

CHINA: THE ECONOMIC MIRACLE



MASTER THESIS IN DEVELOPMENT & INTERNATIONAL RELATIONS

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Abstract

Since the transformation from planned economy to socialistic market economy, the Chinese economy has, within just three decades, grown far beyond anything ever seen. This thesis, 'China: The economic miracle', sets out to analyse which factors have contributed to the high economic growth in China since 1978 and if Good Governance was one of them.

The framework for this thesis' analysis of the high economic growth is based on the theory of the Capitalistic Developmental State, first coined in 1982 by the American author and professor Chalmers Johnson. Later, it was further developed by political economy and development scholars and theorists such as; Robert Wade, Alice Amsden and Adrian Leftwich on the Capitalistic Developmental States in Japan, Taiwan and South Korea. These were countries who all within a short timeframe experienced a rapid economic growth and where the state has played an important role in the growth. Today the rapid economic growth seen within these countries are often referred to as the East Asian miracle.

This thesis; 'China: The economic miracle', analyses through the use of six components; A developmental elite, relative autonomy, economic bureaucracy, a weak and subordinated civil society, effective management of non-state economic interests and repression, legitimacy and performance, coined from the theory of the Capitalist Developmental State, the factors that have contributed to the high economic growth in China since 1978. Furthermore, the thesis discusses the presence and role of good governance as a factor in the high economic growth, by refereeing to *'The Five Good Governance Principles'* created by Graham, Amos & Plumptre, but founded on the principles and concepts enunciated by the United Nations Development Programme.

The thesis concludes that the Chinese state played a very important role in the high economic growth, furthermore the repression of a weak civil society, relative autonomy and the legitimation through improved living standards were key factors to the growth. The state controls the private sector and foreign direct investments, has helped to adapt the transformation within these areas to the need of the Chinese market and the decades long continuing monopoly on power by the

CCP, without much opposition, has only strengthened the state decided strategy and future direction for the country. This thesis furthermore concludes that good governance has not been much of a factor that has contributed to the high economic growth in China since 1978, this is due to the lack of transparency and accountability, the high amount of corruption, lack of separation of powers within the rule of law and a very limited and controlled amount of freedom of speech, the press and assembly.

Key Words: China; High Economic Growth; Capitalist Developmental State; Good Governance.

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Chapter One: Introduction

Since the introduction of the first economic reforms in 1978, China has become the second largest economy in the world, only outdone by the United States of America. Its GDP rate in average within the last decades is among the highest measured in the world and the number of people living in absolute and relative poverty have decreased impressively. China has shifted from a mainly agrarian society to an industrial powerhouse.

The History of High Economic Growth in China

In the early 1950's plan economy was introduced in China. Inspired by the Soviet Union model, Mao Zedong excluded China from the out world, by severely limiting the import and export of goods. During 1950's and 1960's, campaigns such as the Great Leap Forward and movements like the Cultural Revolution took place and further isolated China. After the dead of Mao Zedong in 1976, the new Chinese leadership, with Deng Xiaoping as its paramount leader, emphasized the need for political and economic consolidation and in 1978 the 'reform and opening' policy was introduced, to increase economic growth and strengthen the power of the Chinese Communist Party (CCP). At the Third Plenum of the 11th Central Committee, in December 1978, Deng Xiaoping introduced the Four Modernisations, goals to strengthen the areas within agriculture, national defence, industry and science and technology (Chow, 2002 p. 128). Even though planned economy was fully intergraded at the time of the 'reform and opening' in 1978, the public sector remained relatively limited. Initial distortions and structural deficiencies affected the growth, but the economic reforms and the Four Modernisations benefited from the large rural workforce, that facilitated the recruitment of cheap labour, which was the foundation for the emerging industrial sector (Bertelsmann Stiftung, *China*, 2016, p. 3). During the period after 1978 and up until today, the Chinese leadership has experimented with economic reforms- and decentralisation. It has allowed some economic reform initiatives from lower administrative levels to be implemented locally; if they are successful, these local initiatives are at times adopted nationally (Bertelsmann Stiftung, *China*, 2016, p. 4). The Chinese economic system is today known as a socialist market economy. This has proven to be very important in maintaining the economic stability in China since 1978. During the reforms in China the de facto economic importance and the political appreciation of the continuing growing private sectors have increased steadily. The economic reforms have been accompanied by

an average yearly GDP growth rate of about 10% between the years 1978-2010, which is one of the fastest sustained expansion by a large economy in history (Bertelsmann Stiftung, China, 2016, p. 3-4), far surpassing other BRICS countries, such as India and Brazil. By 2015, China had reached all of the eight Millennium Development Goals, set out by the United Nations member states in 2000 (World Bank, 2016). Since 1978, the number of absolute poor has decreased by over 300 million and numbers from the World Bank suggest that the economic growth has help lifted more than 800 million people out of relative poverty (World Bank, 2016). As a result, the general living standards have significantly improved (Bertelsmann Stiftung, *China*, 2016, p. 4) However, during the period of high economic growth and as a consequence of it, problems with for example corruption and inequality have increased severely. Today China is ranked 83 out of 167 countries in the Corruption Perceptions Index (Transparency International, 2016), which compared to the other BRICS countries, except from Russia, is negative (Transparency International, 2016). Furthermore, China scored 42,1, (0.421 point) in the income Gini coefficient, which measures the deviation of the distribution of income among households or individuals on a scale from 0 (absolute equality) to 100 (absolute inequality) (UNDP, 2013). Which is worse than both India and Russia (UNDP, 2013). The move from planned economy to socialistic market economy, led to a change, that today, not only can be seen in China, but also globally. Especially after the accession to the World Trade Organisation (WTO), the large country in the east started to became the major international player it is today. But what was the main power behind the transition in China? Which factors have contributed to the high economic growth?

The role of Good Governance in Economic Growth

In 1989, the Washington Consensus was coined by the economist John Williamson, with support from the International Monetary Fund and the World Bank, as a reform package to developing countries, especially in Latin America. It consists of ten economic policy prescriptions to economic growth and is often closely associated with neoliberalism, due to its focus on for example free trade, minimum involvement from the state and privatization. Especially during the 1990's, the Washington Consensus was a synonym to the western and especially the American way of promoting economic growth (Marangos, 2008 p. 197). However, the success of the Washington Consensus was limited, one of the reasons for that seemed to be the weak institutions in developing

states. In the 1990's, the international donor community had to a large extent avoided the state and instead focused on decentralisation and the strengthening of non-state actors (Santiso, 2001 p. 15). In the *World Development Report* from 1997, published by the World Bank, the focus on the role of the state, started to slowly lead to a change in the international donor community. The important role of the state, not on the market, but in the economic management; appropriate legal and financial institutions, contract enforcement, establishing oversight bodies and guaranteeing property rights, meant that a strengthening of governance was needed and as a response to the bad governance that had taken place before, good governance was introduced as core countries answer to stronger institutions and better development in periphery and semi-periphery countries (Santiso, 2001 p. 15).

Good Governance started to emerge with the support from international organisations, such as; United Nations, the World Bank and the International Monetary Fund (IMF). It is about the best possible institutions and processes for making and implementing decisions, conducting public affairs and managing public resources. The concept, that is considered a key factor to development and economic growth by many international organisations, state leaders and NGO's worldwide, focuses on aspects such as; The rule of law, transparency, accountability, anti-corruption and participatory. However, the relationship between Good Governance and economic growth has been and continues to be widely discussed today. Some scholars and organisations stress the importance of the presence of Good Governance, while others have questioned the necessity of it in development and economic growth. In 1996, the Board of Governors of the IMF's policy making committee in their *Declaration on Partnership for Sustainable Global Growth* stressed the importance of;

'Promoting good governance in all its aspects, including by ensuring the rule of law, improving the efficiency and accountability of the public sector, and tackling corruption, as essential elements of a framework within which economies can prosper.' (International Monetary Fund, 1997)

The Board of Governors of the IMF's policy making committee, directly pointed to Good Governance as an essential element within which an economy can prosper. Therefore, if that is true, Good

Governance should be an essential factor that has contributed to the high economic growth in China. In 1998, former UN Secretary-General Kofi Annan was quoted saying;

“Good governance is perhaps the single most important factor in eradicating poverty and promoting development”. (United Nations, 1998)

If Good Governance is the single most important factor in eradicating poverty and promoting development, as Kofi Annan notes in his quote, it indirectly indicates, that it is an important factor in the economic growth in China, since the number of people living in absolute and relative poverty has decreased massively since the first reforms in 1978, essentially due to the high economic growth in the country. But what is the role of Good Governance in the Chinese economic growth? Is it a factor that has contributed to it since 1978?

Problem Formulation

The problem formulation for this thesis will on the basis of the above written be;

*‘Which factors have contributed to the high economic growth in China since 1978?
Is Good Governance one of them?’*

This thesis seeks to find out which factors have contributed to the high economic growth in China since 1978. It seeks to analyse these factors, through the use of the Capitalist Developmental State theory (CDS theory). This thesis does not seek to identify the general relationship between Good Governance and Economic Growth, it only seeks to identify the role and presence of Good Governance in China’s high economic growth and try to answer if it is a factor that has contributed to the economic transformation and growth, as the quotes from the IMF and UN Secretary-General Kofi Annan indirectly suggests?

Chapter Two: Method

Theory Selection

In order to answer the problem formulation, this thesis will use the CDS theory as the overall framework to analyse which factors have contributed to the high economic growth in China since 1978. The developmental Elite, Relative autonomy, Economic bureaucracy, Weak and subordinated civil society, Effective management of non-state economic interests and Repression, legitimacy and performance, will pose as the six components in the analysis. The Capitalist Developmental State (CDS) is known for its economic growth, Japan and South Korea are examples of countries that by having a developmental elite, relative autonomy etc. have experienced a high economic growth and rapid development. China has outdone both Japan and South Korea, when it comes to high economic growth, the country has today the second largest economy in the world only surpassed by the United States. The CDS theory has been chosen as the main theory in this thesis, because the transformation in China to a large extent is similar to that of Japan and South Korea in terms of a rapid and high economic growth.

The second part of the problem formulation for this thesis, focuses on the question of Good Governance as a factor that has contributed to the high economic growth in China since 1978. The theory of Good Governance has been chosen because it is associated with the quotes made in respectively, 1997 and 1998, by the International Monetary Fund and former United Nations Secretary-General Kofi Annan. It can therefore serve not only as a guidance to understand the meaning behind it, but also as a measure instalment to analyse the presence and role of it as a factor in China's high economic growth since 1978. The theory of Good Governance will serve mainly as the foundation for the discussion of the role and presence of it in China. However, throughout the analysis, several of the concepts within the theory of Good Governance will be used in parallel with the CDS theory to analyse which factors have contributed to the high economic growth in China. The majority of the concepts within the theory of Good Governance, which in this thesis is based on concepts enunciated by the United Nations Development Program, but grouped under five broader terms and referred to as '*The Five Principles of Good Governance*', by Graham, Amos & Plumptre (2003, p.3), will be the ones used both in the analysis and discussion to answer the second part of the problem formulation.

