



Book Review

The Global Rise of China. Alvin Y. So and Yin-wah Chu. 2016. Cambridge, UK: Polity Press. 242 pages, ISBN 978-0-7456-6474-3. Paper (\$22.95)

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The goal of the book is to account for the puzzling rise of China from a very poor country to one of the core economic powerhouses over the past forty years. This is certainly not the first book taking on this task. Alvin Y. So and Yin-wah Chu review three previous explanations: the world system explanation that attributes the rise of China to the emergence of a new international division of labor and the decline of the Cold War world order after the 1970s; the neoliberal explanation that highlights market forces and entrepreneurship; and, the social explanation that emphasizes the positive role of Chinese family and kinship patterns. After critically evaluating these explanations, So and Chu put forward a state-centric explanation and coin the term ‘state neoliberalism’ to capture the distinctive characteristics of China’s economic development.

The book’s central message is that the Chinese communist party-state has played an instrumental role in guiding and facilitating the country’s economic development, but a large dose of its policies are neoliberal in nature, such as deregulation, marketization, privatization, and the reduction of welfare support. The term of state neoliberalism is also intended to capture apparent contradictions in China’s post-socialist transformations. For example, the Chinese state adopted a neoliberal path of development while declaring its adherence to socialism. Over the past four decades, state-oriented and market-oriented policies often took turns predominating, giving rise to



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a unique version of gradualism in market transition. In addition, the decentralization of economic development in the country led to a bifurcation of the image of the state at the grassroots level, characterized by the benign central government and malign local governments.

So and Chu's formulation of state neoliberalism is an important contribution to the literature. In the 1980s and 1990s, many scholars fell into two opposing camps in theorizing the role of the state in economic development. The camp of neoliberal scholars sees the state as the source of inefficiencies and market distortions; thus, it advocates for a minimal state so as to more fully unleash the potential of market forces. The other camp highlights the enabling role of a developmental state in economic transformations, mainly based on the experiences of Japan and the East Asian Tiger economies. This developmental state camp argues that the intervention of the state in the economy is necessary in order to introduce new technologies and production lines for industrial upgrading in late-industrializing countries. As Amsden (1992) pointedly argued, the success of South Korea was due not to 'getting prices right' but to deliberately getting them wrong.

So and Chu's study of the rise of China takes us out of this impasse by demonstrating that while an interventionist state and neoliberal practices may be contradictory in theory, this is not necessarily so in reality. The 'success' of the neoliberal transformation in China (which is not a good outcome for the majority of Chinese people) has been dependent on an interventionist state. So and Chu limit their use of the term state neoliberalism to the case of China, but the term might be applicable to many other countries in which the state, either voluntarily or involuntarily, steps in and creates conditions for neoliberal restructuring. David Harvey has noted many divergences and contradictions between the neoliberal state in theory and that in practice. For example, "(in theory) the neoliberal state is expected to take a back seat and simply set the stage for market functions," but in practice it often intervenes to create "a good business environment climate and to behave as a competitive entity in global politics" (Harvey 2005: 79-80).

The substantive chapters of the book are grouped into two parts. The first part (chapters 2-4) traces critical historical turning points in the making of Chinese economic development miracle. So and Chu divide the history of communist China into six periods: 1949-78 (state socialism), 1978-89 (transition to state neoliberalism), 1989-92 (emergence of state neoliberalism), 1993-2003 (deepening of state neoliberalism), 2003-12 (consolidation of state neoliberalism), and after 2012 (departure from state neoliberalism?). The analysis in the book, however, is much less linear than this periodization might suggest. So and Chu argue that a key feature of China's transition to neoliberalism is its piecemeal changes and intervals of policy reversals, which have departed significantly from the 'shock therapy' approach adopted in the former Soviet Union and Eastern Europe.

