



# Global Capitalism and the Rise of the Market-Leninist Developmental State – A methodological globalist analysis of China's economic and social development since 1978

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**English summary:**

The dissertation develops a novel methodological globalist research agenda for the study of macro-social processes, and applies it to the case of Chinese economic and welfare state development since 1978. The dissertation thus examines China's economic and social development as a process of coevolution with the global capitalist economy, inter-state system, and global ideational field. The dissertation finds that the timing of China's transition to capitalism played a substantial role, particularly in the first two decades (1978-98), when neoliberal economics and economic globalization profoundly influenced both economic and welfare state reforms. However, in the new millennium China has changed its development strategy as a response to the perceived failure of neoliberal reforms with regard to both social policy and in terms of allowing Chinese companies to climb the ladder of global value chains. On the basis of its unique set of political and economic institutions, and inspired by neighboring developmental states, China has increasingly exploited its grasp of the commanding heights of the economy to conduct an ambitious industrial policy aiming at developing strategic sectors at the pinnacle of global value chains. The role of the state in providing welfare has also drastically increased albeit from a low level. However, due to China's large size and distinct political and economic institutions, China's market-Leninist developmental state is not containable within the US-dominated global economic system. For this reason, both China's economic model and the global economy are entering uncharted territory.

## **Dansk resumé:**

Afhandlingen udvikler en ny globalistisk metodologi og forskningsagenda til studier af makro-sociologiske processer. Denne forskningsagenda anvendes til at undersøge Kinas økonomiske og sociale udvikling i årene efter 1978. Kinas økonomiske og sociale udvikling anskues således som sammenvævet med den globale økonomi, det internationale statssystem og globale ideologiske og idémæssige udviklinger. Afhandlingen konkluderer, at timingen for Kinas overgang til kapitalisme har spillet en væsentlig rolle, navnlig i de to første årtier (1978-98), hvor neoliberal økonomisk tænkning og økonomisk globalisering havde en stor indvirkning på både økonomiske og sociale reformer. På baggrund af, at der blandt Kinas ledere var en opfattelse af, at neoliberale reformer havde slået fejl i forhold til sociale såvel som økonomiske reformer, har Kina imidlertid ændret sin udviklingsstrategi siden begyndelsen af det nye årtusinde. På baggrund af sine unikke økonomiske og politiske institutioner, og inspireret af de Østasiatiske 'developmental states', har Kina i tiltagende grad udnyttet sit faste greb om de største virksomheder og banker til at føre en ambitiøs industripolitik, der sigter mod at udvikle virksomheder der kan gøre sig gældende øverst i de globale økonomiske værdikæder. Statens rolle i forhold til at levere velfærdsydelser er samtidig øget drastisk, om end fra et lavt niveau. Både Kinas økonomi og verdensøkonomien går dog en usikker fremtid i møde da Kina grundet sin enorme størrelse og distinkte politiske og økonomiske institutioner ikke kan rummes inden for den Amerikanskdominerede globale økonomiske orden.

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## 1. Introduction

This dissertation on the economic and social development of China since 1978 is the result of a long journey, which began after I had studied sociology for some years and started contemplating studying Chinese. It occurred to me that contrasting Chinese history and China's present development to the theories of social science could be fruitful, as these theories are almost exclusively founded on the basis of the Western historical experience. After many years of studies, I still think there is much left to be explored in this regard, and that the histories of China and East Asia more broadly remain underutilized in the social sciences.

In a fascinating article, Victoria Tin Bor Hui (2004) uses Chinese history to debunk realist international relations theory ('IR'). In a nutshell, she shows that IR is modelled on the post-Roman European historical experience, where the hegemonic ambition of countries would be countered by other countries entering into an alliance, which would thwart the rise of a new empire. She shows how this logic has not prevailed in Chinese history, and thus that there is no necessity to the kind of balancing act, which IR theory describes. And thus that IR theory does not have a claim to universality. Somewhat similarly, this dissertation contrasts theories about economic and welfare state development with the historical development of China since 1978.

Another reason for studying Chinese was that it seemed to me that the question of whether the fast rising Chinese nation would become fully integrated in the global order with its roots in Western civilization, or whether it would develop an alternative modernity and reject the liberal-democratic Western values would be of defining importance for the 21<sup>st</sup> century. This dissertation explores a corner of this puzzle by zooming in on how the development of China's economy and welfare state is caught up with its external environment in the form of the global economy, international system of states and the global ideational field.

If you ask Chinese people on the streets, in classrooms, and even in lecture halls of its ever increasing universities what type of economy China has, you are likely to get the answer that it is ‘a socialist market economy’ (社会主义市场经济). Or perhaps you will be lucky enough to hear the tongue-twisting term ‘socialist market economy with Chinese characteristics’ (中国特色社会主义市场经济). These are the terms propagated by the Party and consequently taught in schools etc.

When it comes to words Chinese leaders and bureaucrats have not become more frugal despite Xi Jinping’s heavy handed anti-corruption campaign.

After the first couple of decades of China’s opening up to the outside world, where many things foreign were enthusiastically welcomed, even by many of China’s leaders, the country has become preoccupied with defining the national identity and special characteristics of the proud Chinese nation. From viewing itself as the party that fulfilled the promise of breaking definitively with millennia of feudal culture, the Party has now shifted to painting itself as the proud bearer and guarantor of China’s 5000 year unbroken civilizational legacy. It is e.g. worth pausing to contemplate the profound contradictoriness of a communist party kowtowing before the ancient sages, Confucius foremost among them. It is worth reminding ourselves that Lu Xun, arguably the greatest modernist Chinese author, still read in Chinese schools today, likened traditional Chinese culture, and specifically Confucianism, to cannibalism.

