

# A variety of capitalism . . . with Chinese characteristics?

Jamie Peck\*<sup>†</sup> and Jun Zhang\*\*

\*Department of Geography, University of British Columbia, 1984 West Mall, Vancouver, BC V6T 1Z2, Canada

\*\*Department of Geography, National University of Singapore, 1st Arts Link, AS2 #03-01, Singapore 117570

<sup>†</sup>Corresponding author: Jamie Peck, Department of Geography, University of British Columbia, 1984 West Mall, Vancouver, BC V6T 1Z2, Canada. *email* <jamie.peck@ubc.ca>

## Abstract

The ‘varieties of capitalism’ framework represents an influential methodological innovation in the field of comparative political economy. It seeks to account for enduring spatial variations in national economic performance by recourse to macroinstitutional analysis, drawing ideal-type distinctions between liberal market economies, modeled on USA, and coordinated market economies, modeled on Germany. Moving beyond critiques of varieties literature—for instance, its methodological nationalism; its preoccupation with limited, formal registers of (national) institutional variety; its growing reliance on rational-choice, firm-centric methods; its failure to account for the pronounced interpenetration and mutual dependence of capitalist economies and its tendency to privilege typological elaboration over causal explanation—this article explores the critical (counter?) case of Chinese capitalism. It considers the extent to which the Chinese economy can be meaningfully characterized as capitalist; the character of its state form and recent development path and its position within—or beyond—conventional understandings of capitalist variety.

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## 1. Introduction: capitalist variety and its limits

[E]very transition to capitalism has produced a new variety of capitalism [. . .] China may be creating its own model of development . . . forging a new way to produce economic growth (Fligstein and Zhang, 2011, 47, 59).

[W]hat one learns about a society presented as a negative case should always be viewed cautiously . . . [But] what makes China China cannot be learned from a theory about Europe (Hamilton, 1985, 188).

Adjudicating between ‘local’ forms of capitalism has long been one of economic geography’s staple concerns. With a handful notable exceptions, however, the field has not been especially active in the vibrant debate around ‘varieties of capitalism’ (VoC), which has been a productive program of heterodox economic scholarship for two

decades, despite a series of potentially productive theoretical and methodological affinities (see Christopherson, 2002; Bathelt and Gertler, 2005; Clark and Wojcik, 2007; Peck and Theodore, 2007; Dixon, 2011). While this conversation is now belatedly underway, it is happening at a time when increasingly searching questions are being asked about the explanatory reach and capacity of the VoC framework itself. Some of this reflects endogenous analytical limits, including an apparent proclivity, within the VoC project, for selective forms of firm-centric and parsimonious reasoning, coupled with the continued privileging of a restricted number of institutional domains, in scalar, functional and geographical terms. But there are also new challenges emanating from the material and interpretive worlds within which these theories circulate. The once orderly universe of ‘national capitalisms’ has hardly been obliterated, but it has certainly been complicated, and maybe even transformed, by *inter alia*, deepening global economic integration, coupled with intensely uneven spatial development; hegemonic humbling, in the wake of the global financial crisis; the lurching advance, failure and reorientation of transnational neoliberalization and divergent trajectories of growth and restructuring in different parts of the global system. Among the most dramatic developments has been the extraordinary economic ascendancy of China as an economic superpower. Forecast by some to overtake USA in total GDP as soon as 2019, China has achieved what Stiglitz has called ‘probably the most remarkable economic transformation in history’ (2006, 1).

China, however, has been a white space on the map of the VoC debate, scarcely warranting a mention—even as an external threat—until quite recently (cf. Hall, 2007; McNally, 2007; Witt, 2010; Fligstein and Zhang, 2011). In fact, there is a continuing debate over whether the Chinese economy can even be considered to be functionally capitalist (Arrighi, 2007; Meyer, 2011), let alone its own ‘variety’ or some new-found variant of the already polycentric Asian model (cf. Amable, 2003).<sup>1</sup> Beyond this, critical observers remain divided over whether China should be celebrated as a bulwark against neoliberal globalism (Silver and Arrighi, 2000) or condemned for executing an unforgiving ‘capitalist restoration’ (Hart-Landsberg and Burkett, 2004, 9). The meaning of the Chinese ‘model’ often lies in the eye of the beholder: while Arrighi (2007) was able to determine post- or alt-capitalist possibilities in China, the *Economist* (2011, 79, 81) was until recently dismissive of claims that the country’s development might represent an ‘object lesson in state capitalism’, in favor of an affirmation of its own worldview, that ‘China’s remarkable success [is attributable to] an odd and often unappreciated experiment in *laissez-faire* capitalism’. Qin (2008), on the other hand, maintains that ‘China’s rampant state-dominated, welfare-lite capitalism could so undercut competitors that it could threaten the social democratic traditions that underpin the West’. The venerable defender of economic orthodoxy has since reluctantly come around to this view. The *Economist* (2012b, 4) now acknowledges that what it calls ‘state capitalism is the most formidable foe that liberal capitalism has faced to date’. The magazine

1 Tellingly, Amable identifies five types of capitalism, according to their institutional forms and complementarities—the market-based, the social-democratic, the continental European, the Mediterranean and the Asian models. Given that the social-democratic model is essentially Scandinavian, this means that: ‘Except for the market-based model... all other types of capitalism have a geography-based denomination. This is for the sake of simplicity and should not be taken too literally. It does not mean that geographical or “cultural” factors are the most important factors or explain the coherence of different types of capitalism’ (Amable, 2003, 14).

subsequently announced that from January 2012 it would devote a weekly section to this inscrutable pretender—the first since it added regular coverage of USA in 1942—on the grounds that ‘China is now an economic superpower’, even as it continues to be ‘governed by a system that it out of step with global norms’ (Economist, 2012a, 9).

Even in the monochrome world of VoC scholarship, in which varieties of capitalism tend to cluster around the two poles of a single continuum—running from US-style ‘liberal market economies’ (LMEs) to German-style ‘coordinated market economies’ (CMEs)—recent explorations of the Chinese model have resulted in divergent conclusions. Witt (2010) carefully weighs each of the VoC approach’s principles of analytical pertinence before concluding that Chinese capitalism ‘looks more like a LME than a CME’ (with the notable exception of its *sui generis* financial regime). Meanwhile, Fligstein and Zhang’s version of the same thought experiment leads them to ‘safely reject’ parallels with US-style LMEs, in favor of an historically unprecedented configuration of CME-like ‘organized capitalism’ most closely related to . . . France! Hence, the far-reaching challenges involved in attempting to visualize China through the analytical lens of the VoC approach, given that this generalized framework for the understanding of capitalist diversity was developed exclusively in the context of ‘advanced capitalist nations’ and more specifically by the contrasting post-World War II experiences of USA, Germany and Japan (Hall and Soskice, 2001a). And since neither capitalism nor advanced capitalism is apparently what it used to be, one might also ask whether the framework itself has become a Eurocentric relic—maybe even another victim of the Chinese economic ascendancy?

Taking the VoC framework to perhaps its most ill-fitting global site, that of contemporary China, consequently represents more than an empirical exercise. It has the potential to be theoretically generative, in the sense that the Chinese case raises distinctive challenges for the style of methodologically nationalist, firm-oriented, boundedly comparative political economy practiced under the VoC banner, troubling settled understandings of both ‘variety’ and ‘capitalism’ along the way. More positively, engagement with such cases might provide a means to further articulate emergent approaches to ‘variegated capitalism’ in economic geography (Peck and Theodore, 2007; MacKinnon et al., 2009; Dixon, 2011). These remain somewhat inchoate, since the label applies not so much to an alternative paradigm to the VoC tradition, more an ongoing attempt to codify and sharpen extant methodological practices in economic geography. Variegated capitalism approaches work with the following methodological sensibilities: first, they embrace multiscalar rather than monoscalar forms of analysis; second, they place more emphasis on contradiction and disjuncture than on nationally scaled institutional coherence; third, they utilize relational perspectives, emphasizing the mutual interdependencies between ‘local’ economies over endogenous logics and separatist treatments; fourth, they explore cross-cutting and connective processes, such as neoliberalization, not only as carriers of convergence tendencies but in the context of combined and uneven development and fifth, they endeavor to reach into more-than-capitalist worlds while at the same time confronting the ecological dominance of neoliberal globalism (see Peck and Theodore, 2007; Sheppard, 2011; Jessop, 2012). While this entails some divergences with VoC orthodoxy, on the other hand, emergent approaches to variegated capitalism share with this tradition a concern with the macro geographies of capitalist transformation, with path dependency (understood dynamically) and with the enduring roles of institutions and institution-alization—suggesting some bases for continuing conversation.

Seen in this light, the problematic of Chinese capitalism does indeed seem to represent not only a provocative but also a productive case. It places stress on established VoC nostrums (such as institutional integrity at the national scale and the evaluation of institutional forms according to the singular LME–CME yardstick), but it likewise opens up some challenging questions concerning multi-scalar governance, communist–capitalist hybrids and the political management of endemic contradictions, such as those arising from uneven growth and sociospatial inequalities. After all, for three decades after 1949, actually existing ‘Chinese capitalism’ was a strictly offshore, extra-territorial phenomenon, more or less coterminous with the vibrant, diasporic economies of the ‘overseas Chinese’ (see Haley et al., 1998), but entirely absent from the People’s Republic of China itself. An historically unparalleled hybrid of reformist Leninism and insourced capitalism has since been forged. In the process, it has been claimed that not one, but in fact several, ‘indigenous’ capitalisms have been cultivated in China, through a unique blend of central orchestration and local devolution (McNally, 2006; Zhang and Peck, 2013), many of which have profited from neoliberal globalism while at the same time spurning some of the most cherished policy prescriptions of the Washington consensus (Arrighi, 2007; Chang, 2010; cf. Harvey, 2005). For these and other reasons, the problematic of ‘varieties of capitalism with Chinese characteristics’ opens up some searching questions about the sociospatial constitution and geographical (re)formation of capitalism.

Taking up these questions, this article is divided into three parts. In Section 2, we revisit the varieties approach, placing the Chinese case in conversation with extant VoC categories of analysis. Only sporadically, in fact, has the Chinese case been examined in such terms, though this is beginning to change. Section 3 considers China’s political-economic transformation in more detail, borrowing some of the problematics of VoC analysis, but moving also to operationalize the principles of a variegated capitalism approach. Working in a Polanyian spirit, we call particular attention to contradictory tendencies and awkward articulations of this heterogeneous development pattern, organizing the following exploration not according to ‘functional’ categories or singular logics but around enduring axes of contradiction and dispute. Three such themes are explored in this section: First, should the Chinese economy be characterized in terms of market socialism or state capitalism? Second, has its growth trajectory been guided by a socialist-developmental state or a unique form of party-state neoliberalism? And third, how should political-economic power relations be characterized in China, with reference to *guanxi* networking or to the notion of power-elite capitalism? These questions facilitate a relatively ‘open’ exploration of Chinese capitalism, attentive to VoC problematics but less constrained by its received categories and parsimonious analytics. Instead, we attend to contradictions, paradoxes and double-movement style adjustments. This article is concluded, in Section 4, on this latter neoPolanyian theme, reflecting on how the ‘substantivist’ interrogation of vexing cases like Chinese capitalism might assist in the development of variegated capitalism approaches.

## 2. Registers of capitalist variety: a Chinese exception?

Characterizing Chinese capitalism is much more than a ‘taxonomical question’, as Szelényi (2010, 208) has correctly pointed out. More than some local anomaly, the scale and dynamism of the Chinese economy, and its complex interpenetration with

'offshore' markets, supply chains and indeed 'other' capitalisms, are such as to raise searching questions about future directions (and geographies) of capitalism itself. Likewise, the 'profusion of competing terms' that have been invoked in attempts to capture the underlying character of the contemporary Chinese state form—which have included everything from 'socialist-developmental' to 'predatory', 'corporatist' to 'rent-seeking', 'market-Leninist' to 'entrepreneurial'—reflects more than differing theoretical predilections, normative inclinations or even disputes over evidence, but a deeper and more complex reality of fragmented, multiscalar and 'polymorphous' styles of governance, improvised in the face of 'rapid economic and institutional change and heightened global integration' (Howell, 2006, 282). Prior to our discussion of the possibly confounding case of Sino-capitalism, it is therefore essential to clarify the terms both in and of debate. We begin this process here by briefly reprising the varieties debate.

