The following individuals certify that they have read, and recommend to the Faculty of Graduate and Postdoctoral Studies for acceptance, a thesis entitled:

**Reframing reform: positioning the Chinese economy in the World Bank**

submitted by Christopher Meulbroek in partial fulfillment of the requirements for
the degree of Master of Arts
in Geography

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Abstract

The rise of China as an economic power is one of the defining economic trends of last forty years. There has been considerable academic and policy controversy over the extent to which China’s political economy can be classified as capitalist, resulting, in many instances, in a problematic apriori distinction and separation between state and market. This thesis explores how development economists have managed this distinction through an extended case study of the World Bank. Through a critical discourse analysis of the Bank’s corpus of reports on China, along with a historical analysis of archival material, speeches, and academic journals, this thesis traces the Bank’s policy diagnoses, prognostications, and prescriptions since the late 1970s. Chapter 1 introduces the thesis by situating the role of the World Bank in the international development sector in general, and in China, in particular. Chapter 2 examines the first decade of the World Bank-China relationship. I argue that the Bank deployed the discursive technology of ‘transition’ to reduce the complexities of managing economic policy formulation within a state-socialist framework. Through an examination of industrial, labor, and financial policy discourses, I claim this ‘transition imaginary’ was predicated upon an ascendant hegemony of a neoliberal policy nexus within the Bank, coupled with the use of market-based policy instruments in Chinese economic statecraft. In the 1990s, however, the posited teleology from ‘central planning’ to ‘market economy’ grew unsustainable in the face of post-Soviet collapse and the continuation of state-backed credit provisioning to state-owned enterprises, weakening the dominance of the transition imaginary. Chapter 3 examines the introduction of the ‘gradualist model’ of economic reform in the World Bank in the uncertain geopolitical-economic context of the late 1980s. I argue the contested acceptance of ‘gradualism’ as a distinctive reform model challenged the Bank’s extant ‘shock therapy’ model, but was subsequently articulated into a unified post-Washington Consensus paradigm. Chapter 4 concludes by highlighting the significance of shifting discursive and institutional boundaries between market and plan in the global political economy.
Lay Summary

The Washington Consensus refers to a set of free-market economic policies promoted by the development sector, multilateral organizations and the United States government, that were once thought to promote financially-sound and efficiency-maximizing economic growth. China is often positioned as an economic model that has defied this consensus, with its growth proving the alleged superiority of state-led developmentalism. This thesis examines how Washington Consensus-affiliated economists have interpreted China’s economic development through one institutional lens, the World Bank. Through an extended analysis of the World Bank’s discourses on China, I find that the Bank has continually struggled to formulate policies adequate to China’s economic development, which I claim is based on a misrecognition of the relation between markets and planning. I suggest that the inability to define China’s economy signifies geopolitical and ideological contention over the form and function of the capitalist state.
Preface

This thesis is the original, unpublished, independent work of the author, Christopher Meulbroek.
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<tr>
<td>ADB</td>
<td>Asian Development Bank</td>
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<td>AIIB</td>
<td>Asian Infrastructure Investment Bank</td>
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<tr>
<td>COE</td>
<td>Collectively-owned enterprise</td>
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<td>CPE</td>
<td>Cultural political economy</td>
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<td>CSP</td>
<td>Country strategy paper</td>
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<td>DPG</td>
<td>Development Policy Group</td>
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<td>FDI</td>
<td>Foreign direct investment</td>
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<td>GATT</td>
<td>General Agreement on Tariffs and Trade</td>
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<td>GDP</td>
<td>Gross domestic product</td>
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<td>IDA</td>
<td>International Development Assistance</td>
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<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
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<tr>
<td>IPE</td>
<td>International political economy</td>
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<tr>
<td>IRBD</td>
<td>International Bank of Reconstruction and Development</td>
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<tr>
<td>MDB</td>
<td>Multilateral development bank</td>
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<tr>
<td>NGO</td>
<td>Non-governmental organization</td>
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<tr>
<td>PBOC</td>
<td>People’s Bank of China</td>
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<tr>
<td>PRC</td>
<td>People’s Republic of China</td>
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<tr>
<td>SOE</td>
<td>State-owned enterprise</td>
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<tr>
<td>TVE</td>
<td>Township and village enterprise</td>
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<tr>
<td>WBG</td>
<td>World Bank Group</td>
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<tr>
<td>WDR</td>
<td>World Development Report</td>
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<tr>
<td>WTO</td>
<td>World Trade Organization</td>
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Chapter 1: China in the development imagination

In October 2013, China’s President Xi Jinping announced the creation of the Asian Infrastructure Investment Bank (AIIB), sending shockwaves through the international development and global governance sectors. The AIIB was to be a multilateral development bank (MDB) with the stated purpose of fostering economic development through investing in infrastructure and industrial production in Asia, and promoting regional collaboration by partnering with other multilateral institutions in financing development initiatives. Nominally established to fill a massive ‘infrastructure gap’ in the continent, the initiative soon won infamy through its association with geopolitical posturing rather than its overzealous ambitions to seam together the continent.\footnote{Perlez, “U.S. opposing China’s answer to the World Bank.”} The United States and Japan refused to establish their own memberships, and discouraged allied states from joining on the basis of lax environmental standards and procurement requirements, and the absence of safeguards to protect vulnerable populations from forced removals that had been adopted by the World Bank and the Asian Development Bank.\footnote{The Economist, Mar. 19, 2015.}

It was immediately clear to observers, however, that the respective governments of the U.S. and Japan were not altruistically concerned with the well-being of Asian peasants or the potential environmental catastrophes associated with physical infrastructure overinvestment. Beijing designed the institutions as an alternative to the predominant organizations in the region, the World Bank and the Asian Development Bank (ADB). As the first MDB to be established autonomously of ‘developed countries’, it would be free of the instituted rules that ensure the relative dominance of the American and Japanese states in their respective development banks. The United States, for instance, exercises sole veto power and nearly sixteen percent of voting power at the World Bank, while Japan has fifteen percent voting power at the ADB, which has always had a Japanese president. With the AIIB organized, China would have a relatively stable source of credit to fund its overseas development ventures, which could call into question the dominance of American and Japanese capital in the region.\footnote{Mark Beeson and Fujian Li, “China’s place in regional and global governance: A new world comes into view,” Global Policy 7, no. 4 (2016), 491-499.}
The AIIB is still a relatively small multilateral institution. While the Bank now boasts over 100 member countries, its cumulative lending capital amounts to only $8.5 billion; a paltry sum compared to the World Bank’s $42 billion and the Asian Development Bank’s $20.1 billion in investments in 2017 alone. Nevertheless, the existence of the new Bank and its related initiatives, not in the least omitting the Belt and Road Initiative, has led to a reanimated debate over ‘models’ of development in the global political economy. The political theorist Francis Fukuyama, never immune from proclaiming novel historical ruptures, argued that “China is seeking to export its development model to other countries” via preferential lending and foreign aid.\(^4\) John Ikenberry and Darren Lim, in a report published by the Brookings Institution, warned “the more China is able to build and successfully operate alternative international institutions, the further it will tilt the balance of authority away from the United States, and the more legitimate Chinese leadership, and indeed the ‘Chinese model of political economy’…will appear”.\(^5\)

Debates on the nature of the Chinese economy, and its wider replicability in so-called less developed countries, have re-emerged periodically over the last thirty years. In its various iterations, China has appeared in Western imaginations as a practitioner of ‘gradualism’, as the alt-hegemon of the ‘Beijing Consensus’, as one of the four ‘BRIC’ countries, and most recently, as the ‘China model of political economy’ for others to emulate. It is typically defined through an antagonistic relationship to political liberalism, export orientation, and strong coordination between industry, finance and the state. Contra Fukuyama, Ikenberry and Lim, China’s government insists that it does not wish for China to ‘export’ anything besides commodities. CPC dignitaries insist that to follow the China model of reform is to formulate economic policy with careful consideration given to the circumstances of individual countries. But this rejoinder does not challenge the existence of the ‘China model’ as a social fact. There seems to be a persistent urge to define China’s economy as exceptional, spatially bounded, state-dominated, opposite from the West, and destined to overtake it.\(^6\)

This thesis examines how development economists, as producers of knowledge about China in the global economy, have attempted to enframe the open-ended process of China’s development. Though depictions of China’s economy seem to portray it as inevitably ascendant, it was not always predicted as such.\(^7\) Repeatedly, even critical observers have predicted terminal crises that are supposedly inherent in central relations of China’s ‘model’, stemming from the contradictions between forces and relations of production\(^8\) or between market economy and authoritarian polity.\(^9\) In the field of development economics, the chain of causality is more parsimonious, but the results are similar: the collapse of China’s economy has been framed as imminent unless its policymakers undertook more intense, market-oriented reforms that finally separated financial and industrial functions from party control. They invariably foresaw a final endpoint where a proper ‘market’ would finally take its proper helm as the organizing principle of Chinese society. Such convergence, could never have occurred; not, at least, if markets themselves are always articulated to other institutions, and capitalist development is constitutively uneven. Centrally, I examine how this contradiction between projection and observed reality has been managed by one of the foremost institutional forces in the field of international development and global economic policy, the World Bank.

1.1 The World Bank and the geopolitics of development knowledge

The critical development tradition finds that international development institutions, regardless of intent, reinstall forms of core-periphery (often Anglo-American) domination through defining problems, practices, and procedures of proper development within a narrow register of

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technocratic, market-oriented guidelines.\textsuperscript{10} They point to the power of development \textit{discourse} to frame courses of action and produce particular truths, circulating through development economics, policy models and ‘best practice’.\textsuperscript{11} But the transformation of China appears to present a quandary to the professionalized realms of international development. The irrefutable fact of its economic ascendance elicits an audience of policymakers, politicians, and economists that seek to translate its party-led accumulation strategies into actionable policy models, or, at least, skeptical explanations. This has strained the capacity of the ossified categories of state and market that inform Development itself.\textsuperscript{12} China, indeed, violates the core assumptions of what international financial institutions have assumed to be ‘best practice’: unconventional private property rights, state ownership of strategic industries and finance, subsidized credit for state owned enterprises, and an iterative approach to liberalization. At the same time, it has paradoxically embraced the \textit{prima facie} of global governance—the mobility of capital—and has played a significant role within global governance institutions themselves whilst its original hegemons have retracted from it. To approach China’s model as the ‘outside’ of the Washington Consensus/post-Washington Consensus common sense—a common sense well-studied in the


\textsuperscript{12} Development, with its first letter capitalized, is defined as “the multiply scaled projects of intervention in the ‘Third World’ that emerged in the context of decolonization struggles and the Cold War.” The World Bank was one institution through which these projects were executed. See Gillian Hart, “D/developments after the Meltdown,” \textit{Antipode}, 41, no. S1 (2010), 119.
South/Southeast Asian, Latin American, and African context—is to examine how development paradigms consolidate in dialogue with economic difference.

Paradoxically, it appears that while China’s ‘model’ is an exception to the Washington Consensus model, its form of ‘state capitalism’ is becoming more generalized across the capitalist ecosystem. The internationalization of the Chinese state, especially palpable since the 2008 global financial crisis, has been coproduced with a growing ecological presence of its party-state-business nexus within the realms of international economic and development policy. As the augmentation of Chinese state and capitalist power has reshaped the global political economy, the world which the World Bank proclaims to represent has indeed changed too. The country typically taken as the Rostovian end point of development theory, the United States, is no longer clearly a model to be replicated; at the same time, ‘statist’ patterns of development—a perennial challenge for Bank economists to comprehend—have persistently

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managed to siphon a greater share of growth (if not necessarily surplus\textsuperscript{20}) from a laggard global market. The articulation of the Chinese economy within the World Bank’s conceptions of the world, then, demands an attunement to both the ‘rise of China’ as an international actor and the changing political-economic context of economic knowledge production that has accompanied it.

1.1.1 Putting the World Bank in its place: From Bretton Woods to Knowledge Bank

The International Bank for Reconstruction and Development (IBRD, now the ‘World Bank’), and its sister institution, the International Monetary Fund (IMF), were established at the end of World War II as ‘Bretton Woods institutions’, both tasked with stabilizing and harmonizing economic growth among member nation-states. While the IMF would be responsible for lending to countries to meet balance of payments shortfalls, the IBRD was designed as a mechanism for raising funds in capital markets and lending to member nation-states at market interest rates for designated projects – primarily in physical infrastructure – and provide technical expertise and assistance when necessary. Though it was a comparatively small institution for several years after its founding, waves of decolonization and demands for development loans in the early Cold War placed stress on its lending practices, which had hitherto been composed of lightly subsidized loans. In response to these pressures, executives of the IBRD created new institutions to absorb demand, and were united under the umbrella organization called the World Bank Group. The new organizations included the International Finance Corporation, founded in 1956, which lends primarily to the private sector, and the International Development Association, founded in 1960, which offers interest-free loans with a grant component to low-income countries. The IDA and IRBD comprise the central lending arms of the World Bank, and as Mason and Asher point out, the two ‘organizations’ are almost entirely coincident.\textsuperscript{21} While they source their funds from member governments, the IFC borrows in its own name without member government guarantee, and operates quasi-independently.


The Bank’s distinction, besides its role as a development lender, is its self-proclaimed duty as a hub for the “production and dissemination of development knowledge” that has been solidified in dialogue with its role as a source of technical assistance. Indeed, while the Bank only deigned to embrace the label of ‘knowledge bank’ in the 1990s, development research and policy circulation had long been central components of the Bank’s agenda. The Bank established the Economic Development Institute in 1956 as a training and educational center for senior state officials and development practitioners, followed by the founding of the Economics Department ten years later. By 1970, the department’s staff had increased sixfold. Soon after the commencement of Robert McNamara’s presidency (1968-1981), a re-invention of the bank from a narrowly multilateral financial institution towards an integral development agency was promulgated; this included the establishment of a vice presidency for research and work that stressed sectoral analysis, drawing on an input-output approach to system optimization rather than a recourse to the price mechanism. As will be discussed in Chapter 2, the World Bank began to shift its focus away from industrial analysis towards issues in macroeconomics and trade in the 1980s, placing a greater emphasis on Pareto optimality and market equilibrium.

The Bank’s ability to parameterize economic policy debates has been a perennial focus of research in critical development studies. Robert Wade suggests three ways in which the Bank can effectively delimit the space of legitimate discussion. First, the World Bank has the

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material power to influence the terms upon which low-income countries gain access to international capital markets. Thus, if state officials in low-income countries wish to obtain loans for physical infrastructure, agricultural equipment, or industrial development, the World Bank has the capacity to coerce these state officials into altering their economic policies towards more international openness in terms of foreign investment and trade. This power has been historically exercised over states that were unable to pay sovereign debt after central banks in global North raised interest rates as a response to inflation in the late 1970s and early 1980s. Failure to repay the loans is a signal to financiers that a particular country is not creditworthy, further entrenching the dependence of low-income countries on IDA loans.27 When China began undertaking economic reforms in the late 1970s, however, its hitherto-autarkic development path, to some extent, ‘excused’ the country from accepting requirements of policy conditionality.28

A second dimension of the World Bank’s ability to bound development policy-space derives from its ability to fund a disproportionately large research and policy-design budget compared to other development institutions. It is able to employ a large, well-salaried research staff, regularly featuring star economists, and fund a multitude of platforms for sharing ‘findings’. The World Bank convenes conferences on various development issues, hosts visiting scholars, and publishes two of its own research journals. However, perhaps because of its dual role as a bank and expertised professional environment, these activities often confirm established intra-Bank orthodoxy rather than challenge it.29 In an analysis of the Development Economics Vice-Presidency (DEC), for example, Robin Broad specifies how recruitment practices (such as promotion and hiring), selective rule enforcement (in reviewing submitted publications) and discursive tactics (shaming and name-calling) encourage paradigm maintenance.30 These

30 Broad, *Research, knowledge*; Wade, *the art of paradigm maintenance*. 
mechanisms discipline rogue economists that shift too far from the consensus. As I will show in Chapter 3, the emergence of the ‘gradualist model’ as an alternative approach to economic reform was prone to internal contestation, with the Bank’s headquarters ordering a neutralization of the more heterodox conclusions of the Bank’s China office.

Finally, the World Bank’s framing power derives from its unique ability to attract global media attention upon the release of its reports. Its signature *World Development Report* series has been noted for its unusual popularity among mainstream academics, NGOs, and public officials engaged in development practice, and its unique ability to capture the development zeitgeist. The spotlight has also exposed the Bank to serious scrutiny. Its initial aversion and subsequent mis-construal of the East Asian ‘developmental state’ as a potential policy model for economic reform in the global periphery constitutes a classic case. This thesis also offers an investigation of the challenges posed to the Bank by the contrast between post-socialist Russia—which relied on Bank and IMF assistance for economic reforms—and China, which took an atypical approach to reform that held Bank orthodoxy at arm’s length.

Through each of these modalities, then, the World Bank commands a privileged position in the production of economic knowledge. These discursive powers, however, do not take place within a vacuum. While funding for the IRBD portion of the Bank is funded through the sale of bonds in private financial markets, its IDA funding and voting power predominantly originates in the three hegemons of the global North: The United States, the United Kingdom, and Japan. The World Bank, as bank, has a fiduciary duty to private investors to garner a return on their investment, while it has a ‘soft duty’ to the political establishment in the global North to appear to act within their financial and political interest. Despite the Bank’s mandate to not intervene in the political affairs of its member countries, most Bank officials recognize, as Catherine Weaver points out, that this is more “fig leaf” than reality. There have been both obvious and oblique alignments with the interests of the capitalist core, perhaps most notably in its close relationship

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33 Weaver, *Hypocrisy Trap*, 93.
to the United States Treasury, Congress, and business establishment. Historically, aid conditions have mandated the use of U.S. contractors in executing development projects. This also implies that the Bank, at times, has also turned into an arena for inter-state conflict among subscribing governments. In the late 1990s, for instance, Japan and Europe began contesting the exceptions the United States government had imposed as a condition for its IDA contributions. The negotiations for the 13th replenishment for the IDA were delayed because of a U.S. directive that would require at least half of IDA disbursements to be in the form of grants, rather than loans. Infamously, Japan has used the Bank’s discursive authority to counter U.S. ideological influence over the respective roles of markets and states in the development of national economies, using trust funds to finance its own research and publications.

At a higher level of abstraction, the Bank maintains a structural and ideological alignment with core capitalist states through the mission of ‘development’ itself. As Joel Wainwright outlines, development, in the way we typically employ the term today, is inscribed with a double meaning: first, as the unfolding of an essence of a thing; second, as the intention to change or create a thing. It is important to note that the World Bank has no working definition of development, but is presented as something that ‘just is’, an essence triangulated by various indicators: life expectancy, income per capita, the Gini coefficient, GDP growth, foreign debt, aid dependency. This has the quality of inscribing a particular form of transformation—often the intensification of capitalist social relations as expressed through statistical approximation—with the qualities of ‘nature’. Note the metaphors used to signify the immense power of the productive forces under capitalism: countries achieve growth, economies flourish, institutions are sustainable or resilient. Cowen and Shenton argue that this naturalized, imminent process of development is intertwined and confused with a definite form of agency, often that of imperialist

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34 Bøas and McNeill, Multilateral Institutions, 24-28.
37 Wade, Paradigm Maintenance.
state actors, universities, and financial institutions, that willfully intervenes in the ‘economy’ to compensate for the destruction inherent in the imminent process of capitalist development.\textsuperscript{39} Paradoxically, the compensation itself is re-naturalized into the imminent process of development as the relation of trusteeship. Intentional development implies a set of discursive selectivities: certain social formations are defined as ‘requiring development’, relations within those formations come to be defined as ‘economic’ objects targeted for ‘development’, and certain practices come to represent ‘sustainable development’.

Scholars of the World Bank, often through extended case interrogations of Bank-sponsored projects, note that the Bank, and organizations like it, deploy expertise, spectacle, and textual production and circulation in the service of legitimating intentional development, and that these practices tend to result in deepened proletarianization and market extension.\textsuperscript{40} While development is not a monolithic discourse—as Catherine Weaver points out, dissent is common, if often suppressed, within the Bank—it tends to produce monolithic effects, such as the creation and dissemination of normative understandings of economic relations.\textsuperscript{41} The Bank strives to be internally consistent, appear neutral, and, by its mandate, remain outside of politics, but faces consistent interruption when those discursively constituted boundaries are transgressed by ideational change, the tectonic shifts of geopolitics, and broadcasted accusations of hypocrisy and illegitimacy. This thesis takes these shifts, turns, and conjunctures as periodizable, characterized by punctuated moments of relative paradigmatic and practical stability that are, in turn, interrupted by periods of recalibration and renewal. A few of the Bank’s long-term commitments remain clear: it is deeply embedded within a broader liberal ideological milieu that takes the categories of market and polity as always-already separated and distinct, its forms of development are, in practice, aligned with capitalist production and exchange, and so on; however, its formulations within these assumptions have been conjuncturally reformatted as blocs within the Bank promulgate new paradigms, respond selectively to external pressures, and propagate new orthodoxies to attempt to understand a changing world market.

\textsuperscript{40} Tania Murray Li, \textit{Land’s End: Capitalist Relations on an Indigenous Frontier} (Durham: Duke University Press, 2014); Goldman, \textit{Imperial Nature}.
\textsuperscript{41} Weaver, “The World Bank and the Bank’s World”.

Gillian Hart’s pithy formulation of Development (proper noun) and development (common noun) is helpful here. While the former names the post-war liberal-internationalist project of stabilized, cooperative economic growth, carried out by organizations like the World Bank and other U.S.-aligned bodies, the latter is the granular, molecular process of the generalization of capitalist production and exchange relations. As the last paragraph suggested, this distinction can be articulated to the discursive moment of each these two actions as well: Development has its own institutional procedures (organizational hierarchy, contracts, voting and lending structures), its own ideologies (technocratic managerialism, Keynesianism, or neoliberalism), and its own spatialities (less developed vs. developed countries, nationally-bound economies) that are reproduced in the quotidian practices of the Bank, while development names the contradictory rhythms of capital and capital’s constitutive others, all of which may interrupt, challenge, or legitimate those of Development. The object of Development is development, but development is never fully enclosed by Development.