In one of his lectures, the famous Chinese intellectual and professor of history Qin Hui asks his Chinese audience with a wry smile: Where are these Chinese characteristics? And he goes on to ask: Do you see anyone wearing traditional Chinese clothes? Not at all, he answers (Qin, 2018). Indeed, looking down on the great country from the height of one of its many newly launched satellites, it is hard to see these Chinese characteristics in any area: It is a country ruled in the name of an ideology developed by a German (Marx), and by a party cast in the mould of the one Lenin



led to victory in Russia. It furthermore has some form of a capitalist economy (although this is denied by the party). This ideology, and this institution, the party-state, which sits as the proverbial spider at the center of the Chinese economy and society is no more Chinese than the concept of constitutional democracy, which the party decries as incompatible with China's national character.

In fact liberal intellectuals like Qin Hui have argued that constitutional democracy is much more compatible with Chinese tradition than the current regime, as it is a solution to the 'bad emperor'-problem, which has always preoccupied Chinese scholars from Confucius onwards. There is not much particularly Chinese about the 'characteristics' of China's party-state and its ideology. Rather, the term 'Chinese characteristics' in party documents is a classic example of the kinds of ideological euphemisms, which Laclau (2005) calls empty signifiers. An unambiguously good term, which means whatever the Party would like it to mean at any particular point in time. What was 'Chinese characteristics' one day might very well be decidedly un-Chinese the next.

In both East and West, there are scholars who view China as a unique country that will decidedly not become democratic. In this debate, it is worth reminding ourselves that few of the main characteristics of China's economy and society have more to do with traditional Chinese society than with Western modernity. This does not mean that China will become westernized. As anyone who has lived in East Asia can attest to, there are large cultural differences between East Asian and Western countries. But it does mean that there are no good reasons to believe that Chinese culture represents more of an obstacle to a breakthrough for democracy, than the culture of so many other countries.

It is to my mind deeply surprising that anyone would think so, especially given that China is a country split in a democratic part (Taiwan), an authoritarian part (mainland China) and a part that is somewhere in between (Hong Kong). It is no more logical to claim that China is culturally unfit for

democracy, than to claim the same about Korea, or Germany when those countries were split in two parts. Arguably, what is standing in the way of democratization is mainly the Chinese Communist Party, just as the Nationalist Party did in Taiwan before the democratization process began in the early 1990s.

This dissertation seeks to understand China's economic and social development since Deng Xiaoping took over the helm of the Chinese party-state in 1978 and began the process of opening up and reformation of China's hitherto state owned and state planned economy. By adopting a novel methodological globalist approach, I situate China's development in the larger history of capitalism and the inter-state system, while comparing with other countries that have undergone similar transformations. In this way, I seek to overcome the sort of exceptionalism which not only the Party, but also parts of the scholarly community, espouses.

In relation to China's economic development model, scholars have naturally turned to literature on the development experience and economic models of other nations. In the 1990s, it was thus common to describe China as a case of a transitional or post-socialist economy and compare it with Russia and other former members of the Soviet bloc (Naughton, 1996; Walder, 1996). Recently, scholars have revived the concept of state capitalism to describe a Chinese economy still to a large extent dominated by state owned enterprises and grouped China with countries such as Russia and Brazil (e.g. Naughton & Tsai, 2015). Somewhat similarly, other scholars have used the term state-permeated capitalism (Nölke, 2018; Nölke, ten Brink, Claar, & May, 2014). Witt & Redding (2014) using similar arguments have called it authoritarian capitalism, reversing Witt's (2010) earlier judgment that it most resembled a Liberal Market Economy.<sup>1</sup>

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<sup>1</sup> Also writing in the varieties of capitalism tradition, Fligstein et al. (2011) have argued that China, due to its large state owned sector, is closest to the French variety of capitalism.

Another group of scholars have argued that China shares many of the features of the East Asian developmental states (Hayashi, 2010; Heberer, 2016; Knight, 2014; Gordon White & Wade, 1988; F. Zhang, 2017). A concept first used by Johnson (1982) to describe Japan and then Korea (Amsden, 1992) and Taiwan, which had by then undergone a similarly rapid economic transformation, led by a strong and independent bureaucracy directing resources towards strategic industries and export-led growth.

Facing this somewhat bewildering array of concepts one gets the sense that the Chinese economy is like the proverbial elephant to a group of blind scholars: One touches the trunk and believes it to be a pillar, another touches the snout and thinks it is a snake. There are several good reasons why scholars are led to such diverse and conflicting conclusions. Many of them can be categorized as relating to the concepts of time and/or space. With its 1.4 billion populace and continental size there are huge geographical variations within the country as Zhang et al. (2016) have explored from a comparative capitalisms perspective: from the dynamic and outward oriented Pearl River Delta, where private enterprise and the market are clearly leading to the rust-belt provinces of the North-East, where state owned industrial giants still loom large. Also, as Naughton (2007) and Naughton and Chen (2017) have argued, three relatively distinct phases can be distinguished where economics and politics intersect in differing ways, making it difficult to pin down one particular model.

A quick glance at the concepts that have been used to describe the Chinese model furthermore reveals that they reflect methodological choices regarding what the Chinese case should be compared with or seen as a case of. The term transitional economy is indicative of an implicit judgment that the Chinese economy should be compared to other post-socialist countries, whereas the term developmental state relates China to her East Asian neighbors, and so forth.

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