VoC scholars, like most economic geographers, are typically skeptical about 'hyperglobalization' rhetoric and its associated convergence theses. Taking inspiration from Polanyi and complementary strands of heterodox economics, they contend that economic structures and relations are politically enabled, institutionally mediated and socially embedded. This duly informs an analytical commitment to the identification (and comparison) of distinctive, 'national' forms of contemporary capitalism and trajectories of economic restructuring. Here, the principal drivers of institutional and spatial variety are seen to reside in heterogeneous combinations of market and non-market modes of coordination, in the historically and geographically distinctive blending of hierarchies, networks and markets (Peck and Theodore, 2007). The distinctiveness of national capitalisms, in practice, is seen to reside in the 'complementarities' between a complex of institutions with remits in financial and corporate regulation, education and training, and industrial relations and the labor market—which fuse and adapt to evolving patterns of economic behavior.

Notable for its theoretical eclecticism (at least in its 1990s formulations), work in the VoC field has converged on the kind of firm-centric analysis associated with Hall and Soskice (Witt, 2010, 3). Hall and Soskice (2001b) seek to build bridges between the macro-characteristics of national political economies and the microeconomics of firm behavior, enabling connections between the competitiveness of the firm and the 'institutional comparative advantage' of national economies. Their approach is centered on the divergent responses of national political economies to endemic 'coordination problems' across the interlinked spheres of industrial relations, education and training, corporate governance and inter-firm relations. Patterned solutions to these problems are seen to cluster around two dominant forms. While US-style LMEs deal with coordination problems largely through hierarchical and competitive market arrangements, the CMEs have much greater recourse to non-market modes of coordination, such as networks and collaborative relations. While in German-style CMEs, the strategies of employers are shaped by dense regulatory networks and long-term, structural relationships, in LMEs economic relations and contracts tend to be decentralized and short term. Hall and Soskice (2001a, 21) emphasize that neither of these institutionally polarized types of capitalism is intrinsically superior to the other, both being capable of sustaining high levels of economic performance. It is argued that LMEs are especially conducive to radical innovation and specializations in price-sensitive mass production, while CMEs have distinctive strengths in incremental innovation and quality-oriented flexible specialization.

For Hall and Soskice (2001a), the architecture of national ‘comparative advantage’ is portrayed in terms of key institutional complementarities (cf. Boyer, 2005). In effect, capitalist regimes are seen to ‘gel’ at the national scale. Conversely, underperformance is associated with hybridized or mixed models of capitalism in which there is friction or contradiction between non-cohesive institutions (Carney et al., 2009). This produces a fish-or-fowl sorting process, capitalisms being seen to cluster around one of the two poles—the basis of the claim that system-specific institutional configurations are durable and resistant to convergence. LMEs and CMEs are both understood to be relatively cohesive systems characterized by high levels of enduring complementarity among mutually supportive, interconnected institutions, particularly in capital and labor markets, social-welfare policies, industrial relations as well as patterns of inter-firm coordination. Accordingly, each variety of capitalism is typically associated with an emblematic firm (Boyer, 2005; Carney et al., 2009), an organizational form that ‘fits’, or is best adapted to, the opportunities provided by its institutional environment.

The principal critiques of the VoC approach have emphasized the limitations following from its near-exclusive focus on nationally scaled formal institutions and economic dynamics, the object of what some consider to be a quasi-functional gaze; its relatively rigid conceptions of cross-sectional difference and path-dependent institutional change; its (growing) predilection for sparse, parsimonious, firm-centric analysis; its reliance on comparative statics, systematically underplaying cross-case tendencies in regulatory adjustment and the interpenetration (or mutual dependence) of institutional forms and growth logics and its tendency to privilege typological classification over causal explanation (see Deeg and Jackson, 2007; Peck and Theodore, 2007; Streeck, 2011). This said, while more effort may have been applied to the task of critiquing, rather than applying, the VoC framework in recent years, it is nevertheless the case that its stylized models of CME and LME systems have been remarkably provocative and potent, earning an important place in mainstream political-economic imaginaries.

If the routines and terminology of the VoC approach are adopted at face value, it is certainly possible to generate a stylized rendering of the Chinese ‘model’, which as a first approximation can be quite revealing. As a point of departure, Table 1 provides a heuristic reading of Chinese capitalism according to such orthodox VoC criteria. Stretching VoC conventions somewhat, we position the Chinese model in a ‘triangular’ relationship with the two established ideal types, in order to explore how such a sketch of the Chinese variety of capitalism might be shaded in LME and CME terms. Here, the quasi-CME face of the Chinese model is revealed in the extensive reach of the All China Federation of Trade Unions (ACFTU), which has a membership footprint extending across half of the workforce; a reliance on bank-based financing; continuing dominance of state-owned enterprises (SOEs), especially in the strategically significant ‘pillar’ sectors, which account for around one-third of GDP; state prescription of minimum wages and a post-2008 labor contract law that offers *de jure* employment protections sometimes even exceeding CME norms (Witt, 2010; Fligstein and Zhang, 2011). In practice, however, the ACFTU functions in more of a bipartite than a tripartite fashion; as a political instrument of the Chinese Communist Party (CCP), it aligns with the interests of management rather than workers (Witt, 2010). Likewise, *de facto* employment protections, and provisions for unemployed and marginalized workers, remain only minimal (Solinger, 2005; Deyo and Agartan, 2007). The enforcement of Chinese labor law, like its intellectual property laws, has been notoriously loose and arbitrary

**Table 1.** Established varieties of capitalism and the Chinese ‘model’

	Coordinated market economies	Liberal market economies	A Chinese model?
Industrial relations	<ul style="list-style-type: none"> <li>• Formal or informal coordination of wage determination across key industries</li> <li>• Employer associations and unions play major roles in wage determination</li> <li>• Employee-elected bodies and representative bodies play key roles in company decision-making</li> </ul>	<ul style="list-style-type: none"> <li>• Company-based, uncoordinated wage bargaining</li> <li>• Limited workplace roles for unions</li> </ul>	<ul style="list-style-type: none"> <li>• Party-controlled unions; limited worker involvement</li> <li>• Company-based, uncoordinated wage bargaining beyond state-stipulated minimum wage standards</li> <li>• Urban–rural divide, dualized citizenship and deeply segmented labor markets</li> </ul>
Education and training	<ul style="list-style-type: none"> <li>• Strong systems of vocational education and training; significant involvement of industry organizations and unions</li> <li>• Limited post-compulsory/higher education</li> <li>• Substantial doctoral programs in basic sciences and engineering, with close links to large employers</li> </ul>	<ul style="list-style-type: none"> <li>• Weak systems of vocational training; limited company involvement</li> <li>• Strong post-compulsory/higher education</li> <li>• Substantial doctoral programs in basic sciences and engineering, but with weak links to employers and industry technologies</li> </ul>	<ul style="list-style-type: none"> <li>• Relatively high literacy rate but low enrollment rates in further and higher education</li> <li>• Emphasis on general skills, weak vocational training; skills mismatches</li> <li>• Superiority in labor-intensive sectors; limited technological innovation</li> <li>• Brain drain and emerging brain circulation</li> </ul>
Interfirm relations	<ul style="list-style-type: none"> <li>• Consensus-based standard setting</li> <li>• Close relations between business associations and research/education institutions in technology development</li> <li>• Mitigation of competition in domestic markets; open competition in export markets</li> <li>• Business associations regulate relational contracting</li> </ul>	<ul style="list-style-type: none"> <li>• Market-based standard setting</li> <li>• Strong anti-collusion policies</li> <li>• Underdeveloped institutional framework for technology diffusion</li> <li>• Weakly regulated relational contracting</li> </ul>	<ul style="list-style-type: none"> <li>• State-dominated standard setting and ‘managed competition’ in strategic technological sectors favoring ‘national champions’</li> <li>• Foreign dominance and open-competition in export-oriented sectors</li> <li>• Dominance of family and guanxi networks, plus patron–client ties, in private economic coordination</li> <li>• Weak legal enforcement and limited protection of intellectual property rights</li> </ul>

(continued)

Table 1. Continued

	Coordinated market economies	Liberal market economies	A Chinese model?
Corporate financing and governance	<ul style="list-style-type: none"> <li>● Reluctance to finance higher risk ventures and technologies</li> <li>● Stable shareholder arrangements, with banks playing monitoring role</li> <li>● Industry-based monitoring</li> <li>● Hostile takeovers difficult</li> </ul>	<ul style="list-style-type: none"> <li>● Orientation to higher risk capital markets</li> <li>● Unstable shareholder arrangements</li> <li>● Hostile takeovers permitted</li> </ul>	<ul style="list-style-type: none"> <li>● Corporate financing dominated by state-owned banks</li> <li>● Financially starved private firms coexist with spoiled state-owned enterprises</li> <li>● Soaring overseas stock market listing of domestic firms, both state and non-state</li> <li>● Large-scale foreign direct investment in technologically advanced sectors</li> </ul>
Examples	<ul style="list-style-type: none"> <li>● Germany as the paradigmatic case</li> <li>● Japan, Austria, Switzerland, Italy, Belgium, the Netherlands, Denmark, Sweden, South Korea</li> </ul>	<ul style="list-style-type: none"> <li>● USA as the paradigmatic case</li> <li>● UK, Canada, Australia, New Zealand</li> </ul>	<ul style="list-style-type: none"> <li>● China as the extra-paradigmatic case</li> <li>● Beyond China, echoes and connections in various offshore and diasporic communities</li> </ul>

Source: Authors; developed from Hall and Soskice (2001a), Peck and Theodore (2007), Witt (2010).



(OECD, 2010, 153; Peerenboom, 2002). The challenges of achieving meaningful business accountability, in a legal sense, also hinder collective coordination and the formation of horizontal linkages for employers and workers alike (Steinfeld, 2004; Wilson, 2007; Witt, 2010). However, partly as an imperfect substitute in this regulatory vacuum, the use of family and kinship ties (*guanxi*) to coordinate intra- and inter-firm relations is widespread, especially among China's small, private firms (Whyte, 1995, 1996; Gold et al., 2002). It is these deficits in actually existing, CME-style non-market coordination that prompted Witt (2010) to locate China in the family of LMEs.

The divergent interpretation presented by Fligstein and Zhang (2011), who define China as an idiosyncratic CME, conceptually nearer to France than USA, raises the possibility that the Chinese case may not even be located on the LME–CME continuum. Obviously, China's economic and institutional structures diverge considerably from the prototypes advanced in the VoC approach. State-led industrialization and export-oriented production, commonly found in China and other Asian economies at various stages of emergence and transition, are difficult to shoehorn into the LME–CME dichotomy (Lane, 2007; Hancké et al., 2008; Carney et al., 2009). China's marketization project has been paradoxically prosecuted by a communist party-state, largely on the basis of unevenly applied policy directives. As in other (post-)communist economies, it is the state, rather than the firm, that defines the principal locus of coordination, while the party-state also performs crucial (though always flawed and partial) roles as a transformative agent (Popov, 2007; McGregor, 2010). Given the transitional and hybrid nature of the Chinese economy, one would search in vain for a singular, emblematic firm. The country's mixed industrial system is characterized by the *co-presence* of monopolistic SOEs, with ready access to finance, arrayed across the 'commanding heights' of the so-called pillar sectors; foreign-owned firms with dominant positions in many export-oriented manufacturing sectors and a plethora of township and village enterprises (TVEs) and small family-run private firms (cf. Brandt et al., 2008; Witt, 2010). It has been observed that China's financial markets have not been effective in supplying investment capital, improving performance or signaling information (Shirai, 2004). However, with the soaring number of overseas initial public offerings, foreign financial markets have been increasingly used to 'govern' China's domestic firms, private and public alike (Tobin and Sun, 2009). Ironically, 'managers of Chinese pillar industry state-owned firms [may be] more accountable to the U.S. Securities and Exchange Commission than to the Chinese central government' (Steinfeld, 2010, 35).