There were two main periods of policy hesitations or reversals. After the protests leading to the Tiananmen Incident in 1989, the Chinese state introduced stopgap measures between 1989 and

1991 to resolve the problems arising from neoliberal reforms. In the period of 2003-12, the communist leadership vowed to promote balanced development, a new socialist countryside, and a harmonious society, and implemented a series of pro-peasant and pro-labor policies. These policies and measures, although unable to resolve the fundamental contradictions of state neoliberalism, appeared to stabilize and consolidate the power of the communist state. This departs from the popular market transition theory, which views China's post-1978 development as a linear process moving from socialism to a free market economy (also see Yasheng Huang [2008] for a critique of the linear analysis). So and Chu's analysis is akin to Karl Polanyi's framework of the double movement in that neoliberal marketization in China created acute social dislocations, which in turn triggered a backlash from society that forced the state to take measures to mitigate its negative social impacts. I find that So and Chu's explanation is more powerful than the market transition theory, as it sheds light on the complex interactions between the communist state and social forces.

The book joins a growing body of scholarship that recognizes the importance of the socialist period (1949-1978), thus departing from the popular view that dismisses the period as a total disaster. So and Chu argue that state socialism between 1949 and 1978 laid a solid foundation for the economic success of the neoliberal reform period. They cite data to show that China's GDP grew at an average annual rate of 7 percent between 1952 and 1978 while industry grew at about 11 percent a year between 1952 and 1976. In addition, state socialism built infrastructural and institutional foundations, including a party-state with high legitimacy, autonomy and capacity; millions of physical infrastructural projects (irrigation works in particular); an educated and healthy labor force; and, strong industrial sectors, including heavy industry and rural industry. That is to say, China's current economic miracle was built not in 40 years but in 70 years. This observation is of critical importance for our understanding of the rise of China. It not only keeps us from exaggerating the effects of the neoliberal reforms, but also enables us to discern the positive contributions of the Chinese revolution and socialist experiments, despite serious setbacks and sometimes disastrous outcomes during the socialist period.

Fortunately, there has been a growing consensus among scholars on the socialist era's achievements. Chris Bramall's *Chinese Economic Development* (2009) is perhaps the most comprehensive account of China's economic successes (and failures) in this period. Giovanni Arrighi (2007) and recently Ho-fung Hung (2015), both from a *longue durée* perspective, have also given positive assessments of social and economic development in socialist China. My own research found that the progress made in agriculture and rural industry between 1949 and 1978 reversed a declining trend that began in the mid-19th century and provided favorable conditions for later reforms to succeed (Zhan 2019).

Part II (chapters 4-8) examines how China has dealt with four development challenges in the course of pursuing state neoliberalism. These include the challenge of technological upgrading and moving up the value chain, the challenge of managing social conflicts, the challenge of environmental destruction, and the challenge of growing international tensions and disputes. This part offers a balanced view of China's achievements and challenges. It ascertains that state neoliberalism has caused serious social and environmental problems and that the global rise of China heightened international tensions. However, the authors also argue that the Chinese state has the capacity and means to deal with these problems and that to a certain degree it has been doing so successfully. Domestically, whether it can meet the challenges in the future depends on its abilities to continue the path of economic development while softening the structural contradictions inherent in state neoliberalism. Internationally, the future not only depends on whether China can deflect the suspicions over its rise but also on the reactions of other countries, particularly the United States. This part is also a useful source of information for non-specialists and students. The chapters review important works on each of the topics and organize the materials in a way that allows the reader to quickly grasp the key issues and debates.

The final issue is whether the China model can be replicated. So and Chu argue that the China model, if indeed there is one, is less an ideological set of policy prescriptions than a flexible process of adaptation in a rapidly changing capitalist world economy. That flexible process of adaptation is premised on a strong state. Unless other developing countries have a state as strong and autonomous as the Chinese communist party-state, they would not be able to replicate China's experience. Nevertheless, the Chinese case does hold implications for other countries. A useful insight that can be drawn from So and Chu's analysis is that the Chinese state has to some extent managed the Polanyian "double movement" well, as it periodically used stopgap measures and social programs to mitigate the worst impacts of high neoliberal growth. In the current era of rising social backlash against neoliberal globalization, how the state responds matters a great deal. The Chinese case may offer some useful lessons on how the state can implement a progressive agenda rather than use the social backlash to further heighten social tensions and conflicts. Overall, the book is an excellent contribution to the growing literature on China's successes and failures in the past forty years.

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