Source of Data

The data and sources used in this thesis are found in books, academic articles, acknowledge websites and through recognised organisations and institutions. The references used in Chapter three, on the CDS theory are all from books and academic articles written by theorists such as Chalmers Johnson, the first to really attest the strong role of the state and thereby coin the CDS theory as known today. References such as Adrian Leftwich, Alice Amsden and Robert Wade, known for their work on Developmental States like; South Korea and Taiwan are also included together with the work of other theorists who are specialised in the field of the role of CDSs. All of the sources in the theoretical section of this thesis on the CDS theory have been chosen because they're written by acknowledge theorists and pioneers within the field of developmental states and economic growth, which gives the work done in the books and academic articles a strong reliability and validity. The sources used in the section on the theory of Good Governance are based on the concepts enunciated by the United Nations Development Programme, this is done because these concepts, sometimes with a small variation, appear in a wide range of litterateur and therefore can be argued to have a claim to universal recognition.

The references in the analysis are found in various books, academic articles, acknowledge websites and through recognised organisations. Sources such as the World Bank and Transparency International who's statistics are used in this thesis on for example corruption, FDI and GDP have been chosen because they are huge international renowned organisations, who's work by many experts and scholars are considered to be at scientific standards, which legitimises their work and thereby the numbers used in this thesis. The use of literature from scholars like Daniel A. Bell, that through many years of living in China and teaching at the Tsinghua University in Beijing has obtained a wide knowledge on the transformation of China and sources from institutes such as the Pew Research Center and The Jamestown Foundation that are known for their nonpartisan and reliability, has given the analysis and discussion in this thesis validation and depth.

All of the sources and references used throughout the thesis have been carefully chosen to ensure that both the theory, analysis, discussion and conclusion have a strong credibility and are a reflection of a wide reach of theorists, scholars, opinion holders, organisations and institutions

work, so that the thesis does not appear subjective, but embraces a more objective view on the topic of the factors that have contributed to the high economic growth in China since 1978.

Research Design

The thesis will start with an introduction and description of the two chosen theories; The CDS theory, which will serve as the main theory and framework in the thesis and the theory of Good Governance which will be included in the analysis and be the foundation for the discussion on the role and presence of it in the high economic growth in China since 1978. Following the section on theories, the thesis starts the analysis, which will focus on the six components mentioned earlier. The first section of the analysis focuses on the developmental elite and its role in the transition from plan economy to socialist marked economy and the high economic growth within China following the introduction of the first reforms in 1978. The second section looks at the relative autonomy of the Chinese state and the relationship between the State, State Owned Enterprises and Foreign Investors. The third section focuses on the economic bureaucracy, by analysing the role of the National Development and Reform Commission in China's high economic growth, this section will furthermore focus on the relationship between the National Development and Reform Commission and the state, plus the hard competition for entering positions within the economic bureaucracies. The fourth section in the analysis of the thesis focuses on the weak and subordinated civil society that often characterises CDSs. This section looks into civil and political rights such as the freedom of speech, press and association in China and analyse which affect the lack of it has had on the high economic growth. The fifth section will focus on the effective management of non-state economic interests, this section analyses the Chinese state's power in managing the private sector and foreign direct investments. The six and final section of the analysis focuses on repression, legitimacy and performance, one of the more negative features often shared by CDSs. This section will look at the social contract made between the Chinese population and the state and furthermore look into the concept corruption, the remerge of Confucianism and the Human Development Index. A short subsidiary conclusion follows the last section of the analysis to sum up the points made in it. As the introduction of this thesis has shown, international organisations such as the International Monetary Fund and United Nations have pointed to the importance of Good Governance as a factor within which economies can prosper and poverty eradicated. The second part of the problem formulation for this thesis

focuses on that; Good Governance as a factor in the economic growth in China. Throughout the analysis concepts associated with the theory of Good Governance is included, such as; Corruption, the Rule of law and Participation. These, together with other concepts are used in a discussion on the role and presence of Good Governance in China and to help answer the second part of the problem formulation; *'Is Good Governance one of the factors that has contributed to the high economic growth in China since 1978'*. The thesis ends with a conclusion that answers the problem formulation on the main factors that have contributed to the high economic growth in China and the presence and role of Good Governance. The conclusion is based on both the analysis and discussion.

Chapter Three: Theory

The idea that the state plays a leading role in economic growth is not new, nor is the idea of free market liberalisation as a necessity for the same growth a recent phenomenon. For decades, scholars and international organisation have argued for and against state involvement and free market liberalism in facilitating economic growth. Already in the middle of the twentieth century some development economists argued that an active state, that is involved and supportive in creating and regulating the economic environment is important for sustainable economic growth and industrialisation. However, in 1993, the World Bank published *'The East Asian Miracle'* Rapport, which was an attempt to explain East Asia's continuing rapid economic growth. In the rapport, the World Bank acknowledged that East Asian governments have intervened in the development of their countries knowledge-intensive industries and capital, but the rapport is critical towards a causal link between economic growth and government intervention and at the same time raises the question if other developing countries could implement the same system and policies as seen for example in South Korea and Taiwan and be successful in doing so (World Bank, 1993). The rapport from the World Bank had a neo-classical approach to the rapid economic growth in East Asia, by arguing that the high performing states in Asia, in order to secure high economic growth, had adopted market friendly policies and only intervened in cases of market failure.

Counterintuitive challenges to the neo-classical or neoliberal theory of free market liberalism in East Asia came with theorists such as Chalmers Johnson, Alice Amsden and Robert Wade, experts and writers on the developmental states in Japan, South Korea and Taiwan (Abe, 2006 p. 9). Their *Statist Approach* to explain the rapid economic growth in East Asia gave a different view on the factors contributing to it. Unlike the rapport from the World Bank, which had focused on the role and importance of the market in initiating economic growth, both Johnson, Amsden and Wade attributed factors behind the rapid economic growth in Japan, South Korea and Taiwan to be state-initiated rather than market-driven. Johnson saw four essential features of the developmental state; The existence of a small elite bureaucracy, a political system where the bureaucracy has the right to take the initiative and operate effectively and efficiently, the perfection of market conforming methods of state intervention at an economic level and a pilot agency (Jones, 2001 p.344). Because these East Asian states were late developers they could learn about effectively social systems and

technology from western earlier developers. However, the gap between the early developers in the western world and the late developers in East Asia meant that strategic planning and a huge amount of capital were needed, which the local capitals/ markets were not ready for, therefore the states had to direct the development. Furthermore, many of the states were formatted under antagonistic relationships with neighbouring states. Some of the today strong Asian states like; Japan, South Korea, Taiwan and Singapore were born out of the need for survival and they became a nationalistic project to secure their political and cultural identity and voice in the world. These states way of regaining control, after being occupied, defeated and expelled, came through industrialisation and economic growth (Abe, 2006 pp. 7-8). The statist approach to explain the rapid economic growth in East Asia defines the CDS as a state where a political elite aim at increasing the economic growth, both to develop nationally, but also to become competitive in the world economy, by giving power and authority to pilot agencies, with highly qualified teams, to formulate, plan and implement efficient policies. It is a state where close institutionalised links are created between the elite, institutions, bureaucracies and private sector, but also where the state intervenes in the market, but leaves space for activities of private enterprises (Öniş, 1991 p. 111). Johnson, Amsden and Wade saw in their analysis of CDSs, the states as governors of the market rather than laissez faire and passive, and unlike the World Bank rapport from 1993, both Johnson, Amsden and Wade acknowledged the causal link between state intervention and economic growth in the East Asian CDSs (Abe, 2006 p. 9).

As a more critical approach to the CDS, Adrian Leftwich, in his work, beside the elements; developmental elite, strong pilot agencies etc. which is also featured in the works of Johnson, Amsden and Wade, focuses more on weak and subordinated civil societies and soft authoritarianism as essential parts of CDSs (Lauridsen, 1995 pp. 29-30). Leftwich sees the existence of an imbalance within society in the CDS. On one side there is a powerful state, with a powerful bureaucracy, while there on the other side is a weak civil society which does not have any effective influence or power over the state and therefore is subordinated; unable to offer concerted resistance to the rise of the strong state (Bolesta, 2012 p.28). Unlike for example Johnson that relates the main success of the CDS on development policies and market regulation, Leftwich in his work attributes politics dominance as the main factor behind successful developmental states (Mathebula, 2016 p. 49).

Johnson in his work developed an almost institutionalist approach to understand the CDS. He debated that economic growth can be fruitful without a completely free market, when it is supported and guided by the state, which differentiates his belief from that of a neo-liberalists. Wade proposes almost the same; a 'guided market approach, where the state's intervention in the market is not unimportant, but where both market's dynamics and state's policies can positively affect the economic growth, while Leftwich goes further than Johnson and Wade, by arguing for the primacy of politics over economics, (Law, 2009 p.259).

The analysis in this thesis includes the more critical approach to the CDS where there will be focused on politics dominance and soft authoritarianism. However as previously mentioned; CDSs theorists such as Leftwich, Amsden, Wade and Johnson agree on numerous factors associated with the CDS, such as powerful, competent and professional economic bureaucracies, relative autonomy and a developmental elite, the statist approach will therefore naturally be dominant throughout the analysis.

The Capitalist Developmental State Theory

The CDS theory is based on the role of the state in facilitating the structural transition from a primitive to modern society. The CDS is the social engineering role, that promotes long-term industrial development. Often the acceleration of economic growth, which is the precondition for structural transition, is founded on the emergence of an agricultural surplus, that then can be transferred and used in the emerging modern sector.

The theory, as known today, originated in 1982, when Chalmers Johnson attested the strong role of the state in the economic growth of Japan. Since then, the theory has spread across especially East and Southeast Asia. In his work, Johnson distinguished the 'plan rational' state from the 'regulatory orientation' state (typical liberal-democratic or social-democratic states). The 'plan rational' state, the CDS, is known for the intimacy of its relationship with the private sector, and the intensity of its involvement in the market (Johnson, 1981 p. 9-10). The CDS is preeminent in setting up substantive social and economic goals, which it requires the private sector to meet, whereas the 'regulatory state', liberal-democratic or social democratic states, establishes the framework for components of the sector to set their own goals. Furthermore, the CDS is known for the power and autonomy of its

elite bureaucracy, that rather than the politico-legislative elite makes the main agreed policy goals, in key ministries (Johnson, 1981 p. 12).

Today, there is no agreement over what is precisely meant with the CDS. There have been valuable interpretations of the CDS, by theorists such as; Johnson, Evans, Wade and Amsden. However, in 1995, Adrian Leftwich, in order to create a model of the CDS, generalised across different countries and CDS theorists, and identified six major components, that often characterises these CDSs that are known for their high economic growth. The six components will be the foundation for the analysis of which factors contributed to the high economic growth in China.

The following part of the thesis describes the CDS's six components in depth;

The Developmental Elite

CDSs are more than often distinguished by their developmental elites. The core elite is often associated with a small group of developmentally determined senior politicians and bureaucrats, with a close relationship to the executive head of government, who is instrumental in establishing the developmental regime and its culture. The core policy circles around the leadership is often quite small, this is done to maintain the coherence of the coalition supporting the elite, which is crucial for the continuity of these developmental states (Leftwich, 1995 p. 405).