More striking still, many argue that China's most pressing challenges have little to do with enterprise coordination issues, being focused instead on the so-called 'three rural problems' (*sannong wenti*) of agriculture, peasants and village economies (Wen, 2005). When China embarked on its capitalist transformation, in the late 1970s, ~80% of its population resided in rural areas, being primarily engaged in agriculture. Record-breaking rates of growth were achieved from this low base. Modern China remains a low-income country in many ways, with more than half of its population yet to be 'urbanized'.<sup>2</sup> Correspondingly, although the literacy rate is relatively high for a

2 By comparison, UK, Germany, USA, Russia and Japan passed the historical threshold of 40% urbanization, in their respective transitions from agricultural to industrial societies, in circa 1840, 1865, 1900, 1950 and 1955, respectively (cf. Davis, 1955).

developing country, even by 2007, <7% of China's workers were qualified at the college level (Ma, 2010). Among the 780 million strong workforce in 2009, only about one-third were permanent city residents working in urban sectors; one-third were still toiling on farms and the remainder were rural residents either doing off-farm work locally or 'floating' back and forth to the cities, as a domestic category of 'temporary migrant workers' (cf. Whyte, 2010). This deeply segmented labor market, constructed around a sharp and intractable urban–rural divide, has been institutionalized through the *hukou* regime (the household registration system), creating the basis for a dualized form of economic citizenship (Solinger, 1999; Naughton, 2007; Chan, 2009). The 150 million or so rural-*hukou* holders who work in cities continue to be treated as second-class citizens, being denied political rights and welfare benefits to which only urban-*hukou* holders are entitled.

These and other myriad complexities lead Fligstein and Zhang (2011, 41) to conclude that it is impossible to 'discover what is going on in China through a bottom-up empiricist approach'; for all the theory-defying and concept-confounding features of the Chinese model, the necessary-but-difficult path forward, they conclude, must be by way of a 'more theoretical and conceptual [research] agenda'. In this respect, the frictions caused by importing the VoC framework can be potentially productive, in that they shed light on new axes of differentiation, new institutional formations, telling silences, pragmatic 'workarounds' and so forth. This means actively confronting China's square-peg idiosyncrasies, relative to the round holes fashioned by VoC scholars. China's institutional matrix, which has enabled blistering economic growth for over three decades, alongside (new and old) forms of sharply uneven development, has hardly displayed any significant degree of system-level complementarity. Meanwhile, the country's 'institutional comparative advantage' has yet to be translated into sustained technological innovation, either radically or incrementally. China's global competitiveness has been constructed through a feat of self-transformation into a new 'workshop of the world', on the basis of a labor-intensive, export-oriented production system, deeply integrated through global value chains into offshore economies (Hu and Mathews, 2008). The Chinese model has been forged as a profitable, 'external' complement to extant varieties of Western capitalism, with which it has been fashioned not only to coexist but also to *compete*. It is not simply a new model, additively introduced to a level playing field occupied by discrete, 'horizontally' competing capitalisms.

No matter whether the analytical preference is for two, four, five or more varieties of capitalism (cf. Hollingsworth and Boyer, 1997; Whitley, 1999; Coates, 2000; Hall and Soskice, 2001b; Amable, 2003; Boyer, 2008; Fligstein and Zhang 2011), the fact remains that existing VoC formulations have not made space for the Chinese variant of capitalism, notwithstanding its global significance. McNally (2006, 10, 16; 2007, 179), having noted the potential utility of the VoC approach as a framework emphasizing 'marked differences amongst capitalist institutions on the national level', is ultimately unsure how to handle the 'odd case' of China, opting 'consciously [to] eschew a map of institutional variations among capitalisms, especially since in China capitalist institutions are merely in the process of forming'. And, as we have noted, Witt (2010) and Fligstein and Zhang (2011) reach diametrically opposed conclusions concerning the Chinese case, having intelligently operationalized the 'same' VoC framework. Napoleoni (2011) has provocatively argued that China has created its own mode of 'capi-communism', a variety of capitalism *sui generis*—effectively a social form unto

itself. Can this really be a case that exhausts conceptual classification—capitalism *hors catégorie*?

### 3. Sino-capitalism: the confounding case?

It was only 25 years ago that noted Sinologist, Gary Hamilton (1985), posed what for a long time had been one of the most demanding negative questions in historical sociology and comparative political economy: How could it be that a country that had been a driver of world development for millennia—and which had played pioneering roles in the early evolution of trade, finance and technological innovation—had been reduced to the status of a capitalist backwater by the beginning of the 20th century (Weber, 1951; Arrighi, 2007; Whyte, 2009)? Historically, discourses of absentee capitalism revealed more about the presumptions of Western observers than they did about China itself, Hamilton averred. As he knew full well, however, the tide had recently been turning in China, most markedly since the inauguration of Deng Xiaoping's 'second revolution', its economy being progressively 'opened up' after 1978.

Setting aside the question of whether China might one day be 'officially' designated as a capitalist country—highly unlikely, as long as the CCP retains its grip on power—the contention that it is even functionally capitalist continues to exercise controversy (McGregor, 2010). While many Asian neighbors now recognize China as a fellow 'market economy', USA, Europe and Japan pointedly do not—nominally on the grounds of the weight and character of the state's presence in economic life (McNally, 2006). Arrighi (2007, 24) preferred to leave open the question of whether there might be another form of socialism, as opposed to capitalism, at the end of China's long transformation: the (decisive?) fact that private control over the means of production remains far from fully secured in China implies that, 'despite the spread of market exchanges in the pursuit of profit . . . the nature of development in China is not necessarily capitalist'.

This, however, is now a minority view. There is a growing consensus that China has become functionally capitalist—albeit far from comprehensively or unambiguously and certainly not either 'classically' or officially. Yet profound differences remain over just about every aspect of the qualitative form, and the ultimate destination, of this great transformation. Among the many flashpoints in these debates, there are questions around whether the Chinese state should be characterized as socialist–developmentalist, tendentially neoliberal or something else altogether, with Baum and Shevchenko (1999) counting no less than 17 contending labels in the literature.

Bearing in mind the ambiguities and contradictions of the Chinese development path, we proceed here not by attempting to fix (or to force) a singular reading of Sino-capitalism, but instead by exploring some of the principal fields of contention in the contemporary debate around the form and indeed the fact of 'capitalism in the dragon's lair' (McNally, 2008a). The following discussion focuses on three themes, each of which has been a locus for divergent interpretations: first, the oxymoronic formation of China's 'socialist market economy' is problematized (market socialism or state capitalism?); second, we turn to the character of the Chinese state and its variegated mode of governance (socialist-developmental or neoliberal state?) and finally, the power circuits of 'Chinese capitalism' are explored (*guanxi* transnationalism or power-elite capitalism?). It is no accident, as we will see, that these are posed as questions. They are

posed in the spirit of a variegated capitalist approach: interrogating cases through their ingrained contradictions rather than (necessarily) searching for incipient complementarities; privileging causal explanation over taxonomic classification and probing sources of institutional disjuncture as well as coherence.

### 3.1. Market socialism or state capitalism?

It has been enigmatically stated that ‘China is both far away from socialism and far away from capitalism’.<sup>3</sup> While this may be somewhat representative of the kind of double-speak that pervades official economic discourse in China today, where the CCP can apparently embrace capitalism in deed but never in word, it sheds little light on the actual character of transformative change in the country. The winding path from Maoist state socialism has been navigated with incremental caution (and more than a few reversals), in the interest of maintaining social stability while averting political crisis. Continuing intolerance of public dissent, or even society-wide debate, has meant that the reform process has taken the form of a protracted, and ongoing, intra-party struggle. While the ‘leftists’, led by Chen Yun, have insisted on the preservation of socialist ideology and the primacy of planned economy, ‘rightists’ have pushed for ‘bourgeois liberalization’, in the shape of the joint unfolding market economy and political democracy. Deng Xiaoping famously strove to find a middle way, confronting the leftists with ‘reform and opening up’ while evoking the ‘four cardinal principles’ against the rightists (Fewsmith, 2008, 29).<sup>4</sup> This, however, defined a terrain of struggle, not a fixed path.

Correspondingly, the enabling concept of the ‘socialist market economy’ has been assembled only gradually. Chen Yun’s opinion that ‘planned economy is primary, the market economy supplementary’ had been enshrined at the Party’s 1980 Central Work Conference. But this was rejected at the Third Plenum of 1984, where the ‘Decision on the Reform of the Economic Structure’ endorsed an official conception of the ‘commodity economy’, in contrast to the ‘planned economy’—a significant ideological breakthrough that served to justify further liberalization (Fewsmith 2008, 38). In 1987, Zhao Ziyang, then the General Secretary of the CCP, reaffirmed that China remained in the ‘initial stage of socialism’, facing a decades long challenge of improving material living standards for the majority of the population. Zhao also proposed a dramatic curtailment of central planning, advocating the further development of labor and financial markets, while putting both pricing policies and political reform on agenda (Saich, 2010, 78–79).

The Tiananmen incident, however, resulted in the purge of Zhao and other liberal leaders and Deng’s status within the Party plummeted. Chen Yun’s interpretation of socialist economics was restored as orthodoxy, being powerfully reaffirmed by the new General Secretary Jiang Zemin. In 1992, however, the 88-year-old Deng began to fight back. His famous southern tour of market-oriented hotspots, married with robust rhetoric and a willingness to deploy the military in the service of intra-party struggle were indications of a new determination. Deng’s ultimate victory was proclaimed by the Fourteenth Party Congress in 1992, where ‘the chief architect of our socialist reform’

3 Unnamed Chinese commentator, quoted in McNally (2008a, 235).

4 The socialist road, the dictatorship of the proletariat, the leadership of the CCP and Marxism–Leninism–Maoism, as articulated by Deng in 1979.

was credited with the historically fateful ‘theory of building socialism with Chinese characteristics’ (Saich, 2010, 87–88). The congress adopted the most liberal economic document in CCP history, sanctioning sweeping economic reforms under the rubric of the ‘socialist market economy’, although a more liberal stance on economic affairs was matched with an undiluted commitment to political control. Nevertheless, socialism remained the official ideology, the CCP continuing to claim legitimacy under the sign of Marxism–Leninism, with far from trivial political consequences (Fewsmith, 2008, 5).

A long suppressed interview with Deng Xiaping, conducted in 1979, revealed some of the intentionality here, which was to appropriate the *methods* of the (capitalist) market economy, though not its ethic. As Deng rhetorically asked,

Why can’t we develop a market economy under socialism? . . . Taking advantage of the useful aspects of capitalist countries, including their methods of operation and management, does not mean that we will adopt capitalism. Instead, we use those methods in order to develop the productive forces under socialism. As long as learning from capitalism is regarded as no more than a means to an end, it will not change the structure of socialism or bring China back to capitalism (Deng, 1994, 232–233).

