germany, the USA and elsewhere. In this context, the surprise is not that China has grown in the way that it has; the real surprise is that neoliberalism came to be so ideationally dominant. As such, rather than focus on the specifics of the Chinese example per se, perhaps in the long run China's biggest impact in terms of governance (domestic and global) is to re-ignite the debate and refocus attention on alternatives to the Washington Consensus.

It is not my intention here to discuss the future in any detail – not least because it is far too soon to know what the impact of the global crisis will be on the long term development trajectory in China. Evidence to date points to the success of the stimulation package and bank spending in spurring a rapid recovery, but whether this will be either sustainable and/or at the cost of longer term distortions is as yet unclear

(and un-provable). The need to move the balance from exports to domestic consumption as a source of growth seems more urgent – but making such a transition also appears to be far from easy.

The desire to make such a transition predates the current global crisis. Indeed, it is interesting to note that external interest in the global influence of the Chinese way seems to have increased at the same time as some in China have questioned its long term sustainability and suitability. From the Autumn of 2004 in particular, China's leaders seem to have been pushing for new balances and transitions to solve the “problems” generated to date. In short, there has been an attempt to move from a “growth” driven to “developmental” paradigm aimed at dealing with pressing environmental issues and the growing strains on social stability (not least the growth of inequality and corruption).

After the 1997 financial crisis, I wrote a paper suggesting that China was becoming too dependent on foreign investment and external export markets as a source of growth, and that the pattern of growth needed to be restructured and rebalanced to place a greater emphasis on domestic consumption.⁵⁷ The need for such a re-balancing was also part of this change in emphasis even before the current crisis re-affirmed the potential dangers of export led growth in a volatile global economy. What is more, the political model also seems to be in need of a systematic change, with China's leaders pushing for the party-state to re-engage with the population, getting rid of corruption, and ensuring that single party rule “serves the people”

⁵⁷ Shaun Breslin, “The Politics of Chinese Trade and the Asian Financial Crises: Questioning the Wisdom of Export Led Growth” in *Third World Quarterly* 20 (6) Dec 1999: 1179-1199.

(rather than just serving party-state officials and their allies).⁵⁸ The aim, then, is to democratise single party rule with democracy defined here as providing new ways for interest articulation, and increasing accountability, transparency and certainty through the extension of *fazhi* 法治.

So, like other state-led Listian projects before it, the Chinese experience has not been cost-free. In particular, the extent to which growth has been built on the utilisation of (cheap) labour as a means of production has been the source of considerable debate. And in some respects, perhaps the true test of the long term appeal and applicability of the Chinese experience will be whether the first stage of developmentalism that generated such impressive growth but also the myriad and well documented dysfunctional outcomes can be successfully transformed into a second more sustainable and more democratic developmental phase. If it can, then the Chinese case will certainly move into a new realm of agenda setting and even more fundamentally challenge the dominance of existing norms of governance than the “Listian Capitalist Developmental Statism with Chinese characteristics” has already done to date.

Conclusions

The basic argument in this paper is that state led approaches to development have been much more influential than the dominant orthodoxy – both before and apparently even after the global crisis – would seem to suggest. Indeed, when viewed through a historical lens, what has happened recently in China has clear parallels with actual

⁵⁸ Shaun Breslin, “China: Democratising One Party Rule?”, Fundación para las Relaciones Internacionales y el Diálogo Exterior Working Paper, September 2008. Available at <http://www.fride.org/publication/486/china-democratising-one-party-rule>

experiences of development in Europe, the USA and East Asia (as opposed to theoretical prescriptions for development).

At best, then, the prescriptions of the Washington Consensus seem to be ahistorical and based on theoretical assumptions about the nature of economic activity that assume away or “discount” politics in the real world. At worst, they seem to represent an attempt to stop others emulating the experience of the first (and later) generations of developmental states, that did not themselves accede to the principles of free trade that they now espouse; and indeed, in many cases still do not accede to. As such, the neoliberal project can be seen as a misguided attempt to impose theoretical clarity on what does not exist in reality, and/or the dominance of economic (mathematical) models in contemporary debates. Or maybe the promotion of these models is part of a wider process of norm location designed to promote the interests of some in the developed world. And despite the tendency to “nationalise” the debate in international relations and talk of strong states and weak states etc, it is important to acknowledge that what the USA or the UK does is not in the interests of all the people of those states, but represents the interests of specific groups – indeed, dare we use the word “classes” – within those states.

From this perspective, what has happened in China does not seem particularly remarkable at all. Although we can argue over the specifics, the Chinese experience broadly conforms with a state led growth project that places the national project at the centre of policy, and which points to the importance of (in the words of the second statute of the USA) “the encouragement and protection of” economic activity by a strong state, using a central financial institution and a form of (at least) soft planning

as the means of national construction and economic development. From such a historical viewpoint, focussing in on the Chinese example is important, but not enough in itself as it gives only a partial view of developmental processes that have been at the heart of (initial) industrialisation strategies since at least the 1820s (and in the case of the UK, even earlier). But the focus on China is entirely understandable – it is the most recent and in terms of GDP growth the most successfully sustained example of such state led development. As a result, perhaps the most significant role that China plays as the world rethinks modes of governance is reminding us once again of the “success” of alternatives to the neoliberal project. That China is prepared to engage other states in a way that is rather different from Western states only serves to enhance the idea of China as “alternative” – a project that is ably supported by the concerted efforts of the Chinese state to promote itself as “different”.

For those on the left in the west, the “success” of China can be confusing. On the one had, the extent and growth of inequality and environmental degradation point to generic problems of capital accumulation that are “growth” rather than “people” centred. The extent to which the Chinese “miracle” has been at least in part built on the mobilisation and utilisation of Chinese workers as part of the (lower) cost of production is also a factor that divides those who separate the outcome (growth) and the alternative (neoliberalism) from the way in which this “alternative” is achieved. In many respects, then, the task of identifying a real alternative – an alternative where the working classes are not exploited as means to the end of attaining other objectives built on conceptions of the “national interest” – are still hard to identify.

The Listian alternative might be preferable when compared to the neoliberal mainstream, but for a real and fundamental alternative to evolve that does not treat labour as part of production, then the focus on growth and GDPism as a measure of what constitutes “success” probably needs to be rethought. We might reject the idea of economics as individual in a cosmopolitical world and replace it with real world national/statist economics, but the next step is to recognise the class basis and bias of what List called the “National System of Political Economy” and think instead of radical alternatives that have people, not nations, at the core of their analysis.