The field of Development, in other words, is a (formalized) site where the paths and outcomes of capitalist development are made legible, knowable, and (in the eyes of its practitioners) manageable. Hart’s methodological distinction provides a way of articulating the multi-scalar struggles of capitalist development with shifts in official discourses and practices of Development. Constructed upon this distinction, this thesis takes the World Bank-China relationship as an entry point, but attempts to stake out connected “relations of force at various levels” that have inflected the broader terrain in which this relationship is operationalized. Three moments, I have found, are crucial: the liberalization of China’s agrarian and, later, industrial production regime in the 1980s, the brief crisis of reform that took place after the Tiananmen incident, and the 1990s height of ‘neoliberalization with Chinese characteristics’ where the free market met a capacious state apparatus. Through these three conjunctures, China’s position in the worlds of D/development was transformed, and its place in the World

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43 Hart, “D/developments after the meltdown”, 120.
44 This thesis centers upon the World Bank-China relationship from approximately 1978 to 2001. While the post-2008 period is also important—it is when the Chinese economy appears increasingly as ‘threat’—I have been more concerned with its genealogical emergence as exceptional economic form. As early as 2004, China as ‘model’ already appears as consolidated.
Bank was re-articulated within its development discourses. Hart’s call to subject the production and transformation of these economic ideologies is a primary objective of this thesis.\footnote{Some claim that China’s capitalist variety is a tendential form of all varieties of capitalism, exhibiting ecological characteristics. I remain agnostic on this claim. Instead, I am responding to the widespread, often reactionary-nationalist assertion that it is the tendential form. See Stephen Halper, \textit{The Beijing Consensus: How China’s Authoritarian Model Will Dominate the Twenty-First Century} (New York: Basic Books), 2010.}

1.1.2 ‘We were bringing in a lot of experts’: China’s encounters with the World Bank

China, in its nationalist iteration, was actually a founding member of the World Bank and the IMF when they were established at the Bretton Woods Conference in 1944, as well as of the General Agreement on Trade and Tariffs (GATT) in 1947.\footnote{Eric Helleiner notes that Chinese negotiators were staunch advocates for the inclusion of an international development lending organization in the Bretton Woods agreements, following the political thought of Sun Yat-sen. It should also be noted that Mao expressed his strong support for economic cooperation with the United States at this conjuncture. See Eric Helleiner, \textit{The Forgotten Foundations of Bretton Woods: International Development and the Making of the Postwar Order} (Ithaca and London: Cornell University Press), 2014, 186-200.} However, following the 1949 Revolution, membership followed the Guomindong to Taiwan and the institutions recognized ‘the Republic of China’ as the representative of ‘China’ until 1980. The PRC has not relied on the IMF’s financing facilities, though it drew nearly $600 million from its reserve tranche at the IMF to support its international reserves in 1986.\footnote{Bottelier, “China and the World Bank”} Its relationship with the Bank, however, was far more involved. Between 1980 and 2018, the Bank had lent nearly $62 billion to China on over 422 projects.\footnote{World Bank (2018). \textit{The World Bank Group in China: Facts and Figures}. Beijing: World Bank Office.} More significant than lending, however, is the extent to which the Bank’s technical expertise aided in the Chinese reform project. Critical academics and former bank officials alike have claimed the Bank had a significant role as an ideological lubricant between the CCP and the extant system of transnational liberalism. For Paul Cammack, “the World Bank can be credited with tutoring and socializing China into the norms of the World Order,” while China has, at the same time, “socialized the World Bank into accepting practices that deviate...
from liberal norms”, a view also put forward by Chin. Shahid Javed Burki, the director of the Bank’s China office from 1987 to 1994, went to far as to state that “the Bank really introduced economics to China.” But it is important to avoid over-crediting the Bank. Giovanni Arrighi claims that while the Bank’s advice was welcomed, it always did so in accordance with its “national interest”. There is, then, shared agreement that the World Bank performed somewhat of an exceptional role in the integration of China into the world market after 1978, even if its program was not followed directly. This role was both normative, introducing China’s participation in the international governance architecture, and practical, training China’s policymakers in neoclassical economics and shaping policy space. At least three specific forums have been important for shaping knowledges particular to the World Bank-China nexus.

First, through technical assistance in development projects, the World Bank staff introduced global ‘best practices’ into project management and procurement in China. This has included the introduction of international competitive bidding practices with the Lubage Dam project in 1984, the incorporation of environmental and social assessments into development projects by the 1990s, and the utilization of ‘economic principles’ such as least-cost system planning and long-run marginal cost pricing. The Bank had an institutional influence on China as well: the State Auditing Department was initially established to monitor the accounts of Bank-supported projects in China, while procurement and bidding laws were modeled after Bank guidelines.

The World Bank also had a role in disseminating the influence of Western economic techniques into Chinese statecraft. The Bank established dual-language training programs for economists through bodies such as the Economic Development Institute (later called the World Bank Group Oral History Program (2002), 11.

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53 Bottelier, “China and the World Bank”.

Bank Institute) and played a key role in revising the system of national income accounting to be in line with Western standards—and legible to the World Bank, other lenders, and credit rating agencies—from its Soviet-inspired material accounting system. The Bank, with funding from the UNDP and the Ford Foundation, also organized a one-year training program for Chinese economists led by Harvard’s Dwight Perkins and Princeton’s Gregory Chow—a student of Milton Friedman—many of which would go on to serve in government and research. The Bank also hosted joint conferences with China’s State Council: one on macroeconomic reform in 1985, and one on SOE reform in 1987. Meanwhile, the Bank’s reports on China, composed largely by bank economists, were disseminated to academies and institutes throughout the PRC, taking on a ‘textbook’ quality for development practitioners. As Edwin Lim, the chief of the Bank’s China mission (1985-1990) recalls, the earliest Bank reports were widely translated and disseminated throughout China, garnering the admiration of Zhao Ziyang and other reformers in the 1980s.

On the other side of the relation, China’s membership in the World Bank has been highly important from the Bank: it is among its largest clients, and a reliable debtor (see Figure 1.1), and had symbolic value. McNamara sought China’s membership in the Bank, in an attempt to fashion the organization as a global institution, relatively less attached from U.S. congressional scrutiny that first started to mount during the late 1970s. A prominent history of the Bank notes that McNamara proclaimed China’s membership “as one of his great political achievements,” if in tension with his tenure as Defense secretary during the Vietnam War. Since then, China’s growing economic clout and status as a global creditor has permitted the government of China to push for more favorable terms within the global governance architecture, such as a higher voting share. In 2016, the yuan joined the special drawing rights basket of the IMF, becoming one of the institution’s foreign exchange reserve currencies along with the U.S. Dollar, the Pound, the

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Figure 1.1 World Bank lending to China, FY1981-2000 (Source: World Bank Group Finances, finances.worldbank.org. Last accessed 30 May 2020)
Euro and the Yen. Gregory Chin points out that this new leverage in the development finance sector has allowed China to push for easing policy requirements for loans and, at least discursively, greater respect for sovereignty and cooperation over conditionality.59

1.2 Between consensuses: discourses, imaginaries, articulations

This thesis sets out to answer two questions: first, how has development economics managed the most rapid case of industrialization that the world economy has witnessed? Second, how is capitalist difference articulated into hegemonic, transnational development organizations – especially those that are typically presented as the most monolithic and staunch advocates for singularity? These questions were motivated by a quandary that I first happened upon in studying urbanization in Chinese cities: why is it that, when categorizing its political economy, does China’s merit a reconfiguration of the basic categories of ‘state’ and ‘market’? Of course, as a student of social sciences, I knew to be wary of these terms to begin with; but the astounding compendium of categories that seemed to arise – state capitalism, state neoliberalism, socialist developmentalism, market socialism, communist capitalism, etc. – seemed to indicate, if not a potential for settling the debate, a grounds for analyzing the ideological role of economic categories in structuring geopolitical-economic relationships. The World Bank offers a unique case, as an institution where economic theory (market) is put in the service of willed intervention (state), in the name of development.

Tim Mitchell’s Rule of Experts is one such source of inspiration for this study. Mitchell claims that ‘economics’, or economic expertise, is enrolled in producing the same system it purports to neutrally represent. The economy, for Mitchell, does not exist independent from the ‘observer’; instead, an entity termed the economy itself is brought into existence through “a set of practices that puts in place a new politics of calculation”.60 Mitchell’s strength is through showing how the very acts that economists routinely perform—tabulating data, measuring output, calculating potentials, identifying new production possibilities—can be understood as part of a broader political project of re-defining institutional boundaries, in a struggle to impose a

59 Chin, “Two-way socialization”, 220.
specific type of rationality upon social life. I found Mitchell’s insights helpful for interpreting the World Bank’s corpus of reports on Chinese development as technopolitical exercises, that attempts to delimit policy solutions through reducing a complex social world to the categories of ‘state’ and ‘market’. Mitchell echoes the post-development literature in arguing that these categories operate as discursive systems that enframe problematizations, or ‘problems’ that hail expert ‘solutions’. 61

But as I continued to trace the political-economic context that surrounded the production of World Bank reports, briefings, notes, and histories, through secondary literature and various newspaper articles, it seemed that these approaches lacked the historical-geographical sensitivity to account for why certain prescriptions and categorizations are prone to change over time while others remain relatively stable, nor why certain rationalities (and not others) come into being. Mitchell, for example, refuses to impart any process or practices with weight given to the non-discursive moment, and at times, it is implied that no such moment exists. 62 Similar complaints have been lodged against Arturo Escobar, though his original work was arguably attentive to historical specificity and non-discursive causation. In its relationship with China, however, the World Bank’s hubris was repeatedly undermined by inconsistencies between economic prognosis and outcome, seemingly defined more by internal disagreement and ad-hoc categorization rather than co-constitution. A rejection of extra-discursive determination, paradoxically, seems to lead these theorists to present ‘Development’, in Hart’s sense, as monolithic and relatively static. 63 What seemed more appropriate, instead, was to consider policy discourse as a process of sense-production, in the service of steering the extra-discursive process of Chinese economic development. A number of different political economists who have attempted to resolve the dualism of the ‘cultural’ and the ‘material’ have shared this conception, many following in the tradition of Gramscian thought. This tradition centers the construction of class (and, that is to say, state, racial, and gendered) power as an ongoing, contested process,

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61 See also Li, Will to Improve; Escobar, Encountering Development.
dependent on the consolidation of social forces into a structured unity. Language and ideology appear here as central mechanisms through which consent and dissent are articulated. Gramsci summarizes such an historical materialist conception of language quite succinctly:

Language is transformed with the transformation of the whole of civilization, through the acquisition of culture by new classes and through the hegemony exercised by one national language over others, etc., and what it does is precisely to absorb in metaphorical form the words of previous civilisations and cultures.64

For Gramsci, language (and it follows, concepts and modes of reason65) is a historical practice that is bound up in the construction of alignments between particular interests within a social formation: it always incompletely captures its outside. Policy discourses, as particular modalities of the hegemonic projects of embedded liberalism and neoliberalism, and its allied forms of economic reason, are not presumed to be independent of the social positions of those who mobilize them. Thus, my project, has been to use Gramsci’s insights into the intertwined processes of meaning and materiality to make sense of how the World Bank’s policy discourses shape, and are shaped by, the extra-discursive world within its purview.

Following this insight, Ngai-Ling Sum and Bob Jessop offer an approach called ‘cultural political economy’ (CPE), which they position as an encounter between critical political economy, Gramscian state theory, and the proto-institutionalist insights of Michel Foucault. I, along with others within geography and elsewhere,66 have drawn on their conceptualization of the ‘economic imaginary’ and the CPE-aligned methodological technique of critical discourse analysis. Sum and Jessop build upon the realist claim that agents’ knowledge of their operative

contexts is always partial and limited by their cognitive capacities. Economic imaginaries are selective interpretations of social relations that constitute some elements, but not others, as objects belonging to the ‘economic’ field, and submissible to strategic calculation or willed intervention. Much like Mitchell, Sum and Jessop argue that economic categories and development discourse acquire force upon their performance in the world. Imaginaries are thus implicitly operative in policy paradigms, in social-theoretical frameworks, and in everyday life.\textsuperscript{67}

In the process of economic policy formation, imaginaries must be seen by relevant actor-groups (state elites, economic experts, policy gurus) as having explanatory purchase, resonant with the problems and dilemmas they encounter in the world. But even when they are realized, imaginaries face constraints set by their extra-discursive context. When economic imaginaries prove incompatible with this context, whether that is due to crisis tendencies of capitalism and political formations, or the capacity of subjects to resist objectification in the economic field, dominant imaginaries will be subject to contestation, transformation, or re-articulation. How this process unfolds, Sum and Jessop argue, is dependent upon not only the discursive moment itself, but also the structural, agential, and technological (in the Foucauldian sense) factors that are also at play in a conjuncture.\textsuperscript{68} This means that ‘better’, or more explanatorily powerful, imaginaries, are not always selected in the process of policy learning,\textsuperscript{69} but nor does it mean that ideological maneuvering is necessarily conspiratorial, as Mitchell’s argument might suggest.\textsuperscript{70} Stuart Hall thus argues persuasively against taking ideological formations and alignments as pre-given or

\textsuperscript{67} Ngai-Ling Sum and Bob Jessop, \textit{Towards a cultural political economy: Putting culture in its place in political economy} (Cheltenham: Edward Elgar Publishing, 2013).

\textsuperscript{68} Sum and Jessop, \textit{Towards a Cultural Political Economy}, 214-229.

\textsuperscript{69} On policy learning and paradigms, see Peter A. Hall, “Policy paradigms, social learning, and the state: The case of economic policymaking in Britain.” \textit{Comparative Politics} 25, no. 3 (1993), 275-296; Mark Blyth, \textit{Economic Ideas and Institutional Change in the Twentieth Century} (Cambridge: Cambridge University Press, 2002)

\textsuperscript{70} Drawing on arguments from Li’s \textit{The Will to Improve}, Patrick Neveling points out that discourse-centric approaches, like that of Mitchell or Ferguson, tend to result in an “eternal search for development’s hidden motives.” Like Sum and Jessop, Neveling argues that the interrogation of development’s discursive practices should be positioned within their historical (and global) context. He calls for development studies to focus on the “changing incorporation” of post-colonial nation-states in the world-system. See Patrick Neveling, “The political economy machinery: toward a critical anthropology of development as a contested capitalist practice,” \textit{Dialectical Anthropology} 41, 164. Compare Mitchell, \textit{Rule of Experts}, 4-5; Escobar, \textit{Encountering Development}, 24-31.
expressive of a hidden, inner essence.\textsuperscript{71} The process, instead, is always open-ended: imaginaries are recalibrated and rearticulated into new framings, paradigms and rationales by choosing among the ideas at hand, according to the temporal demands of the situation, to stabilize a balance of forces among structurally-unequal social blocs.

I use CPE’s theoretical stance and methodological presuppositions—particularly its appreciation of structurally-circumscribed strategic agency and a relational perspective on the discursive and extra-discursive moments of socioeconomic change—throughout this thesis. In chapter 2, I employ CPE, and its aligned project of critical discourse analysis, to revisit institutionalist concerns with the World Bank’s policy paradigms.\textsuperscript{72} I claim that CPE can offer a more spatially-sensitive approach to how the Bank’s discourses attempted to make sense of a case where the Bank struggled to find the boundaries between market and state, and struggled even further to wield influence over its realignment. This requires, I claim, a renewed attention to the circumscribed strategic action of Bank economists and different modes of calculation that CPE typically evinces. In Chapter 3, I follow how spatially-circumscribed, competing reform models—‘shock therapy’ and ‘gradualism’ played a role in the formation of the post-Washington Consensus paradigm shift. Here, I bring CPE into conversation with critical studies of ‘policy models’ to critique dominant representations of post-socialist reform. The distinction between China as ‘gradualist’ and Russia as ‘shock therapy’ was, in fact, a contested outcome, debated by Bank officials who feared that the lack of final reforms in the foreseeable future would strain China’s ability to repay its loans, and worried that its appeal to other reforming countries would extend this strain across its other clients. To reiterate, my objective is not to take development texts as self-evident, deliberate exercises of control, but as instantiations of a shifting, contested and practical ideology of (neo)liberal developmentalism as it responds to historically specific constraints, opportunities, and crises, regardless of intentionality.\textsuperscript{73}

Preliminary research of primary materials took place from April to August 2019, with additional searches in online archives ongoing beginning in January 2020. I spent the summer reading the World Bank’s online depository of reports, first starting with the ecumenical ‘World

\textsuperscript{71} Hall, \textit{Essential Essays Volume 1}, 234-239.
\textsuperscript{72} Sum and Jessop, \textit{Towards a Cultural Political Economy}, 33-71.
\textsuperscript{73} Neveling, “The political economy machinery”, 166.
Development Report’ (WDR). I spent a week and a half taking notes over the general position of the WDR and reading secondary literature on the WDR, excerpting passages that mention the China/the People’s Republic of China. The rest of the summer was spent reading and taking notes on over 52 reports that were specifically focused on the Chinese economy (see Table 2.1). After that, I decided to focus on the points of disagreement between the Bank and the Chinese government: labor markets, state-owned enterprises and industrial policy, and the financial system. I triangulated these reports with available archival materials published on the World Bank’s online archives. There are 367 digitized records available on ‘China’, many of which were released on 15 January 2020, in the midst of writing. These included travel briefings, personal correspondence, newsletters, research briefings, and speeches.

1.3 Outline of the thesis

This thesis is organized as two chapters that, though deeply related, are designed to stand independent from one another as eventual, publishable essays. They thus contain their own literature reviews—which is why I have only included an orienting literature review in the introduction—and their own respective empirical material. Chapter 2 follows the emergence and dissolution of what I call the ‘transition imaginary’ in the World Bank’s economic reports on China. The imaginary was a set of causal relationships, reform narratives, and policy problematizations that constructed China as undergoing a transformation from a ‘central planning’ past to a ‘market economy’ future. This imaginary emerged as a co-produced discursive system that came into being as the World Bank itself underwent a neoliberal paradigmatic readjustment, and the PRC began its reform experiments that increasingly employed market instruments. It also relied on a variety of strategic simplifications—of the financial system, labor market, and industrial economy—that characterized certain elements as belonging to ‘state’ or ‘market’, in order to prescribe the diminution of the former for the supposed enlargement of the latter. I argue that the ‘transition’ imaginary served as a temporary stabilizing discourse whereby development economists could assimilate the Chinese economy to an emergent cohort of post-socialist national economies. In the 1990s, as China underwent a series of non-forming reforms, the ‘transition economy’ became an increasingly unsustainable
imaginary, resulting in a variety of untenable policy prescriptions and a weakening relationship between the two institutions.

If Chapter 2 focuses primarily how China was ‘assimilated’ into the World Bank’s policy world, Chapter 3 turns toward an examination of how China’s diverging economic program was ‘managed’, prompting re-calibration by the World Bank. Drawing on newly released archival material from the Bank and policy reports from the 1990s, I argue that the struggle to define China’s model of reform became a point of contestation between the World Bank headquarters in Washington, D.C., and the Bank’s branch office in China. This struggle emerged in the multi-scalar context of the collapse of the Soviet Union and the end of the Cold War at the inter-state scale, an emergent party-state crisis in China at the intra-state scale, and a branch-headquarters disarticulation within the World Bank at the trans-regional scale, with each process playing a role in constituting the others. This chapter aims to accomplish two goals. First, it aims to establish ‘development models’—an ideal-typical construction typically mobilized in the policy world—as social concepts, and suitable to study as discursive objects. While studies of ‘policy models’ typically follow them in circuits of fast policy, I aim to focus on the status of ‘models’ in guiding multilateral reform agendas. Second, it aims to spatialize economic knowledge and reform model production within the World Bank, in what is too often considered as a relatively unified and monolithic institution.
Chapter 2: Constructing a transition economy

2.1 Introduction

After five years of writing and countless delays to final publication, the World Bank released *Innovative China: New Drivers of Growth* in September 2019, a report designed to “help guide China’s policy makers on the appropriate growth strategy going forward.” The report argues, in the World Bank’s characteristic language, that increases in productivity are the optimal route to economic growth, and can be readily achieved through the play of unbridled market forces, with the government’s role being to ensure competitive relations among firms. Couched in alliterative acronyms—this time, the three “D’s” of “removing distortions”, “accelerating diffusion”, and “fostering discovery”—and familiar calls for ‘innovation’, the document seems no different from any other World Bank publication. Though sprinkled with more than its share of jargon from neoclassical theory, it reads remarkably like a management consulting text, in a genre designed for consumption by time-crunched professionals, with readily digestible insights, colorful infographics, and bullet-pointed summaries. Moretti and Pestre call this ‘bankspeak’: managerial communication in a “codified, self-referential and detached” semantic style, produced with reference to no place in particular, cloaked as innocuous.

Why, then, did the report face these setbacks in its much-anticipated publication? The answer might lie in the contentious political-ideological terrain of international development finance. The World Bank is at somewhat of a stablemate with the Chinese economic model: after offering its expertise to Chinese policymakers for over forty years, it seems as though it has exhausted its stock repertoire. Often depicted as the institutional embodiment of neoliberalism’s global disciplinary reach, the Bank was characterized in the last two decades as having undergone a transformation from being a shameless advocate for structural adjustment lending schemes and rash state asset privatization, to a more progressive ‘knowledge bank’, dressing its

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prescriptions in the language of governance and institution-building under the guise of the post-Washington Consensus.\(^{76}\) Like the ‘East Asian miracle’ before it, however, China’s relative economic ascendance appears at odds with the Bank’s preferred growth program.\(^{77}\) A glimpse at the politics behind the latest report lays bare these divergent approaches to bounding the state and the market: composing it was a protracted, negotiated process, with Bank officials working in concert with China’s Development Research Center, which required central government input and mandated revisions, particularly on the sensitive issues of state-owned enterprise and financial system reform. Researchers were forced to “water down some of some of [their] messages” that recommended revisions of ownership policy, and had to issue “anodyne blanket statements” about the virtues of state regulation and market-oriented policy that left open varied interpretations, as opposed to blunt diatribes of laissez-faire rationality.\(^{78}\)

In a review of the World Bank’s economic theory, Robert Wade has observed that the organization has a remarkable capacity to “absorb other arguments… while protecting an inner core of propositions in support of trade and financial liberalization and against ‘protectionism’ and other types of “interventionism”.\(^{79}\) Neutralizing ‘other arguments’ into development discourse, however, is not all-encompassing nor pre-determined, but a process of articulation, of making new connections between and within social forces and discursive systems, defined by this what it \textit{excludes} as much as \textit{includes}.\(^{80}\) If the Bank is indeed “a bastion of neoliberalism”, as is often portrayed,\(^{81}\) it is not one that unilaterally imposes a monolithic ‘market’ over ‘the state’,

\(^{75}\) Van Wayenberge, “From Washington to the Post-Washington Consensus”.


\(^{78}\) Robert Wade, “Is the globalization consensus dead?,” \textit{Antipode} 41 (2010), 143.


since the two never exist in isolation. Rather, the Bank mediates and expresses the changing modalities of neoliberalization, defining macro-regulatory problem-spaces, imagining possible national futures, and mapping pathways between the former and the latter. It attempts to stake out connections between existing institutions and an idealized economic (social) world.

This chapter examines the World Bank’s politics of economic knowledge production on China during the last quarter of the twentieth century, a period which saw both China and the World Bank undergoing rapid institutional transformations. On the one hand, the Bank was evolving from a late-Keynesian development finance institution, focused largely on practical dilemmas in agriculture, infrastructure, and industry, to a vanguard organization of neoliberal system transformation. On the other hand, China was undergoing systemic change of its own: in the late 1970s, its ruling party began to allow the sale of agricultural surpluses on the market, permitted foreign investment in special economic zones, and devised a system for rural industrialization by allowing farmers to contract means of production and appropriate surpluses. In the 1980s, the PRC restructured its center-provincial-local fiscal relations, allowed small SOEs to undertake contract production, allowed selective incursion of foreign investment and growth of private firms, and restructured management relations in larger SOEs.

I argue that, in the 1980s, the Bank articulated China to its vision of the world through the economic imaginary of ‘transition’. This discursive technology was mobilized by Bank economists and technocrats, assimilating the PRC to a group of post-socialist states at the end of the 1980s. It defined them as undergoing a teleological ‘transition’ from a centrally-planned economy to a free-market end-state. This ‘transition’ was defined by the formulation of new policy objectives (ownership reform), the production of new antagonisms and dramas (between state and market, bureaucrats and entrepreneurs), and the creation of new historical narratives (from central planning to market). Framing China as a transition economy, however, did not achieve permanent closure. The Chinese Communist Party continued to deploy the language of ‘reform’, but took it as generalized, experimental market-oriented policymaking, negotiated on its own, rather than as prescribed by external experts in the Bank or elsewhere. By the 1990s,

Bank officials struggled to reformulate policies and imagine new paths of market reform as China reneged on outright privatization of SOEs and reforms to its banking sector, in contrast with its post-Soviet neighbors to the West. This imaginary, however, continued to exert a strong force in discourses on China’s political economy; indeed, a resolution has not yet occurred.