A striking feature of these elites in CDSs are the intimacy and linkage of their bureaucratic and political components. Dense traffic between the high political office and senior levels of the civil and military bureaucracy is particularly known in CDSs. Which means that the bureaucracy has an authoritative and pivotal influence in making developmental policy. Developmental elites are not monolithic entities; they are often shifting coalitions of diverse interests. Socio-economic change has diversified the structure of interests, ideas, societies and institutions and all CDSs experiences intra-elite political and policy conflicts (Leftwich, 1995 p. 405-406; as cited in Johnson, 1981 p. 44-48).

Corruption is difficult to identify, define and measure comparatively, but according to the CDS theory, CDSs are not immune from it. When economies grow rapidly, the wealth generated creates huge temptations, and in countries where the role of the state in the economic life is deeply embedded, the temptation might be even bigger. CDSs such as Thailand and Indonesia are examples of countries that have experienced a high level of corruption, however, generally, developmental state elites have been relatively non-corrupt compared to other developing countries. CDSs have not exhibited the 'sultanism' of many African countries, nor do they manifest the pervasive and corrosive patrimonialism of non-CDSs, often characterised by chronic political instability, endemic poverty and economic stagnation (Leftwich, 1995 p. 407).

Relative Autonomy

Another aspect of the CDS is the relative autonomy of the state institutions and elites (Reuschemeyer and Evers, 1985, p. 48-49). The relative state autonomy varies from state to state, but it is common in all CDSs (Mackie, 1988 p. 295). Autonomy is defined as when the state has achieved relative independence or insulation from special interests and it overrides these interests in the putative national interest (Nordlinger, 1987 p. 361). It does not mean that special interests do not benefit from developmental strategies pursued by the state and in some CDSs, such as Thailand and Indonesia, the state has been less autonomous and more open to pressure from vested interests, than other CDSs, like South Korea or Singapore (Leftwich, 1995 p. 408 as cited in; Crouch, 1984; Cone, 1988 pp. 252-268). Autonomy, in the context of CDSs does not mean isolation, but more 'embedded autonomy', meaning that despite the power and autonomy of the state bureaucracies, they are embedded in a progressively dense web of ties, including non-state and other internal and external state actors, through which the state is able to coordinate both the economy and implement developmental objectives (Leftwich, 1995 p. 408 as cited in; Johnson, 1981 p. 13; Evans, 1989 pp. 575-81; Öniş, 1991 pp. 123-124; Weiss and Hobson, 1994, Ch.1). Commonly for CDSs are also the primordial association between the development of military capacity and the autonomy and power of the CDS (Burmeister, 1986 p. 122), this has to do with the states need to respond to regional competition and external threats (Leftwich, 1995 p. 408 as cited in; Migdal, 1988 p.269-277) an example of this is South Korea's fiercely nationalistic and competitive struggles with North Korea (McVey, 1992 p. 28).

In states that are or were known as non-democratic CDSs, the single major political source of relative state autonomy is the seizure of state power, either from below or above, by a modernising developmental elite. In South Korea this was General Park Chung Hee's coup in 1961. Many of these takeovers or seizure of state power have been followed by the, often brutal, elimination, marginalisation or subordination of political groups, organisations or socio-economic classes, who have previously enjoyed wealth and power, but are now seen as a threat to sabotage the new regime and its developmental purposes. This was for example seen in Indonesia between October 1965 and January 1966, where over 250.000 supporters of the Indonesian Communist Party were physically annihilated, by the army (Leftwich, 1995 p. 409 as cited in; Anderson, 1983; 1993 p. 5). In the process youth, labour, student and peasant organisations were suppressed, restricted or co-opted as functional elements of the ruling party GOLKAR (Leftwich, 1995 p. 410 as cited in; Emmerson, 1978 p. 90-100; Robinson, 1985). In CDSs, such as Malaysia and Singapore, the autonomy on the other hand appears in large measure to have been a function of the dominance of a single party. In Malaysia, the UMNO has been the controlling dominant in the Barisan Nasional. The party's commitment to secure Malay hegemony in the state and to promote Malay interest has been the basis of its dominance. This has, to this day, given the leadership of the party UMNO and the Barisan Nasional both the power and autonomy to take all major policy decisions in conjunction with senior levels of the predominantly Malay bureaucracy, which has left the parliament and public debate without any significant role (Leftwich, 1995 p. 410 as cited in; Means, 1976 pp. 441-443; Puthuchery, 1978 pp. 40-44; Ahmad, 1989).

In some of these states the internal autonomy has been strengthened furthermore, because of the inflow of large amounts of state-directed private investment capital, foreign aid and loans, which has reduced governments dependence on local generated revenue capital, this has been seen in both South Korea, Thailand and Indonesia (Leftwich, 1995 p. 411).

Economic Bureaucracy

CDSs economic coordination and development are managed by specific institutions, whose main job are to organise the critical interactions between the state and economy, beyond what a typical economic or finance institution does. Great examples of this are the Japanese Ministry of International trade and the three key agencies in Taiwan; The Council for Economic Planning and

Development, the Industrial Development Bureau and the Council for Agricultural Planning and development (Wade, 1990 p. 196). The economic bureaucracies are the core centres of the strategic economic directions in CDSs, Johnson in 1982, described these as 'pilot agencies' (Johnson, 1982 p. 26). The difference between the economic high commands that are seen in CDSs and the planning institutions in many other developing countries are their real power, technical competence, authority and insulation in shaping development policy. Some of these economic bureaucracies have not or are not accountable to Parliament, but are highly politically supported, especially in one-party states, where they have been central in shaping development policy and thereby managing growth. For example, this is seen in Singapore where the core economic bureaucracy, the Economic Development Board, which was established in 1961, is not accountable to parliament, but continues to be very central in shaping the developing and growth that is seen in Singapore (Haggard, 1990 pp. 113-114). In some CDSs, such as Indonesia and Thailand, the compactness, unity, efficacy and power of the economic bureaucracies seem to have been less, in this respect, both countries distance themselves from the pure model of the CDS. One of the reasons for the failure to develop the same strong economic bureaucracy in Thailand, as seen in other CDSs has been competing bureaucratic business factions, popular pressure, divisions in the military and alternating civilian and military rules (Leftwich, 1995 p. 413 as cited in; Couch 1984; Cone, 1988 pp252-268).

An important feature of these essential bureaucracies are their technical competence (Leftwich, 1995 p. 413 as cited in; Amsden, 1985 p. 83; Johnson, 1987 p. 152; Evans, 1989 p.p. 573-574; Wade, 1990 pp. 217-224; Öniş, 1991 p. 114; Charlton, 1991 p. 82). Many of the officials in these institutions, in CDSs, for example in Thailand, have received advanced training in foreign countries (Girling, 1981 p. 82). Many of these well educated people have a large influence in shaping the modernising objectives of the political leadership in the CDSs and have, therefore, had an active part in defining the developmental consensus over time. The competition to enter positions within these ministries and institutions are hard and only the best educated and loyal ones are chosen, which gives great prospects for a future career for the candidates, both inside and later outside the bureaucracies (Johnson, 1982 p. 21).

Weak and Subordinated Civil Society

CDSs are known for not leaving space for organisations such as labour unions, non-profit organisations, independent media etc. They generally operate in social contexts where civil society, privately organised interests and groups, above family level, and below state level, are crushed or weak especially in the formative years (Rueschemeyer et al., 1992 p. 6). More than often CDSs are strong states, with much infrastructural power, which they can use to penetrate and centrally coordinate the activities of civil society (Mann, 1986 p. 114), they are states that are not threatened by other 'rule-making' organisations, that tries to claim control over certain groups and challenges the pre- eminence of the state (Migdal, 1987 p. 401). To bolstering the state and control civil society, the use of internal security legislation and agencies, party organisations and secret police are often standard practice. It is common that mass media and labour organisations are being strictly controlled. The weak civil society that CDSs are known for, especially in the formative years, are often a result of a direct attack upon it, like it was seen in Indonesia between October 1965 and January 1966, where the opposition parties were effectively eliminated (Cotton, 1992 p. 523-524). Socio-economic class formation and differentiation is the typical medium for the growth and emergence of an active civil society. Generally, this is limited, especially in the early years of CDSs, where it is not abnormal that certain organisations are ignored in favour of new ones, sponsored and supported by the state. In South Korea, the weakness of the social class was the condition for the emergence of the CDS. Here the working class was small, the aristocracy had been dissolved by land reform and the capitalist class was heavy dependent on the state (Amsden, 1989 p. 52).

The general weakness and control of civil society are a general condition for the constitution and continuity of CDSs. However, the economic success of the CDSs has promoted the re-emergence and growth of a potentially active civil society. Expanding educational provision, rising levels of consumption, participation in modern economic life, strengthening of the organisations of both labour and capital etc. have all been achievements of the CDS. The success of the CDS has meant that demands from civil society has emerged and in some CDSs helped stimulate the demand for greater individual liberty, the establishment or extension of democracy and decentralised decision-making. Many CDSs, such as South Korea, Indonesia and Thailand are at different levels of these

demands at the moment, but it grows the question of the future of the CDS and the role of civil society in it (Leftwich, 1995 p. 416).

Effective Management of Non-State Economic Interests

CDSs are often actively influence their trade balance; with measures such as bans on import of specific goods or foreign travel. Furthermore, CDSs, at least in their first years, exercise a great deal of control over foreign investments. This is sometimes referred to as 'economic nationalism'. This is a key point for CDSs, the state power and autonomy are consolidated before national or foreign capital becomes influential. In the formative years of the CDS, private economic interests are often either suppressed or politically weak, relative to state power. Where landed power exists, especially in the formative years, it is destroyed through direct political attacks and programmes of land reforms. In some CDSs, such as Malaysia and Singapore, local bourgeois classes and private foreign capital existed, but it was cautious and weak, relative to the state, that was the most powerful (Leftwich, 1995 p. 416-417). The exclusion of local bourgeois classes and private foreign capital in the formative years positioned the East Asian CDSs in a position where they themselves could determine the role transnational capital should have in the industrial division of labour (Evans, 1987 p. 215). Many of the CDSs have sat up a battery of policy instruments; screening and monitoring of foreign capital, joint enterprises, local content requirements etc. to control the transnational capital (Johnson, 1987 p. 163). This has attracted foreign capital, that serves the state's domestic economic developmental priorities (Leftwich, 1995 p. 417 as cited in; Haggard and Cheng, 1987; Amsden, 1989; Mardon, 1990 p. 111-138; Stallings, 1990). Even more, CDSs have had a major role in encouraging the emerge and growth of private economic institutions, while at the same time controlling their shape, scope and focus of activity. An example could be South Korea, that has actively been promoting, persuading, bullying and pushing these institutions and interests in a direction that conform to the country's development strategy (Leftwich, 1995 p. 417; Amsden, 1989). The patterns that have been seen in CDSs, with an intimate and intense state-private sector relationship has led to a situation, where the 'leadership' role of the CDS is far more important than its 'followership' role (Wade, 1990 p. 295). Because of that, many CDSs have a close relationship between the emerging private sector and the state (Leftwich, 1995 p. 417 as cited in; Evans, 1989 pp.561-587; Öniş, 1991 pp. 109-126).