During the early years of China’s reforms, the device of the market (or commodity) economy was adopted as a means of complementing, rather than a substituting for, the plan. For example, the CCP’s 1984 Resolution on Economic Reform rather tortuously stated that while China possessed a ‘planned commodity economy [this was] not the market economy which is completely regulated by the market’ (quoted in Yu, 2005, 37). This characteristically abstruse party line therefore carried an unintended Polanyian irony. As a principle of economic coordination, markets would be formally subordinated to the logics of the socialist state and to the long-run goals of revolutionary transformation; the market would not rule, it would be embedded within a socialist-state integument (cf. Polanyi, 1944).<sup>5</sup>

It follows that state socialism remains a defining feature of the Chinese model, even if the point has long since passed where China can be considered to be functionally socialist, at least in terms of actually existing political–economic structures and priorities (Kornai, 2009). Affirming at least one VoC axiom, China’s transformation has been a profoundly path-dependent one, such that its unique experience of ‘capi-communism’ has been effectively co-constituted not only with ‘external’ forms of globalizing capitalism but also with a unique state-socialist trajectory, in an extended and reciprocal process of recombination (cf. Stark, 1996; Eyal et al., 1997). If there is a fire-and-water quality to this contradictory hybrid, then this perhaps explains how it is that interpretations of contemporary China tend to be so ideologically polarizing, between those neoliberal treatments that seek to expunge any positive functions of the state, as the supposed anathema to growth and dynamism, and those radical accounts that heroically valorize remnant traces of socialism in the face of deepening marketization (see Arrighi, 2007; Huang, 2008; Economist, 2012b). For these reasons, it may be more appropriate to define Chinese capitalism in terms of its long-lasting contradictions, rather than search for some submerged source of logical coherence and

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5 This can be seen as a critical case illustration of the argument that market economies display no singular form and that invocations of the ‘law’ of supply and demand are grounded in a particular (Western) conception of ‘free’ markets (Hamilton, 1985; Hann, 2009; Peck, 2012).

through its paradoxical admixtures rather than in terms of some purified essence (cf. Whyte, 2009; Fligstein and Zhang, 2011; Zhang and Peck, 2013).

Such a strategy is plainly at odds with the overriding emphasis that is placed, in the VoC literature, on (national) institutional complementarities, on medium-term equilibrium and on relatively orderly rationalities. Instead, we argue that the improbable combination of socialism and capitalism in China is simultaneously contradictory and complementary. Its ‘productivity’ very much depends on how the reform process is phased, paced and channeled and how its attendant contradictions and externalities are managed. This out-of-equilibrium hybrid is clearly on a transformative path of some kind, but this should not be construed as a simple, linear transition from one system to another. ‘China’s economic development has not followed any predetermined economic strategy’, McNally (2006, 20–21) has argued, ‘but might be more appropriately conceptualized as a process of upward spiraling virtuous cycles of induced reforms’. Such diachronic and open-ended dynamics are hardly alien to capitalism, of course, which exists in a perpetual state of disequilibrium. Rather than proceeding in an orderly fashion to some ultimate form, ‘capitalism develops more in a spiral’, Boyer (2000, 293) has maintained, ‘never passing the same point twice’. If China has been oscillating in the social space somewhere between socialism and capitalism for more than three decades, how might its shape-shifting position be calibrated? Might it even be improvising as Fligstein and Zhang (2011) have suggested, its own developmental form?

A first cut at these questions must consider the enduring residues of China’s socialist formation. According to Szelényi (2010), there are three fields in which the socialist legacy is most strongly evident in the contemporary Chinese setting. First, unambiguous (private) property rights, while conventionally regarded as an essential precondition for capitalist development (Walder and Oi, 1999), are anything but typical in China. In marked contrast to the post-socialist countries of Eastern and Central Europe, where abrupt transfers from public to private ownership were prioritized in the earliest applications of ‘shock treatment’, gradualist China has steadfastly ignored Washington advice on the question of property rights. Initially, the legally permissible zone of private (and typically foreign) ownership was strictly circumscribed, and reports of ‘discrimination’ against private and corporate interests have been commonplace (see Popov, 2007). Most analysts, with the notable exception of Huang (2008), agree that the *direction* of reform has, however, been toward increasingly privatized and regularized property rights,<sup>6</sup> even as the legal system remains underdeveloped and opaque, as SOEs retain a significant presence, as land and natural resources are not yet privatized, and as both party functionaries and labyrinthine rules (many unwritten) continue to extend significantly into the (sometimes only nominally) ‘private sector’ (McNally, 2008c; Szelényi, 2010; Economist, 2012b).

Second, the Chinese state retains a massive presence in the national economy, with a reach into increasingly global spheres too, far beyond the question of control over property rights. Extensive bureaucratic and party involvement in corporate governance—the defining feature of Victor Nee’s concept of ‘politicized capitalism’—has been presented as a peculiarly Chinese hybrid, marked by the extensive ‘overlap of political and economic markets and the absence of clearly defined state-firm boundaries’,

6 For example, a constitutional amendment was enacted in 1999 to protect the private economy, while further guarantees of private property rights were enshrined in the Property Law of 2008.

together with ‘institutional arrangements patched together in ad hoc improvisations to address the needs and demands arising from rapid market-oriented economic growth’ (Nee and Oppen, 2007, 94). For Naughton (2008), retaining, reinventing and redistributing patronage resources, partly through state-dominated sectors and state-run corporations, are crucial to the continual survival of the authoritarian regime. Today, the official list of strategic sectors and pillar industries that are monopolized (or at least dominated) by SOEs includes the following: banking; power generation and distribution, oil, coal, petrochemicals and natural gas; telecommunications; armaments; aviation and shipping; machinery and automobile production; information technologies; construction; railroads; insurance; grain distribution and the production of iron, steel and non-ferrous metals (cf. Deng et al., 2011). State-owned banks are especially dominant, with economy-wide implications, a situation that recent reforms have done little to change.<sup>7</sup>

Although the number of SOEs has been dramatically reduced, particularly in the wake of the CCP’s post-1997 policy of ‘grasping the big, letting go the small’ (*zhua da fang xiao*), the remaining SOE giants occupy central (and sometimes overbearing) positions in both their industries and the national economy.<sup>8</sup> Among the 43 Chinese companies (excluding Hong Kong) listed on the 2010 Fortune 500, 42 are SOEs, boasting an aggregate total of 10.7 million employees, \$1.6 trillion revenues and \$9.2 trillion assets.<sup>9</sup> Official figures almost certainly greatly understate the true scope of party-state influence over nominally private sector and listed firms, because many SOEs control their own business groups. In fact, triggered by China’s massive investment in infrastructure projects (as part of its post-financial crisis stimulus plan), there has been rising anxiety around the phenomenon of *guojin mintui* or ‘the state advances and the private sector retreats’ (Naughton, 2009; Scissors, 2009).

Third, the CCP remains a deeply secretive body, sitting outside and above the law, which continues to exercise a far-reaching form of political monopoly (McGregor, 2010). Private entrepreneurs have been welcomed as party members since the inauguration of the ‘Three Representatives’ policy in 2001, an option that approaching half of all CEOs is estimated to have exercised, while in practically every sphere of life the CCP remains ‘a major force shaping national, local, and firm-level policies and through the *nomenklatura* system, controls appointments to crucial positions even in the business world’ (Liew, 2005; Landry, 2008; Szelényi, 2010, 207). For example, after decades of supposedly pro-market reform, the career prospects of SOE executives continue to depend on decisions by the Organization Department of the CCP, which is charged with the task of maintaining party discipline (Deng et al., 2011). In this regard, as Ma (2009) has remarked, ‘Chinese capitalism is on a strong but flexible leash. The leash can be tightened by the top leadership any time as political and economic needs arise’.

If it is impossible, then, to dismiss Chinese socialism as an inert historical force, what can be said about the country’s tendential form of capitalism-with-no-name? Notwithstanding the important qualification that received understandings of capitalist

7 Eighteen of the 20 largest banks are under state control and, at the end of 2009, accounting for ~73% of total bank assets (Deng et al., 2011). In 2005, 78% of funds raised in the Chinese domestic market came from state banks (Naughton, 2007).

8 The 2008 Economic Census classifies only 3% of all enterprises as SOEs, but these accounted for 30% of total enterprise assets (Deng et al., 2011) and a yet larger share of political-economic clout.

9 Available at: <http://money.cnn.com/magazines/fortune/global500/2010/countries/China.html>.

development reflect distinctly Eurocentric histories (Hamilton, 1985; Blaut, 1993; Amin, 2010), which of course have strong echoes in the VoC literature itself (Yeung, 2004; McNally, 2007), the question of the degree of ‘fit’ between capitalism-as-abstraction and the presently existing Chinese conjuncture is clearly a crucial one. One of the most rigorous responses to this question has been provided by McNally (2006, 2008c), drawing on the generic model of capitalism elaborated by Heilbroner (1985, 1993). The defining features of capitalism, in these terms, are essentially 3-fold. First, what might be called the Marxian face of capitalism is the driving force of the accumulation process, wherein the profit motive and the extraction of surplus value represent both fundamental dynamics and organizational principles of the system. Here, the picture is uneven, at least spatially. Deng’s incremental reforms rested heavily on the principles of devolution and experimentation, opening up selected enclaves for profit-driven accumulation at the local level, often in conjunction with ‘overseas’ Chinese capital and deploying ‘zoning technologies’ like special economic zones (SEZs) as means for trialing new business arrangements and governance models (Ong, 2004; Zhang, 2012). According to Gallagher (2005, 14), SEZs have served as localized ‘laboratories for capitalism, introducing new and destabilizing reforms of employment, social welfare and enterprise management’. Although Huang (2008) is a contrarian outlier, most analyses confirm that the private-sector contribution to overall economic growth in China has risen markedly over time, accounting for 50–70% of GDP according to most recent estimates and that the profit-oriented segment of the economy has also been the most dynamic (OECD, 2003; Wang, 2004; McNally, 2008c; Kornai, 2009). These logics also permeate the state itself, as SOE executive bonuses are tied to financial performance, while inter-local competition and ‘GDPism’ increasingly constitute the foundations both for resource allocations and party advancement (Deans, 2004; Meyer, 2011).

A second dimension of capitalism, which might be considered its Polanyian face, concerns the rise of the market as the dominant regime of economic coordination and cultural identity. In China, the once-elaborate system of price controls has been almost completely dismantled, enabling market pricing on everything from rice to Rolexes (see Wederman, 2003). Exceptions to this general rule are those aforementioned strategic sectors still dominated by SOEs—although market impulses and pressures are increasingly important here too. The most decisive Polanyian move, of course, is the commodification of labor and land (Polanyi, 1944). Since 1986, there has been a progressive shift in the direction of labor contracts; a 1988 bankruptcy law terminated the guarantee of lifelong employment, while a 1994 labor law normalized the status of wage labor, partially decoupling welfare from the state, although the socialist *hukou* regime continues to segment the labor market (Cai et al., 2008). In a parallel process, the Shenzhen SEZ’s pursuit of foreign investment led to the establishment of an inventive model of quasi-privatized land-use rights, managed under a nominally socialist tenure regime (Zhang, 2012). By separating usage rights from ownership, pragmatic leaders effectively legitimized the transfer of land for commercial uses in the absence of *de jure* privatization. Furthermore, China seems to be spawning its own version of a ‘market culture’, according to some accounts often more vulgar and unvarnished than its counterparts in the West, but certainly with highly distinctive features (Rofel, 2007; cf. Wu, 2008; Ku, 2010).

The third and final dimension of capitalism is its Gramscian face: this concerns the advance of capitalist *class* interests, incorporating yet at the same time exceeding those



of the (capitalist) state. Although McNally (2008c, 31) is generally convinced that 'China is generating a form of capitalism', he emphasizes that this is most clearly expressed in the first two of Heilbroner's criteria, the dominance of profit motives and market relations; when it comes to the third, 'the bifurcation of secular authority', the situation is considerably more mixed, since pro-capitalist developments are more embryonic. While the Chinese bourgeoisie has acquired some degree of 'independent' influence, the extent to which this is meaningfully autonomous from the party-state is highly debatable (Liew, 2005; Tsai, 2007). In fact, it has been argued that the political power of capital in China remains fundamentally embedded in, and interlaced with, the sprawling institutional machinery of the party-state and the political tentacles of the CCP (Dickson, 2003, 2008). While there has been considerable growth in business associations and chambers of commerce, most of these exist in the shadow of the party-state. Dickson's (2003, 164) conclusion is that it 'may be more appropriate to see red capitalists as a symptom of changes underway in China, rather than their cause'.