Before proceeding, let me make a few methodological clarifications. First, by tracing the articulation of a ‘transition’ imaginary, I do not make the claim that the World Bank was ‘mistaken’ or failed to see the Chinese state’s ‘true intentions’. Indeed, between 1978 and 1991, China undertook substantial reforms that introduced markets for agricultural surplus, industrial goods, and (most) factors of production. My concern, instead, is to trace how development economists’ perceptions and prognostications of China’s economic reforms informed each other. As I will further detail in the next section, examining policy discourses is a methodological decision, taken with the intent to shed light on the nuances and contingencies of paradigm construction.\(^83\) China is particularly well suited to this case, as it has been both the World Bank’s largest client—with a relationship that Bottelier calls “broad and deep, covering most sectors of the economy, social and regional development, environmental protection as well as macroeconomic reforms”—while, at the same time, appearing as its other.\(^84\) Often characterized as a discrepant form of neoliberalism,\(^85\) China’s economic policies have long been awkwardly positioned with respect to the Bank’s approaches. As an organization that strives to maintain global leadership in economic policy formulation, how the Bank adjudicates and rationalizes its continued market-centrism in spite of apparently incommensurable approaches sheds light on how its particular mode of hegemony—that of development knowledge—operates.

Second, examining the Bank’s discourses—narratives, structures of reason, policy rationales and so on—over an extended period requires some abstraction from their immediate conditions of production and dissemination. As I discuss in Chapter 3, the very program of reform that the Bank presented to China became the subject of contentious debate within the Chinese state and


the Bank itself. Isabella Weber has provided a recent overview of the transnational exchanges of the Eastern European economists and Bank officials that were involved in the China project. While I do collocate key texts with context, via secondary literature and newspaper reports, this chapter sacrifices a deeper narrative on the organizational ecology of the World Bank and the Chinese state, both because of the sheer complexity of these institutional structures, and because it would distract from my main purpose: of understanding how the Washington Consensus-era World Bank, attempted to integrate China’s post-Mao development into an imagined neoliberal future through their policy discourses.

The rest of the chapter proceeds as follows. I first revisit literature on the World Bank’s development paradigms, the Washington Consensus and post-Washington Consensus periodizations. I suggest that a cultural political economy perspective, attuned to the articulation of development imaginations, can elucidate the contingencies of paradigm formation and consolidation, and thus avoid the trap of taking the Bank’s approaches to development as a monolithic discourse. The three middle sections turn to a close reading of the Bank’s studies, policy papers, and archival materials (oral interviews and briefs) on China, following the Bank’s rationalizations of China’s changing state-capital articulations. I conclude by discussing how my analysis speaks the interface between international political economy and cultural studies.

2.2 Spatializing paradigms and imaginaries at the World Bank

Neoliberalism is a language system and an ideology. It is incapable of describing actual social and economic relations, yet it is not unrelated to them. As an ideology that permeates state policies, intellectual thinking, and media values, it uses the concepts of ‘transition’ and ‘development’ to deal with its internal contradictions. Therefore, the effective way to reveal the internal contradictions of neoliberalism is to demonstrate the historical connections between its theoretical language and actual social processes, and explain the complex relation between its formulation and its practice.

Immanuel Wallerstein frequently asserted that the late twentieth century was an age of transition, from world capitalism to another type of world-system. At the same time, development banks, economic discourse, and mainstream sociology and political science were espousing a different

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87 Watts, “Development I”; Asher and Wainwright, “After post-development”.
transition narrative. Central planning, it was argued, was discredited, to be replaced by market mechanisms and compatible institutional formations. This imaginary characterized what observers have termed the “Washington Consensus,” and its successor “post-Washington-Consensus”, sets of economic doctrines and practices associated with the World Bank, IMF, WTO and economic policymakers in the Anglo-American arena more broadly. Here, I periodize the discursive dimension of the Bank’s paradigms, following literatures in constructivist and neo-Gramscian political economy. These literatures have pointed to how the World Bank has responded to external and internal crises by re-articulating its policy rationales and objects of intervention; but they evince an unspoken spatial restriction that, as I will show, tends to result in an appearance of these paradigms as fully consolidated and internally homogenous.

Many observers claim that the ‘Washington Consensus’ approach was predominant from approximately 1980 to 1997, though the temporal boundaries are necessarily porous. Preceding this era, under the presidency of Robert McNamara, the Bank was staffed primarily by Keynesian-sympathetic economists specializing in certain sectors, heavily focused on input-output analysis and technical capacity, reminiscent of structural approaches that had been common in development economics since the 1950s. But this view had been challenged by a growing cohort of anti-Keynesian economists influenced by monetarism and general equilibrium approaches. The Washington Consensus’s epoch was made possible by Paul Volcker’s sharp raising of interest rates in the early 1980s, when peripheral states, many of which were indebted to the Bank for undertaking developmentalist projects, suddenly faced harsher terms of repayment on their international loans. Together with those in the IMF, economists and

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90 Broad, “Research, knowledge.”


policymakers in the World Bank advised national governments that repayment was only possible through generating tax revenues through supply-side policies that promoted economic growth. This could be achieved by ensuring that private firms were able to compete on the world market, that entrepreneurs and investors were provided with a favorable business environment, and that trade and financial regimes were liberalized. In short, national ownership of key firms and import-substitution industrialization policies that characterized midcentury Development were no longer feasible strategies, and in fact, now barriers to growth. While the Bank continued to advocate for the role of government in poverty reduction, infrastructure, and public health, this would often be, in practice, devolved to private provision in the name of fiscal discipline. Following the prescription would allow states to specialize in their comparative advantage and reap the efficiencies generated by the market. In practice, states were also advised to sell public assets in order to meet loan repayments. With formalized theory at their backs, economists advised that these steps could ensure higher productivity, investor confidence, rising incomes, and consequently, the ability to repay principal and interest on sovereign debt.93

After the 1997 Asian Financial Crisis, however, the Consensus was increasingly called into question. Joseph Stiglitz, chief Bank economist, resigned amid popular uprising, thereafter criticizing the Bank’s ‘boilerplate’ approach to economic reform, structural adjustment programs, and advocacy for financial liberalization policies.94 The crisis had roused popular discontent, and by the early 2000s, a formidable international anti-globalization movement had emerged, with their discourses targeting the three global governance institutions, with the World Bank at the helm.95 Social movements grew increasingly critical with the interventionist nature of the Bank and the IMF.96 Tellingly, the divergent performance of Russia, which had been a proving ground for Washington Consensus-style reforms, and China, also served to discredit the

93 Peet, Unholy Trinity, 209; Ariel Buira, Challenges to the World Bank and IMF: Developing Country Perspectives (London: Anthem Press, 2003), 3.
agenda. As Stiglitz remarked in his exposé, China’s gradualist reforms presented a critical challenge to the ‘shock therapy’ approach to liberalizing post-socialist economies. While Russia’s GDP shrank at an annual average of 5.6 percent from 1991-2001, China’s GDP grew, on average, at a rate of ten percent over the same period.97 By 2003, even mainstream policymakers realized that “the dominance of [the Washington Consensus] paradigm is now eroding, owing to the empirical record of developing countries that have followed, or attempted to follow, the policies of rapid liberalization”.98

Owing to this crisis, scholars assert that the Bank reinvented itself following the disastrous press coverage and mainstream disownment of “free-market fundamentalism” from the early 1990s to the early 2000s.99 This new position, popularly dubbed ‘the post-Washington Consensus’, was purportedly less antagonistic to government intervention, embracing appropriate institutions, poverty reduction and ‘good governance’.100 In this discourse, forwarded by Stiglitz and ‘progressive’ economists attempted to explain the crisis of post-socialist economies through a comparison with successful reforms such as China. The primary argument put forward was that the requirements of flexible exchange rates, financial deregulation, and liberalization forced sudden structural change in the economy while the state was left unequipped to handle social fallout from mass unemployment and rapid inflation. What was required, instead, were market-compatible institutions—conceived as social capital—that, if put in place before liberalization measures, could ease the systemic shock. Dispensing with the haphazard capitalization of state assets and subordination to the forces of international competition, this new economic imaginary was inculcated with a language of ‘inclusion’ and

99 Ananya Roy offers the concept of ‘millennial development’ to describe the development sector’s turn toward discourses of poverty alleviation. This is largely compatible with accounts of the post-Washington Consensus; however, because the object of her study is microfinance rather than the Bank, she does not engage with histories of pre-1990s era World Bank. See Roy, Poverty Capital.
‘participation’, repositioning the World Bank as a ‘partner’ that offered ‘knowledge’ to help strategize a more integral mode of development. At the time, even critical observers appeared convinced, suggesting that, perhaps, a reformed Bank had emerged.

There were two main interpretations of this shift in IPE. Constructivist scholars saw the Bank’s turn toward governance, recognition, and participation as an expansion upon, rather than a retreat from, the Washington Consensus paradigm. Drawing on Peter Hall’s conception of policy paradigms, this tradition considers the Washington Consensus as a durable, institutionalized realm of discourse that unites policy objectives with a set of policy instruments. Babb sees the turn toward state-friendly ideas as more “evolutionary than revolutionary”. For Güven, this process of ‘paradigm expansion’ that occurred in the mid-1990s complemented neoliberal reforms by focusing on the institutional context of free trade and open capital markets. Free trade and open capital markets themselves, being tenets of neoliberal globalism, were totally excluded from the realm of debate. Sheppard and Leitner stress how the Bank’s reformed global governance discourses reflected “capitalism’s ability to reinvent itself through…moments of crisis” and served to anchor global governance to power centers in the global North. But if the constructivist tradition somewhat lapses into a Kuhnian conception that politics is external to paradigm maintenance—intervening only in times of crisis—neo-Gramscians envision political-ideological moments as constitutive of policy

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102 Böas and McNeill, Multilateral Institutions; Peet, Unholy Trinity.
103 Peter A. Hall, “Policy paradigms, social learning, and the state”, 279.
paradigms, even in moments of ‘normal’ policy. In this sense, neo-Gramscians recognize the PWC’s novelty, but consider it a revivified hegemonic project for actors working through the Bank to re-secure its control over development finance and policy formulation. What Carroll calls ‘social institutional neoliberalism’ aims for an extension of market relations alongside the construction of a sound regulatory framework to ensure an effective financial system, providing a set of flanking mechanisms for expanded market relations. The difference from the old Washington consensus was not that they rejected market-based reforms, but that economists were now suggesting new ways of implementing them.

The latter criticisms especially point to how the World Bank’s internal crises have been managed. In the face of difficulties and dilemmas, its agents have recuperated organizational and personal legitimacy through reinvention, or, more specifically, practices of re-articulation. In these crises, the organization reassembles discursive techniques (dispositives), economic imaginaries, and policy instruments elements into a unity, piecing together chains of cause and effect, policy diagnosis and prognosis, and reimagined concepts. It should be reiterated, however, that these elements, have no necessary unity—the World Bank need not be seen as functionally reproducing capitalist domination—in that they can be re-articulated with each other in different formations, and in alignment with new social forces given new historical circumstances. Reconsidering the post/Washington Consensus, and the World Bank more broadly, with this perspective shows how the Bank’s reinvention has been predicated on the formulation of new narratives and paradigms that temporarily empower or re-legitimate the institution while opening the possibility of new and unexpected conflicts in the future.

110 Carroll, Delusions of Development, 23; Hart, “Development critiques”.
112 Hall, Essential Essays Volume 1; Chari, “Three moments”, Hart, “Changing concepts of articulation.”
If the relative dis/continuity of policy paradigms has been interrogated across different temporal horizons, accounts of the Washington Consensus paradigm often elide a present case studies of countries where structural adjustment, trade liberalization, asset privatization were actually enacted. While it is important to critique the outcomes of structural adjustment, this restriction does not allow analysts to show where the World Bank was unable to convince client governments to transform their policy regimes. Amending this restriction, in turn, requires a more spatially sensitive view of the Bank’s policy paradigms and economic imagination.\(^{113}\)

Against dominant depictions of the Bank presiding above and isolated from state power, issuing *diktat* from the commanding heights of the global economy, the Bank’s geographical dimension becomes integral to its policy paradigms, crafted in dialogue with internal and external contestation, and changing material circumstances. At least three practices are crucial in crafting the Bank’s geographical imagination: first, its organizational dimension, which condenses international inequalities in the global political economy through representational practices, vis-à-vis member country subscriptions, voting structure, the ability of donors to withhold contributions, which in turn, exert conditioning effects on its research output.\(^{114}\) Second, its research component is imparted with methodologically-nationalist techniques—such as country risk assessments, ease of doing business rankings, and so forth—which are, in turn, shaped by its role as a problem-focused organization and its recruiting practices that heavily rely on Ivy League and Oxbridge economics departments.\(^{115}\) Third, its activities, while headquartered in Washington, D.C., have (selective) global reach—with well over one hundred branches located in the capitals of member countries—which influences the problems and dilemmas development practitioners encounter, thereby foreclosing the horizons of action possible for


policy solutions. These are, in turn, confronted with gatekeepers and extant economic theory back in Washington through the process of editing reports, prescribing policy, and approving lending programs. Its paradigms, then, are produced with a particular inflection based its spatial engagements.

While a well-recognized paradigm adjustment from ‘market fundamentalist’ to a ‘good governance’ common-sense can be discerned in policy discourses within the Bank, refocusing on its engagement with China, as an relatively external ‘object’ of economic calculation and regulation, requires articulating its policy paradigms—understood as the taken-for-granted policy instruments, problematizations, and orientations—with its concomitant shifts in how it envisions the histories, trajectories, and possibilities across the entirety of the global economic field. This requires a spatial and material sensitivity that those following in the constructivist-institutionalist tradition tend to overlook, and which the neo-Gramscians often collapse into somewhat rigid core-periphery dyads. The method adopted here, instead, takes its cue from strategic-relational approaches to critical political economy, emphasizing the unlikely reproduction of social structures and its achievement through strategic calculation, willed intervention, and spatiotemporal fixes, with discourse, or semiotic practice, constituting an important moment of each process. Under capitalism, a social order predicated on an inherently conflictive set of relations, social reproduction depends on the construction of shared understandings of the world that enable certain modes of political-economic action to continually reoccur. Ngai-Ling Sum and Bob Jessop deploy the concept of the “economic imaginary” to refer to selective mental maps of economic reality that enable forms of intervention. In the policymaking sphere, economic imaginaries “[reduce] complexities to identifiable causes that could be targeted in the

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118 Jessop, “Cultural political economy and critical policy studies,”; Sum and Jessop, Toward a Cultural Political Economy; Bob Jessop and Ngai-Ling Sum, Beyond the Regulation Approach: Putting Capitalist Economies in their Place, (Cheltenham: Edward Elgar Publishing, 2006).
119 Such a conception descends from the insights of Gramsci’s Prison Notebooks.
search for solutions,” as bureaucratic organizations confront place-specific problems, dilemmas, and constraints.\textsuperscript{120}

This conception of ‘imaginaries’ differs from a conception of policies as reliant on fixed capitalist ‘interests. Unlike studies of the World Bank which depict it as a stable apparatus enforcing a monolithic neoliberalism,\textsuperscript{121} focusing on the construction, selection, and variation of economic imaginaries recasts this ‘function’ as also-mutating, unevenly developed, and liable to change, rather than static.\textsuperscript{122} Following how these economic imaginaries are constructed from a pre-existing field of ideological elements and combined into seemingly stable discourses can help demystify the consolidation of policy paradigms across time and space. As social understandings of how the world economy is, and should be, structured, actors draw upon such discourses to identify potential futures and horizons of action. Their retention, as Jessop argues, depends on their resonance with material conditions in which they are utilized. Shifting political-economic circumstances, then, affect the livelihood of imaginaries; those active in one point in time may fall out of favor when they contradict new material circumstances, or be reconfigured to account for changing conditions.\textsuperscript{123} Tracking shifting policy rationales, narratives, and imaginaries not only, then, undermines the apparent monolithism of development doctrine by following its precarious construction, but might potentially reveal its fissures, contradictions, and uneven development—particularly as that doctrine confronts economic difference.

Those who have studied the formation and dissolution of Washington Consensus and post-Washington Consensus paradigms afford careful attention given to shifts in reason,

\begin{itemize}
  \item \textsuperscript{120} Jessop, “Cultural political economy and critical policy studies”, 328. See also Colin Hay, “Narrating crisis: the discursive construction of the winter of discontent,” Sociology 30, no. 2 (1996), 253-277.
  \item \textsuperscript{122} Indeed, the neoliberal paradigm was \textit{unevenly} instituted as common-sense in the Bretton Woods organizations by the 1990s – decades after the Fordist-Keynesian crisis in the 1970s. Brenner et. al refer to this as the realization of ‘deepened neoliberalism’. Moreover, this shift was evident at the IMF decades before it was articulated within the World Bank. See Neil Brenner, Jamie Peck, and Nik Theodore, “Variegated neoliberalization: geographies, modalities, pathways,” Global Networks 10, no. 2 (2010), 182-222; Ngaire Woods, The Globalizers: The IMF, the World Bank, and their Borrowers (Ithaca: Cornell University Press, 2006); Allan, “Paradigm and nexus.”
  \item \textsuperscript{123} Jessop, “Cultural political economy and critical policy studies.”
\end{itemize}
perceived constraints, and political bloc formations over time. But a closer focus on the spatiotemporal articulation of specific imaginaries can prove methodologically beneficial for disentangling how paradigms emerge and are articulated. China appears as an important case for this, since there was never a unilateral subjection to Bank policies – the relationship was one of persuasion and articulation rather than subordination. As economist Edwin Lim reflects,

we also were never very heavy-handed, you know. We never questioned socialist systems. We always tried to work within the envelope that they set for us.124

Focusing on the articulation of economic imaginaries allows for a focus on complex conjunctures, where specific constraints and opportunities appear for different social forces embodied in an institution, on multiple spatiotemporal horizons.125 Here, secular trends, the time frame of economic calculation, and historical-geographical narratives position client countries of the World Bank differentially empowered to challenge Bank orthodoxy. Rather than a focus on institutional paradigm shifts from market fundamentalism to ‘good governance’, this permits a level of granularity that sees such shifts as responses to particular structural problems and opportunities, enacted through networks of influence, that, in turn, constitute a wider institutional shift. The mutual constitution between what can be viewed as the Bank’s ‘internal evolution’ and the Bank’s operating environment, including the changing structural power of states in the world-system, matters deeply here. Hegemonic imaginaries of development encounter and articulate forms of economic difference and political transformation, but with structural force and the baggage of history always at its back. The World Bank’s readmission of the PRC as a member in 1949 would pose challenges for the Bank’s economists that disclosed no simple solution, but instead articulated with the Bank’s paradigms, resulting in imaginations of China’s development that would dramatically change during the course of its relationship. The next three sections will follow these imaginations through a close analysis of the Bank’s reports, edited volumes, and strategy papers on the Chinese economy. While the presentation of quotes is

<table>
<thead>
<tr>
<th>Year</th>
<th>Title</th>
<th>Type of report</th>
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<tr>
<td>1981</td>
<td>Socialist Economic Development</td>
<td>Major report</td>
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<tr>
<td>1985</td>
<td>Long-Term Development Issues and Options</td>
<td>Minor report</td>
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<tr>
<td>1987</td>
<td>External trade and capital reform: Issues and Options</td>
<td>Report</td>
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<td>1987</td>
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<td>1987</td>
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<td>1988</td>
<td>Growth and Development in Gansu Conference</td>
<td>Report</td>
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<td>1990</td>
<td>China: Revenue Mobilization and Tax Policy</td>
<td>Country study</td>
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<td>1992</td>
<td>Reforming Prices: The Experiences of China, Hungary and Poland (by Anand Rajaram)</td>
<td>Discussion paper</td>
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<td>1992</td>
<td>Case Studies of Chinese Reform (ed. Timothy King and Zhang Jiping)</td>
<td>EDI development policy case series</td>
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<tr>
<td>1992</td>
<td>China: Industrial Policies for an Economy in Transition (by Inderjit Singh)</td>
<td>Discussion paper</td>
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<tr>
<td>1993</td>
<td>China - The Achievement and Challenge of Price Reform</td>
<td>Country study</td>
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<td>1993</td>
<td>China - Budgetary Policy and Intergovernmental Fiscal Relations</td>
<td>Report</td>
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<td>1993</td>
<td>China - Reform and Development in 1992-93 (by Peter Harrold and Rajiv Lall)</td>
<td>Discussion paper</td>
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<td>1994</td>
<td>The Evolving Role of the World Bank: The East Asian Economic Miracle (China) (by Vinod Thomas and Peter Stephens)</td>
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<td>1995</td>
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<td>Country study</td>
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<td>1995</td>
<td>Meeting the Challenge of Chinese Enterprise Reform (by Harry Broadman)</td>
<td>Discussion paper</td>
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<td>1996</td>
<td>The Chinese Economy: Fighting Inflation, Deepening Reforms</td>
<td>Country study</td>
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<td>1997</td>
<td>China 2020</td>
<td>Major report (series)</td>
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<td>1997</td>
<td>China’s Management of Enterprise Assets: The State as Shareholder</td>
<td>Report</td>
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<td>1997</td>
<td>China’s Emerging Capital Markets (by Anajali Kumar et. al)</td>
<td>Report</td>
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<tr>
<td>1999</td>
<td>China: Weathering the Storm and Learning the Lessons</td>
<td>Country economic memo.</td>
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<tr>
<td>1999</td>
<td>Accelerating China’s Rural Transformation (by Albert Nyberg and Scott Rozelle)</td>
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<td>2019</td>
<td>Innovative China (co-authored with Development Research Center)</td>
<td>Major report</td>
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Table 2.1: Reports consulted
necessarily selective, I draw on readings of over 36 reports on China (see Table 2.1), as well as *World Development Reports*, secondary literature, memos, and published oral histories.