Repression, Legitimacy and Performance

One of the more negative feature shared by CDSs is their sometimes ruthless suppression of civil rights, their generally sustained performance in delivering developmental goods and their apparently wide measure of legitimacy (Leftwich, 1995 p. 418). It is a tendency that CDSs suppress civil liberties and protect their own political power. In countries that are non-democratic, this is often done through outright repression. In democratic countries it takes a subtler approach with a mixture of repression and legitimacy, where CDS governments retain their legitimacy and popularity through their economic success or the positive impact they have on large parts of the population, by for example investing in human capital, through various forms, such as, supporting education or public investments in healthcare. The Human development index rates in the CDSs in east and southeast Asia have increased. Generally, these CDSs have been effective and serious in bringing, roads, public housing, health centres, schools and other facilities to an increasing circle of people. This has had a positive effect on life expectancy and living conditions, however inequality is still an issue in many CDSs today, especially between regional and urban areas (Leftwich, 1995 p. 418-420). Generally, CDSs are not at the bottom of the list of countries neglecting their populations human rights, but some of them have appalling human rights records, at least set against liberal standards (Leftwich, 1995 p. 418).

The Theory of Good Governance

There is no single definition of the theory Good Governance, nor is there a delimitation. The theory is very flexible, which can be both an advantage and disadvantage at operational level. The theory, is not a law, but 'unwritten' norms and ethics on correct governance. It arose because of the use of bad governance, meaning unaccountable processes, disrespect of human rights and high corruption in especially developing countries (Caluser and Salagean, 2007 p. 13). Good Governance became a response to the bad governance and today certain terms have become closely associated with the theory, for example: Transparent and accountable processes and institutions, political empowerment of the people, anti-corruption, access to knowledge, equality, information and education, the rule of law, political pluralism, legitimacy, effective participation, sustainability, full respect of human rights and attitudes and values that foster responsibility, solidarity and tolerance (UNHR, 2015).

United Nations Development Programme has created some principles and concepts associated to the theory of Good Governance, which by Graham, Amos & Plumptre (2003, p.3) are grouped under five broader terms and referred to as '*The Five Principles of Good Governance*'. The five principles are: Legitimacy and Voice, Direction, Performance, Accountability and Fairness. The following part of this thesis elaborates the main concepts within '*The Five Good Governance Principles*', which is used in the analysis and discussion to account for the presence and role of Good Governance as a factor in the high economic growth in China since 1978.

The following part of this thesis elaborates '*The Five Good Governance Principles*';

Legitimacy and Voice

Participation: All humans should be heard in decision-making processes, directly or through legitimate intermediate institutions that have the ability to represent their intention. The participation is built on freedom of association and speech.

Consensus orientation: Good Governance facilitates differing interests to reach a board agreement on what is in the best interest of the group and, where it is possible, on procedures and policies (Graham, Amos & Plumptre, 2003 p. 3).

Direction

Strategic vision: The public and leaders have a comprehensive and long-term perspective on human development and good governance, combined with a strong sense of what is needed to achieve it. There is also, in the strategic vision, a good understanding of the social, cultural and historical complexities in which that perspective is grounded (Graham, Amos & Plumptre, 2003 p. 3).

Performance

Responsiveness: Processes and institutions try, to their best ability, to serve all stakeholders.

Effectiveness and efficiency: Institutions and processes put their best effort into producing results that meet the need of the population, while making the best use of resources (Graham, Amos & Plumptre, 2003, p.3).

Accountability

Accountability: Decision-makers not only in the government, but also in civil society organisations and the private sector are accountable to the public and to institutional stakeholders.

Transparency: There must be a free flow of information. Institutions, information and processes are directly accessible to those concerned with them, and enough information should be provided to monitor and understand them. Policies to limit corruption must be put in place and actively managed (Graham, Amos & Plumptre, 2003 p. 3)

Fairness

Equality: All woman and men have equal opportunities to maintain or improve their well-being.

Rule of Law: The legal framework of the state should be fair and enforced impartially, especially the laws on human rights (Graham, Amos & Plumptre, 2003 p. 3).

International organisations and institutes, like the United Nations, European Union and World Bank together with liberal economists, who helped constitute the mainstream consensus on Good Governance, advocate that it is crucial for a state, seeking development and economic growth, to have Good Governance. That includes a legal system, with a good rule of law, minimal rent seeking and corruption and an accountable and transparent government (Khan, 2007 p. 3). These organisations and institutions all see Good Governance as an important factor in development and growth. Projects by the World Bank and multilateral developments banks on Good Governance often focus on public sector management and economic institutions, while organisations such as the OECD and United Nations more tend to highlight human rights and democratic governance in their work (UNU, 2012).

Theoretical Implications

The analysis uses the CDS theory, which serves as the primary theory and overall framework of the analysis. The six different components are used in the analysis of the factors contributing to the high economic growth in China since 1978. The six components especially focus on the state's role as a factor in the high economic growth and the actions taken by the state to secure it.

Good Governance serves as the secondary theory to analyse and discuss the presence and role of Good Governance as a factor in the high economic growth in China. A majority of the concepts within the theory will indirectly and directly be included in the analysis and used as the foundation for a discussion on the presence and role of Good Governance as a factor in the high economic growth in China.

Chapter Four: Analysis

China – The Capitalist Developmental State

The following part of the thesis will by using the CDS theory as the overall framework, analyse the factors that have contributed to the high economic growth in China. All six components will be used, as they each contribute with material that concludes their role in the high economic growth in China.

The Developmental Elite: Deng Xiaoping and the Politburo Standing Committee

According to the CDS theory, CDSs are more than often distinguished by their developmental elites, which is often characterised by a small group of developmentally determined senior politicians and bureaucrats, with a close relationship to the executive head of government (Leftwich, 1995 p. 405). After the death of Mao Zedong, a reordering of objectives was made in China, from political to economic; It can be very well argued that the new paramount leader Deng Xiaoping, became to China's transformation from plan economy to socialistic market economy and its high economic growth, what Prime Minister Lee Kuan Yew in Singapore (The Economist II, 2015) and President Park Chung Hee in South Korea (Denney, 2015) were to theirs. A strong determinate leader, committed and willing to sacrifice the short term welfare of the population, in order to develop a modern economy, through a period of rapid industrialisation. To strengthen the power of the party, Deng Xiaoping restored the Politburo Standing Committee, the highest committee within the party, consisting of the top leadership. During the period of Mao Zedong, the committee had for long periods been left out of the political centre and replaced with the Cultural Revolution Group as the main power behind politics (Miller, 2015 pp. 1-2). Today, almost 40 years after the introduction of the reforms, the Politburo Standing Committee unofficially continues to be the supreme decision making body within China (The National people's congress is the formally highest organ of power). It consists of seven high ranking party members and leaders such as, Xi Jinping, President of the People's Republic of China, Head of the CCP and chairman of China's Central Military Commission, Li Keqiang, Premier of the State Council, and Zhang Dejiang, Chairman of the Standing Committee of the National People's Congress (World Time, 2012).

The new Chinese leadership with paramount leader Deng Xiaoping in front embarked on economic growth as their main goal, above all else it was set on economic reforms (Muni &Yong, 2012 p. 149).

The four modernizations, first set forth in 1963, by Zhou Enlai and later enacted in 1978 by Deng Xiaoping and the new leadership, were key ideas to strengthen the fields of industry, science and technology, agriculture and national defence, to rejuvenating the Chinese economy (Oxford Reference, 2007). Fragmentation at the top of the state, especially between 1978 and 1993 where the number of Veto players made it difficult to agree, affected the process (Knight, 2012, p. 6). According to the CDS theory, the Socio-economic change diversifies the structure of interests, ideas, societies and institutions and it is therefore normal for a CDS, to experience intra-elite political and policy conflict (Leftwich, 1995 p. 405-406; as cited in Johnson, 1981 p. 44-48). However, the death of many of the elder revolutionary leaders, whose ideas of economic reforms differentiated from those of the 'newer' generation's, made the decision making process easier over time (Knight, 2012, p. 6).

The overall united goal of the Chinese leadership, in 1978, to embark on economic growth, came first and foremost, from a strong desire to earn back the political legitimacy that was lost during the years of economic stagnation; the Great Leap Forward and the Culture revolution. The new leadership believed economic development to be necessary, if failing to do so, it could lead to social tension and political decline. Through the improvement of living standards, the new leadership believed that, in return, the population would restore and solidify their political support for the CCP. The second reason for the desire of economic reforms was the awareness of the prosperity of the West and the economic success of other East Asian countries, such as Japan and South Korea. The new leadership believed that China could achieve high economic growth by harnessing the market and more open economic policies. Third, the cultural revolution had undermined the capacity for central planning. The new leadership focused on a reform of the state and party, greater professionalism, through educational qualifications, training and a system that rewarded achievement of the objectives set out by the state, which according to the CDS theory is a natural step for the CDS to take (Leftwich, 1995 p. 413 as cited in; Amsden, 1985 p. 83; Johnson, 1987 p. 152; Evans, 1989 p.p. 573-574; Wade, 1990 pp. 217-224; Öniş, 1991 p. 114; Charlton, 1991 p. 82). Furthermore, the managers of State Owned Enterprises were formed to meet the objectives set out by the CCP, which were a major part of the achievement of high economic growth (Knight, 2012, p. 3-4).

According to the CDS theory, CDSs are not immune to corruption. The high growth in economy generates huge temptations, both at a local, provincial and national level. The high economic growth in China has not been immune to corruption, and even though the CDS theory suggests, that CDS elites are relatively non-corrupt, China, just like Thailand and Indonesia, is one of the CDSs where corruption have and continues to take place. The issue with corruption in China, the consequences of it and the steps taken towards reducing it, will be analysed further later on in the thesis.

Relative Autonomy: State Power and SOEs

The relative state autonomy varies from state to state, but it is according to the CDS theory something all CDSs have in common (Mackie, 1988 p. 295). The CDS theory defines relative autonomy as when the state has achieved relative independence or insulation from special interests and it overrides these interests in the putative national interest (Nordlinger, 1987 p. 361)

The CDS theory suggests that in non-democratic CDSs, the source of relative state autonomy comes from the seizure of state power. In China that happened long before the introduction of the reforms in 1978. For China, it came with the victory and overtake by the CCP in 1949, where brutal elimination, marginalisation and subordination of both political groups, socio-economic classes and organisations took place (Leftwich, 1995 p. 409). Since 1978, where China moved towards 'Chinese democracy', which will be further analysed later on in the thesis, the relative autonomy has been kept by the continuing power and domination of one party; the CCP. Even though China, formally is a multi-party state, with eight other parties, in addition to the CCP, that are also represented in the National people's congress, there is no real political threat from any of them, because they are all subservient to the CCP (Reuters, 2014). One of the main ways in which the CCP has kept its relative autonomy, is therefore others submission and its own control over the system. The National people's congress is formally the highest organ of power. All state organs, both the judiciary and executive, at central and local levels are, in principle, responsible to the National people's congress or Local People's Congresses. However, in practice, The National people's congress and Local People's Congresses are at every level of administration controlled by and subject to the CCP and its Politburo Standing Committee, the highest committee within the party, consisting of the top leadership (Lawrence & Martin, 2013 p. 17). Hence, there is no system of separation of powers in

the constitutional framework in China. The rule of law has within the last decades been enshrined in the constitution, but the CCP continues to remain above it and has only been willing to participate in 'governing the country by law', which is different from rule by law, because it secures that the CCP as an organisation trumps the law, this means that a system of checks and balances doesn't exist. Within the legal system in China, there is furthermore a problem related to the lack of the rule of law. The CCP's tight control over the system means that interferences in lawsuits occur frequently. Especially in crime cases and defence of human rights cases, the investigation and conducting of evidence is negatively affected and lawyers in cases on for example human rights are regularly harassed (Bertelsmann Stiftung, *China*, 2016, p. 7-8).

