

Alvin Y. So & Yin-Wah Chu, **The Global Rise of China**, Malden, MA: Polity, 2015, 242 pp., \$22.95 (paperback).

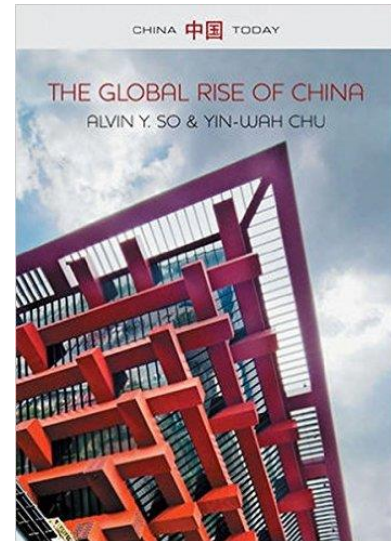
Reviewed by
Joseph Oliver Boyd-Barrett
Bowling Green State University, USA

In *The Global Rise of China*, authors Alvin Y. So and Yin-Wah Chu—Hong Kong-based social scientists—set out to identify the distinctive characteristics of how the communist party-state has shaped China’s postsocialist development. They examine neoliberalization, a shift from state domination to market domination adherence to socialism to contain the worst repercussions of neoliberal practices, and ongoing policy ebbs and flows between market-oriented and state-oriented policies. The unique outcome is “state neoliberalism.”

China is a “developmental state,” its legitimacy depending on its ability to promote and sustain development. Unlike its East Asian counterparts, China’s development was spearheaded by state enterprises rather than the private sector. The goal of neoliberal market reform has been the survival of the communist party-state as an instrument of economic development. Reform was introduced gradually, without a clear blueprint. The outcome is a market embedded in an authoritarian communist state alongside a high degree of suppression of civil society and social movements.

Whereas Western neoliberalism serves the interests of the capitalist class, China’s state neoliberalism enhances the party-state; whereas the Western neoliberal state has retreated from the economy, the Chinese party-state intervenes deeply in the economy; whereas the Western neoliberal state has been weakened by the downsizing of state bureaucracy, the Chinese party-state has been strengthened by mass-line education and anticorruption campaigns since 2012. So and Chu see consolidation of state neoliberalism as the most likely scenario for China’s immediate future.

The Cold War shut off communist China from both export-oriented industrialization (Western markets were closed) and import substitution (owing to the economic embargo). With the exception of its alliance with the Soviet Union, China had no recourse but an autarkic path of socialist development. From 1949–1978, China’s state socialism model was characterized by land reform and collectivization, nationalization, and state-owned enterprises. Despite significant policy failures (the Great Leap Forward and the Cultural Revolution), China consolidated its socialist legacy, and achieved notable economic growth and structural transformation. By the late 1970s, China came to be seen by the United States as a counterbalance to the Soviet Union and Japanese economic expansion, as a vast market, and as a cheap source of labor and raw materials. The fading of the Cold War allowed China to reenter the world economy. Growing social dissatisfaction created a more receptive popular climate for new approaches to development.



Post-Mao reform started gradually in rural and remote provinces, proceeding through decollectivization, reforms of state and collective enterprises, proletarianization of the peasantry, emergence of an urban labor market, and re-entry into the capitalist world. The 1989 Tiananmen crisis inspired stop-gap measures to tackle the problems of the first decade of economic reform. These strengthened the communist party-state's administrative and fiscal capacity, increased state intervention through debt-financing infrastructural and fixed-capital formation projects, and enhanced technological capacity. Neoliberal prosperity was the state response to Tiananmen, achieved through privatization, corporatization, commodification of human services, membership of the World Trade Organization, and recruitment of capitalists to the Communist Party.

Consequent exacerbation of income inequality and class differentiation was further sharpened by the 2008 global economic crisis. The response this time was massive stimulus, upgrading and relocating production to interior provinces, and the development of Green industry. To blunt tensions between the state and the global capitalist class, the state has taken a stronger pro-worker, pro-peasant, and pro-state-sector stand.

Continuing challenges include massive excess capacity, oversubsidized state-owned enterprises, financial over-leveraging, and bad loans. Premier Li Keqiang's policy upon taking office in 2012 was to dampen growth expectations, cease stimulus programs, reduce debt, "purify" state officials (anti-corruption), take a more critical stance toward transnationals in favor of domestic enterprises, and rejuvenate nationalist values.

Much of China's industry still involves the processing of semi-finished or finished components. Chinese industry exhibits high levels of foreign investment and ownership, especially in export-oriented sectors where the bulk of profits remain with the transnationals while technology transfer has proven quite limited. State initiatives over the last 30 years to promote high-tech development have included talent identification, network building, talent reentry, and settlement. These have worked fairly well although obstacles remain. The government is still authoritarian, bureaucratic, and hierarchical. It is still dominated by large state-owned enterprises, including universities, that are bureaucratic and conservative, stifling innovation and creativity and given to top-down mega projects. There is a lack of a clearly defined property rights regime.

Yet China has developed a formidable competitive capacity to innovate in different segments of the research, development, and production chain. These are as critical for economic growth as many novel-product innovations. Supplementing the innovation capacity of China's central institutions are regional economic fiefdoms that compete and cooperate with one another and with the center. This dynamic enables China to dominate many stages of the fragmented global economy yet inhibits engagement in cutting-edge and risky novel-product development. This is especially so given China's conditions of structural uncertainty that encourage actors to look no further than short-term gains.

So and Chu ask why it is, given the large numbers of annual mass incidents, a new labor movement has not emerged. They conclude that most protests are short, involve relatively small numbers, are compartmentalized, deal with bread-and-butter rather than political issues, and first work

through existing laws and procedures. The working class is divided—employed and unemployed (or “off-duty”), urban and migrant—by residential segregation and ethnic stereotyping. Many unions are little more than “company unions.” Attempts have been made to institutionalize labor conflict through a labor dispute arbitration system.

Workers tend to take for granted the moral high ground of the central state, while local officials and management are (often rightly) scapegoated for poor decisions. This split between a “benign” central state and a “malign” local state is also important for the containment of peasant grievances. These are directed mainly at the township level of government and seek alliances with higher levels for support. Meanwhile the state has co-opted the middle class through housing subsidies, their participation in decision making, the professionalization of party-leaders and state cadres, and recruitment into the communist party-state. Extraordinary challenges of environmental sustainability may be critical to China’s ability to sustain management of class relations. Longer-term threats of climate change directly contest the party-state’s dependence on growth and are exacerbated by rising tensions between China and the United States as the United States seeks to thwart China’s hegemonic potential and reduce its competitive demand for global resources and markets.

In a competitive market for titles that address the economic rise of China, this book provides a highly readable, well organized, and incisive analysis of these economic and political conundrums. It gains from the combination of So and Chu’s geographic and cultural proximity to mainland China, their empathy with China and its people, and from the relative independence of the Hong Kong intellectual climate.