### 2.3 Robert McNamara in Beijing: Redesigning state socialism

In 1979, while visiting Beijing between research trips to Vietnam, World Bank economist Edwin R. Lim received a request to meet with officials from the Bank of China, China’s Ministry of Foreign Affairs, and the Ministry of Finance to discuss the possibility of the PRC re-joining the World Bank Group. Upon arrival, he was met with questions about the Bank’s lending practices, membership requirements, and the Bank’s experience with Hungary and Vietnam, two other socialist economies whose governments had partnered with the Bank to engineer reforms of their own respective economies. At the time, the Chinese government under Deng Xiaoping had initiated a period of outward-looking reforms, which included the PRC’s Open Door Policy in 1978, the resumption of full diplomatic relations with the United States in 1979, as well as internally focused reforms aimed at reorganizing the communes and state-owned enterprises.\(^{126}\)

Early in this process, the Party had expressed interest in rejoining multilateral financial institutions. In late 1979, the Bank’s President Robert McNamara had a number of appointments with Chai Zemin, the PRC’s first ambassador to the United States.\(^ {127}\) In April 1980, McNamara led an official Bank mission to Beijing, where he met Deng Xiaoping. In the meeting, Deng remarked: “China is determined to modernize and develop its economy. With the World Bank’s assistance, China will be able to achieve its goals faster and more efficiently. Without the World Bank’s assistance, China will still do it, but it might take longer.”\(^ {128}\) That spring, private discussions between the World Bank and PRC representatives had progressed toward an

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agreement on full membership. In the foreign relations community, this was seen as China finally ‘joining the world’ after a decade of preparation and rekindled foreign relations in the 1970s, while at the same time, it legitimated the Bank as a ‘global institution’ in the eyes of other potential post-socialist clients.\textsuperscript{129} Later that year, McNamara portrayed the development needs of China as one of its four major budgetary objectives for the coming decade, which he projected to be an extension of the tumultuous 1970s. For McNamara, China’s membership was to have “increased by nearly a billion the number of people who have a claim on the Bank’s resources” with needs “no less urgent than those of the Bank’s other members.”\textsuperscript{130} This was reflected by China’s status in its first feature in the \textit{World Development Report}. China was classified as a “low income country”, albeit in a special subcategory with India due its population size.\textsuperscript{131} In its earliest studies on China, the Bank positioned the Chinese economy as a state socialist system in need of \textit{modernization}. Here, the Bank perceived China to be constrained by its low levels of technical efficiency, a dated approach to economic planning, and international isolation.\textsuperscript{132} These were not so much properties of state socialism, but the result of the “same development problems as other developing countries”, misguided, statist heavy industrialization policies which, in China’s case, were inherited from the Cultural Revolution.\textsuperscript{133} In turn, Bank reports depicted China as able to maneuver in the areas of investment allocation, income distribution, and technical efficiency, to be achieved “through better policies and planning, system reform, and exploitation of opportunities for foreign trade, borrowing, and technology transfer.”\textsuperscript{134} In a disposition closely in line with the transnational dialogue that had been occurring between American mathematical economists and Eastern European planners since the

\textsuperscript{129} Xu, \textit{Beyond U.S. Hegemony}, 133.  
\textsuperscript{134} World Bank, \textit{Socialist Economic Development}, 88.
1950s, the initial World Bank analyses suggested “the possibility of a middle road between markets and central planning” for China, through reforms that would optimize both.\footnote{Johanna Bockman and Gil Eyal, "Eastern Europe as a laboratory for economic knowledge: The transnational roots of neoliberalism," \textit{American Journal of Sociology} 108, no. 2 (2002), 327.}

The World Bank’s first major study on China was entitled \textit{China: Socialist Economic Development}, originally commissioned to establish China’s loan eligibility.\footnote{Lim, “Transcript of interview”, 21.} Its extensive fieldwork requirement drew the ire of some Chinese officials, as researchers attempted to assess economic performance at the sectoral level, but was ultimately viewed by Chinese officials as a source of free information.\footnote{Lim, “Transcript of interview”, Bottelier, “China and the World Bank.”} The report focused on understanding China’s economic trajectory since 1949 and aimed to assess the implications of the findings for other low income countries, in all offering a strikingly positive evaluation of China’s efforts in poverty alleviation and social programs instituted after the revolution.\footnote{Arrighi, \textit{Adam Smith in Beijing}, 370-371.} Its economic optic is largely \textit{productivist}, focused on sectoral development, material interdependencies between investment, consumption, and trade, and technical efficiency and resource use.\footnote{Allan, “Paradigm and nexus.”}

The report’s style is marked by Keynesian and structuralist proclivities that were still prevalent in the Bank at the time.\footnote{Toye, \textit{Dilemmas of Development}.} The mission was headed by economists such as Hollis Chenery, a noted structuralist and chief economist of the World Bank through most of the McNamara presidency,\footnote{Chenery brought the Harrod-Domar model, a set of equations that links growth in GDP to investments in capital, to the World Bank. It was used to determine a ‘financing gap’, based on the difference between current investment and the investment needed to reach a target growth rate. Harrod-Domar implicitly links growth in output with growth in production, which Allen notes “served as an anchoring device that oriented Bank lending practices to increases in production.” In Allan, “Paradigm and nexus,” 193.} and Caio Koch-Weser, whose tendency to embrace poverty management over austerity would later make him the target of the American financial establishment when he ran for the presidency of the IMF in 2000.\footnote{World Bank, \textit{Socialist Economic Development}; Klaus C. Engelen, “Koch-Weser gang bang,” \textit{The International Economy} 14, no. 2 (2000), 26-31.} It did not fully disavow direct government intervention as a modality of the state-business relationship. It noticed
approvingly that, since the Cultural Revolution, “efforts to rehabilitate the planning system have
been combined with reforms.” Indeed, the report voiced a sympathetic critique of economic
planning, claiming that

The future of economic reform in China, however, does not simply lie in an expansion of the role
of the market at the expense of the plan. Indeed, without more effective planning of
macroeconomic variables and major investment decisions, many of the prospective benefits of
reform will be lost.

The existence of market mechanisms, here, did not preclude the operation of the planning
mechanism. While the implication was that reform would be directionally market-based,
planning, too, would evolve with it, from one based on material-based input-output planning to
one targeting

balance between demand and supply, both in aggregate and in each sector, and allowing for
exports and imports; balance between present and future consumption, as expressed in the
aggregate investment rate; sectoral allocation of investment, taking account of indirect linkages
between sectors; balance between public consumption and private consumption; and distribution
of private consumption both between urban and rural households and between households at
different income levels.

The authors of the report, here, are arguing for a more efficient form of micro- and macro-
economic planning that is able to capture the behavior of actors in all sectors. However, there
was a sense that extant planning systems were generating contradictory incentives for producers,
which presented obstacles for economic development for the entire country. The report took
issue with bureaucratic behavior, which was diagnosed as one barrier to adequate price signaling,
hindering the ability of managers to respond to consumer needs.

State enterprises operate within a complex formal network of commands—output targets,
administratively allocated inputs, regulations and controls—that is tight enough to generate a
preoccupation with current physical output at the expense of quality and the needs of consumers,
as well as a conservative attitude towards innovation in product mix and cost reduction, which
impedes technological progress.

Anticipating a common critique of state socialism that would soon prevail—that the social world
is too complex to admit any use of centralized organization—the report understood the economy

as a system of interdependent productive sectors that were linked through chains of inputs and outputs, rather than solely through price. Thus, the Bank was able to rationalize a partial rejoinder to government-orchestrated economic planning. While a neoliberal paradigm, centered upon the causal chain that links the state with price controls—and thus, corruption and rent-seeking—had been capturing the Bank’s African division, its China mission was operating on a different terrain. The Chinese state, after all, was not facing any sort of crisis at the time – be it one of its macroeconomy or one of its own legitimacy – and was itself divided over whether to take the Bank’s expert guidance in the first place. In China, the Bank remained more in line with the assessment of macroeconomic planning in the 1979 World Development Report, where it discussed the problems of rigid centralized plans and advocated, instead, for more flexible ‘rolling plans’ in less developed countries. In this formulation, the state is still framed as ultimately responsible for balancing production, consumption, and investment.

Indeed, state ownership of industry was not itself problematized in the first report. The Bank offered praise for Chinese enterprises for their craftsmanship and quality of output. Instead, as indicated by the quote above, the ‘SOE problem’ was limited to technical inefficiency: the overuse of energy, high input to output ratios, technological isolation, and inadequate modes of calculation. The solution, the report argued, was to be found “mainly on improving the efficiency of resource use, rather than on (as in the past) massive mobilization of resources and fundamental institutional change.”

147 The 1981 report argues “better account should be taken of the linkages between different aspects of reform, and of the need to progress on different fronts at a mutually consistent pace and in an appropriate sequence. It is also important to recognize that the current effort to regain central control of investment and prices could go too far: experience in both China and other countries suggests that the central planner is always ‘partially ignorant’ and that attempts to plan everything directly and rigidly from above can result in gross inefficiency and sometimes even a breakdown of the system.” See World Bank, Socialist Economic Development, 19.
148 See, for example, Patrick Bond, Against global apartheid: South Africa meets the World Bank, IMF and international finance (London: Palgrave Macmillan, 2003).
149 As Edwin Lim reflected, “the Chinese were very nervous about the first mission,” with some fearing the Bank economists were agents for the CIA or the Taiwanese government. See Lim, “Transcript of interview with Edwin R. Lim,” 34.
151 World Bank, Socialist Economic Development, 123.
continuation of the reforms that introduced dual pricing to the agricultural sector, otherwise known as the Household Responsibility System (HRS), where farmers ideally sold all goods beyond the grain quota on the market for a profit.\(^{153}\)

An appreciation of slow reform and solutions that embraced the *interim* role of the planner also permeated the Bank’s prognostications on China’s labor market and financial system. The former was, for the Bank, non-existent: “labor allocations and wage levels have been determined by an administrative process”, rather than through market allocation.\(^{154}\) Under the hukou system, which tied residency to citizenship, it was nearly impossible to discharge workers, and difficult to re-allocate labor inter-regionally.\(^{155}\) But rather than condemning the institution for its rigidity, the Bank praised the system as being capable of reducing unemployment to “very low levels” while easing social tension.\(^{156}\) It suggested, instead, increased labor mobility across enterprises, and greater authority given to enterprises to hire workers at will. This would prevent employment from being expanded at a lower-than-desirable rate in the context of foreseen economic growth.

The financial system—as an interdependent network of intermediaries, investors, and borrowers—also had yet to exist as an object within China’s economy, both materially in China and ideationally in the Bank’s diagnosis of China. The first report used the term ‘finance’ to refer, exclusively, to *funding*, rather than a functionally separate sector that facilitates investment and manages portfolios of assets. At the time, all investment decisions were managed centrally through the People’s Bank of China. However, as a precondition for autonomy in investment decisions, the Bank suggested “some decentralization of investment decisions to enterprises.”\(^{157}\) Because prices were still largely a product of state *diktat*, the report argued that a reliance on retained profits may result in a misdirection of retained earnings towards sectors with artificially-

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\(^{153}\) Contemporary economists and policymakers generally point to the ‘household responsibility system’ as a hallmark of Chinese reform, arguing that it laid the groundwork for China’s economic growth in the 1980s. For a critique of this position, see Zhun Xu, *From Commune to Capitalism* (New York: Monthly Review Press, 2018).


\(^{155}\) That is not to say that de facto labor markets did not exist within enterprises. As Minqi Li points out, cadre and managers within China’s socialist state used material incentives to extract more surplus from SOE workers. See Li, *The Rise of China*, 52.

\(^{156}\) World Bank, *Socialist Economic Development*, 162.

inflated rates of return. In response, the Bank suggests that a new division of labor could be establish that would “delegate a larger role to banks and investment companies, which could support the investment of communes and urban collectives” and facilitate the flow of profits to sectors with higher rates of return.\textsuperscript{158} Central planners, meanwhile, could concentrate on setting development priorities and translating them into market-based signals through shadow pricing. Financial intermediaries would respond by concentrating efforts on gathering information on firms and extending credit on the basis of profitability in shadow price terms.

By neoliberal standards, the contradictions of the 1983 plan’s recommendations were stifling. On the one hand, its productivist-structuralist persuasion envisioned an intensification of China’s extant reform trajectory. Economic reforms in China would be guided by a central state equipped with better economic theory and modern statistical systems to streamline state institutions and adapt dual-pricing policies to new sectors, addressing what was seen as a problem of over-investment in heavy industry. On the other hand, these reforms would require the introduction of a plethora of new measures to buttress market distortions that, in theory, accompany state interferences. To this end, the Bank argued that China should employ shadow prices to adjudicate investment allocation among different enterprises, and replace elderly management personnel—often participants in the 1949 revolution—with “an entirely new generation of managers.”\textsuperscript{159} Even with these reforms, however, the Bank argued that improving the allocation of available finance, and guaranteeing that it could be exchanged for an equivalent amount of raw materials and capital goods, would require additional flanking mechanisms. In the 1981 report, this would entail a medium-term planning framework, better technical training for planners, and a removal of political considerations from the ambit of investment decision making. By the time the next report was written, the apparent complexity of managing the growth of a large, heterogeneous economic system would be greatly reduced through the articulation of a new discourse. The market would intervene.


\textsuperscript{159} World Bank, \textit{Socialist Economic Development}, 171. The following passages read, “Even for the managers who would remain, a difficult transition period lies ahead. Eastern European experience suggests that managers who are used to a life free of pressure and risks find it difficult to cope with increasing enterprise autonomy and competitive pressure.”
2.4 Transitioning China

In 1981, Alden W. Clausen was appointed President of the World Bank Group by President Jimmy Carter. Clausen was the first to assume this position without any experience in government, leaving his position as the President of the Bank of America to direct the multilateral development bank. Contrasted with McNamara, who was assessed as obsessively focused on quantitative, systems-theoretic approaches to poverty reduction, Clausen voiced a more pragmatic outlook on the Bank’s position in the world, understanding “his major task as convincing wealthier states to help economically less developed countries as a matter of self-interest.”\textsuperscript{160} Clausen’s presidency also witnessed an intensification of U.S. Treasury intervention in the Bank’s affairs, evinced by the appointment of neoclassical trade theorist Anne Krueger to the position of chief economist, replacing Hollis Chenery.\textsuperscript{161} Krueger’s work revolved around the analysis of rent-seeking arising from trade restrictions, which found the major impediment to growth to be state intervention in any form. Along with Kreuger, the growing influence of trade economists Jadish Bhagwati and Béla Balassa rallied neoliberal sentiments within the Bank, not in the least through performing disciplinary roles in their capacities as editors.\textsuperscript{162} Outside of the Bank, the Reagan Presidency took an antagonistic stance toward what the President interpreted as the international welfare state-like role of the World Bank under McNamara.\textsuperscript{163} Reagan pressured congress to decrease funding for the Bank throughout the early 1980s, arguing “no amount of aid will produce progress”, while denouncing its aid to socialist countries such as China as a violation of the American value of economic freedom.\textsuperscript{164} These constraints preceded the consolidation of neoclassical orthodoxy that was nascent in the McNamara years, with a marked paradigmatic shift from production to exchange, centered upon the imperatives of


\textsuperscript{161} Wade, “U.S. Hegemony in the World Bank,” 237; Weaver, \textit{Hypocrisy Trap}, 76.

\textsuperscript{162} Toye, \textit{Dilemmas of Development}; Broad, “Research, knowledge”. Bela Balassa’s comments on drafts for the Fifth World Development Report in June 1982 argued that the report put “China’s economic performance is put into an overly favorable light”.

\textsuperscript{163} Wade, “U.S. Hegemony and the World Bank”, 215; Xu, \textit{Beyond U.S. Hegemony}.

financial liberalization and tariff abolition rather than the problems posed by structural rigidities.\textsuperscript{165}

This period witnessed a shift in the Bank’s interpretation of China as well. No longer was simply undergoing a period of modernization within the parameters of socialism; instead, it was beginning a transition \textit{away} from socialism. In this capacity, Bank leaders increasingly saw themselves as educating China on how to ‘do’ markets, and manage China’s maturation into a market economy.\textsuperscript{166} While the CCP never backed away from public ownership of means of production and a modicum of planning,\textsuperscript{167} by 1983, the process of decollectivization had been completed, and the CCP began a program of what Wang Hui called “urban reform”: a period of decentralization and local state-led industrialization, with the CCP being increasingly receptive to neoliberal ideas.\textsuperscript{168} The Bank, on the other hand, was of the view that all economies share a common destiny of private, market predominance. This narrative resolved the complexities of managing a centrally-planned economy with hybridized market and planning instruments by installing a binary between state and market, where one ‘realm’ could not be extended but at the expense of the other.\textsuperscript{169} This binary was marked by the emergent trope of the rent-seeking bureaucrat as a constraint on the innovative entrepreneur, a redoubled policy paradigm that sought to remove constraints from free exchange, and strategic simplifications that separated and grouped growing sectors (TVEs) into ‘market’ and fledgling sectors (SOEs) into ‘state’. Understanding ‘transition’ as a discourse does not deny the increasing employment of market-

\textsuperscript{165} Allan, “Paradigm and nexus”; Broad, “Research, knowledge”; Stern and Ferriera, “The World Bank as an intellectual actor.”


based policy reforms that occurred in China in this period—indeed, the existence of ‘transition’
depends on its resonance in extra-discursive social practice—but instead directs attention toward
the semiotic moment of China’s economic reform policies.170 For the Bank, ‘transition’ imposed
epistemological closure upon an open-ended process in order to formulate market-oriented
economic policy. But because it had to work within the constraints set by the CCP, ‘transition’
was repeatedly frustrated. In the rest of this section, I will follow the consolidation of this
imaginary in World Bank reports and texts.

Clausen met with Deng and Premier Zhao Ziyang in 1983 to discuss the Party’s objective
of raising per capita income to $800USD by the end of the millennium, out of which came an
agreement for the World Bank to undertake a new study of the Chinese economy. As opposed to
the comparatively insular first report, which, at the time, was in its final stage of publication, the
new report would be forward- and outward-looking, with a prognostic eye for potential
development problems facing the country for the next twenty years and a prescriptive angle that
derived from international experience.171 Published in 1985 as China: Long Term Development
Issues and Options, the report took a markedly antagonistic turn against the extant state/business
relationship and industrial policy. It argued that the unpredictability of the price mechanism—
which was to be enhanced by future reforms—will severely curtail the ability to match direct

170 The formulation of resonance I deploy is indebted to Sum and Jessop’s approach to cultural
political economy. They argue that the selection of discursive technologies depends on their
resonance with extra-discursive (material) conditions, including accumulation strategies and
hegemonic projects. After the CCP’s Third Plenum in 1984, an official shift in economic policy
was marked by the adoption of the term ‘commodity economy’, reflected in intensified measures
to liberalize agriculture and the reintroduction of the profit incentive into some state enterprises.
This was the result of Party ideological tendencies that increasingly repudiated leftism, stressing
reality and empiricism rather than egalitarianism and doctrinal correctness. CCP officials
signaled their receptivity to the Bank’s advice, marked by an especially positive response to the
study released in 1983. The discourse of transition, then, resonated with the actual, increasing
adoption of market instruments and the welcoming of World Bank expertise by CCP officials.
See Gewritz, Unlikely Partners; Kalpana Misra, From post-Maoism to post-Marxism: the

171 World Bank, China: Long-Term Development Issues and Options (Washington, D.C.: World
Bank Group, 1985); Adrian Wood, “China: Long-Term Development Issues and Options, Past
Development, 2019, 3.
controls to fluctuations inherent in the market.\textsuperscript{172} Instead, the government should bring together “several elements of market regulation, but also in combining them with an appropriately modified system of planning.”\textsuperscript{173} Appropriate modification would mean eschewing a focus on exact production targets and quotas; instead, plans, at best, could be ‘vision documents’ for the country’s medium and long-term growth, focused on indirect macroeconomic management.\textsuperscript{174} Some forms of planning, such as that of policy and spatial organization, were deemed as appropriate roles for the state; it even suggests, drawing on Japanese experience, that long-term sector planning is permissible, unless intervention stifles competitiveness or limits firm maneuverability, “since neither planners nor enterprises can pick technological winners consistently.”\textsuperscript{175} But as the decade progressed, even such a “modified system of planning” would prove incompatible with Bank reason. I detail three articulations of the ‘transition’ imaginary in the Bank’s policy discourses on China below: industrial policy, labor markets, and finance.

### 2.4.1 Reforming enterprises

Departing from the Bank’s earlier emphasis on technical efficiency, the 1985 report was skeptical of the viability of large-scale state-owned enterprises. While Adrian Wood, a former Bank economist, reports that privatization was never mentioned in the report, the Bank rejected the premise that state ownership and management of industry was compatible with long-term viability.\textsuperscript{176} The only legitimate state venture was defined as those with high fixed capital costs or high risk ventures: utilities, large-scale mining, and national defense. If market reforms were pursued appropriately, the report argued, state ownership would not be necessary:

> Once a suitable economic environment is created through price reform and increased competition, and provided that indirect levers such as taxes and credits are skillfully applied, \textit{pursuit of profit} should lead most state enterprises in economically appropriate directions. It would thus no longer be necessary for particular individuals within enterprises to be charged specifically with representing \textit{the interests of the state}.\textsuperscript{177}

\textsuperscript{172} World Bank, \textit{Long-Term Development}, 15-16.
\textsuperscript{173} World Bank, \textit{Long-Term Development}, 8.
\textsuperscript{174} Adrian Wood, “China: Long-Term Development.”
\textsuperscript{175} World Bank, \textit{Long Term Development}, 15.
\textsuperscript{176} Adrian Wood, “China: Long-Term Development.”
\textsuperscript{177} World Bank, \textit{Long-Term Development}: 8, emphasis added.
This passage indicates the Bank’s shift in reasoning: a relationship of equivalence between ‘pursuit of profit’ and ‘the interest of the state’ marks the shift in concern from technical efficiency and proper investment strategies toward allocative efficiency and the removal of market distortions. The following report contemplated the possibilities of altering the ownership structure of state enterprises, including the possibility of spreading ownership among several institutions, like banks, pension funds, and insurance companies, which, in turn, were portrayed as “representing the interest of the whole people.”

By the end of the decade, even minor references to the necessity of enterprise reform that maintained semblance of state control had been abandoned for the objective ‘hard logic’ of the market, bolstered by neoclassical theories that stressed the achievement of equilibrium as a guiding signifier for policy advice. Allocative efficiency, as opposed to technical efficiency, or maximizing outputs over inputs, requires market equilibrium, defined as the maximization of benefits over costs through the unimpeded movement of the price mechanism, regardless of the distribution of either. Any producer is defined as a profit maximizer, which, in turn, cannot be the state, since it is defined as an entity that seeks to achieve ‘social goals’. In China, meanwhile, the fiscal contracting system reforms of 1985 and 1988 aligned local tax revenues with ownership of SOEs, spurring investment in local enterprises as well as local protectionism, which in turn was problematized by Chinese economists and the Bank. In this context, stylized terms such as ‘the free market’ began to appear in their contemporary use in a 1987 report on the financial sector and in an edited volume on industrial reform. The signifier of ‘competition’, used only seven times in the 1983 report, was used 76 times in the 1985 report and 121 times in the 1987 report on the financial sector. Its meaning changed, too: in the 1983 report, it was used primarily to refer to rival uses of a specific commodity, such as capital or manpower, whereas in the 1985 report, ‘competition’ appears in its reified usage. It becomes a generalized state of being, abstracted from particular instances, and recast as the lifeline of enterprises in a market

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178 World Bank, Long-Term Development, 8.
economy (for some examples, see table 2.2). Critical discourse analysts refer to the elimination of direct objects of verbs as ‘intransitivity’.180

*sole transitive construction in this report

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>“the inevitable competition for capital and skilled manpower”</td>
<td>“Of particular importance would be…changes in the system of economic management, regarding enterprise motivation, competition, and prices.”</td>
</tr>
<tr>
<td>“competition for land will be sharpened”</td>
<td>“Consolidation of enterprises into large sectoral corporations, by contrast, would normally tend to reduce competition, although this could be offset by increased exposure to foreign competition.”</td>
</tr>
<tr>
<td>“distortions could be eroded by allowing more competition and freedom of entry into profitable sectors”*</td>
<td>“the conflict between the gains of the majority from greater competition…cannot be completely eliminated.”</td>
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<tr>
<td>“more signals on both the social cost of inputs and the character of demand (through commercial diversification and more competition)”</td>
<td>“The changes required include…greatly increased competition among enterprises.”</td>
</tr>
<tr>
<td>“in competition with imported inputs”</td>
<td>“Another key ingredient of competition is free entry of new producers…”</td>
</tr>
<tr>
<td>“Some restructuring is already taking place…through socialist competition for markets”</td>
<td></td>
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*sole transitive construction in this report

Table 2.2: Making competition intransitive

This was also evident in its distinction between collectively owned enterprises (COEs), which included township and village enterprises (TVEs) and urban collectives, as ‘nonstate actors’ as opposed to state-owned enterprises equated with the ‘state sector’.181 TVEs, owned by former communes (and appropriated by public officials), had grown exponentially due to a combination of agricultural and fiscal reforms to the commune and brigade industries. Employment in the TVE sector grew from 20 million in 1978 to 123 million by 1993.182 Framing the TVEs and urban collectives as part of the ‘nonstate sector’, however, always rested on a leap of faith. A 1995 policy report entitled *Bureaucrats in Business* defines TVEs restrictively: localized ownership, a hard budget constraint, greater autonomy in terms of social obligations,

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and greater competition due to their smaller size and higher number.\textsuperscript{183} Essentially, the Bank assimilated TVEs to private firms, albeit an anomalous form of them due to nominal state ownership; SOEs were consigned to ‘state’ despite their considerable autonomy.\textsuperscript{184} Meanwhile, characteristics of TVEs that most resembled a ‘state’—that they relied on state administrative power inherited from the Maoist era, that corporate organization was synonymous with Party hierarchy, and that they had a symbiotic fiscal relationship with local government\textsuperscript{185}—were not mentioned.\textsuperscript{186} Nor was it admitted that TVEs frequently relied on resource flows from SOEs, for example, in their capacity as subcontracting firms.\textsuperscript{187}

This distinction allowed the bank to make two related rationalizations. First, by defining TVEs as essentially independent, non-state actors, it solidified the imaginary of ‘transition’, by allowing the Bank to frame China as undergoing a period of growth in its non-state/market sector.\textsuperscript{188} Second, though the growth of TVEs provoked productivity, profit, and output gains in the SOE sector through competitive pressures, Bank economists tended to point out falling profitability as TVEs assumed a larger share of the total output. It was now possible to portray SOEs as vestigials from an antiquated era. For Bank observers, the key barrier to SOE’s vitality was the existence of a soft budget constraint, or the guarantee that enterprise losses would be met with subsidies or low-interest credit. Reforms to SOEs were deemed unsuccessful because “they were not simultaneously subjected to the rigors of market discipline and accountability which encourages prudence,” instead, they needed to be remade into “autonomous firms [that] behave as responsible economic actors”.\textsuperscript{189}


\textsuperscript{188} See also Yasheng Huang, "Rethinking the Beijing consensus." \textit{Asia Policy} 11 (2011), 1-26.