According to CDS theory, common for CDSs are the primordial association between the development of military capacity and the autonomy and power of the CDS. These are associated with the state's need to respond to regional competition and external threats. China is no exception. The People's Liberation Army (PLA), which is not a national army, but an armed wing of the CCP, is a great example of the development of military capacity and the autonomy and power of the CDS. Among the five core values for the PLA, 'loyalty to the party', comes first, before 'ardent love for the people' and 'service to the country' (Lawrence & Martin, 2013 p. 6). The control and power of the party over the PLA was tested and proved in 1989, when the CCP ordered the PLA into the Tiananmen Square and hundreds of protestors were killed in order to stop the protest against the CCP leaders, that by the protestors, were deemed too repressive (Lawrence & Martin, 2013 p. 6). In newer time, there has been a broad consensus among Chinese leaders to further strengthen the military force (Bertelsmann Stiftung, *China*, 2016, p. 28), as regional threats and tension, especially between China and Japan, continues to occur. The dispute over the Diaoyu/Senkaku islands is an example of a conflict that has mobilised the military power and capacity of China. The dispute has created tension between the two major tigers of Asia and furthermore drawn the US into it, by being a conflict not only on fishing grounds and oil and gas reserves, but also on military primacy and state sovereignty in the Asia-Pacific region (BBC, 2014). A loss in the dispute over the islands could threaten to weaken the Chinese state's legitimacy, not only externally, but especially internally, by disrupting the public's image of the CCP as the main power and ruler. Therefore, the consensus among Chinese leaders on strengthen the military force, can be seen as an attempt, not

only to show its power to the out world, but also to strengthen and protect its power against a loss in legitimacy and confidence by the Chinese population.

Generally, the CDS is able to attain relative independence from the demands made by special interests and override these special interests in the putative national interest to secure economic growth (Nordlinger, 1987 p. 361). However, in some CDSs special interests benefit more from the developmental strategies pursued by the elite than others. In China, especially SOE's and party cadres have since the economic reforms in 1978, benefitted from the policies made by the state through its developmental strategy (Leftwich, p. 408). Complains over unfair competition in which government policies favour SOE's on the Chinese Market have been made, especially by the U.S. business community. Furthermore, it has been debated that Chinese SOE's enjoy preferential treatment, in winning governments procurement contracts and in licensing (Fan & Hope, 2013 p. 2) and that SOE's tend to benefit from lower cost and better access to funds from state-owned banks (Fan & Hope, 2013 p. 11). This indicates, that even though the Chinese state has obtained a relative independence, especially through the power and control of the party, certain special interests have throughout the years in some areas benefitted more from the polices made, than for example private enterprises or foreign companies. However, it most be noted that China, since the introduction of the economic reforms have decreased its number of SOE's. Many inefficient and smaller SOE's have been sold, merged or closed down and large SOE's has been transformed, from inefficient production units into profitable business entities (Fan & Hope, 2013 p. 2). Furthermore, the opening reform and its policies have benefitted foreign companies in other areas, such as low profit tax rates or tax exemption given to foreign enterprises importing machinery and equipment, especially up until the end of the 2000's, before new policies making foreign enterprises subject to a 25% tax rate, the same as domestic enterprises, were made (Fan & Hope, 2013 p. 12). The effective management of non-state economic interests will be further researched later on in this thesis, where the opening of the market to foreign investors and enterprises, together with the decrease in numbers, but strengthening of SOE's and the emerge of the private sector will be analysed and argued to be factors that have contributed to the economic growth in China.

Economic Bureaucracy: NDRC and the State

CDSs economic coordination and development are, according to the CDS theory, managed by specific institutions, whose main jobs are to organise the critical interactions between the state and economy, beyond what a typical economic or finance institution does. As previously mentioned, the Japanese Ministry of International trade and Industry or the council for Economic Planning and Development in Taiwan are great examples of such institutions.

Even though China's growth has been impressive since the economic reforms in 1978, the economic bureaucracy in the country remained weak and ineffective, compared to other CDSs such as for example Japan. The State Planning Commission, later known as the State Development Planning Commission and the National Development and Reform Commission, was together with the State Economic Commission the two main planning commissions for the State Council, both before and after the economic reforms in 1978. However, specialists have insisted that, despite the long and often very strong bureaucratic traditions in China, there was in the period after the reforms no effective central planning system in China, which could be associated with the fact that the State Planning Commission was established as a soviet-style central planning authority, that wasn't made to work in a context where the market assumed a larger role in the economy (Leftwich, 1995, p. 414). It was not until the end of the 1990's when the State Planning Commission was renamed the State Development Planning Commission and later again the National Development and Reform Commission (NDRC), that China got its 'pilot agency'. In the following decade, under the directors, Ma Kai and later Zhang Ping, the NDRC, a name reflecting the combination of state-led developmentalism and market-led economic reform, expanded its powers, through the administrative reorganisation of the state council in 2008, a series of top-down delegations of responsibility from the State council and the centralisation of power earlier held by local governments. The more reformed the commission was, the more power it gained (The Jamestown Foundation, 2014 p. 14). The NDRC, today composing of over 28 departments, main purpose continues to be formulating and implementing national social and economic development strategies. The NDRC monitors, predicts and guides the macro economy in China, through policies on for example fiscal, monetary and land (NDRC, 2016). It is involved in virtually every aspect of China's economy, including the writing and coordination of China's 5-year plan, project and investment approvals etc. and has been nicknamed "number one ministry" and "mini State Council"

(The Jamestown Foundation, 2014 p. 14). The National Development and Reform Commission is however, not as powerful as for example the Economic Development Board in Singapore, which is not accountable to Parliament. The NDRC is subject to the directives from the Politburo Standing Committee and in theory the National People's congress (NDRC, 2016) The Economic bureaucracy can therefore be argued to be the area within the CDS theory, where China differentiates the most from pure CDSs, such as Japan or Korea. However especially since the end of the 1990's, the National Development and Reform Commission have been an important factor in the planning and execution of initiatives to create economic growth.

According to the CDS theory, the competition to enter positions within these specific ministries and institutions is hard and only the best-educated and loyal ones are chosen which gives great prospects for a future career for the candidates, both inside and later outside the bureaucracies. In China, the tradition for serving the country strongly appeals to many people. Therefore, the government recruitment is very competitive. An annual exam is conducted in order to find and hire the most excellent and suitable person for the position. In 2009, around 1,35 million applicants took the National Civil Service Exam, in the hopes of gaining one of the 150.000 coveted positions. (CCTV, 2009).

[Weak and Subordinated Civil Society: Freedom of speech, the press and assembly](#)

According to the CDS theory, CDSs are known for not leaving space for organisations such as labour unions, non-profit organisations or independent media. Everything above family level, and below state level, is crushed or weak especially in the formative years of the CDS (Rueschemeyer et al., 1992 p. 6). In the Chinese constitution from 1982, freedom of speech, the press and assembly is guaranteed, however Chinese citizens and media have been and are still severely limited when it comes to publicly speaking and criticism of the state and system. As a response to the lack of freedom of speech, more and more Chinese citizens use the internet and social media to express their critical views on state actions or raise public awareness on issues, related to for example human rights or the environment. As a consequence to that, the state continues to react by blocking critical websites, censoring online content, monitor the email and phone communication of political activist and detent bloggers and cyber-dissidents (Bertelsmann Stiftung, *China*, 2016, p. 7). Many

media companies in China are still controlled or owned by state organs and journalists working for these television, print media or radio stations continues to be severely censored by the CCP. Also international media are discriminated and blocked after publishing critical content (Bertelsmann Stiftung, *China*, 2016, p. 7).

The Chinese laws on worker rights to freedom of association continue to contravene international standards. In China, the Chinese workers are not permitted to form or join any trade unions of their own choosing. The PRC Trade Union law eliminates the Chinese workers' right to freedom of association, by demanding that union activities are approved and organised by the All-China federation of Trade Unions (ACFTU), an organisation, that is under the strict direction of the CCP. The All-China federation of Trade Union constitution and the PRC Trade Union Law mandate that The All-China federation of Trade Union protects the interests and legitimate rights of the workers, while also 'preserving the leadership of the CCP and broader interests of the government (CECC, 2015). This can affect the result of the work done by the All-China federation of Trade Union, because the interests and demands of the workers often are far from those of the party and government. The fact that the All-China federation of Trade Union are under the direction of the CCP indicates that the loyalty and interests lies closer to that of the party and government, than to that of the workers. This only further demonstrates the supreme control and power of the CCP and the weakness of civil society.

To control civil society, CDSs are according to the CDS theory known for, especially in the formative years, direct attack on the population (Leftwich, 1995 p. 415). In China there have been several cases, where the population have been attacked by the state. First, in 1949, when the CCP gained control after 10 years of civil war and drove the Kuomintang government from mainland China, which led to the establishment of the People's Republic of China. During the period after the end of the civil war, the CCP set out to 'eliminate all organisations and interactions not governed by the CCP (Gold, 1990 p. 21), which crushed all resistance against the state, eliminated the freedom of the population and increased the control and power of the regime. This was before the introduction of the economic reforms in 1978, however, it was the beginning of the weakening of civil society in China. In 1989, one million students and workers, for nearly three weeks, crowded into the

Tiananmen Square in the centre of Beijing, to protest against the CCP leaders, deemed too repressive and fight for greater democracy. On June 4, Chinese security police together with the People's Liberation Army stormed the Square firing indiscriminately into the crowds of protesters. It was estimated, by reporters and Western diplomats on the scene, that more than 300 people were killed and up to 10.000 were arrested (History, n.d.). The massacre on the Tiananmen Square was by the Chinese state not seen as a crushing of a peaceful protest, but as the military defending itself and the country, against violent counterrevolutionary elements (Slate, 2009).