If McNally's argument is extended to the question of class structures, however, the story is unequivocal. Perhaps the strongest evidence of China's post-socialist form is the spiraling level of inequality. In the space of a few decades, the Chinese social structure has lurched from one of the world's most egalitarian to one of its most polarized (cf. Benjamin et al., 2008; Gustafsson et al., 2008). Li (2005) has marshaled evidence to suggest that the Chinese social structure now resembles that of feudal or early-capitalist Europe, taking the form of an inverted T-shaped distribution. On this calculation, nearly two-thirds of the population is located in the lowest socioeconomic stratum, while fully 88% of workers aged between 16 and 64 are classified as the 'lower class'. The elite, meanwhile, is thinly arrayed across the pole of the inverted T-shaped structure, with no intermediate classes of any numerical significance.<sup>10</sup> Deng (1993, 172) once reasoned that '[w]e permit some people and some regions to become prosperous first, for the purpose of achieving common prosperity faster. That is why our policy will not lead to polarization, to a situation where the rich get richer while the poor get poorer. [We] shall not permit the emergence of a new bourgeoisie'. But three decades of market reforms have indisputably led to the rise of an economic elite, deeply interwoven with the party-state *nomenklatura* system, while the degree of socioeconomic polarization has reached alarming levels.

If the choice is between oxymoronic formulations, the Chinese model is closer to state capitalism than market socialism, though its distinctive contemporary form remains heavily predicated on its socialist past, the CCP having steered the path of gradual, uneven integration with globalizing capitalism that the country has followed since the late 1970s. 'The defining battle of the 21st century will not be between capitalism and socialism', the Economist (2012b, 18) recently declared, 'but between different versions of capitalism. And since [Chinese-style] state capitalism is likely to be around for some time yet, Western investors, managers and policymakers need to start thinking seriously about how to deal with it'. The same might be said of Western analysts of capitalist variety.

10 A study conducted by Wang (2010), deputy director of China's National Economic Research Institute, confirms this pattern of extreme polarization. The income ratio between China's richest and poorest 10% households was 65:1 in 2008, up from 55:1 in 2005, yielding a Gini coefficient for household income significantly higher than the 0.47–0.50 level typically acknowledged. The top 10% of Chinese households control 86% of wealth and account for 56% of household income (Gan, 2012).

### 3.2. Socialist-developmental state or state neoliberalism?

Some of the most intractable paradoxes of China's monumental economic transformation concern the role of the state, which manages, at the same time, to be a source of near-ubiquitous power and daunting opacity. The apparent success with which the CCP has fabricated a unique style of transformative market-Leninism—balancing the imperatives of globalizing capitalism and the demands of explosive, market-led growth with the maintenance of virtually total political control—has continued to confound academic analysts and political commentators far and wide. Irrespective of whether the VoC framework is embraced or spurned, the regulatory form and orientation of the state remains a key concern. VoC debates sometimes slide into wrongheaded discussions of capitalism with 'more or less' of the state—one that the CME/LME polarity may inadvertently sustain (Peck and Theodore, 2007), while the popular notion of 'state capitalism' (Economist, 2012b) likewise recycles the red-herring question of the state's absence/presence (as if zero-state capitalisms were something other than a libertarian utopia). On the face of it, China might be located in the Asian family of 'strong states' (see Johnson, 1982; Wade, 1990; Evans, 1995; Whitley, 1999), but its trajectory can hardly be reduced to a (mere) variant of those exhibited, for example, by Japan, Singapore or South Korea. At issue, clearly, is not the quantitative 'weight' of the state, but its qualitative form, role and posture.

An influential line of work in the 1980s portrayed China as an exemplar socialist-developmental state, animated by the failures of Maoism and by the imperatives of political self-preservation, which embraced strategically targeted market measures—not as a preconceived path to capitalism or indeed to neoliberalism (Breslin, 2006), but as an historically unprecedented experiment in socialist modernization:

[Instead of] the classic Soviet-derived perception of the gradual triumph of planned economy over markets, of state over cooperative or individual forms of production, another model of transition has arisen which to some extent returns to Marx's original position that true socialism could only be built on the basis of an advanced commodity economy developed by capitalism. In effect, the reform project envisages a 'replay' of the original Marxian analysis of the transition from pre-capitalist modes of production to capitalism *within a socialist integument* [...] What the reforms represent, at their deepest level, is an attempt to reproduce, within a socialist framework, the social, economic and psychological dynamics advanced commodity production which have been achieved elsewhere within a capitalist framework (White and Wade, 1988, 19, original emphasis).

This active, developmentalist posture positioned China as an outlier among the post-socialist 'transition' states, since it was not bounced into radical regime change in the context of systemic ideological-institutional rupture or externally administered 'shock treatment', as was the case in the Soviet sphere (Lane, 2007; Popov, 2007). While in the former Soviet bloc, 'reform-economics was [rapidly] replaced by transitology' and the saturating ideology of inevitable (but painful) capitalist modernization, in 'China the reconstruction of economic institutions was not labeled as either transition or transformation [just as] the meaning of reform changed slowly and gradually' (Szelényi, 2010, 201–202).

China's socialist developmental-statist path toward capitalism has been negotiated more on its own terms—albeit within the opportunity structure of globalizing

capitalism—being typical neither of the post-socialist pattern nor for that matter of the trajectories of the classic developmental states of Asia. The latter was grounded in a productive nexus between technocratic expertise and bureaucratic rationality, exploiting connections between government and leading industrial sectors in the context of an all-consuming (often nationalist) ‘will to develop’ (cf. Evans, 1995; Weiss, 2000; Deans, 2004). While China’s economic development may have been state-led, or at least significantly state facilitated, it can hardly be said to have been ‘plan rational’ in the manner of the earlier generation of (Asian) developmental states (Deans, 2004). Again, it would appear that the Chinese case is ‘just too different’ to be shoehorned into extant state-theoretic categories, as Deans (2004, 134) puts it; having rapidly evolved ‘from a socialist-developmental state into a hybrid system which is no longer socialist but which cannot be properly understood as capitalist either: a post-socialist developmental state’.

This said, the pattern of China’s policymaking practice across its state-dominated strategic and technological sectors—including cultivating national champions, fostering indigenous innovation and forging national technological leadership through large-scale science and engineering projects or what Suttmeier and Yao (2004) dub ‘neo-techno-nationalism’—bears a resemblance to those pursued by East Asian developmental states. Beyond the narrow concern with the national state and industrial policies in the developmental state literature, China scholars typically call attention to the crucial significance of central–local relations and the wide array of roles assumed by localized state agencies under the guiding influence of the local revenue generation regime. For example, Qian, Weingast and colleagues have documented the rise of what they term ‘market-preserving federalism’ with Chinese characteristics (Montinola et al., 1995; Weingast, 1995; Jin et al., 2005), arguing that the fiscal decentralization and inter-governmental resource-sharing system introduced in the 1980s effectively bound the center and the provinces into long-term and relatively stable fiscal relations, generating strong (but bounded) incentives for inter-jurisdictional competition at the local level. Likewise, what have been labeled as ‘promotion tournaments’ now pervade the CCP’s *nomenklatura* system, rewarding those local officials most successful in facilitating local economic growth (Li and Zhou, 2005) and melding the calculus of the party state with a style of centrally incentivized local entrepreneurialism known as GDPism.

In a similar vein, Xu (2011) argues that the Chinese reform and development project is being driven by a regionally decentralized authoritarian (RDA) system, combining political centralization with economic regionalization. On the one hand, centralized political control remains substantial, in that subnational government officials continue to be appointed, evaluated and disciplined from above. On the other hand, subnational governments effectively manage much of the economy through their multifaceted roles in initiating, negotiating, implementing, diverting and resisting various reforms, policies, rules and laws. This style of decentralized governance seems to alleviate the degree of exposure to economy-wide coordination failures resulting from external macroeconomic shocks, while also fostering a decentralized ecology of ongoing institutional experimentation, at least partly insulated from internal political opposition or macroeconomic risks (see Gallagher, 2005). The RDA system also facilitates the CCP’s adaptive rebuilding of the political hierarchy, with promotion opportunities and patronage resources flowing from the top, reciprocated with allegiance and loyalty to the leadership from below (Naughton, 2008). Nevertheless, Xu (2011) also points out that China’s RDA system is by no means immune from the intrinsic deficiencies of an

authoritarian regime, such as the lack of an independent judiciary, rent-seeking behaviors and indifference to citizens' needs and preferences.

A very particular form of authoritarian decentralization, fusing political and economic interests across the state system, has animated Chinese growth during the reform era. Notable here has been the rise and retasking of the TVEs, which were in various analyses taken as emblematic of the Chinese model, in its early 1980s vintage. The developmental enthusiasm of local states was enabled/encouraged by fiscal decentralization, which selectively devolved decision-making power to local governments, tying revenue growth to the career progression of local officials and spawning a unique form of 'local state corporatism' (Oi, 1992, 1995, 1999). TVEs, known as commune and brigade enterprises during the Mao era, were originally managed by local governments, concentrating on the production of fertilizers, iron and steel, agricultural tools and cement. Redesignated as TVEs during the first decade of the reform era, this sector soon experienced explosive growth, accounting at its peak (in the mid-1990s) for almost one-third of national GDP growth (Oi, 1995; Naughton, 2007)—significantly beyond the initial expectations of central planners (Huang, 2008). Indeed, Arrighi (2007, 363) goes as far as to speculate that, 'TVEs may well turn out to have played as crucial a role in the Chinese economic ascent as vertically integrated bureaucratically managed corporations did in the US ascent a century earlier'. The rapid growth of TVEs occurred effectively outside the state planning process (Naughton, 1995), fortuitously sidestepping the challenge of a big-bang downsizing of the state sector, as in the former Soviet bloc, while generating both positive momentum and the financial means for subsequent rounds of reform.

The political and institutional environment favored these 'public' enterprises during the early years of reform, since private businesses faced severe restrictions and indeed discrimination in terms of access to resources and favorable regulations. The problem of soft budget constraints (Kornai, 1986) was partly sidestepped by virtue of China's massive size, because each township or village would be forced to compete with thousands of counterparts (Naughton, 2007, 281). As local governments rushed to develop their own enterprises, however, regional protectionism resulted in duplication, fomenting serious problems of industrial overcapacity and mounting pressure for restructuring (Bai et al., 2004; Xu, 2011). With rising competition from the urban sector, official discrimination against TVEs and a growing preference for foreign-owned enterprises, the dynamism and profitability of the TVE sector declined markedly after the mid-1990s, causing many enterprises to be privatized or converted into shareholding cooperatives (Naughton, 2007).

Long-running struggles over taxation powers and revenue sharing between Beijing and the provinces eventually resulted in the fiscal reform of 1994, which substantially reduced the subnational government share of national tax revenues, from 70% to 40%, while further decentralizing public-expenditure responsibilities (Tsui and Wang, 2004). While augmenting the budgetary and patronage resources of the center, this fiscal reversal made TVEs immediately less attractive as cash cows for local states, but it duly spawned a new form of real estate developmentalism. Local governments were compensated for revenue losses with new rights over land sales within their jurisdictions, together with monopoly control over the conversion of farmland to commercial uses. As a result, the primary role of local states shifted from that of shareholder of state-owned firms, including TVEs, to that of a land developer and tax collector, competing for mobile private and foreign investment, with the aid of heavily

subsidized infrastructure and a broad (but substantially concealed) capacity to strike ‘deals’ (Yang and Wang, 2008; Tao et al., 2010). According to You-tien Hsing (2010, 5–6), it was the rise of land rent as a primary source of local capital accumulation and political leverage that inaugurated a far-reaching ‘urbanization’ of the Chinese state: ‘urban modernity, more than industrial modernity, now captures the political imagination of local state leaders’.