Finally, the absolute separation of state and market that defines the transition imaginary was evident in the formation of a new political drama between entrepreneurs and bureaucrats. If the state and market are understood as mutually exclusive entities, then any economic benefits accruing to one is an expense upon the other. As the 1980s progressed, Bank economists harbored an intensified antagonism toward impediments to exchange, including trade restrictions, fiat prices, and restrictions on foreign investment. This was related to Krueger’s predominance in the Bank and her stance against trade restrictions on the grounds of rent-seeking behavior by state officials, but became generalized as part of a larger neoliberal turn within the Bank.\(^\text{190}\) Though the emotive noun ‘bureaucrat’ and its stemmed terms were employed 3 times in the 1983 report, by the late 1980s it was more frequently employed; a major 1989 report on decentralization and macroeconomic reforms used the term 29 times, and a 1992 report on industrial strategy used the term 27 times. After reforms initiated the decentralization of enterprise management in 1984, bureaucracy was increasingly diagnosed as a constraint on market activity: market signals were “distorted by the bureaucratic tug-of-war”, firms were subject to “layers of bureaucratic controls” and “bureaucratic obstacles” that “stifled initiative and interfered with the efficient use of resources”.\(^\text{191}\) This drama also allowed for China to be compared with other ‘transition economies’, signaled by its inclusion in the 1995 policy report Bureaucrats in Business. Though so-called ‘bureaucrats’ played significant roles in (per)forming Chinese capitalism—by undertaking market research, negotiating inter-firm and cross-locality alliances, and assisting in product development—the Bank tended to reduce bureaucracy to ‘red tape’, in tandem with the Bank’s binary opposition of state and market.\(^\text{192}\)

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\(^{190}\) Toye, *Dilemmas of Development*; Allan, “Paradigm and nexus.”


2.4.2 Reforming finance

The 1981 report, as I mentioned previously, did not distinguish the financial sector from industry. Instead, ‘financing’ referred to the allocation of resources from the central state to enterprises for reinvestment in raw materials, fixed capital, or expanded labor-power. The 1985 report saw the World Bank presuming that China would create a financial market, regardless of intention, when it (inevitably) removed social functions from SOEs.193 In 1984, when the research for the report was undertaken, SOEs functioned not only as leading firms and the primary employers in the national economy, but were essentially the organ of actually-existing socialism in PRC, providing lifetime employment, guaranteed pensions, housing, and public health services to employees and their families.194 When initial reforms induced management to respond to price signals, however, the social functions of SOEs were recast as barriers to firm autonomy and burdens to profitability. The first suggestions were to establish either a state-run pension plan, financed through an investment portfolio, or create a mix of non-contributory and contributory social insurance schemes, inspired by those in Western countries.195 Not only would these programs remove social burdens from SOEs, thereby enhancing enterprise efficiency, but they would “serve an important role in [constructing] a socialist financial market.”196

This re-framing deduced the problems of inefficient investment from the problem of the state ownership of industry. It was constructed through the hypothesis that financial markets channel resources efficiently, and that “the requirements for an efficient financial system are not very different from those of efficient production institutions.”197 Conversely, the inefficiency of enterprise savings was a “transitional problem” stemming from price distortions and “the incompleteness of enterprise reform”, particularly since “government cadres have not been held accountable for the economic results of their investment decisions.”198 One solution the Bank floated was to align incentives, linking firm profitability with careerist motivations on the part of

its managers, but this option was quickly dismissed, since the tenure of a manager did not align with the maturation period of firm investments. Without instilling private property rights, efficiency was highly improbable.\textsuperscript{199} A specialized banking system, equipped with expertise and the ability to spread risk across multiple investments, was also required; the government budget was no substitute for an independent private banking system.\textsuperscript{200} And of course, it also required a new central Bank to regulate money creation and international transactions.

Prior to reform, the People’s Bank of China (PBOC) was the sole financial intermediary in the PRC. It acted as the central bank, the distributor of budgetary allowances, and the monitoring agent for extra-budgetary flows of money. Its primary task was financing production plans for state-owned enterprises. Initial reforms to the financial system in 1984, however, re-invented the PBOC as a central bank, in charge of regulating the money supply, while new institutions would be established for commercial, policy and foreign exchange functions. World Bank reports were nonetheless unsatisfied with these changes, rendering them as ‘incomplete’ due to the failure to initiate ownership reform. Prefiguring a lasting criticism of the Chinese economy—the lingering connection between finance and industry, financial intermediaries and the central bank—the World Bank called for a strict separation to avoid “confusion” and to turn the PBOC into a “real central bank instead of the hybrid that it is today.”\textsuperscript{201} This would not only be compatible with economic theory, demarcating a clear division between state and market, but also create a financial system legible and hospitable to foreign capital.\textsuperscript{202}

The immediate impetus for Bank financial expertise was to find a way to limit the same sources of overinvestment, inflation, and rising labor costs that prompted its condemnation of the SOEs. For the Bank’s China director Shahid Javed Burki, this entailed helping “the Chinese develop some of the modern institutions they needed for the management of the economy.”\textsuperscript{203} For a transition economy, the modern institutions required would be those associated with the most sophisticated and well-managed market economies. Frequently mentioned, unsurprisingly,

\textsuperscript{202} Wade, “U.S. Hegemony and the World Bank.”
\textsuperscript{203} Burki, “Transcript of oral interview,” 2.
were the conservative models of the American Federal Reserve and Germany’s Bundesbank.\textsuperscript{204} China’s adjustment model may not have called for shock therapy, but it did require what Jaros Kornai termed ‘hardening budget constraints’, or freezing subsidies and ceasing the extension of preferential credit to SOEs through the credit plan.\textsuperscript{205} It also required autonomization and regionalization of the Bank; for the Party’s ‘economic goals’ did not always align with ‘prudential goals’, or the containment of risk, associated with most market economies. For the Bank, this required phasing out policy lending from the PBOC portfolio, and establishing clear divisions between commercial, policy, and central bank-related lending practices.\textsuperscript{206} It meant that the PBOC should have sufficient autonomy to assess lending risk to avoid localized over-borrowing, allowing it to maintain price and exchange rate stability.\textsuperscript{207}

2.4.3 Reforming labor

Finally, attention had also turned to necessary reforms in China’s system of labor allocation. While its first mission to China found the Bank arguing that the social-stabilizing function of the \textit{hukou} system and guaranteed employment only merited gradual change, a greater urgency for reform emerged in reports of the mid- to late-1980s. At the time, labor unrest caused by SOE


\textsuperscript{206} World Bank, \textit{Macroeconomic Stability in a Decentralized Economy}, 76.

restructuring and rising inflation began to pose a challenge to the reform agenda.\textsuperscript{208} The introduction of the labor contract system, put forward in 1982 by Zhao Ziyang, had only been marginally implemented due to political constraints.\textsuperscript{209} The Bank’s diagnoses saw entrenched localism as a relic of the centrally-planned economy, predicated on three key problems. First, the \textit{hukou} system prevented workers from engaging in economic migration, more or less placing a quota on the amount of labor any enterprise could acquire. Second, the iron rice bowl, the class achievement which assured lifetime employment and benefits for those associated with SOEs, were presented as doubly harmful for market actors: not only did it “[tie] the hands of employers” but it “sharply circumscribed the ability of workers to quit”, also disrupting the optimal allocation of labor.\textsuperscript{210} Third, it gave rise to ‘localism’ and ‘local protectionism’, preventing the emergence of a national developmental ideology around which all could mobilize:

The market can erode parochialism and diffuse interprovincial rivalry, making room for the national political consciousness that will underwrite a dynamic economic strategy. For people to frame their decisions with reference to the national interest, impersonal market forces that are viewed as basically fair should dislodge localism.\textsuperscript{211}

The barrier for the Bank’s client, however, was that the \textit{hukou} system underpinned what remained of the social-welfare system, and that the Chinese state was still, nominally, a workers’ state. Restructuring would inevitably induce some workers to lose from privatization—a painful but necessary “hardship” for those made redundant—but was nevertheless deemed necessary for their own long-term health.\textsuperscript{212} While the Bank recognized removing social expenditures as a “thorny issue”, it warned that maintaining the status quo could disrupt the entire future trajectory

\begin{itemize}
  \item \textsuperscript{209} Gordon White, ed. \textit{Developmental States in East Asia} (London: MacMillan, 1988), 175-177.
  \item \textsuperscript{210} World Bank, \textit{Industrial Restructuring}, 154.
  \item \textsuperscript{212} World Bank, \textit{Long-Term Development}, 122, 132; Jamie Peck, “Geographies of policy: From transfer-diffusion to mobility-mutation,” \textit{Progress in Human Geography} 35, no. 6 (2011), 783.
\end{itemize}
of enterprise reform.\textsuperscript{213} As the state should not interfere in the market, so market-oriented firms should not assume the duties of the state. It did not matter that the government was ill-equipped for assuming the role of welfare state; the solution proffered, regardless, was the creation of a social-security system that operated at a national level, rather than one tied to individual enterprises.\textsuperscript{214} This would help create a flexible labor market, indeed, but also have the added benefit of creating a private market for employee pensions and accelerate the growth of a fully commercialized housing market.\textsuperscript{215}

In sum, the period from the mid 1980s and early 1990s witnessed the Bank pervasively modifying its earlier policy paradigm in line with a hard division between state and market (see Table 2.2 below for a summary). The state was increasingly constructed as an obstacle to future reforms, marked by an entrenched bureaucracy, anti-competitive behavior, and the provision of cheap credit. Against the complexities of understanding and managing the integration of a state socialist economy in an increasingly financialized and internationalizing world economy, the World Bank sought to provide policy solutions on the basis of their impact on allocative efficiency. The transition imaginary was, indeed, informed by the politics of knowledge within the Bank itself, but also encouraged by the increasing acceptance of market-oriented policy turns by the CCP, not to mention the contemporaneous transformation of the post-Soviet sphere. While it has proven durable, policy shifts within the CCP would disturb the ‘transition economy’ imaginary, and prompt new articulations and imaginaries to supplement it.\textsuperscript{216}

\begin{itemize}
\item \textsuperscript{214} White, \textit{Developmental States}, 176.
\item \textsuperscript{215} Broadman, “Meeting the Challenge”, xvi.
\item \textsuperscript{216} “China’s ongoing transition from a centrally planned economy to a market economy” was understood as still-occurring in 2009, while, in 2012, a more transparent legal system was needed as the government “transitions away from direct intervention in enterprise and market activities and toward creating a policy and regulatory environment supportive of free and fair competition.” See World Bank, \textit{China 2030: Building a Modern, Harmonious and Creative Society} (Washington, D.C. and Beijing: World Bank and Development Research Center of the State Council of China, 2012), 20.
\end{itemize}
Table 2.3: Discursive transitions in the World Bank-China relationship

<table>
<thead>
<tr>
<th>Period</th>
<th>Modernization</th>
<th>Transition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Paradigm</td>
<td>Late Keynesian&lt;br&gt;Structuralism/productivism</td>
<td>Neoclassical ‘Market fundamentalism’/pricism</td>
</tr>
<tr>
<td>Actors</td>
<td>Planners, managers, workers</td>
<td>Entrepreneurs, bureaucrats, governments, workforce</td>
</tr>
<tr>
<td>Dramas</td>
<td>Old managers vs. young managers</td>
<td>Bureaucrats vs. entrepreneurs</td>
</tr>
<tr>
<td>Problems</td>
<td>Technical inefficiency, overinvestment, antiquated planning techniques&lt;br&gt;Framed as “holdovers from Cultural Revolution”</td>
<td>Allocative inefficiency, rent-seeking behavior and inflation&lt;br&gt;Framed as “remnants of central planning”</td>
</tr>
<tr>
<td>Solutions</td>
<td>Advanced calculation techniques, shadow pricing</td>
<td>Institutional transformation&lt;br&gt;Market-oriented reform</td>
</tr>
<tr>
<td>Trajectory</td>
<td>‘Backwards’ collectivism to modernized socialism</td>
<td>Central planning to market economy</td>
</tr>
</tbody>
</table>

2.5 Faultlines of transition: from market-formation to state capitalism

As I have argued, the ‘transition economy’ imaginary was a discursive formation that emerged through the World Bank’s encounters with China and articulated a binaristic view of states and markets, a teleology that posited an ultimate destination of a market economy, and an entrenched opposition to state-directed allocation of resources. It was part of a larger, world-historic trend that characterized the late 1980s and early 1990s, when actually-existing economic transitions (perhaps better termed transformations) were unfolding in state socialist economies. This period, as any part of the deluge of foreign strategy, management, or political theory from the era reveals, saw the emergence of a popular imagination that liberal capitalism was to be the ultimate destination of all states: a paper industry emerged around transition, economists proclaimed socialism as history, and an era of capitalist triumphalism was ushered in. But a market ‘transition’ was far from settled in China during the last decade of the millennium. Indeed, the Bank’s expectations would be increasingly challenged by changing policies and practices in

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217 Ha-Joon Chang and Peter Nolan, eds. The transformation of the communist economies: Against the mainstream (London: Palgrave MacMillan, 1995); Pickles and Smith, Theorizing transition; Stark, “Can designer capitalism work in Central and Eastern Europe?”

218 See the journal Economics of Transition, recently revised to be Economics of Transition and Institutional Change.
China, which made comparisons with Eastern Europe or any ‘Western model’ speculative at best. While this divergence will be explored in more detail in the next chapter, I note tensions unfolding between the ‘transition imaginary’ and China’s concrete development below.

First, unlike their counterparts in Eastern Europe, the refusal of the Chinese state to ‘fully’ reform state-owned enterprises became a constant frustration for Bank officials. While World Bank officials based in China avoided the language of privatization,219, the ‘remnants’ of state ownership came to constitute the central problem in the Chinese economy, while the CCP was seen as ‘bypassing’ and ‘prolonging’ the problem. The party undertook a variety of experiments with SOEs, allowing them to issue stocks in 1989 (though most would be purchased by the state) and transforming them into ‘modern enterprises’ through local incentives in 1992.220 But in both cases, there was no intention to end state ownership as such.

Maintaining the imaginary of ‘transition’ faced difficulties when the realization that the Bank’s idealized endpoint was not being reciprocated by their Chinese counterparts. In an acknowledgement of the Bank’s limitation on persuading party members otherwise, a 1992 report noted

> What must be clearly understood, however, is that ‘socialist’ refers to the public ownership of means of production. While China is prepared to tolerate and experiment with various forms of ownership, there is no intention to alter the situation whereby the state or collectives dominate ownership, and there is therefore no discussion… of the privatization of SOEs.221

This realization—a paradox for Bank economists—prompted a hunt for alternative solutions, but these alternatives were all framed squarely within the policy space defined by approximating SOEs to private firms. This would be accomplished by minimizing the centrally-planned

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219 As Edwin Lim put it, “in ’85 we never talk about privatization of the big firms. We talk about commercialization, you know, giving them independence, organizing them into state, joint stock companies where the ownership would still be by the state but giving them, you know, arm’s length relations with the state and so on. I mean, we always work within our political parameters.” See Edwin R. Lim, “Transcript of oral interview”, 12.


behavior of the SOEs rather than state ‘stakeholdership’ per se.\textsuperscript{222} A series of suggestions followed: advocacy for intensified growth in the ‘non-state’ TVEs,\textsuperscript{223} a simple clarification of the SOEs’ positions in the state budget,\textsuperscript{224} and the creation of an appropriate institutional framework for corporatization policy for the enterprises, defined by pluralized ownership.\textsuperscript{225} While China would introduce significant reforms throughout the 1990s, including corporatization and marketizing management incentives through enacting a Company Law in 1994, restructuring employment and permitting partial privatization, through ‘holding on to the big SOEs and letting the small ones go’, the existential problem of SOEs, for the Bank, would never be resolved, and indeed, still inflects contemporary reports.\textsuperscript{226} The Bank could not envision any institutional arrangement where enterprises competing in the marketplace are still dominated by state-affiliated actors.

Second, in a process of social learning of its own, China began to realign its own relationship with the World Bank in the 1990s, while the transition imaginary limited the Bank’s ability to engage in a constructive relationship with Chinese policymakers, as it increasingly urged the party to adopt more aggressive market-oriented reforms. PRC officials began to ignore the increasingly repetitive calls for state/market separation that the Bank incessantly recommended as their relationship evolved. A Country Strategy Report from 1995 noted that calls for SOE privatization, PBOC centralization, and commercial bank restructuring failed to capture the attention of Chinese authorities because the Bank could not contribute to formulating precise implementation strategies. Its 1993 financial reform had centralized the PBOC, making it independent from local authorities and other ministries, but still under the authority of the State Council.\textsuperscript{227} The CCP, which had previously used the Bank as a source of knowledge about other


\textsuperscript{224} World Bank, \textit{Budgetary Policy}, xvi.

\textsuperscript{225} Harrold and Lall, \textit{Reform and Development in 1992-3}, xiv.

\textsuperscript{226} See the 2019 report, mentioned at the beginning of this chapter.

countries’ development experiences, had a paucity of successful experiences from other countries to draw on at this point.\footnote{World Bank, \textit{Macroeconomic Stability in a Decentralized Economy}: 9; World Bank, \textit{China: An Evaluation of World Bank Assistance} (Washington, D.C.: World Bank Operations Evaluation Department, 2005), 6.} The financial sector, especially, would confound Bank officials, as it continued to illegibly intertwine commercial, policy, and central-bank related lending practices in its four large banks through the 1997 Asian Financial Crisis.\footnote{World Bank, \textit{Macroeconomic Stability in a Decentralized Economy}, 76.} Like its policy strategy on enterprises, the World Bank attempted to appeal to Chinese state officials by urging them to concentrate efforts on fostering growth in the private realm of the financial sector, urging the privatization of bank ownership since mixing political goals with risk management would inevitably leave bank managers with ambiguous signals.\footnote{World Bank, \textit{China: Promoting Growth with Equity}, Country Economic Memorandum, Report No. 24169-CHA (Washington, D.C.: World Bank, 2003), 34.} The private ownership of the financial system, central bank autonomy, and politically-neutral lending relations were seen as necessary for “financial modernization”.\footnote{World Bank, \textit{The Achievement and Challenge of Price Reform}, 35.} The Party, on the other hand, was little interested in these broad-brushed recommendations, not in the least to ensure its ongoing political power through centralized control of the money supply.\footnote{Gruin, “The social order of Chinese capitalism.”} It only heeded the institution’s advice on relatively minute technical matters, such as the arrangement of payment systems.\footnote{World Bank, \textit{An Evaluation of World Bank Assistance}, 13-16.} As long as China’s approach to economic policymaking continued to generate an acceptable level of growth, the Bank’s dogmatic forms of economic expertise were no longer adequate, nor was it seen to be required in the issues of ownership reform and financial sector reform as it was before.

Third, the transition imaginary was interrupted by unconventional commodification and flexibilization of labor power. The introduction of the labor contract system, which allowed SOEs and ‘non-state sector’ to hire new contracted workers in the 1980s, was initially met with trepidation: the World Bank found that the system resulted in the unwillingness of state firms to hire skilled employees and stoked antagonistic relationships among employees.\footnote{World Bank, \textit{Macroeconomic Stability Vol. 1}, 11.} When the system was extended to cover \textit{all} permanent workers, the Bank was more enthusiastic, but still
anticipated “a later real liberalization of labor markets” at some point in the future. This would require dismantling the hukou system, which placed barriers on migration and prevented regional labor markets from clearing.

These three features are not the only areas in which Bank officials attempted to guide China in the direction of an idealized market economy. Among others, restrictions on trade, the legal system, the neglect of the service sector, and capital controls were also of concern to Bank economists. But it would be these three areas that would continue to top Bank recommendations for reform throughout the 1990s and beyond, while China continued to maintain strong state controls of industry, finance, and labor. Because of these deviations, China’s particular ‘transition economy’ would challenge the particular configuration of ideological elements that had, before, predestined it to the same future as that of Eastern Europe and the world.

2.6 Conclusion

This chapter has argued that the World Bank’s initial diagnoses and policy recommendations to China were constituted by an economic imaginary of ‘transition economy’. This spatialization of neoliberal development theory constructed some national economies as undergoing an inevitable progression toward a market economy. This liminal status was defined by ongoing change and restructuring, albeit with a clearly defined past (central planning) and future (market). Policy

235 Harrold and Lall, Reform and Development in 1992-3, 49.
239 ‘Central planning’ was continually evoked as China’s pre-reform past, despite the Bank’s own recognition that “it was only after 1976 that comprehensive planning…[was] restored” after the Cultural Revolution, and the later admission that “planning was less entrenched in China than it had been in other transition economies.” From memo, cited in footnote 128; World Bank, China 2020, 13.
problems came to be defined as those which re-enforced the historical constraints of the planning system and the entrenched social interests inherited from it: the public ownership of means of production, the inseparability between state-owned enterprises and the financial sector, a rigid and inflexible labor market, and antiquated bureaucracy and management. Policy solutions were those that conformed with market rationality, or alternatively, an idealized version of Anglo-American institutional structures: ownership diversification, an independent and monetary central bank, indicator-based macroeconomic policy planning, an entrepreneurial spirit, and national-level social security systems.

By turning attention toward the interplay between policy paradigms and spatialized economic imaginaries, this chapter has added a different vantage point to the World Bank’s much-maligned brand of development knowledge. While studies of the Washington Consensus and post-Washington Consensus paradigms reveal how development theory and practice has evolved temporally—and in dialogue with broad-based shifts in capital accumulation, social struggle, and paradigmatic shifts—the evolution of the Bank’s dialogue with China has shown how the Bank responds to changes in practices of development that exhibit relative autonomy from its own mandates. The following differences with the Washington Consensus/post-Washington Consensus paradigms are clear: first, rather than maintain a universal adherence to privatization, as its experience with Eastern Europe and Africa might suggest, the World Bank attempted to forge strategies for China that sought to rectify temporary state ownership but subservient to an ultimate goal of market rationality, through advocating forms of market rationality through management changes, corporatization, and ownership diversification. This was informed by a different balance of power and time horizon between the World Bank and the Chinese state compared to Central and Eastern Europe. Second, faced with the realization that full financial liberalization would not be undertaken by the CCP, the Bank was forced to aim for parallel reforms that granted the central bank an increased level of autonomy while commercializing domestic lending activity. These reforms, rather than abruptly introducing private lenders into the domestic financial system, attempted to introduce the profit motive into the financial sector through ‘hard-budget constraints’, the creation of pension and housing markets, and initiating the formation of a financial market from the ground-up. Third, the Bank’s modification of its stance toward China was formed in dialogue with changing CCP doctrine and
the Bank’s operating environment: the re-articulation of a ‘market/state’ dichotomy that simplified the intricacies of managing planning reform within state socialism, though it created new difficulties of its own when China’s path began to stray from an idealized convergence with a ‘market’ economy.