As a result of CDSs; economic success, expanding educational provision, rising levels of consumption, participation in modern economic life, strengthening of the organisations of both labour and capital, the CDS theory suggests, that over time, a demand from civil society for greater individual liberty, the establishment or extension of democracy and decentralised decision-making will emerge (Leftwich, 1995 p. 416). This seems only to a small degree to be the case in China. As previously mentioned, even with the censorship, the emerge of the internet and social media have had an influence on the public's ability to protest and criticise the state, which has led to some demands and protests on issues such as human rights, environmental improvements and democracy. However, according to Bertelsmann Stiftung's 2016 rapport on China, many Chinese's have only a vague and conflicted idea and understanding about what democracy is. A World Values Survey showed that almost 90% of the Chinese asked considered having a democratic government a good thing. This, according to the rapport partly, stems from the fact that the Chinese government calls itself democratic. The broad Chinese interest in having a democratic, incorrupt and responsible government has yet to lead to extensive public demands for political participation. The fact that the state has so much control tends to generally frighten off any demands for democratic participatory rights (Bertelsmann Stiftung, *China*, 2016, p. 11). The western idea, that the economic growth in China eventually would lead to a western type of democracy seems unrealistic and of little interest to China and its population. However, within China small steps towards a Chinese vision of democracy have been taken and continues to evolve, but it is far from that known in the western world. In the late 1980's local village elections were introduced as a quest to maintain social order and combat corruption. But since then, the idea of political elections has not developed much. Today there are no real national elections taking place in China, all higher levels for example the

members of the National People's Congress, are indirectly elected via a multi-tiered representative electoral system (Bell, 2015). Professor at Tsinghua University, Daniel Bell, describes the top of the Chinese system as a somewhat meritocracy, where the high-level officials are promoted and selected on the basis of virtue and ability. The Chinese system is different in that way from the western style democracy. The one-party state suits the meritocratic model better, because the fear of losing power to the opposition is non existing. Strong performances at lower levels in China, will be rewarded at higher levels, the fact that there is no election at the top of the system, makes the leader less likely to make decisions influenced by short term political considerations. Leaders that are elected democratically are vulnerable to powerful lobbyists and campaign funders and at the same time depended on voters to vote for them, which can influence their decisions and affect policies (Bell, 2015).

Since the introduction of the economic reforms in 1978, the shift from centralised governance to decentralisation and decision-making on economic matters at provincial level has taken place in specific areas within China. The fiscal decentralisation in China began only years after the reforms, in the early 1980's. Here the central government in China relinquished its fiscal control to subnational governments, which led to an increase economic efficiency, mainly because provincial governments had a better understanding of the public goods and services needed by the locals and therefore were better at resource allocation (Lin & Liu, 2000 p. 1). By the end of the 1980's and beginning of the 1990's the fiscal system was marked by a series of challenges; interference of local governments in the private sector, increasing regional fiscal disparities and and ongoing distrust between the centre and localities (Shen, Jin & Zou, 2012 p. 9). As a result, the 1994 Tax Sharing Reform was introduced, its purpose was to tackle the challenges seen at the end of the 1980's and beginning of the 1990's, which it to a large degree did, by improving the budgetary revenue to GDP, and the central to total budgetary revenue, simplifying the Intergovernmental Fiscal System and tightened the Fiscal Control (Shen, Jin & Zou, 2012 p. 12-13).

The CDS theory suggests that a demand for decentralised decision-making will follow, with a developmental state's economic success. The decentralisation of the fiscal and tax area in China was not demanded by the public to begin with, but put in place by the government to contribute to the

economic growth. In general, the decentralisation in China has almost only taken place within economic areas. Political decentralisation is very limited, conflicts between provincial governments and the state government occurs, however the control seems secured with the government, that continues to draw the general political lines, without much interference.

Effective Management of Non-State Economic Interests: Private Sector and FDI

One of the key factors that the CDS theory suggests is essential for economic growth in CDSs is that the state power and autonomy are consolidated before foreign and national capital becomes influential. State power and autonomy strengthens the capacities of the CDSs in their dealings with national and foreign private economic interests. This is the case with China, as previously mentioned in this thesis, the relative autonomy in China came with the overtake by the CCP in 1949. Under Mao Zedong, private economic interests were suppressed and all attempts to gain power was removed either through direct political attacks or through programmes of land reform (Leftwich, 1995 p. 417). The SOE's played a large role under the Mao Zedong regime, by providing not just employment, but also social services, medical care and healthcare, retirement protection and education (Fan & Hope, 2013 p. 2). As previously described, there have since been a large decrease in SOE's within China, the economic power of the state sector has decreased significantly, as reforms have opened up industrial sectors to competition from private enterprises (Fan & Hope, 2013 p. 2). Furthermore, the Chinese state has separated ownership and management, meaning that the state has retained the ownership, but given the management to the SOEs' managers, who are, as previously mentioned, members of the party and trained to meet the objectives set out by the CCP (Knight, 2012, p. 3-4).

The state runs decrease in SOE's and the move from planned economy to socialist market economy in China has meant an expansion of the role of the private sector. Since the introduction of the reforms, the Chinese state has through its policies played an important role in the emergence and growth of the private sector; how its shaped, scoped and the focus on activities, which according to the CDS theory is natural for a CDS. In the 1980's the hostility towards private firms was still taking place, which is not surprising for a country, where private enterprises for decades have been seen as exploiters of the working class (Lardy, 2014, p. 89). However, in the start 1990's, the state's hostility towards private enterprises started to swift as the Chinese state started to encourage the

development of private economic enterprises. The few private enterprise reforms introduced after 1978 had shown the state that private firms were much more efficient than many SOE's and were able to generate a much higher return on assets, which had a major affect on the Chinese economy, that had stated to grow partly due to that (Lardy, 2014 p. 89). With the introduction of the Company Law in 1994, the number of private firms rose from 443.000 to 3.6 million in one decade (Lardy, 2014 p. 91). In 2001, the CCP in effect invited private entrepreneurs to join the party, unofficially many private entrepreneurs, often labelled by the Chinese population as 'capitalists' or 'exploiters' had already been members for years (Holbig, 2002 p. 30-31). From 2000 to 2006 the number of private entrepreneurs, who were members of the CCP grew from a fifth to a third of all private entrepreneurs (Lardy, 2014 p. 119). The reason for the party's wish to include private entrepreneurs into it can be many; In the western world the invitation was interpreted by some as a heartened acknowledgement by the CCP leadership, that China had found its way back into the capitalist world or that the CCP leadership finally acknowledge the major contributions of the private sector and wanted to represent the interests of not only the proletariat but also the private entrepreneurs; the new social elite (Holbig, 2002 p. 31). It seems however more correct to assume that the strategy of the CCP was to co-opt the new elite, which allowed the CCP to increase the political support and strengthen the relationship with the private sector on their own terms (Holbig, 2002 p. 46), and not risking private entrepreneurs aligning with pro-democracy activists to remove the CCP (Lardy, 2014 p. 120). The inclusion of private entrepreneurs has expanded the control and influence of the CCP, in the activities of the private firms, which has ultimately helped secure the power of the party (Lardy, 2014 p. 119). Furthermore, the legitimacy of the party has come from the high economic growth, which has increased the living standards in China, this is largely due to the emerge and success of the private sector. The CCP is therefore interested in keeping the private sector as a partner in modernizing and growing the economy, because a fail in doing so would affect the legitimacy of the CCP (Lardy, 2014 p. 120). The CDS theory talks of a pattern that has been seen in developmental states, where there is an intimate and intense state-private sector relationship and where close relations between the emerging private sector power and the state follow the economic growth (Leftwich, 1995 p. 417 as cited in; Evans, 1989 pp.561-587; Öniş, 1991 pp. 109-126). This seems, from the above written to be the case in China, where the state confirms its

legitimacy by inviting private entrepreneurs into the party and through that influence the activities of these firms.

China has since the introduction of the 'reform and opening' policy in 1978, managed to put itself in a position where the state, because of its power and relative autonomy, can determine which role transnational capital should play. By using a series of political instruments to set terms, the state has attracted foreign capital that has served the state's domestic economic developmental priorities and to a large extent had a positive spill over effect, both vertical and horizontal on productivity, innovation and technology (Cheung & Lin, 2003 pp. 42-43; Liu, 2002 pp. 600-601). This is unlike countries in for example Latin America, where the powerful interests, an upcoming bourgeois class and foreign capital were severely entrenched (Leftwich, 1995 p 417). The CDS theory suggests that CDSs at least in their first years, exercise a great deal of control over foreign investments (Johnson, 1987 p. 163). In China, the trade liberalization gradually happened over time in the 1980's and 1990's. Instead of continuing the direct quantitative planning of export and import, as seen under Mao Zedong or go in the opposite direction with a total liberalisation of the market (which would be a threat to the CCP's control), the Chinese state relayed on an alternative trade policy strategy, focusing on tariffs and quotas, limiting trading rights and tougher inspection requirements in order to gradually welcome and control foreign investments (Branstetter & Lardy, 2006 p. 4-5). In the 1990's the restrictions on foreign investments were dramatically cut and tariffs levels decreased. From 1985 to 2001, the number of trading firms had gone up from about 800 to 35.000 (Branstetter & Lardy, 2006 p. 5) and from 1982 to 2015 the FDI inflow in China went from \$430,000,000 to \$289,097,181,064 (World Bank, 2015). FDI have had a major role in China's high economic growth, foreign invested enterprises provided 30 percent of the Chinese industrial output and they generated 22 percent of industrial profits, while employing only 10% of labor. Because of their high efficiency, this has contributed to support China's record high average annual 10 percent growth rate, during most of the 1980-2010 period (World Bank, 2010), Furthermore, the explosion of export-led growth, especially since the Chinese entrance to the World Trade Organisation (WTO) in 2001, has allowed China to capitalise on its massive supply of labour (Yao, 2011).

Repression, Legitimacy and Performance: Social Contract and Corruption

One of the negative features often shared by CDSs is, according to the CDS theory, the repression of civil rights (Leftwich, 1995 p. 418). Up to and during the Age of Enlightenment, the theory of the social contract originated and was developed, first by Thomas Hobbes, who wrote *Leviathan* in 1651. The social contract in modern philosophy suggests that the individual explicitly or tacitly surrenders some of its freedoms to the ruler, in return for protection of its other rights (SEP, 1996). In the western world, the social contract has meant the protection of civil rights such as; full suffrage and the freedom of speech, press and assembly (SEP, 1996). In China, there is a social contract as well, however its content differentiates from that of the western world. The CCP has a monopoly on power, in return for that power and sovereignty, the state has delivered high economic growth and poverty reduction. The contract is not made explicitly, through elections, however the lack of a general larger uprising and the seemingly satisfaction with the Chinese model of democracy (as previously mentioned in this thesis) indicates that the contract is tacitly made and that the Chinese population to a large degree accept the terms and surrender much of their freedom, in return for the high economic growth and improved living standards. In that way the Chinese government, through paternalism, represses the population by for example suppressing and limiting opposition parties, such as the China Democratic Party, while at the same time legitimise themselves, through the high economic growth. A survey conducted in China in 2015, showed that 72% of the respondents have rated their personal economic situation positively, an increase, by 6 percent point, since 2008. Furthermore, due to the high economic growth, 96% stated that their current standard of living is better than their parents' standard of living at the same age and 77% said that they are better off financially now, than five years ago (Pew Research Center, 2015).