This ‘land-infrastructure-leverage paradigm’ rests on a specific kind of institutional complementarity (Tsui, 2011). First, the enduring ‘socialist’ land tenure system, together with the huge gap between land acquisition costs and leasing prices, allowed local governments to exploit lucrative, simultaneous roles as land owner, regulator, planner and developer, capturing windfalls from land conversion and development typically at the expense of farmers (Lin, 2009; Naughton, 2009). In the process, land became a key instrument in the interjurisdictional competition for mobile investment and the basis for new ‘zoning technologies’. Second, the windfall land revenues that have become lifeblood of local public finance were predicated on the renegotiation of central–local fiscal arrangements and the scalar redivision of the tax-and-revenue pie. Third, the demand for massive, upfront financing to defray the initial costs of land requisition and site preparation continues to be met by the half-reformed, state-controlled bank system. Under the current corporate-governance structure, state-dominated banks are predisposed to such ‘politically safe’ deals with SOEs and quasi-governmental agencies, channeling massive capital flows in the direction of ever-more extravagant infrastructure projects. Fourth, the *nomenklatura* system and ‘promotion tournaments’ drive local party-state leaders to propagate development megaprojects, like high-tech parks, enterprise zones and even ‘new cities’, as visible affirmations of political prowess (Hsing, 2010).

Correspondingly, China’s industrial relations ‘system’ is also riddled with contradictions. Authentic forms of labor-union mobilization continue to be suppressed, under the disguise of the nominally socialist ACFTU. The industrial relations regime remains predicated on a regressive and piecemeal welfare system and on the political deprivation of workers, especially the peasantry. The land seized for newly built industrial parks, enterprise zones and new cities is largely requisitioned from the peasants. The migrating peasantry is the principal labor supply for urban megaprojects, as well as for the fast-growing manufacturing and service sectors of the cities. The socialist *hukou*-cum-land regime renders this ‘floating’ workforce exceptionally vulnerable to workplace exploitation and social discrimination. In the countryside, this same *hukou* system, while offering rudimentary protection against the extremes of deprivation, exposes disenfranchised farmers to the arbitrary power of local officials, developers and managers. A tidal wave of land grabs has dispossessed >50 million farmers, evoking comparisons with the enclosure movement of 18th-century England; land-related disputes now represent the principal cause of rural grievances and social unrest (Fewsmith, 2009; Hsing, 2010). In this respect, the ‘socialist-developmental state’, following a unique path toward the commodification of land and labor, has been instrumental both in the country’s spectacular economic growth and in its most profound problems (Xu, 2011).

But even if this might be considered a characteristic state form, it is not a singular one. Heterogeneous local-state configurations and strategies have proliferated in an environment marked by deep (but inherent) contradictions in the country’s ‘transitional’ institutional system, the enormous regional disparities that have characterized all

stages of the reform process and high levels of devolution, decentralization and interjurisdictional competition across this unevenly developed, continental-scale economy (Oi, 1995; Segal and Thun, 2001; Remick, 2002). In turn, these unevenly developed state structures have been interdigitated with an equally wide array of regionalized varieties of statist capitalism, dirigiste developmentism and market socialism (Zhang and Peck, 2013). China's vast interregional differences in historical legacies, resource endowments, leadership capacities and local politics significantly shape both local-state behavior and economic-development models more generally. While localities along the coast have generally enjoyed better circumstances for economic development, reflected in localized state forms like 'market-preserving federalism' and 'local state corporatism', local states in resource-stressed and more agriculture-based regions have tended toward predation (Saich, 2002; Tao and Yang, 2008). Saich (2002) suggests that there are, in fact, multiple models of state–society relations operating at the same time both within and between administrative jurisdictions, yielding distinctive socio-political outcomes. Predatory and developmental state behaviors therefore coexist, even at the local scale.

The combined outcome of these conditions is a Chinese state formation that is not only heterogeneous in form but in some ways both doggedly effective and perpetually on the cusp of crisis (see Pei, 2006; Dickson, 2008; Xu, 2011). For Howell (2006, 291), 'what remains of the socialist developmental state is an increasingly isolated central policy elite', confronted by formidable implementation constraints and a range of 'fragmenting, eroding and hyper-rivalistic pressures'. These pressures 'in turn lead to an increasingly complex tapestry of local state formations, exhibiting overlapping and contradictory features of developmentalism and predation; of relative autonomy and clientelism; of efficiency and inefficiency; of regulation and anarchy; of facilitation of and excessive interference in the private sector' (Howell, 2006, 291). The 'multi-organizational' (Chu and So, 2010) or 'polymorphous' (Howell, 2006) Chinese state seems to be moving in several, contradictory directions at the same time.

If there has been a successor concept to the (socialist) developmental state, it has been that of neoliberalism, although again this term has been only cautiously deployed by China scholars—often more as a foil than a framework. The best-known account is David Harvey's, where the Chinese case is handled as a contradictory instantiation of globalizing neoliberalism (as a state-assisted project for the restoration of capitalist class rule), shaped by conjunctural opportunism and pervasive inconsistencies: 'While there are several aspects of Communist Party policy that were designed to frustrate capitalist class formation, the party has also acceded to the massive proletarianization of China's workforce, the breaking of the "iron rice bowl," the evisceration of social protections, the imposition of user fees, the creation of a flexible labour market regime, and the privatization of assets formerly held in common' (Harvey, 2005, 150). So (2007) largely affirms Harvey's account, at least for the 1990s. During that time, while spurning unpalatable features of the 'neoliberal internationalism' advocated by Washington-consensus agencies (Liew, 2005), China was moving decisively toward the deeper neoliberalization of its domestic sphere.

While the Chinese state has been offloading its welfare and social services, including pensions, healthcare, housing and education, to households and to the private sector, it has not been downsized or weakened, as prescribed by face-value interpretations of neoliberal orthodoxy. According to Chen's (2008) calculations, the total disposable income of the Chinese government in 2007 was ~US\$2.1 trillion, the rate of growth of

state revenues (at 16% per annum) having exceeded even the 10% GDP growth rate between 1995 and 2007. Consequently, dramatic reductions in welfare coverage have occurred against the backdrop of rapid economic growth and swelling government revenues. An historically consistent feature of China's welfare system, in fact, is its socially regressive character (Solinger, 2005; Li and Zhong, 2009; Frazier, 2010; Gao, 2010). Nowhere is this 'tendency to privilege the stronger [while] marginalizing the disadvantaged' (Solinger, 2005, 88) revealed more clearly than in the rural–urban divide (cf. Whyte, 2010). The redistribution of rural social benefits was both minimal and consistently regressive during the 1988–2002 period, accounting for only 1% of total rural household income (Li and Zhong, 2009). In contrast, some 11 million state and Communist-party cadres, most of whom are securely ensconced in China's urban middle- or upper class, continue to enjoy generous benefits, ranging from free healthcare to full pensions, financed entirely from state budgets. And, if anything, the wealthy seem to have become increasingly averse to the notion of social redistribution in favor of the poor (Solinger, 2005; Frazier, 2010).

In some respects, this Chinese version/vision of neoliberalism may be even bleaker than its Western counterparts. As Qin (2008, 2010) has argued, the Chinese population has less welfare than those in LMEs and less freedom than those in CMEs; yet ironically, these very miseries constitute the foundations upon which China has secured its formidable competitiveness in low value-added, labor intensive activities—what Qin calls the 'low human rights advantage'. But does this represent an evolution from state socialism, through the transitional stage of the socialist-developmental state, to 'neoliberalism with Chinese characteristics'? Not according to So (2009, 53–57), who contends that a pattern of development since the late 1990s—prompted by the costs of soaring inequality and by a groundswell of social protests across the country—has led to a series of double movement-like 'departures from neoliberalism'. These arguments remain controversial, but So seeks to sustain his case by reference to a series of recent developments: the strengthening of state capacity (and local control) through a more elaborated cadre performance evaluation system and through redistributive tax reforms; a redoubling of Keynesian-style infrastructure spending (which would surge again after the global economic crisis); a renewed emphasis on 'harmonious' development, including rural reinvestment and transfers to the 'new socialist countryside'; economic upgrading, away from low-road, low-skill and low-wage production in favor of value adding; the continued subordination, or 'dependency', of the capitalist class to the state; the carefully calibrated reconstruction of nationalist sentiments and a steadfast refusal on the part of Beijing to accede to the dictates of international finance capital, manifest in continued restrictions on investment and banking.

On these grounds, So (2009, 57, 61, emphasis added) draws the conclusion that China has now 'moved *beyond* the neoliberal mode and closer to the pattern of state developmentalism in East Asia', a transformation that (characteristically) has been an 'adaptive process without a clear blueprint [accomplished through] trial and error, with frequent midcourse corrections and reversals of policy'. Deyo and Agartan (2007) likewise observe a benign Polanyian turn in favor of the social re-embedding of the Chinese system, in the form of a socioinstitutional reflex against excessive marketization. But this represents a one-sided reading of Polanyi, as well as of the Chinese case. Marketization may indeed be a process endemically prone to crisis and 'overflow', resulting in social responses of various kinds, but Polanyi offered no guarantees that these would be progressive. Politically mediated, they can trigger authoritarian

responses too—an interpretation that arguably more suited to the contemporary Chinese situation, in which neoliberalization has retained its status as a party-state project, while continuing social unrest is being met with a combination of police repression and political management. ‘Consolationist’ readings of Polanyi do not seem appropriate here. Unchecked neoliberalization would necessarily erode the CCP’s capacity to manage those patronage resources necessary to the maintenance of political security (Naughton 2008). Selective concessions in favor of weaker and excluded groups can be considered politically rational, in the face of roiling social unrest, although managing the conflicts between ruling elites and the social masses within the framework of the Leninist regime remains an ‘astonishing high wire act’ (Naughton 2008, 130).

The country’s oscillations between market-led and state-led development and its attendant transformative multiplexity, seem repeatedly to frustrate even the most sophisticated attempts at conceptual categorization. As a result, there is increasing resort to what might appear to be openly oxymoronic (not to say willfully contradictory) formulations like ‘neoliberal developmentalism’ (Ji, 2006) and ‘state neoliberalism’ (Chu and So, 2010), while others prefer to dissent from the trope of neoliberalism altogether (Kipnis, 2007; Nonini, 2008). Whether or not ‘neoliberalism’ is the most appropriate way to characterize the coexistence of these evolving state (and party) forms with endemic, uneven and conflictive processes of deepening marketization will no doubt remain a hotly contested question among Sinologists and comparative political economists. This represents yet another way in which Chinese capitalism is more appropriately defined *through* its dynamic contradictions and certainly not as some static social form or institutional matrix. It displays little functional coherence, either as a socialist-developmental or as a neoliberal state and neither does it display a tidy transition between the two. Instead, China *combines* contradictory forms.

### 3.3. *Guanxi* transnationalism or power-elite capitalism?

The fact that China’s market transition was never technocratically prescribed from the center, according to some fixed developmental blueprint and neither was it unilaterally imposed from outside, Washington-consensus style, but instead progressed, in Deng’s memorable phrase, by ‘feeling for stones’, seems also to have proved to be fortuitous in the longer run—at least for economic growth. Crucially, it has meant that endogenous state capacities and centralized party control have been maintained through China’s developmental transformation. In contrast with other post-socialist states, China has not had to contend with systemic institutional failure; it has preserved formidable powers in the ‘steering’ and sequencing of the reform process, while propagating a diverse ecosystem of subnational economic-governance regimes through orchestrated experimentation. In this socialist market economy, the state’s hand is nearly always visible (or failing that, palpable), sometimes ‘guiding’ and sometimes ‘grabbing’ (Huang, 2008).

This gradualist transformation was initially enabled by the presence of ‘offshore’ cells of Chinese capitalism, notably in Hong Kong and Taiwan, prior to the reform era (Zhang and Peck, 2013). The Chinese party-state therefore had hands to hold as it felt for stones. The reform process was initiated by a business-like marriage of convenience between the CCP and overseas networks of *guanxi* capitalists, which has been enormously profitable for both parties (see Lever-Tracy et al., 1996; Weidenbaum and Hughes, 1996; Hsing, 1998; Zhang, 2005). Between 1982 and 1994, Hong Kong and



Taiwan investors contributed >70% of the \$107.4 billion total of realized foreign capital inflows to China (Hsing, 1998, 8). The subsequent proliferation of diasporic networks enabled what Arrighi (2007, 351) portrays as a ‘matchmaker’ function, an historic ‘encounter of foreign capital and Chinese labor, entrepreneurs and government officials’. In this respect, the (re)formation of Chinese capitalism was a cross-border and in some senses extra-territorial phenomenon from the start, as diasporic capital exploited a range of localized (and liberalized) openings, mostly in coastal enclaves, subsequently to spawn not so much transplanted replicas of Hong Kong, Taiwanese or Singaporean capitalism (cf. Carney et al., 2009), but substantially new hybrids of state-facilitated, ‘insourced’ capitalism—actively predicated on the exploitation of massive and highly disciplined internal labor reserves by ‘repatriated’ Chinese capital. The availability of pre-existing kinship and friendship relations and the exercise of reciprocal gift exchanges played a key role in enabling and facilitating these investments (Smart and Smart, 1991), lubricated by government appeals to the latent loyalties of émigrés.