Using a culturally-inflected political economy approach also discloses how political and economic imaginaries co-evolve with the changing world order. As the successful integration of post-socialist economies into the global liberal order became a key dilemma for economists, the notion of ‘transition economy’ was popularized in the realms of Western economics and foreign affairs, and it was widely hypothesized that the medicine of the market could cure the inefficiencies of centrally-managed production. As following decades would reveal, however, not only would expedient market reforms lead to disastrous outcomes, but convergence would increasingly become an untenable hypothesis as post-socialist countries embarked on paths toward ‘state capitalism’, oligarchic extractivism, and authoritarian internationalism.\textsuperscript{240} For the Bank, ‘transition’ has been further rearticulated such that China’s implied transformation is no longer toward a singular ‘market economy’ but a corrupted one, warranting further reform of SOEs and the financial sector.\textsuperscript{241} This re-articulation, and the consolidation of specific discourses into a distinct ‘China model’ will be the focus of the next chapter.

\textsuperscript{241} World Bank, \textit{Innovative China}. 
Chapter 3: Managing gradualist reform

3.1 Introduction

Since the mid-2000s, China has been on the minds of management gurus, foreign policy elites, and development economists alike. The emergence of a distinctively Chinese internationalization program, indeed, has provoked an outpouring of texts that position a ‘China model’ as an alternative future against an ailing Washington Consensus model of development. As Alami and Dixon point out, these unfailingly highlight the roles of an active state with ownership stakes in finance and industry, which, in turn, depends upon a lack of ‘political liberalization’ and inhibits the development of a fully-functioning private market mechanism.\(^\text{242}\) It is often contended, especially in airport bookstore literature, that the coalescence of economic and political power in the East represents an emergent developmental destiny.\(^\text{243}\) These new imaginaries posit an overbearing Eastern state against a laissez-faire Western state, with the latter righteously positioned as facilitator rather than corrupting participant in the development process.\(^\text{244}\) The Chinese state, in tandem with a peer group of other state-capitalist states, retains direct control over capital markets, maintains a ‘non-Western’ legal system, and positions its Party members in the commanding heights of industry. This script casts China as the West’s statist other, towards which less developed countries might be tempted to emulate.\(^\text{245}\) For Branko Milanovic, this is a choice between ‘political capitalism’, a form that promises high rates of comparatively equitable growth and efficiency at the expense of democracy and transparency, and ‘liberal capitalism’: a venerable achievement, but threatened by growing inequality in its contemporary guise.\(^\text{246}\)


\(^{244}\) Alami and Dixon, “The strange geographies.”


\(^{246}\) Milanovic, “The clash of capitalisms.”
As I outlined in Chapter 2, however, such predictions were hardly tenable in the 1970s and 1980s, when the Chinese state initially undertook its market-oriented reforms. While this period laid the conditions for durable economic structures that still characterize the contemporary Chinese growth regime—most notably, the construction of public-private growth alliances at the local level that would prove resilient against harsh cyclical downturns—it was not until the 1990s that China’s capitalist economy began to assume a distinctive form in the development imagination.247 This chapter examines how a nascent ‘China model’ was contested and produced in the World Bank, re-articulated from an economy undergoing “inevitable capitalist modernization” to one constituted by ongoing experimental reforms and enduring state ownership of leading sectors.248 The conjuncture in question took place over what has been termed the Tiananmen interregnum, from 1989 to 1992, and a following period which saw the emergence of form of party-state-guided capitalism.249 China’s initial reforms in the 1980s, undertaken by a reformist wing of the CCP, had resulted in a series of sharp economic cycles caused by successive but punctuated rounds of price reform, while simultaneously giving rise to a faction of pro-liberalization forces that forged alliances with students and workers that organized in Tiananmen Square in 1989, ultimately condensing into a crisis of the Chinese state. The three-year period that followed was one of recalibration by the Party, a hiatus on formal international governance relations, and, ultimately, an era where China’s reforms were called into question by Bank economists. The debates that followed were centered around assessing the merits of China’s approach against the neoclassical paradigm, raising questions not only about the correct implementation of market reforms, but about the future of the Chinese political economy more generally. As China’s political economy was consolidating into a new institutional form—an accumulation strategy organized around the interlocking institutions of

247 See Oi, *Rural China Takes Off*; Nölke et. al, *State Permeated Capitalism*. It was not only development economics that sought to commensurate China with other ideal typologies. Comparative political economy literatures from the 1980s attest used the ‘developmental state’ category to assess China’s See White, *Developmental States in East Asia.*

248 Peck and Zhang, “A variety of capitalism”, 374.

market exchange and the developmental party-state—\textsuperscript{250} the World Bank sought to manage China’s simultaneous divergence from the Bank’s own favored ‘shock therapy’ approach with the ostensible success of its brand of ‘gradualism’.

I argue, in the following chapter, that the Bank’s re-scripting of China as a gradualist reformer was undergirded by political conflicts over lending, over the sanctity of the neoliberal paradigm, and over claims about the future of the Chinese economy. It proceeds in three main parts. Spurred by debates over the ‘China model’, I provide a critical overview of recent literatures in political economy that focuses on the ideational status of development models, and suggest a distinction between the model as epistemological tool and the model as analytical object. I stake out a conception of ‘models’ that understands them as durable economic imaginaries, or narratives of economic pasts and futures,\textsuperscript{251} that policy elites mobilize to formulate and advance specific institutional fixes at particular conjunctures. But these imaginaries also mutate and change forms during periods of economic crisis, and across different institutional cartographies. The third section uses this conception to revisit internationalized debates around Chinese reform when they arose in the early 1990s, when the Chinese economy was first outlined as undergoing a unique reform trajectory termed ‘gradualism’. I focus on the specific organizational context of the World Bank to examine how the time-horizons of economic reform assumed geopolitical significance within the international development arena. The fourth section how the World Bank attempted to assimilate and parameterize the gradualist model throughout the 1990s, from a replicable template for less-developed countries desiring development solutions, to an inconsistent and incoherent approach that was forever in need of further reform. This, I suggest, does not merely suggest the deficiencies of Bank-approved development expertise and its methods of mapping the world economy, but suggests the limits of neoliberal developmentalism itself.


\textsuperscript{251} Jessop, \textit{The Future of the Capitalist State}, 7, 37; “Cultural political economy and critical policy studies”, 344-6; Sum and Jessop, \textit{Toward a Cultural Political Economy}. 68
3.2 Retroducing ‘models’ of development

This section explores the status of ‘models’ in critical political economy: first, I situate my case in recent scholarship in political economy that considers the use of ‘models’ as contested ideational and discursive products, taking the critical realist imperative—to examine what the world must be like in order for a certain type of national economy to be categorized as a model—seriously. This requires special attention to the interplay between hegemonic economic policy paradigms, expert strategy, and historical-geographical context. Second, I draw on cultural political economy and geographical political economy to develop a theoretical framework to analyze how transnational organizations frame nascent ‘models’ in and through moments of political-economic rupture.

Development models—which I will take to be inclusive of reform models and growth models—bare some distinction from formal models in the sense of the economics discipline. The latter begin their analysis with strict assumptions, often about the behavior and constraints of individual economic actors, and deduce optimal outcomes, often in the form of markets. The former type of model has a more inductive, ideal-typical character, often taking outcomes as given, and attributing them (back) to certain arrangements of incentives and structural relationships internal to the model itself. Both are common in the policy sphere, selective, and social.

One recent ‘model’ is the so-called China model. This has been prone to multiple interpretations, partially stemming from its ‘violation’ of received concepts of economic rationality and from its intertwining with formal geopolitics. By most accounts, discussions of the China model began to mount shortly after its namesake’s successful weathering of the 1997 Asian Financial Crisis and its 2001 WTO accession—a contested affair, since the state engaged in export-subsidization—with Joshua Cooper Ramo’s ‘Beijing Consensus’. This tongue-in-cheek rejoinder to the Washington Consensus was characterized by rapid catch-up development driven by manufacturing, a recognition of sustainability and quality-of-life as equivalent performance metrics to GDP, and an embrace of self-determination in the realm of foreign policy. Subsequent interrogations of the China model checked Ramo’s list against China’s actual development experience, casting doubt on its uniqueness from other east Asian developmental states,
questioning its actual divergence from the principles of the Washington Consensus, or condemning its illiberal foundations.\textsuperscript{252}

Much like Williamson’s tenets of its Washington-based other, this consensus did more work as a contested signifier—for China’s undeniably growing political-economic power—than as a category of analysis.\textsuperscript{253} Discourse surrounding the model developed in post-2008 United States and United Kingdom, as their own growth models fell into sclerotic, predatory, and hyper-financialized forms, suggesting to some a form of late-neoliberal anxiety over an industrious, perhaps rivalrous, economic formation.\textsuperscript{254} Zhang Weiyi, a liberal economist at Peking University, echoes this concern, claiming that “the ‘China model’ sets China as a frightening anomaly from the Western perspective, and inevitably leads to confrontation between China and the West.” He argues instead that China’s growth stemmed from a ‘universal model’ that was dependent on flourishing market behavior and the agency of entrepreneurs. Barry Naughton recognized that the power of the concept itself was integrally related to the declining legitimacy of ‘Washington Consensus’ principles’, “the success of the Chinese growth experience and the rising role of China in the world today.”\textsuperscript{255} While recognizing its embeddedness in circuits of academic and policy discourse, those who evoke the ‘China model’ have tended to either offer their own alternative formulations, or cede a national ‘model’ in favor of the articulation of

\footnotesize
\begin{enumerate}
\item Williamson offered the world five characteristics of his own China model: incremental reform, innovation and experimentation, export oriented growth, state capitalism, and authoritarianism. See John Williamson, "Is the “Beijing Consensus” now dominant?," \textit{Asia Policy} 13 (2012), 1-16.
\item Barry Naughton, "China's distinctive system: can it be a model for others?,” \textit{Journal of Contemporary China} 19, no. 65 (2010), 438.
\end{enumerate}
multiple regional models. Andreas Mulvad, for example, claims that “political economists working on China should abandon the search for a coherent, unitary ‘China model’ of capitalism… and instead study how China as a whole is becoming increasingly integrated in global capitalist networks of production and consumption.” Mulvad’s response indicates the increasingly territorially trapped and ahistorical assumptions that participants in the ‘China model’ debate frequently imply. However, his call should be qualified. There is, indeed, no self-enclosed Chinese economy that exists out there, awaiting full disclosure by the analyst; but instead, there are constellation of various ‘China models’ that abstract from particular institutional characteristics of China in order to extract claims about causality, necessity, and political-economic futures. I argue, contrary to Mulvad, that these, indeed, are an important dimension of political-economic inquiry.

The ‘China model’ debate points, then, toward an important distinction: the China model can be considered as both an epistemological tool—as a kind of geo-politicized ideal type—and as an analytical object, a concept whose existence itself warrants explanation. Insofar as these models provide meaning for social actors capable of transforming social relations and institutions—through trade agreements, regulatory principles and political dispositions—they exist. But this distinction, alone, does not account for the relationship between the existence of the China model as a model and its conditions of emergence. Moving beyond a purely constructivist interpretation of models, I claim that development models are in dialectical relation with the reality they help to construct. The cultural political economy framework that I outlined in the previous two chapters offers a lens to elaborate the role of models in meaning-making and sense-production while integrating close attention to the strategic conjuncture in which they are mobilized and materialized.

Models, in this framework, can be considered as intellectual-cultural products that enable certain economic activities to be identified as objects of regulation or competition. Development

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257 Mulvad, “Competing hegemonic projects”, 218; Jessop, “Cultural political economy and critical policy studies”, 344-346.
models, as a particular form of imaginary, are constructs that seek to explain material transformation—typically represented in terms of growing productivity, sustained growth in production and national income, and so forth—in terms of a reduced set of idealized institutional and/or cultural characteristics. Reform models, on the other hand, seek to explain material transformation in terms of a temporal sequence of institutional reconfiguration. China has uniquely come to signify both a model of reform and a model of development.

The emergence of national development models is certainly related, as Flint and Waddoups point out, to the rise and decline of hegemonies, “driven by economic processes of technological change.” They draw on Richard Peet’s analysis of hegemonic development discourse, arguing that China’s ability to narrate itself as a “developing country”, its flexible and pragmatic posturing, and the concomitant decline of U.S.-led liberal internationalism has permitted the ‘China model’ to gain legitimacy in the eyes of African state elites. They share with ‘China model’ discussants a keen sense of the historicity of models. But their world-systemic perspective casts hegemonic change as primarily a state-centric phenomenon and a high level of historical and geographical abstraction. Like other hegemonic discourses, there is no automatic correspondence between models and their representation. In Sum and Jessop’s evolutionary perspective, the emergence of ‘models’ is institutionally mediated, multi-spatial and conjuncturally-specific. I highlight three characteristics of ‘national economic/development models’ as imaginaries: first, they are sutured to a specific historical-geographical imagination; second, they are often employed in a binaristic framing of imagined and real antagonisms, opportunities and threats; third, they are ideational ‘raw material’ for the formulation of economic policies.

First, both types of models entail a narration of history and imagination of space. Packaged with an origin story and, often, a teleology, political-economic models are constructed upon a temporal sequence of events, actions, outcomes articulated as a coherent and replicable path. They rely on a particular “production of history” while often abstracting from it.

261 Jamie Doucette and Anders Riel Müller, “Exporting the Saemaul spirit: South Korea’s Knowledge Sharing Program and the ‘rendering technical’ of Korean development,” Geoforum
Spatially, political-economic models are typically coincidental with territorial boundaries of the nation-state, though regionally-bounded models often exist, in the case, for example, of Guangdong and Chongqing ‘models’ in China.\(^{262}\) Nonetheless, political-economic models typically depict their object in isolation, as though models are an unrelated to places and processes outside and among themselves.

Second, when not in isolation, the tendency to place two models in an opposing relation with an ‘other’ is a compulsive, if common, practice with models, both in ‘scientific’ and ‘popular’ settings.\(^{263}\) This practice can interrupt the ways models are employed to infer (past and future) causality, and to disclose the horizons of maneuverability, crisis tendencies, and potential feedback effects—a means of ‘rendering technical’ and calculable an unknowable world. Political-economic models, in this way, are a “means of making mental maps and claiming the future”, offering social actors a coherent set of assumptions about causality, temporality, and risk that make possible calculative action, though the binarism tends to result in false yet instrumental oppositions: for example, between state and market.\(^{264}\)

Third, as discussions of the ‘China model’ suggest, models exhibit strong salience in the sphere of policymaking, both in domestic and transnational contexts, performing roles as objects of emulation, as selective policy ‘lessons’, and as a referent for directional institutional transformation.\(^{265}\) In this way, models enable agents to simplify a hyper-complex social world—privileged policy actors, in this sense, think with models to formulate policy solutions, organize

\(^{262}\) Ben Rosamond, “Brexit and the politics of UK growth models,” New Political Economy 24, no. 3 (2019), 408-421; Mulvad, “Competing hegemonic projects”.  
\(^{263}\) China/Beijing Consensus models, thus, are compared with neoliberal/Washington Consensus models, state capitalism with liberal capitalism, communism versus capitalism, authoritarianism versus democracy and so on. These might be more fruitfully seen as articulations within each other rather than mutually exclusive and opposite categories. See Wang Hui, The Politics of Imagining Asia (Cambridge: Harvard University Press, 2011); Jamie Peck and Nik Theodore, “Variegated capitalism,” Progress in Human Geography 31, no. 6 (2007), 731-772.  
\(^{265}\) The latter helps explain the disciplinary origins of the ‘China model’ in political science: model aficionados Halper, Kennedy, Zhao, and Breslin are all political scientists by training.
implementation timelines, and devise accumulation strategies. Models typically operate below the level of policy paradigm, as outlined by Peter Hall, and defined in Chapter 2. In an examination of U.K. ‘growth models’ after Brexit, Rosamond argues that single policy paradigms can accommodate a variety of models: advocates for different models may be employing the same concepts, rationales, and chains of reason, though often represent different political blocs of support. But Rosamond does not elaborate how such ‘growth models’ are translated between different policy paradigms and national geographies. Here, the framing of models across different political-economic contexts—such as China’s Dengist party-state developmentalism and the World Bank’s transnational neoliberalism—much be viewed as a moment in the struggle over hegemony in the field of economic policy. This demands attention to how political-economic development models, institutional boundaries, and macroeconomic relations are interpreted and materialized by actors whose purview transgresses state territories.

This chapter argues that political-economic models have a particular inflection that depends upon the organizational context and policy paradigm in which they are formulated, interpreted, contested, and acted upon. In international development institutions, those with a critical sensibility have followed models as they coevolve with policy paradigms, tracking their use by actors making sense of particular trajectories of national economies, with attention to their invocation in other national or regional contexts. Brautigam documents how the adoption of ‘China models’ by African states have been prone to characterization as ‘debt-trap diplomacy’ by OECD members. This imaginary rehearses an orientalist vision of Chinese internationalization as necessarily imperialist with a rationalist view of low-interest rate developmental lending as necessarily predatory, while serving as a (paternalistic) cautionary and flanking device by Western state elites. But competing conceptions of ‘development models’ can express ideological fissures within organizations and state institutions. Development

professionals employed in Korea’s Knowledge Sharing Programme have an ambiguous stance toward their ‘model’, as Doucette has pointed out, navigating between the dichotomous categories of “interventionist state” and “market-led reforms” when attempting to sell Korea’s development experience to other states.\textsuperscript{269} Doucette’s approach shows how representations of models are not guaranteed, but are contextual and contingent. Wade’s analysis of the political origins of the World Bank’s ‘East Asian Miracle’ expresses a similar politics of ‘development models’ in the form of internal struggles over the degree of ‘market-conformity’ and ‘state-ness’ of a set of East Asian economic reforms, drawn largely along the geopolitical lines of pro-Japanese and pro-American fractions within the Bank.\textsuperscript{270} These cases show how development organizations face internal fracture over claims to political-economic truth, and how these clashes are frequently disputes over the boundaries of state and market. Western/enlightenment-sourced imaginations of state and market as separate and mutually-exclusive spheres, as does the imagination of territory as a fixed boundary for state activity, proves to be a perennial problem when representing East Asian political economies.\textsuperscript{271} If there is no single, pre-given outcome to these struggles, then the institutional production of ‘development models’ needs to be analyzed conjuncturally, with a focus on strategic calculation, relations between social forces, and the time horizons of political actors.

Preceding the contemporary, state-capitalist ‘China model’ was a different “mental map,” to borrow Sidaway’s term, that labelled China as a ‘gradualist’ reformer. As I examined in Chapter 2, the 1980s an era in which China was assimilated to a group of transition economies undergoing similar reforms, in that they were all simultaneously experimenting with market policy instruments in the context of controlled prices. In this chapter, I discuss divergent strategies and decisive conjunctural shifts, particularly within the relation between state and

\textsuperscript{270} Wade, “The art of paradigm maintenance.”
market, that portended a categorical distinction between China and Central Europe within the World Bank. The possibility of China representing a distinctive ‘model’—termed ‘gradualism’ or the ‘gradualist model’—posed a political quandary for the Bank: it violated prescriptions of simultaneous, radical micro- and macro-economic restructuring, which predominated reform theory at the Bank during the time. It was, however, extraordinarily successful in comparison to those states which undertook the former program. The Bank was forced to confront and manage the emergence of the ‘gradualist model’ through formulating new strategies of representation: first, by abstracting elements of the Chinese reform and accommodating them within the temporal horizon of the ‘shock therapy model’; second, by construing the ‘gradualist model’ as a valid program of reform, but only for countries under exceptional circumstances; and third, by collapsing the ‘gradualist model’ with ‘shock therapy’ as a generalized, undifferentiated narrative of market reform. The map of reform was thus redrawn, and its timeline extended, but was still tethered to a teleology of ultimate completion of the ‘market economy’.

Recall how, in the introductory chapter, I discussed the ways in which the World Bank ‘frames’ policy debates: through mechanisms such as the annual publication of the World Development Report, through hosting expert forums, and through channeled and peer-reviewed technical assistance to clientele countries. These practices have significance for the mobilization of political-economic models in the context of the World Bank. In this arena of international economic policymaking, they perform more than a sense-making role. They are also tools for sense-production: the Bank presents models, templates, and policy packages to client governments and the organic intellectuals of the development industry, offering a marketplace of replicable strategies awaiting their implementation in solution-hungry contexts. As Timothy

272 Using Google Scholar, the first references to China as a ‘gradualist model’ begin to appear in 1990, though the developmental state literature began to take note of China’s atypical political economy in the mid-to-late 1980s. See White, Developmental States in East Asia.
Mitchell argues, the effect of the World Bank’s cosmopolitan development discourse is to depict an “individual nation state [as] a functional unit…that can be compared with and used as a model for improving other such units”. Its ‘case studies’, purposefully selected and programmatically circulated, enframe the parameters of feasibility for national economic development strategies, and are thereby indicative of the shifting articulations of the neoliberal project, albeit in its international development modality. Always in dialogue and co-construction with institutionalized policy paradigms, models may be (partially) absorbed, deflected, or modified in the open-ended process of hegemonic construction. The Bank’s framing of ‘gradualism’, then, discloses the extent to which China’s reform has been articulated into the global development architecture. In the next section of the paper, I detail the conjuncture in which ‘gradualism’ arose within the Washington Consensus, and the modes of reason that World Bank professionals employed to make sense of a rapidly-changing national political economy in China in the context of a world undergoing profound restructuring.

3.3 Competing imaginations of reform after Tiananmen

As I discussed in the previous chapter, the transition economy imaginary was articulated to China’s market-oriented reforms in the cross-continental context of emergent post-socialist transformations in Eastern Europe, coupled with the intensified global mobility of capital across territorial boundaries and an institutional context characterized by a deepening influence of neoliberal economic thought on both China and the Bank itself. The assimilative dimension of this imaginary began to destabilize with a changing structural context articulated at these different scales. At the intra-state scale, rather than facing a macroeconomic crisis that would demand the expedient imposition of the Bank’s preferred program of structural adjustment, as

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had been the case in Russia and Eastern Europe, China faced an internal crisis of the state, called forth by egalitarian demands from a bloc of workers, students, and peasants, which prompted the CCP to conserve synthetic elements of its social order (relative closure in its financial market, party control over large industrial enterprises) while altering the wider conditions of accumulation in a protracted, molecular, and experimental manner.278

Unlike the Washington Consensus-backed, post-Soviet trajectory, the CCP’s strategy was remarkably successful in ensuring the stable continuity of China’s state-capitalist growth regime, while remaining at odds with neoliberal positions on industrial policy, capital mobility, and temporality of reform. Thus, at the inter-state scale, the CCP’s preservation of control over its political economy meant that it would no longer be adequate to the Bank’s vision of ‘transition’. This section details how the Bank struggled to define a new reform model—a set of explanations and prognostications—adequate to China’s neoliberal passive revolution, with which they could formulate a new, coherent package of lending and technical assistance for Chinese policymakers. This was a contested process that struck divisions between the Bank headquarters and branch offices, presaging a weakening in the content of the Bank’s China program.