However, the legitimacy of the CCP and government are in some areas threatened. During the period since the introduction of the first reforms in 1978, corruption has steadily become a problem, which has not gone unnoticed by the public. In a survey, conducted by the American Pew Research Center, from 2015, 84% of the Chinese participants saw corrupt officials as a severe problem (Pew Research Center, 2015). Corruption, the abuse of public office for private gain can be toxic for the Chinese meritocratic system, because the Chinese leaders develop their legitimacy from their virtue and ability. In a democratic country, it is up to the people to get rid of corrupt officials, through

elections, but in China, where elections for the positions at the top are not held, it is up to supervisory institutions to rescue the legitimacy of the state, through for example harsh penalties and higher salaries for public officials, that then will be less tempted to commit corruption. In 2012, General Secretary of the CCP, Xi Jinping, introduced the anti-corruption campaign, the largest of its kind, since the 'Reform and Opening' in 1978, as a political strategy to restore the legitimacy of the state. The campaign targets high level officials in the CCP, military, state-owned enterprises and the government. So far the campaign has succeeded in removing several high profiles officials from office due to corruption, including former vice-chairman of the Military Commission Xu Caihou, head of the Central Committee's United Front Work Department Ling Jihua and vice chairman of the Chinese People's Political Consultative Conference Su Rong (Bertelsmann Stiftung, *China*, 2016, p. 27). The anti-corruption campaign has meant that China, in the new Corruption Perceptions Index from 2016, published by the organisation Transparency International, moved from 100 to 83 (Transparency International, 2016). Despite the immediate success of the campaign, critics have pointed to the long tradition, within the Chinese state of spoils and privileged access to exclusive goods and argued that corruption continues to take place, not just in high ranking offices, but at all levels of society, (Bertelsmann Stiftung, *China*, 2016, p. 8-9) which the amount of 'petty' corruption at lower levels confirm by continuing to be a widespread problem, that the lack of accountability mechanisms, independent judiciary, free press and low wages only further contributes to (Bertelsmann Stiftung, *China*, 2016, p. 27-28). The public's negative view on corruption, the decrease in legitimacy of the party because of it and the introduction of anti-corruption laws to limit the use of it, is however in sharp contrast to the effect that some corruption has also had on the economic growth. In China, the rise of corruption has followed the rise of the economic growth. Some scholars have argued that parts of the corruption taking place within China after 1978, have helped increase the economic growth, through for example the use of 'speed money'. 'Speed money' are bribes often given to poorly paid officials with the goal of getting through the red tape, thereby lubricating the stiff machinery of bureaucracies, while also attracting bureaucrats to perform their duties more efficiently, by promising them a profit for their work (Wedeman, 2012). The high demand for capital following the rapid growth and the transition from planned economy to socialistic market economy where also closely linked to corruption. Many private entrepreneurs could, especially in the first period after 1978, not obtain bank loans due to the still sceptical view on them, by the government.

Instead the private entrepreneurs could go to government agencies and officials, often controlling stocks of capital, that would use that stock of capital and make under-the-table loans, with high interest rates (going directly into their own pockets), which the private entrepreneurs then could invest in for example new enterprises or technology and thereby generate new economic growth (Wedeman, 2012).

Since the transformation from planned economy to socialistic market economy, which as previously mentioned in the thesis, has increased the living standard and personal economy, but also the amount of corruption, communism has lost some of its ability to inspire the Chinese people (Bell, 2008 p. IX). To fill the moral vacuum after the decrease of communism as an inspiration to the Chinese people and the decrease in legitimacy of the CCP due to the increase in corruption, Confucianism has remerged, after being banished during the Mao Zedong era, because it was thought to represent the old China. Confucianism is an old Chinese philosophy, coined by the philosopher Confucius (551 – 479 BC), which is based on the assumption that a good life is founded on social relationships and where social responsibility and political commitment is required in order to become fully human (Bell, 2008 p. XI). It is a complex system of political and social ethics founded on kinship, morality and loyalty, where group orientation, education, hierarchy, a high work ethic and respect for traditions and age is valued (New World Encyclopedia, 2013). Confucius believed that harmony among mankind would be achieved if people understood their rank in society; people at lower levels should show loyalty and obedience to those at higher levels, that in return would be good to those showing obedience. Meaning, a ruler should be good to his people, who in return should be loyal to their ruler, a father should show love to his son, who in return should show awe to his father and so on. Almost all relationships are according to Confucianism vertical, with the only exception being between trusted friends, here the relationship is horizontal (AFE, 2009). The return of Confucianism in China was largely initiated and welcomed by the CCP (Bell, 2008 pp. IX-X). Confucianism's traditional focus on stability, social order and discipline opposite the western worlds focus on hedonism and individualism, benefits the CCP's monopoly on power and thereby their ability to determinate the strategy for the country. The tradition of obeying the ruler is deeply grounded in the Chinese identity and more and more schools are teaching, both children and adults, about the philosophy behind Confucianism (Bell, 2008 pp. 11-12). It has to a large extend become a

shield against chaos, because it upholds the structure of the Chinese society. Furthermore, it urges the population to educate itself and to work hard, which has shown to be two factors that have contributed to the high economic growth. The large work force and its high work ethics have been the human machine behind the Chinese productivity, while the increase in education has made that human machine more efficient and effective.

According to the CDS theory, the Human development index rates in the CDSs in east and southeast Asia have increased, due to the high economic growth. This is also the case with China, that since 1980 until 2014, have experienced a growth from 0.430 to 0.727, which is an increase of 69,2 percent or an average annual increase of 1,56 percent. This places China in the high development category (UNDP, 2015). Life expectancy at birth (Increased by 9,3 years), expected years of schooling (Increased by 4,7 years), and GNI per capita (Increased by 1555,3 percent) have all improved substantially since 1980 (UNDP, 2015). However, one of the most pressing issue within China is the increasing economic inequality, which the CDS theory point to is a similarity issue in many CDSs, where especially rural areas are negatively affected (Leftwich, 1995 p. 419). Despite having one of the highest measured economic growth in the world, the distribution of that growth in China is uneven. In 2013, the income Gini coefficient, which measures the deviation of the distribution of income among households or individuals on a scale from 0 (absolute equality) to 100 (absolute inequality), showed, according to United Nations Development Programme, that China had scored 42,1, (0.421 point) which is over the 40, that is the warning level, set by the United Nations (UNDP, 2013). A study from Peking University, made in 2015, showed that the richest 1 percent of households in China, owns a third of the country's wealth, while the poorest 25 percent of households only owns 1 percent (Financial Times, 2016). It is especially people living in rural areas in China, that are affected by the inequality, the wages in these areas are much lower than those in urban ones (Bertelsmann Stiftung, *China*, 2016, p. 12). However, inequality in a neoliberal country like the United States with a Gini coefficient of 41.1 in 2013 (World Bank II, 2016), indicates that it is a pressing issue that countries with a different philosophy, ideology and economic policy, then that of China, also faces. It is therefore not only the socialistic market economy in China that is experiencing economic inequality, but also a neoliberal economic superpower like the United States.

Subsidiary Conclusion: The factors that Contributed to the High Economic Growth

The analysis has focused on six components that according to the CDS theory often characterises CDSs; A Developmental Elite, Relative autonomy, Economic bureaucracy, a weak and subordinated civil society, Effective management of non-state economic interests and Repression, legitimacy and performance. These components are all linked to the role of the state in the structural transition from a primitive to modern society, where the acceleration of economic growth is the keystone. The six components have functioned as the foundation for the analysis of the main factors that have contributed to the high economic growth in China after the first economic reforms in 1978. The analysis showed that the role of the state in China was a keystone to the high economic growth. The death of Mao Zedong and the introduction of a new developmental elite, changed the order of objectives away from plan economy to socialistic market economy. After the Great Leap Forward and Cultural Revolution, where the legitimacy of the CCP were harmed, the new leadership, with the power restored in the Politburo Standing Committee became the engine behind the transformation to socialistic market economy, while also earning back the legitimacy of the CCP, through the high economic growth generated by the transformation. The Politburo Standing Committee became the developmental elite, that was committed and willing to sacrifice the short term welfare of the population, in order to develop a modern economy, without being redirected or distracted by opponents or special interests.

The relative state autonomy in China was another factor that contributed to the high economic growth. Since the takeover in 1949, the CCP has remained in total control, despite formally being a multi-party state with eight other parties. The submission and control over the system has meant that one goal and road to development has been taken, no interferences or large objections that have not been quickly suppressed by the CCP, have threatened the policy or monopoly of power. The lack of separation of powers in the constitution, which has put the CCP leadership above the law, has secured the party's immunity towards threats. The interferences in cases on especially human rights, by the CCP, decreases the transparency and accountability of justice in the system, but also strengthens the CCP's power, allowing them to influence the outcome of cases directly or indirectly connected to their way of governing. Even though China to a large degree has had a relative autonomy, special interests have benefitted from the policies including SOE's and Foreign

Investors. These policies have been established by the state to benefit the Chinese market, by attracting for example foreign investors that could further develop the market. By doing it this way the Chinese state has exploited the interest from foreign investors to develop certain industries and contributed to the high economic growth, which has served as a double win for the state because the development of industries and the high economic growth has had a positive effect on their legitimacy, that in other areas, such as the increase in corruption and inequality, have been threatened.

According to the CDS theory the economic bureaucracies are a large part of the success in high economic growth in CDSs. In China, the National Development and Reform Commission have played a large role in the development by monitoring, predicting and guiding the macro economy in China. However, the power of the the National Development and Reform Commission is not as what have been seen in for example Singapore, where the Economic Development Board, is not accountable to the parliament. The National Development and Reform Commission is formally subject to the National People's congress, which in reality is subject to the Politburo Standing Committee. This differentiate the economic bureaucracy in China a little, from that of some other CDSs, however it confirms the power and control of the developmental elite in every aspect of the macro economy of China. The goal from the new leadership of introducing greater professionalism within bureaucracies has together with the tradition of wanting to serve the party and country, raised the competition for job positions within the state. This has meant that only the most excellent, loyal and suitable are hired, making the bureaucracies more efficient and effective.

The weak and subordinated civil society in China, where freedom of speech, the press and assembly formally is accepted, but in reality is heavily censored or obstructed, helps uphold the control and power of the CCP. By not accepting private unions and controlling the media, the CCP upholds its monopoly on the directions of the country. Debates on controlled TV platforms or in newspapers, are generally highlighting the things that legitimises the party, such as high economic growth, improved living conditions and military success and neglects areas that are not, like human rights issues or environmental problems. Smaller cracks have started to appear with the emerge of the internet and through that social media, it is on platforms like these that human rights issues or

environmental problems are more openly discussed. However, the Chinese version of 'democracy' seems to a large degree to be accepted by the general population, despite concerns over issues such as corruption. So the western idea of high economic growth leading to a western version of democracy in China seems to be out of question. Decentralisation in the economic areas on a meso level in China have contributed to the high economic growth. The provincial governments better understanding of public goods and services needed by the locals have increased the economic efficiency through for example better resource allocation.

The CDS theory sees it as essential for economic growth in CDSs, that state power and autonomy is consolidated before foreign and national capital becomes influential. It strengthens the capacities of the CDSs in their dealings with national and foreign private economic interests. State power and autonomy in China was secured before the emerge of the private sector and foreign investments. The development and role of the private sector and foreign investments has been a very important factor in the high economic growth since 1978. And the Chinese state's role in the process has been vital. Laws and regulations have secured that both the private sector and foreign investments have followed the goal and path, outlined by the state; complimenting the strategy and direction wanted by the CCP. To secure its continuing power and control, the CCP have invited private entrepreneurs into the party as members and through that co-opted the new private elite and strengthen the relationship with the private sector and consolidated the political support; avoiding private entrepreneurs aligning with pro-democracy activists.