The overseas Chinese . . . could bypass most regulations, thanks to familiarity with local customs, habits, and language, to the manipulation of kinship and community ties—which they strengthened through generous donations to local institutions—and to the preferential treatment that they received from CCP officials. Thus, while foreign corporations kept complaining about the ‘investment climate’, Chinese entrepreneurs began moving from Hong Kong to Guangdong almost as fast (and far more massively than) they had moved from Shanghai to Hong Kong forty years earlier (Arrighi, 2007, 352; cf. Hsing, 1998).

The influx of Hong Kong capital into Shenzhen, Dongguan and other parts of the Pearl River Delta led to their rapid ‘Hongkongization’ after the early 1980s (Smart and Smart, 1991; Cartier, 2001). Similarly, a decade later in Suzhou—the heartland of the once-famous Sunan model, based on collectively owned TVEs in the countryside and SOEs in the cities—became ‘Singaporized’ through its integration into global production networks, based on longstanding ethnic ties and initiatives like the China Singapore Suzhou Industrial Park (Wei et al., 2009). To take a further example, Kunshan city and zones within Shanghai’s suburbia have been transformed into ‘little Taipeis’, dominated by a new breed of Taiwanese TNCs, networking across local-state agencies, indigenous business communities and offshore investors (Wei, 2010).

The conspicuous role played by overseas Chinese capitalists has prompted some to resume the search for a cultural essence of Chinese capitalism, grounded in supposedly transcendent values and common practices (as opposed to structural capacities and conjunctural conditions). Some formulations of *guanxi* (or family-kinship) capitalism have been fashioned in these terms (Redding, 1993; Boisot and Child, 1996) and they are echoed in Jacques’ (2009) reading of China as a culturally distinct ‘civilization-state’. Whyte (1995, 1996) believes that familialism and kinship loyalty constitute the social roots of a geographically unique economic-development model, perhaps the most important distinguishing factor between the successful Chinese reform project and the protracted problems of its Soviet counterpart. He goes on to wryly observe, however, that many of the same cultural traits that were once portrayed as obstacles to development (such as enduring kinship ties; the embrace of non-scientific rationalities; reverence for tradition, stability and harmony . . .) have since been rediscovered, in revisionist histories of the Chinese-capitalist present, as supposed secrets of growth (Whyte, 2009).

The emphasis that is placed, in VoC scholarship, on formal state structures and institutional logics, almost exclusively at the national scale, is ill suited to the challenge of understanding the complex, multi-scalar and deeply networked constitution of political-economic power in China. Endogenous institutional capacities at the national scale certainly have a role here, but it is crucial also to attend to those diverse ‘relationalities’ that exceed this singular frame, for example between those onshore and offshore Chinese capitalisms marked by mutual dependency; between those more liberal and more coordinated regional models that exist within China, not as islands but as conjunctures within a wider pattern of uneven spatial development and between local economic-development strategies on the one hand and the shifting matrix of opportunities/constraints presented by globalizing supply networks and overseas markets. Perhaps most notably, among these relational characteristics, is what many consider to be the essence of Chinese relationality, the distinctive network capacities of *guanxi* capitalism (see Yeung, 2004; McNally, 2008b). These are difficult, if not impossible, to explain according to the monochrome distinction between market and coordinated relations, since they are different in kind.

In fact, several varieties of ‘network capitalism’, which draw in various ways on long-term, reciprocal relations between kinship groups, have been identified in Asia (see Yeung, 2004); although it should be noted that networks barely figure in Amable’s (2003) seriously underdeveloped construction of the ‘Asian variety of capitalism’. For McNally (2006), Wenzhou City represents the ‘quintessential capital’ of this pattern of development, where the density of network ties across small, family enterprises has been such as to generate an economically functional form of social capital, propelling an almost entirely private network of family enterprises into the realm of world markets and globalized supply chains. Registering twice the national rate of GDP growth for much of the reform period, what became known as the ‘Wenzhou model’ was soon attracting the attention of prominent analysts and senior party officials (Tsai, 2007). None of these regional models are static, however (Zhang and Peck, 2013). Recently, Wenzhou’s growth has faltered, degrading into an inauspicious development path based on the exploitation of family labor and low-tech manufacturing (Wei et al., 2007). While a rigid web of interpersonal relations centered on kinship and place has excluded external collaborators, calcifying state-business networks have spawned rent seeking and local protectionism. Moreover, the reliance of Wenzhou firms on extended families, social networks and ‘underground banks’ for financing could be just as easily read as a reflection of the weakness of China’s financial system, rather than a functional component of *guanxi* capitalism (Tsai, 2002).

Proponents of network capitalism maintain that, in an environment characterized by weak legal infrastructures, limited property-rights protections, deficient capital-market structures and extreme institutional uncertainty (none of which, it should be noted, are conditions remotely typical of mainstream varieties of capitalism), social-network ties have effectively filled some of the attendant institutional voids, working around some of the obstacles of the old command system in making critical information, resources and opportunities accessible to firms and entrepreneurs (Xin and Pearce, 1996; Peng, 2004). Significantly, however, these same culturally charged social-network ties have also been instrumental in the development of a more malign pattern of reciprocal exchange between commercial wealth with bureaucratic power in the post-Mao economy, between private entrepreneurs and state cadres. This combination of concentrated power and weak accountability has meant that party officials at all levels have been in a

unique position to parlay professional relationships into personal connections and indeed financial gain. The rampant commodification and capitalization of political power, manifest in the growth of power-for-money deals among elites, has fueled a form of ‘power-elite capitalism’ or ‘crony communism’, according to some observers (Wank, 1996, 1999; Pearson, 1997; Wu, 2007; Dickson, 2008).<sup>11</sup>

Systemic conditions of distorted public–private reciprocity have also transformed many SOEs into de facto fiefdoms (Saich, 2010). Members of this unique ‘state capitalist class’ tend to be both consummate party insiders *and* avid readers of the Chinese edition of the *Harvard Business Review* (Economist, 2012b). State cadres and a new breed of ‘red capitalists’ (former party and government officials who defected into private business, *xiahai*, often following the ‘insider privatization’ of SOEs), have been (ab)using their connections to convert political privilege into economic wealth (Dickson, 2003, 2008).<sup>12</sup> Capitalizing on personal and familial ties, many such cadres (along with their kin and protégés) have succeeded in amassing private fortunes, morphing into what has been characterized as a first-generation ‘cadre-capitalist class’ (So, 2003; Sun, 2004). The so-called ‘princeling party’, comprising the sons and daughters (and increasingly the grandchildren) of China’s revolutionaries, continue to dominate the country’s political and economic markets (Andreas, 2009). This other face of *guanxi* yields significant and continuing distributional consequences, while also shaping China’s distinctive class structure, as disparities grow between those ‘inside’ and ‘outside’ the system.

The political foundations of China’s power-elite capitalism are also rooted in the *nomenklatura* cadre management system. This weaves formal hierarchies with *guanxi* networks, vesting in so-called commanders-in-chief (*yibashou*) enormous discretionary power—to appoint lower-level state officials and SOE managers and to approve projects or contracts—with very little external scrutiny (Sun, 2004). For example, land development across China has become a key instrument of discretion for local cadres, enabling the construction of durable political coalitions, while enriching friends and relatives, through the manipulation of lucrative business opportunities (Naughton, 2010). This, in turn, has become a major force behind the maintenance of high property prices, fueling the country’s ongoing construction boom. According to Wang (2010), economic inequalities are further stretched by related flows of unreported, hidden or ‘gray’ income (amounting to 30% of China’s GDP), which primarily accrues to the wealthiest decile of urban households in the form of bribes, kickbacks and other monopolistic rents associated with *guanxi*-mediated land and financial deals and other abuses of state power.

Economic growth, rather than facilitating the emergence of democracy, has instead spawned exclusionary networks of vested interests, based on patronage, cooptation and the appropriation of economic resources (Pei, 2006, 88–90; Fewsmith, 2008, 274). This is neither a desirable nor stable configuration. The disproportionate enrichment of those with privileged backgrounds and connections, coupled with flagrant acts of political repression directed at dissenters, has not only been disincentivizing productivity-enhancing innovations but is fueling widespread resentment on the part of deprived workers and farmers (O’Brien and Li, 2006; Dickson, 2008). It probably

11 For an expose of the vast wealth accumulated by the family of Premier Wen, see Barboza (2012).

12 At least one-quarter of private firms were originally part of SOEs (Dickson, 2008).

remains true that, on balance, the political incentive structure confronting Chinese citizens continues to favor the maintenance of authoritarian rule, as long as economic growth can be sustained (Wright, 2010). Yet the fact that government spending on internal security (policing and domestic surveillance) now exceeds the size of the country's defense budget calls attention to the costs and challenges of 'stability maintenance' (Buckley, 2011; Fewsmith, 2012). The persistence of power-elite capitalism has nevertheless been facilitated, so far, by its decentralized and diffuse form and its expansive web of beneficiaries, in a manner that echoes the mode of reproduction of Chinese-style decentralized authoritarianism (Dickson, 2008). Its symbiotic nature creates a strong, self-perpetuating tendency, as the parties capture mutual gains; meanwhile, incentives to challenge the rules of the game are generally weak. The regime's success in co-opting the population in one historical period, however, does not preclude quite different outcomes in subsequent phases, the seemingly 'fixed, fast-frozen relations' of the society may prove to be more transitory and fragile than is commonly assumed (Wright, 2010, 179).

The pervasiveness of *guanxi* ties in structuring exchange relations in China's burgeoning political-economy affirms the Polanyian lesson that the many faces of reciprocity are more than mere vestiges of primitive societies. Personal and particularistic connections, coupled with informal norms governing trust and authority relations, are crucial in all economies, especially in situations where trust- and contract-guaranteeing formal institutions are weak or unreliable (Hamilton and Biggart, 1988; Redding, 1993; Whitley, 1999). These irreducibly social relations may sometimes substitute for, but can also hinder the growth of, those exchange relationships normally governed by formal procedures and institutions. China is indeed making significant efforts to reform its legal system, but judicial independence remains hobbled by the ruling party's determination to maintain political supremacy. These efforts are also compromised by pernicious forms of local-government influence over the courts, courtesy of local control over judicial appointments and court-system financing (Peerenboom, 2002). Whitley (1999), in his discussion of capitalist variety beyond the West, has highlighted the analytical importance of the overall cohesion, prestige and autonomy of the state executive and bureaucracy and its 'strength' *vis-à-vis* social-interest groups and economic elites. From this perspective, it must be concluded that China's mode of networked, power-elite capitalism marries prodigious capacities with fatal flaws. In this, as in other spheres, its achievements in economic development and growth have been secured in the face of deeply contradictory circumstances.