3.3.1 Reading the Tiananmen conjuncture

As China entered the second decade of its reform and opening up in the late 1980s, the World Bank’s policy research on the country started to devote more discussion to its reform path since 1978. In these documents, China was deemed remarkably successful yet chaotic; its reform strategy was characterized as unplanned and ad-hoc, with major reforms occurring only at the troughs of stop-go cycles of increasing amplitude. In this formulation, the CCP’s ‘partial’ strategies, which periodically reduce direct control over the financial and industrial sector, tended to result in a surge of investment immediately following the removal of controlled prices and quotas. Capital spending and the wage bill, tending to rise, fueled a sharp rise in aggregate demand. However, because not all prices were rationalized, and SOEs were not driven to

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compete via productivity for the pursuit of profit, growth was unable to be absorbed and tended
to result in inflation after reaching a certain threshold.\(^{279}\)

A particularly sweeping round of liberalization catalyzed an acute crisis in China and
within the CCP in 1988. Urban-targeted reforms that began in 1984 had triggered violent
changes for workers, who faced falling incomes, disappearing benefits, and workplace
repression; meanwhile, the contract system expanded from enterprises to foreign trade, finance,
and local government, causing rapid marketization of local enterprise production.\(^{280}\) For the
Bank, the announcement of several ambitious price reforms triggered anticipatory panic buying
and speculation by the urban middle class and urban businesses, with inflation reaching 18% in
1989. These factors fueled the Tiananmen Square protests in June and other protests throughout
1989. The Party’s response to the protests soon became an international spectacle, which some
liberal observers hastened to designate as proof of the incompatibility of market economy and
authoritarian polity.\(^{281}\) A politicized cessation of lending, following the intervention of the
World Bank’s largest financiers, temporarily stalled the Bank-China relationship. At the behest
of the G-7 and the U.S. Congress, the World Bank suspended over $780 million in lending,
temporarily pulling 18 staff members from the Beijing office.\(^{282}\) Bank staff, particularly non-
Americans, expressed anxiety over the violation of the Bank’s foundational rule of non-
intervention in political matters.\(^{283}\) The dull compulsion of China’s massive labor market and the
Party’s subsequent assurance (by means of violence) that the business climate would not be
threatened by popular dissent seemed to placate Western investors; FDI totaled $5.6 billion for

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was that U.S. laws restricted budgetary funds from being allocated to polities violating ‘human
rights’ of its citizens. This, of course, violated the liberal-cosmopolitan outlook of the Bank and
its formal commitment to political neutrality. See David Skidmore and William Gates, “After
the year, just below the 1985 peak of $5.9 billion.\textsuperscript{284} World Bank lending resumed in full only seven months later, reaching record volumes.\textsuperscript{285} But the responses that the crisis prompted by the CCP prompted a new debate over the past, present and future of the Chinese economy.

The CCP’s austerity measures that followed Tiananmen in late 1989 and early 1990—credit rationing and interest rate hikes—were deemed by the Bank to be a provisional success. Despite contributing to a spike in rural unemployment, the measures succeeded in bringing inflation below four percent; a difficult but necessary step for stabilizing the macroeconomic environment.\textsuperscript{286} But problematically, the Party tabled planned reforms that addressed the crucial issues of central-local fiscal relations and state-owned enterprises. Rearranging the relative fiscal independence of local states and local protectionism was necessary for the central government to regain control over the deleterious swings between overinvestment and austerity. In March 1990, after lending had resumed, the director of the China office, Shahid Javed Burki, expressed apprehension over “the political situation” and China’s future growth outlook in a memo to senior vice president Moeen Qureshi. Burki was unsure whether “the old guard of senior leaders” in the CCP would acquiesce to a “new generation” of cadre elites. In either case, he gave a rather bleak assessment of the medium-term prospects of the Chinese economy owing to the heightened international uncertainty and potential competition from the post-Soviet sphere, projecting a 4-5% annual growth rate compared to the double-digit growth that was the norm from 1984-1988. The problem, Burki averred, was that the short-term efficacy of the austerity program would

discourage them from undertaking riskier, but ultimately necessary institutional reforms; Qureshi agreed, emphasizing the uncertainty of political development and regime ‘stability’ in China.\textsuperscript{287}

Evincing a new horizon of calculation, a study released later that year, entitled \textit{China: Between Plan and Market} included an out-of-character analysis of the political situation.\textsuperscript{288} Conducted by East Asia specialists, the report sought to address the inflationary cycles and the CCP’s responses during the 1988-1990 period. It rooted the problem in decentralization, which granted provincial states the ability to retain a greater share of earnings from enterprises and tax receipts at the expense of Beijing, and reduced the central government’s ability to control excessive investment during periods of growth.\textsuperscript{289} The problem, however, was not the lack of effective central government control over fiscal matters \textit{per se}. Rather, inflation was endemic because, in the absence of “restraints provided by effective markets, hard budget constraints, and independent financial institutions,” provincial authorities tended to over-extend credit that spilled over into non-productive investment, making each cycle more amplified in terms of GDP growth and inflation rates.\textsuperscript{290} The urban labor force, which received incomes adjusted with a lag, was put at a sharp disadvantage from ongoing rounds of inflation and would again react if prompted. Thus, the report admitted that all further price reforms needed to be kept “within the bounds of political tolerance”, noting that the majority of the CCP favored a “phased process.”\textsuperscript{291}

At the same time, however, the contradiction between central monetary control and fiscal decentralization was augmented by the lack of intra-governmental coordination in the use of administrative tools in economic policymaking. Local states, after all, had been competing with each other since the 1980s, through the use of provincial tariffs and the formation of alliances

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\item \textsuperscript{287} World Bank Office Memorandum from Shahid Javed Burki to Moeen Qureshi, China – Country Program-Strategy Papers (CSP – 1v), Folder ID 1454402, WB IBRD/IDA DEC-03-042, World Bank Group Archives, Washington, D.C., United States.
\item \textsuperscript{288} It was out of character to the extent that this was a published and circulated report. World Bank internal documents, far from being merely technical, are rife with political analysis, particularly with respect to how geopolitics and internal strife influence the security of investment.
\item \textsuperscript{290} World Bank, \textit{Between Plan and Market}, 5; see White, \textit{Developmental States in East Asia}, 168-172.
\item \textsuperscript{291} World Bank, \textit{Between Plan and Market}, 10.
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with suppliers.\textsuperscript{292} The center’s ability to influence aggregate demand, in this context, was continually impeded by protracted negotiations and dissensus within the multilevel party-state apparatus. “Only in an emergency, when negotiation has been temporarily subdued by political consensus”, the report lamented, “can macro-policies be speedily put into effect.”\textsuperscript{293} Bank economists hoped that the crisis-induced austerity measures promulgated by Beijing would provide a favorable context for an authoritarian solution for further reforms: programmatically, the introduction of competitive market forces, autonomization of enterprises, and the centralization of macroeconomic authority.\textsuperscript{294}

In this conjuncture, however, the Bank happened upon two logically opposite realizations. On the one hand, the Bank’s economists seemed to understand that rapid price reform had profound social impacts that curtailed the ability of the state to undertake further rounds of radical reforms. On the other hand, the party’s concerns with stability had to be reconciled with the time-sensitive issues of liberalizing state-owned enterprises and the banking system. Without decisive action taken toward further liberalization, as most economists had concluded at the time, the entire system would be prone to distortion.\textsuperscript{295} There were no easy decisions to made here. Indeed, the fracture within the Party had been drawn along quite similar lines. Tiananmen had triggered ideological war within the CCP, between reformers—who had hitherto held the upper hand within the party—and conservatives, newly vindicated by the crisis. The latter faction pushed for the recentralization of state authority over production and fiscal affairs, condemning what they termed “bourgeois liberalization” tendencies that were inciting a “peaceful evolution to capitalism.” Reformists, on the other hand, continued to advocate for ongoing privatization and trade liberalization as a route to sustained economic growth.\textsuperscript{296} The conservative faction’s brief re-emergence was aided by Deng Xiaoping’s also-brief retreat from

\textsuperscript{292} Oi, \textit{Rural China Takes Off}.
\textsuperscript{293} Oi, \textit{Rural China Takes Off}.
\textsuperscript{294} World Bank, \textit{Between Plan and Market}, 11.
party leadership, in the context of a collapsing post-Soviet sphere. Fearing further demands for liberalization in China on the part of students and workers, they voiced a critique in the Fifth Plenary that economic reforms had ignored China’s “national strength” by loosening central macroeconomic control and ignoring overinvestment in the local sector.\textsuperscript{297}

The apparent interregnum—between reform and restoration, socialist collapse and market triumph—had not resolved by the time the draft for the Bank’s next country strategy paper had been written and circulated in late 1991. The document expresses this ambivalence: while “economic management over the last three years may be considered satisfactory, deep seated structural problems remain to be adequately addressed.”\textsuperscript{298} It was responding to the policy developments affirmed at the Seventh Plenary of the 13\textsuperscript{th} Central Committee, where Deng gave some initial evidence of the continuity of the pre-1989 model of Chinese economic statecraft. At the session, in December of the prior year, Deng famously proclaimed that the difference between capitalism and socialism rested upon the distinction between public and private ownership, rather than on that of market and plan. Substantively, when the 8\textsuperscript{th} Five Year Plan (1991) was released in March 1991, it affirmed the CCP’s support for state enterprises through measures like the Investment Orientation Tax, guarantees of credit provision, and directed exemptions from taxes.\textsuperscript{299} Even though it was the first FYP to eschew physical production targets, and market reforms continued to be undertaken locally on an experimental and selective basis, they were neither comprehensive nor expansive enough for economists at the Bank. The report understood these shifts as indicative of “the renewed, if temporary, influence of China’s elderly and more conservative leaders” within the party.\textsuperscript{300} At that time, economists, inside and outside of the Bank, were wont to point out that profits of in-budget state firms fell 57 percent in 1990, and that the state continued to advance financing through state-owned banks to keep the sector afloat.\textsuperscript{301} But it seemed that, given the balance of forces within the Party, it was unlikely

\textsuperscript{297}Fewsmith, \textit{China since Tiananmen}, 39.
\textsuperscript{299}Conservative and reformist conflict, too, delayed the release of this plan. See Shambaugh, “China in 1990.”
that the “deep structural problem” of state-owned enterprises and their endless supply of credit would be addressed before another sharp inflationary growth cycle emerged.

3.3.2 Gradualism versus liberalism: factional struggles in the World Bank

The World Bank China Office’s initiating memorandum for the 1991 country strategy paper (CSP) saw the first internal use of the term ‘gradualist’ to define China’s economic reforms. The memo stated that the CSP would evaluate the “long-term viability” of the path that the CCP had chosen, which struck at a litany of liberal conceptual binaries: between stability versus reform, incentives versus egalitarianism, state enterprises versus entrepreneurship, and, perhaps most importantly, “between individual responsibility and collective provision of social goods.” The memo attempted to move with the CCP beyond these binaries, taking a cue from Deng’s speech. It was an oversimplification, the memo claimed, to posit all policy choices as either ‘plan’ or ‘market’. The real problem, it averred, was how to achieve “appropriate balances between central agencies, provincial and local governments and economic units—related to this—between administrative measures and market signals in a very large and complex economy in transition.”

Still an economy in transition, but not one where the market would suddenly be freed of its statist shackles, China’s reform strategy would be forged with state and market, and at multiple levels of government.

Crafting a careful narrative about, and approach to, the Chinese state, was imperative at this conjuncture for the Bank. Capturing both the attention of Development experts in general and the World Bank in particular (as well as the CCP) were the reforms-cum-revolutions underway in the post-Soviet sphere, which in turn, were thought to have profound implications for the direction of Chinese reform. The Bank was at work in the former Soviet republics, devising and executing a program of rapid price and interest rate liberalization accompanied by the privatization of state assets. This was justified on the grounds of interdependence between microeconomic (commodity prices and efficient allocation) and macroeconomic (currency convertibility and capital market) forces; if the economy was not simultaneously and completely

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liberalized in all realms, the lagging sectors would produce unviable distortions.™ Manila-based World Bank economist Gerardo Sicat, in a written response the CSP draft, cautioned that despite “its pioneering reforms of the last decade, China today appears as the most conservative country in a sea of revolutionary changes sweeping the socialist economies.”™ For Sicat, the CCP was not keeping up with the changing times; it would face an existential challenge as socialist economies elsewhere quickly embraced a market future.

Indeed, the debates between the proponents of gradualism and those of ‘shock therapy’ were playing out within and beyond the bank at the time.™ A textual condensation of how these debates were unfolding within the Bank can be identified in the 1991 World Development Report. The seventh chapter focused on the reform of socialist and statist political economies since the 1980s, offering the latest ‘findings’ from the Bank’s post-socialist managers. In a review of the trend of privatization—which characteristically omitted the organization’s own role in advising governments on this front—the report claimed that this “signaled a new determination not to pursue distributional goals at the expense of efficiency.”™ Although it was considered admittedly “difficult and time-consuming,” privatizing SOEs was, in fact, “necessary and highly desirable.”™ The chapter praises successful cases of privatization, calling the turn “revolutionary”, but fails to provide evidence of positive impacts on income, welfare, or gross

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303 Jeffery Sachs and David Lipton, "Poland's economic reform," Foreign Affairs 69, no. 3 (1990): 47-66.
domestic product. Privatization is portrayed as an end in itself. At most, it projected that privatization programs in Argentina, Brazil, Turkey and Mexico would lead to renewed profitability and balance-of-payments equalizations at some unspecified future date. At the same time, perhaps foreshadowing the post-Washington consensus paradigm readjustment, it lamented the lack of legal and administrative infrastructure that would otherwise make it possible to displace “trenchant political opposition”; in this context, it would be admittedly “difficult to privatize all SOEs in the near future.”

For now, productivity enhancements would suffice. Without a hint of irony, the report pointed out that efficient state enterprises were flourishing in Singapore, France and Italy. While a privately-owned ‘market economy’ was still envisioned as the terminus of all ‘transition economies’ (see Figure 3.1), a new reform imaginary that compensated for the pitfalls of ‘shock therapy’ began to surface.

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When the final draft of the CSP was released in November of 1991, the Bank’s China branch included the requisite reading of China’s developmental path and the CCP’s tentative philosophy of economic policy. This report described China as “a system of reform experimentation prior to generalization, and of implementing reforms on an ad hoc basis… rather than on a specific time table.”\(^{309}\) This extra-textual moment placed China in contrast to Russia and Eastern Europe, where, given Washington Consensus economists’ warnings of insurgent populism over short-term hardships and high costs of institutional construction, was remade into a laboratory of neoliberal reforms.\(^{310}\) In Russia, World Bank advisors, with their IMF and Eastern European colleagues, encouraged President Boris Yeltsin to circumvent democratic reform channels and undertake financial liberalization and privatization by decree, which encouraged oligarchy-formation through state asset stripping.\(^{311}\)

But the China office, under Shahid Javed Burki, was convinced that a different model was in the making:

China is not trying to create a western, market economy. It is not trying to eradicate the vestiges of the socialist system. Instead, it is trying to introduce reforms and new institutional mechanisms to modernize and increase the efficiency of the socialist system, which includes a very significant role for markets in resource allocation and for the private (or non-State) sector. However, this implies that it is not desired (or necessary) to tear down old systems, and it also implies that the reform design will continue to evolve, as China is operating in areas not yet fully designed or tested, especially in terms of institutional development. In this context, talk of ‘shock therapy’ for China makes little sense, for there is no clear idea of what the new institutions would be like, nor is it apparent what disease such therapy would be designed to cure.\(^{312}\)

Going against the core tenets of the Bank’s extant philosophy of reform, this was, needless to say, a controversial position. China’s reform strategy and the emerging debates over its ‘model’ stoked rival interpretations within the Bank. Sicat, responding to the CSP, maintained his line that China was at the “conservative vanguard” of transition economies, and cast doubt on the


state’s ability to maintain its gradualist model, both because of the soon-to-be-widened arena for production and exchange (given the imminent integration of Eastern Europe and the post-Soviet bloc) and the potential for the CCP’s ascendant conservative faction to erect new barriers against foreign investment.313

The most skeptical critique was voiced from the Bank’s center. Frank Lysy, an economic adviser in the Development Policy Group (DPG) in the World Bank headquarters in Washington, D.C., warned Lawrence Summers, then Chief Economist for the Bank, that “Burki is developing and pushing the position that, in contrast to the more common Bank view that comprehensive and relatively rapid policy reform is needed in Centrally planned economies, China is correct in pursuing an approach of gradualist change.” Drawing on a narrative of the Bank’s experience in Yugoslavia in the 1970s, where a similar program of slow-paced reforms in industry had been advocated and pursued, Lysy claimed that metrics showed that economic growth had masked the underlying “disaster” of the country’s rising national debt, which might have implications for the Chinese case. Lysy predicted that “it may take decades for problems of a similar nature to appear in China,” but cautioned Summers that if the approach proved similarly unsustainable, it would amount to much more than a blemish on the Bank’s reputation as a technical advisor. If it continued lending at the same rate, and a crisis on China’s debt did occur, it would tie up over ten percent of the IRBD’s lending portfolio and cost the IDA billions of dollars, and leave the Bank in a difficult position should further political reforms topple the Chinese Communist Party.314

314 Perhaps indicating minor threads of regime-change anticipation within Bank, Lysy writes in a memo to Summers, “not only would this be non-viable in the long-run (inadequate policies being non-sustainable), but in addition, we would not be in a position to support through increased lending a new Government which wished to follow a fundamental change in policies in a market-oriented direction.” From World Bank/International Finance Corporation Office Memorandum, Frank Lysy to Lawrence Summers, Subj: “China CSP”, 7 May 1992, In China – Country Program-Strategy Papers (CSP – 1v), Folder ID 1454402, WB IBRD/IDA DEC-03-042, World Bank Group Archives, Washington, D.C., United States.
The objection to the validity of the ‘gradualist approach’ was, then, the center’s defense of the formal adequacy of the Bank’s own transition model. The latter required a first-best solution to price distortions, with all economic agents simultaneously optimizing benefits and costs. Without re-making state-owned industries into profit-maximizing firms, disconnected from subsidized credit, the economists at the World Bank headquarters believed that, eventually, a debt bubble would emerge if strong reform action was not taken immediately. This made officials in the Bank’s central offices question if it should continue devoting such a large portion of its portfolio (projected to be between 11 and 13% by 2000) without requiring a definite end-point of privatization. Whether China took more stringent measures for its SOEs or continued to experiment with ‘piecemeal changes’ became the crux of debate over planned lending.

The Beijing office, on the other hand, was more likely to appreciate the CCP’s relatively novel political-economic strategies. Burki, its director, completed his Ph.D. under one of the foremost China economists, Dwight Perkins315, at Harvard. A staunch technocrat, he admired the Chinese Communist Party’s ability to adeptly manage the well-being of its population and its own political-economic situation. He understood the developmental process in China as a progression from health-, education-, and gender-based reforms during the Mao era, to an unleashing of pent-up human capital and entrepreneurial potential after 1978: two components of the same, developmental process, rather than a sharp temporal break between two incompatible systems.316 Edwin Lim, another prominent economist in the Bank’s China office, despised the shock therapy approach, claiming the ‘neoclassists’ did not understand socialism, and were only making their own jobs easier by suggesting template market-based reforms.317 The Bank’s China specialists, by most accounts318, comprised an innovative, comparatively unorthodox department of the World Bank, and, despite sharing a deep appreciation for the market, had a keen sense of the Chinese state’s capacity to orchestrate capitalist development.

316 This interpretation is not unlike those of White and Lim who point out significant continuity in the Chinese state before and after 1978. See White, Developmental States in Asia, and Kean Fan Lim, “On the shifting spatial logics of socioeconomic regulation in post-1949 China,” Territory, Politics, Governance 5, no. 1 (2017), 65-91.
Such disagreements became especially prescient in the drafting of the 1992 country strategy paper, which would outline the Bank’s agenda for China for the rest of the 1990s. The first draft proposed two lending scenarios—a ‘high’ option and ‘base’ option—that were based on graduated improvement in industrial reform and the development of an industrial policy framework, but both were left loosely defined. The Beijing Office and the East Asia Regional Office in Manila held to the position that competition and corporate governance would be sufficient to ameliorate the lagging SOE sector, and that ownership reform was neither politically feasible nor the solely viable reform option. The center, again, was not impressed. In response to the CSP, Frank attached an addendum to the report sent to Summers, pointing out three projects in which World Bank loans were provided, directly or indirectly, to public enterprises, while not requiring a commitment to ownership change. Summers concurred with Lysy on need for a proactive stance toward industrial restructuring, feeling that the draft CSP did not do nearly enough to concretize a solid framework for future SOE reform. Remarking on the 1992 strategy, Summers claimed “we do not now have evidence that such a framework, short of private ownership, can be identified much less implemented; similarly, we do not know the outlines of a feasible transition for China.” Summers doubted the validity of the China and East Asia-Pacific regional office’s lending plan, given their uncritical acceptance of the CCP’s reform strategy, and advised that the Bank downgrade its planned lending to China, re-arranging the ‘high option’ into the ‘base option’, and make disbursement of the base option conditional upon “good progress…in industrial reform”.


When a new draft of the 1992 CSP was completed, it still left undefined the exact parameters of acceptable policy decisions which would merit higher lending. This left open the possibility of indirectly validating the gradualist approach through maintaining business-as-usual. Dismayed, the DPG “appears willing to accept that basic ownership reform should not be necessary.” Evoking its authority “based on the experience elsewhere,” the DPG rejoined that “without basic ownership changes, attempts at SOE reform ultimately are disappointing.” The two reform imaginaries were temporarily at an impasse.

3.4 Neutralizing gradualism, consolidating the model

If the intra-Bank struggle in the post-Tiananmen moment suggested an ideational stalemate between, on the one hand, the universalism of a private-property, free-market order, and on the other, the possibility of a variety of state-market articulations amenable to economic growth, the continuity of Bank authority over development would depend on how it reconciled the two development imaginaries. This might be accomplished by selecting particular elements out of China’s reform history that altered, but ultimately did not violate, the Bank’s broadly neoliberal paradigm. These practices could be seen in Robert Wade’s analysis 1993 report on the East Asian Miracle. The document admitted that development in the eight East Asian countries was, at least, not significantly damaged by the practice of “financial repression”—turning from its prior, strict anti-industrial policy stance—but that these only were effective

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323 This report was one of the first ‘World Bank Research Reports’, designed and written to be communicable with an international, policy-oriented audience. Robert Wade (1996) discusses in detail the politics of crafting the report, which saw World Bank officials in ideological strife with Japanese lenders over the efficacy of industrial policy in generating national economic growth. The sole mention of the Chinese economy is in a footnote of the report on page 1. “Recently China… has recorded remarkably high growth rates using policies that in some ways resemble those of the HPAEs. This very significant development is beyond the scope of our study, mainly because China’s ownership structure, methods of corporate and civil governance, and reliance on markets are so different than those of the HPAEs, and in such rapid flux, that cross-economy comparison is problematic.” See World Bank, *The East Asian Miracle: Economic Growth and Public Policy* (Washington, D.C.: World Bank, 1993), 1.
because of their conformity to ‘the market’. The Bank thereby ‘absorbed’ the experience of developmental states by construing certain ‘policies’ as successful at a certain point in time, while disregarding larger structural and historical-geographical factors behind the so-called ‘East Asian Miracle’.  

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The evaluation of the Chinese economy that eventually survived peer review was published in the resultant 1992 economic memorandum—for circulation throughout the Bank—and assessed China’s experience in a paradigm-conforming light. 325 The final product accomplished this by emphasizing contingent initial circumstances and emphasizing the extant ‘imperfections’ of China’s economic model as consequential for future performance, regardless of their efficacy in the past. 326 The rest of this section details how the Bank, after the restoration of Deng’s reformist trajectory, attempted to adjudicate between economic growth and the continued presence of the state as a market actor. I do this in two parts: first, I analyze the discursively-selective basis upon which the first formal definition of China’s gradualist economic ‘model’ was reached; second, I track how the problem of post-socialist reform was represented in the rest of the 1990s, paying close attention to how China’s reform was stripped of its paradigm-violating content and gradually assimilated into the post-Washington Consensus paradigm.