As a result of the high economic growth, issues with corruption, despite its, to some, degree positive impact on it and increasing inequality are taken place within China, which threatens the legitimacy of the CCP. The state power and relative autonomy, that were the engine and one of the main factors behind the high economic growth, is threatened by the corruption and inequality, because the CCP is losing part of its legitimacy due to it. If there is a decrease in the legitimacy towards the party and thereby the state, the monopoly and power to direct the strategy of the country can change. The loyalty that came, partly with the emerging high economic growth, which has increase the standard of living, can start to shift, if the state does not continue to deliver. Actions towards

the use of corruption for private gains have been launched and several cases against high ranking officials misuse of office have taken place.

Despite an average annual GDP growth that would be envied by most countries around the world, the Chinese economic growth has in recent years slowed down. After three decades with an average annual GDP growth of nearly 10 percent, the economic growth is hitting a low. In 2011 the annual percentage growth rate of the Chinese GDP was 9.5, in 2014 it was 7.3, a 2.2 percentage point decrease (World Bank, 2014). It seems inevitable that the Chinese economic growth would continue at the same pace forever, the bigger the economy gets, the harder it is for it to keep growing at a fast clip (The Economist, 2015). In 2012, China's working-age population peaked, that means that China within the next decades will experience a decrease in workforce, one of its prime assets. Furthermore, China's technological knowledge has, especially with the opening up to foreign investments, increased and the gap between the 'Middle Kingdom' and rich core counties is narrower than ever, which means that productivity growth will be lower than before (The Economist, 2015).

Chapter Five: Discussion

The Role of Good Governance in the High Economic Growth in China

The second part of the problem formulation for this thesis wanted to focus on the role of Good Governance as a factor that has contributed to the high economic growth in China since 1978. The reason for this was the quotes made in respectively, 1997 and 1998, by the International Monetary Fund and former United Nations Secretary-General Kofi Annan, on the importance of Good Governance in economic growth and poverty reduction. According to these quotes, Good Governance is an essential part of the framework in which an economy can prosper and poverty eliminated.

In chapter Four, the analysis of the factors that contributed to the high economic growth in China, showed that especially the role of the state was crucial to the growth. The developmental elite and the relative autonomy of it were behind the transformation from plan economy to socialist market economy. The weak civil society and the legitimacy of the CCP together with the emerge of the private sector, the meso economic decentralisation and the opening up to foreign investments, where all key factors that contributed the transformation and the high economic growth. Throughout the analysis, this thesis has touched upon areas that fall within the theory of Good Governance. Both because it was associated with the some of the factors that have contributed to the high economic growth in China, but also to be able to answer the second part of the problem formulation, which was; *Is Good Governance one of the factors that contributed to the high economic growth in China after 1978?*

According to *'The Five Good Governance Principles'*, all humans should be heard in decision-making processes, the participation by the population is build on freedom of association and speech (Graham, Amos & Plumtre, 2003 p. 3). The Chinese constitution, from 1982, formally guaranties the freedom of speech, the press and assembly. However, the analysis showed that heavy censorship and discrimination are placed, not only on state owned media companies, but also on international media, if they in any way criticises the CCP. The blocking of critical websites, censoring of online content, monitoring of email and phone communication of political activist, detent

bloggers and cyber-dissidents decreased the possibility for participation in decision-making processes for people disagreeing with the strategy and ideology of the CCP. Furthermore, there is, in reality, no freedom of association, unless that association is accepted by the CCP, trade unions and political parties must be accepted by the CCP and follow the rules and regulations, in order to exist. The political consensus orientation in China, is very centralised, the agreements on procedures and policies have since 1978, mostly been made within the party and specifically within the Politburo Standing Committee. There seems therefore not to be a direct consensus orientation within China, where different interests are heard, especially when it comes to political consensus. However, economic consensus is more decentralised, at meso level, there seems, on this matter, to be a boarder acceptance of the inclusion of different interests in the process of making provincial economic policies. Effectiveness and efficiency in China has with the decentralisation of meso economic decisions, become better. The local understanding of the rightful placement of resources has had a positive effect, however petty corruption is a threat to the effectiveness and efficiency, because it creates inequality and mistrust in public institutions. The transparency in China is not good, the access to information is a previously mentioned limited and censored, access to knowledge within areas that could harm the legitimacy of the CCP is therefore difficult. Corruption continues to be an issue, but the increase in anti-corruption laws, put in place to decrease the misuse of public office for private gains and increase the legitimacy of the CCP have had a somewhat positive effect, making those involved in corruption accountable for their actions. It has however been discussed, if the anti-corruption laws are also used as a tool by the CCP and president Xi Jinping to eliminate any potential political threat, both internal and external of the party, that could jeopardise the control, legitimacy and power of the party (Stratfor, 2015). The rule of law, which within the last decades have been enshrined in the Chinese constitution, is an area lacking good governance. The CCP continues to remain above the law, and high ranking officials can therefore not be prosecuted, unless it is directly ordered by the top of the party. The CCP's tight control with the system and its interferences in crime cases and violations of human rights, shows that there is no real separation of power within the justice system, that like most other part of the Chinese system is powered and controlled by the CCP and its top leadership.

On the basis of the analysis, Good Governance does not seem to be one of the factors that has contributed much to the high economic growth in China. The suppressing of it, for example the increase in corruption and the use of 'speed money' after 1978 or the repression of the population, which has led to a complete monopoly on the power and control of the strategy and goal by the CCP, actually to some degree seems to have helped foster the high economic growth, by making the system more efficient and cohesive. It seems clear, that China has developed a different model and concept for economic growth than that set out by for example the International Monetary Fund, World Bank and United Nations, through the 'Washington consensus' and Good Governance. In 2004, Joshua Cooper Ramo, coined the term 'Beijing Consensus', which was an attempt to point to the factors associated to the high economic growth in China. Ramo described the 'Beijing Consensus' as somewhat similar to that of the 'Washington consensus', for example when it comes to an ease on regulations and reformation of state-owned enterprises. But he also pointed to the fact that it deviated from it in a 'Chinese characteristic' way, for example through; an Incremental reform, soft authoritarianism and state capitalism (Rommann, 2013), which the analysis in this thesis confirms. Where the Washington consensus and Good Governance is often referred to as 'the West knows best' approaches to economic growth and development, the 'Beijing Consensus' or 'China model', a name given by those not believing the model to be a consensus, but more a variable alternative to the neoliberal 'Washington Consensus' and Good Governance approach, is seen as the characteristics behind the high economic growth in China. Where control of the population, a strong leading role by the CCP, an absence of political liberalisation and a muscular state hand on the levers of capitalism, are key factors behind the growth (The Economist, 2009). Furthermore, it is also considered a model where constant experimentations are made, first on a small scale before implementing on a larger scale to avoid substantial errors. It is a model where gradual reforms are preferred over 'shock therapy' and where a selective borrowing from other models, including the neoliberal have created a unique Chinese policy space, where the CCP has been in complete control of the strategy and direction of the economy (Weiwie, 2006).

Chapter Six: Conclusion

This thesis has tried to answer which factors have contributed to the high economic growth in China since 1978 and the presence and role of good governance in it. It has been done by focusing on six components, that according to the CDS theory often characterises CDSs and are closely linked to the role of the state in the structural transition from a primitive to modern society. The six components, which have served as the overall framework in this thesis to answer the problem formulation are; A Developmental Elite, Relative autonomy, Economic bureaucracy, a weak and subordinated civil society, Effective management of non-state economic interests and Repression, legitimacy and performance.

The analysis has shown that the role of the state in China and specifically the Politburo Standing Committee has been a keystone in the high economic growth since 1978. The new developmental elite, with Deng Xiaoping as the paramount leader, was the engine behind the transformation from planned economy to socialistic market economy and has shown willingness to sacrifice the short term welfare of the population, in order to develop a modern economy. The relative state autonomy in China has been another important factor in the high economic growth, the submission and control over the system, has meant that the state has been able to follow one strategy and road to development, without redirections or distraction by opponents or special interests. The lack of separation of powers in the constitution, which puts the CCP leadership above the rule of law, only further adds to the state monopoly. The state-led decrease in inefficient and ineffective SOE's and stronger support to efficient and effective ones has together with the state promoted emerge of the private sector and increase in foreign direct investments through less barriers and appealing taxation, had a profound impact on the high economic growth. The state has been preeminent in adjusting the private sector and especially foreign direct investments to fit the need of the Chinese market and though that kept a great deal of control, by also attracting foreign investors that could enhance specific sectors technologically, productively and innovatively, which have decreased the gap between the Western- and Chinese market. The economic bureaucracies in China have played a role in the high economic growth, the National Development and Reform Commission is the 'pilot' agency behind the five-year plan and is monitoring, predicting and guiding the macro economy in China, however, unlike in for example Japan or Singapore, the commission is very accountable and

subject to the state, which to an extent differentiates the economic bureaucracies in China from that of some other CDSs, but once again shows the power and control of the state. The weak and subordinated civil society in China, where the freedom of speech, the press and assembly is heavily suppressed has helped the state uphold its monopoly, however the Chinese population seem to have accepted this version of Chinese 'democracy', because the living standards and personal economy for the average citizen have improved, following the high economic growth. This acceptance can also be linked to the remerge of Confucianism, which has consolidated the Chinese traditional hierarchy, where the ruler should be good to his people, who in return should be loyal and show obedience.

The analysis and discussion in this thesis furthermore showed that the role and presence of good governance as a factor that has contributed to the high economic growth in China since 1978 has been very limited. China has with its high economic growth and poverty reduction, despite its lack of good governance, showed that the quotes made in respectively, 1997 and 1998, by the International Monetary Fund and former United Nations Secretary-General Kofi Annan, on the importance of Good Governance in economic growth and poverty reduction are, at least in the case of China, incorrect. The major lack of participation by the population is a result of the limited freedom of association and speech, due to state repression. The consensus orientation, especially politically, is very centralised, agreements on procedures and policies have mostly been made within the party and specifically within the Politburo Standing Committee. Economic consensus, is more decentralised, at meso level, there seems, on this matter, to be a boarder acceptance of the inclusion of different interests in the process of making provincial economic policies. Corruption continues to be a major issue, despite petty corruption, in the form of 'speed money', having some positive influence on the high economic growth. The increase in anti-corruption laws, put in place to decrease the misuse of public office for private gains and increase the legitimacy of the CCP have had a somewhat positive effect, however, it has been argued that the anti-corruption laws are also used by the CCP and president Xi Jinping to eliminate potential political threats, that could jeopardise the control, legitimacy and power of the party. The interferences in crime cases and violations of for example human rights cases by the state shows the lack of separation of

power within the justice system and the rule of law, which limits the transparency and accountability of the system and thereby also of the state.

The thesis has shown that China has taken another direction in their search for economic growth, then the western preferred neoliberal and to a very large degree succeed in it. With an average yearly GDP growth rate of about 10% in the three decades following the reform introductions in 1978, improved living standards and a massive decrease in poverty, the 'Chinese model' has succeed economically, while at the same time protected the monopoly and power of the CCP. The success of the model opens up to a new set of questions within international development, because; Is neoliberalism really what developing states need in order to increase their economic growth? Or can state-led macroeconomic planning, as seen in East Asia, be the key to unlock developing countries full potential? The African country Botswana has since the early 1970s founded its rapid and high economic growth on factors similar to those seen in the East Asian CDSs (Taylor, 2005 pp.54-56). What stands in the way of other developing countries following in their footsteps, by neglecting neoliberalism and instead focus on the state as the engine behind the transformation and growth?

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