Apparently, the merits and demerits of China's gradualist transformation represent two sides of the same coin. The gradualist transformation, artfully managed by the old regime, conferred overwhelming advantages on the ruling elites relative to potential sources of opposition. As political and economic power fused ever more deeply, party elites would come to read any opening up of the political system as a threat to their accumulating privileges and benefits (Saich, 2010, 390–391; Pei, 2006, 18), effectively reinforcing the primary circuits of power. As Sun Liping has recently put it, this class of reformers has become 'so addicted to feeling for stones [that has lost any] desire to cross the river' (China Youth Daily, 2012). While political monopoly affords party elites tremendous advantages in the rapid mobilization of resources and policy capacities for favored projects, the unseemly *mélange* of GDPism, rent-seeking, corruption and unchecked tendencies for overproduction represent ever-present threats to whatever 'integrity' this system possesses. As the sustainability of the China model is increasingly

called into question, not least due to its alarming contemporary combination of market bubbles, audacious cronyism and simmering dissent, there are many who are beginning to wonder whether the elite-based ruling coalition that has—so far—managed this unprecedented marriage of a single-party Leninist state and an escalating program of market reforms can keep all of the plates spinning. Should they stop, the interdependencies of the global system are such that the reverberations will certainly overspill far beyond this unparalleled new ‘variety’ of capitalism.

## 4 Conclusion: Karl Polanyi in Beijing

China is not a mirror image of the West. Rather it is an independent vision of how a society can be put together, and must be understood in its own terms. Cross-cultural comparisons are an important means to fashion such independent understandings, but China should be treated as a positive case [and] accordingly, the concepts and the theories of analysis should take their meaning from China’s historical experience (Hamilton, 1985, 207).

The question of contemporary China’s transformation, it has been suggested here, presents a serious (and potentially monumental) challenge to extant theories of capitalist development, growth and variety. Rising to global prominence largely outside the field of visibility defined by the VoC literature, the Chinese case in many ways echoes the earlier, category-contesting ascendancy of Japanese capitalism, located as it was in a distinctly ‘offshore’ position relative to the regulation-theoretic heartlands of Atlantic Fordism (Peck and Miyamachi, 1994). Maybe every historical form of capitalism is destined to generate its own gravediggers, though not always in the form of a revolutionary working class. If the Fordist variant of capitalism was dealt a decisive blow by an earlier manifestation of Asian capitalism, post-Fordist Japan, perhaps the rise of China marks the demise of the US-centric variant of the neoliberal model? By the same token, the orthogonal case of China calls into question not only supposedly universal accounts of global capitalism but also of those theories of capitalist variety that have been tending toward parsimonious forms of firm-centric political economy and bipolar readings of the LME–CME continuum. If the awkward formulation of ‘state capitalism’ reveals anything, it is that the recombinant Chinese state, which somehow holds together an unlikely marriage of entrepreneurial developmentalism with Leninist party discipline, remains the principal orchestrator of the country’s development path. In doing so, it is not behaving in the fashion of either the American or the German state, but instead is carving its own path, with the assistance of an historically shrewd reading of the opportunities afforded by globalizing capitalism.

Rather than attempting, once more, to hammer Chinese empirical pegs into Western theoretical holes (Saich, 2002), this presents a constructive opportunity both to realize and operationalize notions of variegated, polymorphic capitalism (cf. Peck and Theodore, 2007; Jessop, 2012). The apparent inability of the conventional VoC framework to digest the Chinese model should not be taken as an excuse for theoretical defeatism or as a license for retreat into atheoretical, *sui generis* exceptionalism. Rather, as Fligstein and Zhang (2011) have emphasized, it can be an occasion for the open-ended exploration of extant theory claims in a challenging but significant context, possibly extending to their reevaluation and reconstruction. At first blush, it might be

observed that the Chinese model of capitalism continues to defy most attempts at positioning along the singular LME–CME axis, perhaps suggesting the need for a tripartite or even 3D conception of capitalist variety (cf. Table 1).

There is no need, however, to adhere slavishly to the orthodox, rational-choice version of the VoC framework (see Hall and Sockice, 2001b), which today seems to be invoked as often in critique as in application, to derive constructive insights from its comparative, macroinstitutional sensibility. The Chinese model may indeed frustrate and exceed the off-the-shelf version of the VoC framework, as it does many ‘imported’ theories. But this can also be seen as an opportunity for more reflexive explorations. This is the path we have pursued here, as part of an attempt to articulate, in practice, some of the potential of ‘variegated capitalism’ approaches. Building on the resources of ‘geographical political economy’ (Peck and Theodore, 2007; MacKinnon et al., 2009; Sheppard, 2011), these share common ground with heterodox VoC approaches in terms of motivating questions, but seek to answer these in a fashion more attentive to uneven spatial development, to macroeconomic and macroinstitutional relationality, to cross-case connectivities and multiscalearity and to the rising significance and durable distinctiveness of economies located outside the (still largely hegemonic) transatlantic frame. They also favor the ‘substantivist’ analysis, to borrow a term from Polanyian economics, of actually existing economic formations, rather than logical deductivism, an approach we have adopted in this exploration of the Chinese model or pathway, of development.

We have suggested that if this is indeed a ‘model’, it is a complex and heterogeneous one and one that is maybe better appreciated by way of its paradoxes and contradictions than by reference to some singular logic or form of institutionalized equilibrium. China’s internal heterogeneity and its profoundly constitutive, mutual relations with other capitalisms, far and near (see Zhang and Peck, 2013), speak to the futility of searches for an ‘essential’ form of institutional-cum-macroeconomic coherence at the national scale. Its idiosyncratic ‘socialist market economy’, moreover, is quite clearly an ‘instituted’ market, to invoke another Polanyian concept (Polanyi, 1957; cf. Wu, 2008) and it is one with few peers, even among the near-relatives of the post-socialist and developmental states. The role of a comparative methodology, in this context, is not to grant ‘exceptional’ status willy-nilly, but instead to position such cases in relation to their others (Peck, 2012). Chinese capitalism may indeed display a ‘hybrid’ or ‘alloyed’ form, but some of its constitutive elements (like *guanxi*) are absent from the mainstream varieties of capitalism. This, however, is no excuse for atheoretical, case-by-case explanation: there is much to be gained, in explanatory terms, from placing capitalisms among their others—even, or perhaps *especially*, the rogue cases. This stands as a challenge radically to rethink received readings of ‘variety’, to continue to extend the registers of what Polanyi called ‘comparative economy’ and to position both anomalies and affirmative cases within a reflexive and relational explanatory frame. This is the promise of variegated capitalism approaches.

Crucially, these theorizations of capitalism must remain in a state of reconstruction, always being available for empirical ‘stress-testing’ (see Burawoy, 2003). This implies that a special place is reserved for ostensibly discrepant or disruptive cases in particular and for economic-*geographical* investigations more generally. Some degree of common cause (or critical dialogue) might be forged with VoC scholars here. The Chinese experience can be seen to affirm at least one of the central tenets of VoC scholarship, concerning the entrenched nature of institutional path-dependence, even if it does so in

a way that overflows the usual tolerances of VoC analysis. The path dependencies of the Chinese case plainly transcend capitalism itself. The success of post-1978 reforms was partly predicated on prior achievements in social development under Mao, while even the excesses of the Cultural Revolution generated spaces of political opportunity for reform elements in the CCP—to experiment with, rather than hold doggedly onto, Maoist–Leninist doctrines (Arrighi, 2007; Whyte, 2009). This is not, however, to simplistically glorify or demonize China’s socialist past: during the Maoist era, the state effectively stripped the underprivileged of their political agency, under the sign of socialism (Qin, 2010). The peasantry was sacrificed by Mao to support the country’s historic urban–industrial catch up, thereby institutionalizing an urban–rural divide that to this day is *profoundly* constitutive of the unevenly developed Chinese ‘model’ (Wu, 2008). This comprises more than an array of sub-varieties of capitalism, since the islands of dynamic development in China remain in a sea of relative under-development (Zhang and Peck, 2013).

The chances of China fulfilling a 21st Century destiny as a variety of socialism seem to be receding, historically speaking. Yet one of the many paradoxes of the country’s distinctive development path—even as it has become increasingly engaged with capitalist logics in general and by the imperatives of neoliberal globalism in particular—is that the origins, the productivity and possibly even the sustainability of its ‘model’ must be understood to be substantially anchored in its state-socialist past. Furthermore, the Chinese experience raises the question of whether it is possible for some (socialist) states to engage selectively with capitalist development, rather than buy the full ‘package’ (cf. Kornai, 2009; Szelényi, 2010).

Today, in China, markets are . . . creating a dynamic if unstable society, leading in as yet unclear directions—a new form of socialism, or more likely a new form of capitalism (state capitalism)? This reflects China’s specific strategy of transition in which markets were incubated by the party state—so different from Russia’s strategy of shock therapy. Indeed, one might say that Russia replicated the Bolshevik strategy of War of Movement, which aimed to destroy the old socialist order as the precondition for the spontaneous growth of a new capitalist order. The Chinese strategy, on the other hand, has been a War of Position from above, a passive revolution—transformation as a way to avoid revolution (Burawoy, 2003, 52).

Given the soaring economic inequalities and seething undercurrents of social unrest that are characteristic of contemporary China, however, whether it is a revolution avoided or just delayed, must remain a radically open question. Nevertheless, Burawoy’s inventive melding of Gramscian and Polanyian concepts here can be seen as a necessary corrective to the relatively narrow analytical bandwidth of more conventional VoC approaches and the constrained institutionalism that this has engendered. It also calls to mind Arrighi’s (2007) provocative reinterpretation of Chinese economic development in *Adam Smith in Beijing*.

We would aver, however, that perhaps Karl Polanyi may be more urgently needed in Beijing. It may be going too far to conclude, as some neoPolanyian readings of contemporary China have been doing, that the country’s ‘reform variant’ should be seen as a stalwart member of the dwindling family of ‘embedded socialisms’ (Hann, 2009), or that the recent, crisis-driven turn to sociospatial redistribution, in the face of rising political discontent and massive economic strains, represents an historic ‘double movement’ in favor of social re-embedding (Deyo and Agartan, 2007), but on

the other hand the Chinese case certainly does call to mind the injunctions of Polanyi-the-comparative-economist (Peck, 2012). What if, instead of positioning the principle of market coordination in a *sequential and historical* relationship with social regulation and institutional embeddedness, in a temporal reading of the double-movement metaphor (as if marketization and socialization only see-saw against one another through time), this was replaced with a *simultaneous and geographical* conception of the contradictory coexistence of the integrative principles of market exchange, reciprocity and redistribution within fundamentally heterogeneous economies? This conception, in which variegated capitalisms necessarily (co)exist with their others, in contradictory and often crisis-prone hybrids and in webs of mutually constitutive relations, might enable a critical but theoretically 'positive' understanding of China's development path. Rather than flatten out this model's Janus-faced complexities, contradictions and countertendencies, different kinds of explanations might be generated by confronting these disjunctures more directly.

Moreover, it would be patently insufficient simply to 'add' China to the existing catalogue of VoC cases, as if these were merely self-contained, mostly independent systems engaged in 'pacific' forms of lateral competition (see Jessop, 2012), because they each represent conjunctural locations within an unevenly developed global system. If nothing else, China's globally proportioned square-peg case has rightly earned the status of exhibit A in a far-reaching reconsideration of the singular development blueprint associated with the Washington consensus (see Ramo, 2004; Serra and Stiglitz, 2008; Napoleoni, 2011), though arguably more as a negative lesson or corrective, than as a source of unambiguous, 'positive' alternatives. At the very least, it can be said that the distinctiveness of China's transformation conclusively demonstrates that 'there is no single development strategy or set of institutions that have to be adopted everywhere to foster' economic growth (Whyte, 2009, 388). Whether or not Beijing has become a driver of an alternative form of neoliberalization, for example, depends crucially on whether neoliberalism itself is defined in the static terms of the Washington-consensus policy package or in a more expansive, processual manner (cf. Brenner et al., 2009; Peck, 2010). From the latter perspective, while Beijing may have spurned a great deal of Washington advice, on the other hand it has clearly fashioned its alternative socioeconomic development model very much *through* the market nexus. China's mode of residually socialist market-developmental statism might be considered, in this context, not so much an alternative *to* market rule but an alternative modality *of* market rule. And like all forms of marketization, it is prone to overreach, to overflow and to overheat, since marketization defines a direction, not a destination. Whether this ultimately takes us back into or beyond, the Polanyian territory of transnationally scaled double-movement style crises must remain to be seen.

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