3.4.1 Reform imaginaries and the art of paradigm maintenance

The updating economic memorandum—a yearly report that was issued for general Bank readership—issued in June 1992 claimed that “an objective basis” could now be found for assessing China’s reform experience, though it insisted on the need “to understand clearly the initial conditions under which the reform was launched.”

Three factors are key in China in this regard: the absence of severe macroeconomic crisis at the start of the program, so that harsh stabilization measures could be avoided; the state of

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325 Wade, “The art of paradigm maintenance.”

agriculture, with its good infrastructure but poor incentives; and the presence of Hong Kong, as a source of inspiration, expertise and investment.\textsuperscript{327}

Here, the authors stress, against the background of post-Soviet collapse, that China’s starting conditions account for its comparably impressive performance. Unique economic circumstances—such as a stable currency and predictable prices—as well as the capitalist stewardship of Hong Kong, exceptionalize the Chinese experience from other ‘transition’ economies. These conditions ‘flank’ against possible challenges to the fundamentals of the Bank’s ‘shock therapy’ approach by stressing unique origins, which prevents any conceivable country from following China’s exact path.\textsuperscript{328}

The problems of China’s approach, on the other hand, are framed in terms of the familiar binary, of ‘planning’ intruding upon the workings of the ‘market’: first, trial-and-error methods of policy experimentation prevents agents from predicting their future economic environment.\textsuperscript{329} In turn, the central government must predict, or \textit{plan}, in advance, how economic agents respond to new rounds of reform. Second, both gradualism and the implementation of partial reforms fail to eliminate the threat for ‘interest groups’ that might engage in corrupt practices, that result not from price differences, from the “leakage from the planned sector to the market sector.”\textsuperscript{330} Third, decentralization allowed some local states to lag in undertaking reform, indicated by the dominance of SOEs in Shanghai and price controls in the industrial Northeast.\textsuperscript{331} The pitfalls of gradualism, then, are those remnants of the planned economy.

One way of ascertaining how China’s economic transformation was internalized into the Bank’s paradigms is to follow the Bank’s practice of abstract institutions from particular settings and generalize them into ‘lessons’ for its clients and observers elsewhere.\textsuperscript{332} In late 1992, the World Bank’s China specialists began to compile a publication that would offer policy guidance for “those who are struggling with the issue of economic reform of other economies undergoing

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\item See Mitchell, \textit{Rule of Experts}; Peck and Theodore, “Mobilizing policy”.
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\end{footnotesize}
transition”, in the words of the paper’s preface.\textsuperscript{333} In it, Bank economist Peter Harrold examined traits of China’s development that had “more general applicability” that might be applied across the developing world. He outlines five points: early reforms in the agricultural sector; instilling the SOEs with market-oriented behavior; “changing the interest of the bureaucracy” against planning and towards enterprise profit-making; early efforts at export-oriented development; and the state “maintaining stability by looking after the most affected.”\textsuperscript{334} This was significant, as it for the first time abstracted from China’s particular development experience to find features that could reasonably be implemented elsewhere; in essence, creating a ‘China model’.

But as with any model, the Bank interpreted selective aspects of the Chinese reform process, individuated them, and excluded the structural, contextual and political factors undergirding the pre- and post-Mao conjunctures. The catalytic aspects that are proclaimed as generalizable are framed in terms of temporality—in the form of well-timed reforms to the appropriate sectors, agriculture first, then industry—which assumes that all centrally-planned and post-socialist economies begin from a common starting point, that of ‘commune agriculture’ and ‘centrally planned’ industry, and that only one type of policy (market-oriented) was legitimate, with the common end-goal of generalized marketization. This retained elements of the ‘transition imaginary’, with efforts undertaken ‘early’ implying a teleology toward a steady end-state. What was novel, however, was the recognition that state actors could be reoriented toward profit-oriented behavior, in conformity with the laws of the market. Like the muted recognition of potential SOE efficiency in the 1991 World Development Report, this admission seemed to conflict with extant theory, negating the stylized fact that state actors are always and everywhere rent-seekers. It was no longer mentioned that SOEs should have been privatized. But they still, indeed, represented as a possible limitation on future economic growth, should they continue to receive support from the central government.

The representations of ‘gradualism’ afforded no mention to the historical or geographical specificities that made possible the industrial transformation of China: its massive pools of exploitable labor, land, energy, or raw materials bear no mention, nor did its emergent symbiosis

\textsuperscript{333} Peter Harrold, “China’s Reform Experience to Date,” (Washington, D.C.: World Bank Discussion Papers, 1992), xii.
\textsuperscript{334} Peter Harrold, “China’s Reform Experience,” xii.
with the rise of debt-fueled consumption in the United States.335 Even those elements could be construed as ‘internal’ to China’s total economic development process—such as the dependency of ‘dynamic’ TVEs and private firms upon the lagging SOEs, or the stability of the currency market predicated on state control of the financial sector—were excluded.336 The agency of state actors, the existence of a substantial social infrastructure, and the mobilization of labor, is erased as the process of reform is narrated as a removal of constraints and a re-imposition of natural order. To include these determinations would render the Chinese experience irreplaceable, thus negating the objectives of the World Bank’s modelling practice.

This particular ‘model’ of the Chinese experience, then, served as a partial and temporary reconciliation of the competing imaginaries of ‘shock therapy’ and ‘gradualism’. On the one hand, it represented a shift in the Bank’s consensus on the Chinese political economy, now recognized as a form of economic statecraft that could complement, rather than necessarily dilute, the market mechanism. On the other hand, it reconciled these imaginaries through rescheduling imagined reforms into the future. While appearing to validate the CCP’s intent of “not trying to eradicate the vestiges of the socialist system”, those ‘vestiges’ were precisely the target of the Bank’s proposed policy lending strategy in the early 1990s. State-owned enterprises, the banking system, the labor market, the trading system, and social sector reforms were all slated for reform, to “eliminate major distortions, if not necessarily via markets.”337

3.4.2 Representing gradualism in the post-socialist era

China, by not taking the ‘shock therapy path of instant privatization later foisted on Russia and central Europe by the IMF, the World Bank, and the ‘Washington Consensus’ in the 1990s, managed to avert the economic disasters that beset those countries. By taking its own peculiar path towards ‘socialism with Chinese characteristics’…it managed to construct a form of state-manipulated market economy that delivered spectacular economic growth and rising standards of living for a significant proportion of the population.338

While China’s capitalist growth path had been set in motion through the creation of profit-oriented accumulation under the HRS, the emergence of the TVEs, and the end of the labor

336 Arrighi, Adam Smith in Beijing; Gruin, “The social order of Chinese capitalism.”
338 Harvey, A Brief History of Neoliberalism, 122.
allocation system in the 1980s, China’s pro-capitalist direction, by most accounts, accelerated in the 1990s. And after Deng’s triumphant southern tour concluded in 1992, the tone of the Bank shifted once more. Apprehension surrounding the continuity of reform quickly evaporated.

The first sign, for the Bank, other than the tour itself, was the affirmation by the 14th Party Congress in late 1992 of the “socialist market economy” creed, which replaced “planned economy on the basis of socialist public ownership” as the official definition of the economy, thus stripping the Party’s definition of China’s political economy from any necessary link with public ownership. The Congress also introduced concrete policies that began to dismantle state owned enterprises, including the ‘seizing the large and letting go of the small’ that privatized smaller and inefficient state firms while allowing the largest to expand, while putting over thirty million workers into a state of unemployment. The Congress also outlined a new corporatization policy that enhanced management autonomy and, cautiously, allowed for their conversion into share-based ownership, albeit with the state as a majority shareholder. Bank reports read these movements as “a powerful public assertion of the central role further marketization is designed to play in future economic strategy”, that would remove the “residual ideological constraints” that had been left over from the Maoist era. The Bank asserted that the “socialist nature of the Chinese economic model, in turn, is likely in future [sic] to be manifested primarily by concern to protect basic social service provision and avoid extreme inequities in economic welfare.”

Indicative of how far the Bank’s conceptions of economic systems had progressed since the early 1980s, China’s new ‘socialism’ now appeared no different from the then-dated Keynesian welfare state.

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These developments cast the ‘China model’ of reform in a new light. Subsequent meetings of the China office, such as a Chinese Country Strategy Meeting in December 1993, found economists noting that “the Chinese paradigm was the only one that had established a record of success.”

Even the Bank’s President’s notes questioned, given China’s comparative success in achieving efficiency, output, and profit gains through corporatization and marketization, whether ownership actually mattered for post-socialist economies. In a retrospective essay on the Bank’s China engagements, in commemoration of the Bank’s fiftieth anniversary, East Asia economists Vinod Thomas and Peter Stephens conceded that the “Bank has also learned that where circumstances permit, there are merits in a gradual approach to economic change.” The qualifier would remain crucial, however, as the Bank’s subsequent representations of China’s reform continually expressed its atypical character.

China’s reform strategy continued to pose the World Bank’s development paradigm in an awkward light. China’s ‘economic success’, as measured by the traditional indicators of GDP growth, income growth, and value added, was difficult to ignore, especially in light of the post-communist collapse of Eastern and Central Europe. But, in the period before the consolidation of development orthodoxy around the post-Washington Consensus, the Bank continued to provide ex-post rationalizations to ensure it would not irredeemably challenge the pace of reform being actively promoted by the Bank elsewhere.

Before concluding, I detail three of these discursive strategies: shifting emphasis to China’s initial conditions, a re-articulation of acceptable state-market boundaries, and a revision of China’s narrated economic history.

First, the Bank elaborated upon its 1992 portrayal of gradualism by portraying its reform path as only viable under China’s exceptional circumstances. Unlike the Soviet Union, China

was not facing macroeconomic strife at the time of its initial reforms: it had a stable currency, low levels of sovereign debt, and a fiscal house that was in proper order.\textsuperscript{349} China’s level of economic development and largely agrarian economy at the outset of reform—which the Bank, in a Trotskyite-Gerschenkronian turn of phrase, called “the advantages of backwardness”—had positioned it to take advantage of the savings from labor re-allocation.\textsuperscript{350} In Russia, however, a bloated state that had industrialized under unnatural conditions “required deep structural adjustment and painful retrenchment,” since its industrial infrastructure was not in line with its comparative advantage in a world market.\textsuperscript{351} The tendency of this form of reasoning, however, was toward tautology: the design and sequence of the reforms simply fit China’s initial conditions.\textsuperscript{352} This placed a ‘gradualist’ approach out of reach for most post-socialist and reforming economies which ‘suffered’ from a large state sector or were pressured into reforms under conditions of currency crisis.

Second, the Bank’s paradigmatic integration of the institutional foundations of market growth in the 1990s witnessed a tempered but visible acceptance of the role of the market-complementing state under the aegis of the post-Washington consensus.\textsuperscript{353} In Chapter 2, recall that I discussed how the ‘transition imaginary’ entailed a ‘drama’ between entrepreneurs and bureaucrats, with the latter cast as the enemy of reform. As China’s economy exhibited robust growth in the 1990s, however, new sources of that growth were identified \textit{within} the state itself. Yusuf, an economist working within the East Asia office of the Bank, argued against prescriptions to cut central government:

\begin{quote}
Cutting the central government’s bureaucracy won’t diminish interventionism because much of its [sic] is by provincial bureaucracies. Further, China has done rather well in spite of such intervening. In fact, bureaucratic capitalism has been fundamental to coastal development.\textsuperscript{354}
\end{quote}

\textsuperscript{349} This line of reasoning was common in economics, see Andrew Walder, “China’s Transitional Economy: Interpreting Its Significance,” \textit{China Quarterly} 144 (1995): 964.
\textsuperscript{350} World Bank, \textit{China 2020}, 12.
The discursive phenomenon of what Peck calls the ‘coalitions of losers’—those social groups that bore the costs of globalization, constructed as enemies to its natural progression—was reconstituted in the 1990s; no longer were bureaucrats the enemies, but were vital ‘partners’ in creating market institutions in a post-socialist state.\textsuperscript{355} The “administrative capacity” of the provinces was revised as an asset for economic development, such that when “reforms required administrative and financial decentralization, provincial governments were able to take on the new responsibility.”\textsuperscript{356} As the 1999/2000 World Development Report—which Peet takes to be the credo of the post-Washington Consensus—put it, China’s program of decentralization “creates incentives for local officials to work toward local prosperity and has also been an effective tool for instituting market reforms.”\textsuperscript{357} These were, indeed, decisively ‘local’ bureaucrats; the central government continued to be portrayed as inept and prone to political favoritism and periodic grasping for control. Local and central bureaucrats were portrayed as independent and antagonistic: local governments had “acquired substantial autonomy in designing and implementing policy. China’s central government can no longer unilaterally recapture the powers it has conceded.”\textsuperscript{358} That the central government still heavily monitored and appointed local officials and built an infrastructure for intra-state fiscal transfers through the Tax-Sharing Scheme in 1994 was not included in this analysis.\textsuperscript{359}

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\textsuperscript{355} Peck “Geographies of Policy”, 783. What still needed to be mitigated, however, was “the potential for industrial action” on the part of Chinese workers, who “could threaten the transition to an open economy and the integration of the domestic labor market.” See World Bank, \textit{World Development Report 1995}, 122.


\end{flushleft}
Third, and finally, some depictions of the gradualist reform model dropped the label altogether, and placed it under the simplified rubric of ‘market reform’, that liberated a latent entrepreneurial force in Chinese society. Using this strategy, the Bank attributed China’s growth to the re-introduction of markets in general, rather than to the specific state strategies used to introduce them. “Planning,” the Bank now posited, “was less entrenched in China than it had been in other transition economies… Even at the height of planning, some 30,000 rural markets continued to operate.” Contrasting with the catalogue of prior complaints about the “vestiges of central planning”, this narrative revised the teleological assumption that China was formerly an homogeneous ‘centrally planned economy’; instead, planning had been a temporary imposition over only a portion of the economy. This had the effect of naturalizing an idealized ‘market’, as though it were an implicit urge in the Chinese populace that had been barely suppressed under socialism. Indeed, the urge to naturalize remained strong enough such that a single report might contradict itself: in the same report where we learned that planning was not a significant feature of the Maoist era, we learn that, prior to reform, "China's economy could be described as a dry prairie, parched by years of planning, awaiting the first sprinklings of market reform."\(^{360}\) The 1995 World Development Report is also illustrative in this respect. Entitled From Plan to Market, this report attributes differences in economic performance between China, Vietnam and the post-Soviet sphere was attributable to policies that consistently advanced the twin goals of liberalization and macroeconomic stability:

Some argue that, in China, gradualism contributed to the reforms' success, as remaining partial controls based on the continued authority of the Communist Party and enforced through a dense web of local compliance mechanisms continued to serve a coordinating function, limiting disruptions to production and trade during the phased buildup of market institutions. But the key, in both countries, was the reforms themselves, which spurred growth directly by improving productivity, and indirectly by raising the incomes of large parts of the population and translating them into high saving and investment.\(^{361}\)

This framing tended to fall back on the dualistic, reductive reasoning, where ‘a dense web of local compliance mechanisms’ was presented as independent but causally irrelevant compared to ‘the reforms themselves’, as if the effects of both were separable.

\(^{360}\) World Bank, China 2020, 4.
Toward the end of the 1990s, the World Bank appeared to temper its stance on gradualism, recognizing that “concurrent macroeconomic policy and institutional reforms across all key sectors would be unmanageable and destabilizing.” But its policy prescriptions continued to urge an acceleration of the marketization program, even after competing approaches were discredited, especially given the persistence of state-owned enterprises. The Bank claimed that while gradualism may have worked for China, it had significant costs: by not undertaking rapid reform, the Bank judged that China had forgone possible earnings that would have resulted from a faster integration into the world trade architecture; it incurred high administrative costs through the dual-pricing system; it was prone to endemic rent-seeking by state officials. Moreover, these costs, if not addressed immediately, would increase over time.

While a new era may require China to adopt new policies, it did not require parallel innovations on the side of the World Bank. In a ‘gradualism’ of their own, subsequent Bank reports on the macroeconomy seemed to recycle the same problems and solutions in the apparent hope that eventually, China would catch on to its advice. Two problems were at the foundations of the Bank’s critique: first, the residual state enterprises needed to be subjected to seriously accelerated competition; second, in order to integrate with the global financial system, further marketization of the financial sector was required as soon as possible. Channeling savings through the Bank of China and the four policy banks into state-owned and affiliated industries had been one key policy underpinning post-1992 economic statecraft. The Bank targeted what they understood to be a systemic negative feedback loop between the state-owned financial sector and the state-owned enterprises needed a dosage of realism in order to halt impending defaults. This was strongly problematized despite direct state subsidies to industry declining

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from 8.2 to 1.5 percent between 1981 and 1994, most SOE output occurring in non-competitive sectors, and declining outlays through subsidized credit occurring throughout the 1980s and 1990s. Consider two passages from the Bank’s major programmatic reports on the Chinese economy in 1997 and in 2012. In 1997, the report mixed ‘post-Washington Consensus’, social-institutional logics with classic Washington Consensus calls for liberalization of the import regime:

…reforms must develop in three related areas. First, the spread of market forces must be encouraged, especially through reforms of state enterprises, the financial system, grain and labor markets, and pricing of natural resources. Second, the government must begin serving markets by building the legal, social, physical and institutional infrastructure needed for their rapid growth. Finally, integration with the world economy must be deepened by lowering import barriers, increasing the transparency and predictability of the trade regime, and gradually integrating with the international financial markets.

After 1997, market relations within China would continue to deepen, not in the least through acceding to the World Trade Organization, privatizing nearly 100,000 state-owned enterprises and most major social services, further intensifying the commodification of labor power, corporatizing the remaining SOEs, and allowing the accession of private capitalists into the party. This would not be enough for the World Bank. In 2012,

The focus will need to be further reforms of state owned enterprises, private sector development and fewer barriers to entry and exit, and increased competition in all sectors, including strategic and pillar industries. In the financial sector, it would require commercializing the banking system, gradually allowing interest rates to be set by market forces, deepening the capital market, and developing the legal and supervisory infrastructure to ensure financial stability and build the credible foundations for the internationalization of China’s financial sector.

The key problem for the Bank, as it had highlighted in the celebrated China 2020 report, was that “despite nearly two decades of reform, state and market remain intertwined.” The inability to engage with a model that does not draw the same institutional boundaries demonstrates the limits and politics of the World Bank’s economic paradigm.

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366 Naughton, “China’s Macroeconomy in Transition”, 1087-1091.
367 World Bank, China 2020, 24.
3.5 Conclusion: Adequating the Chinese economy

The gradualist and shock therapy approaches to economic reform named two ‘alternative’ trajectories of institutional transformation at the height of the new capitalist triumphalism that emerged at the end of the 1980s. The World Bank and the closely-related, applied ‘transition economics’ profession were divided over the costs and benefits of each reform path: while ‘shock therapy’ might admit short term pains, it would be all for the better once the national economy restructured in line with its preordained, comparative advantage-dictated place in the world market; eventually, _ceteris peribus_, growth would be restored, and the economy as a whole would be better off.\(^{368}\) ‘Gradualists’, on the other hand, variously envisioned a process of ‘growing out of the plan’, a method proven in China’s institutional practice.\(^{369}\) This could be accomplished by nurturing the private economy while keeping in place the state sector, with the implication being that soon the market would outgrow and subordinate the public sector. But gradualists always expressed ambiguity on the future shape of the Chinese economy: while some recognized that the CCP had no interest in building a “western” economy, the SOEs were almost certainly unstable components of the economy as a whole, and it was improbable, if not impossible, for them to survive in the long-run. It was presumed that development would bring its own natural conclusions.

Equilibrium, it is said, occurs when no individual in an economic system is made better or worse by any agent changing his or her behavior. As Geoff Mann argues, if equilibria do indeed exist, they “do so only as posited end-states towards which our worlds supposedly tend, even if we never get there.”\(^{370}\) World Bank economists, in a position between disciplinary economics and implementation-ready policy regimes, adjudicate economic performance, possibilities, and problems with almost sole reference to this idealized singularity. As Mann argues, however, the economic theory that the Bank employs rests “on a set of assumptions about human motivation,” which delimits the ‘proper’ role for consumers, firms, foreign consumers and investors, and the state, responding ‘properly’ to economic incentives. If the state

\(^{368}\) See Sachs and Lipton, “Poland’s Economic Reform”.

\(^{369}\) See Naughton, _Growing Out of the Plan_; Singh, _China and Eastern Europe_.

is conceived as rent-seeking when it engages in industrial production, the only way to eliminate
the possibility of rent is, in turn, to eliminate the state as an active participant in those domains
assigned to profit-maximizing firms and utility-maximizing consumers. This conclusion
permeates the World Bank’s diagnoses/pleas to the Chinese state. Not only would this action
violate the central tenets of “socialism with Chinese characteristics” (the Chinese state in its
idealized form), it would threaten the material power of the Chinese Communist Party (the
Chinese state in its material form). The incompleteness of ‘the market’—its corruption by an
over-powering state—which constituted the debates between gradualism and shock therapy, is
also what is signified by the debates over the ‘China model’ today.371 It is an incompatibility
between neoclassical theory and capitalist diversity, and thus, a manifestation of conceptual and
material limits of neoliberal economic institutions. This is why the World Bank has struggled to
come to terms with ‘gradualism’, specifically, and China, generally.

Debates over ‘gradualism’ and ‘shock therapy’, then, are more than intra-disciplinary
quibbles over the dynamics of inflation, firm behavior, or interest rate liberalization in a given
client country. Nor are these classificatory struggles evidence of strategies of depoliticization
that aim to hide the motives of the Bank. Rather, the debates show how models of development
are, indeed, “in the eye of the beholder,”372 and that they are spatio-temporally specific imagined
futures that attempt to align certain national trajectories into a consolidated teleology of capitalist
development. The Bank’s struggles to balance its neoliberal imaginative geography—that
posited convergence and singularity—with the actually-existing world evinces the actual
impossibility of the neoliberal project, and the path-shaping combinations of polity and economy
that elides the Bank’s conceptual grasp.

371 Alami and Dixon, “The strange geographies.”
372 Peck and Zhang, “A variety of capitalism…”, 358.
Conclusion: Market/plan

In this thesis, I delved into the World Bank’s corpus of documents on China to theorize how one paradigmatic Washington Consensus organization, invested with epistemic authority over the actually-existing economic development process, represented one path of economic transformation that has stood outside of its capacity to meaningfully intervene. I have focused on how development economists have attempted to resolve an epistemological disposition that posits singularity and convergence with actually-existing, unevenly-developing, capitalist variety. Through two ‘episodes’ of paradigm-challenging situations, the integration of a socialist economy into the world market in the 1980s, and the realization of non-convergence in the 1990s, I have argued that development economists within the World Bank have incorporated China into their imagined historical-geography of the world market through two discursive technologies: ‘transition’—the belief that China will institutionally restructure itself toward a Westernized, market economy—and ‘gradualism’—the belief that this restructuring has taken the exceptional form of socially-palatable restructuring, which only displaces inevitable structural transformations into the future. The fulfillment of these imaginaries—the consummation of China and the ‘market economy’—has been constantly frustrated, as the Chinese party-state continues to exercise political-economic power through state ownership and control of finance and industry. These struggles have resulted in internal strife and ideological entrenchment within the Bank, and the loss of trust on the part of Chinese policymakers.

Gillian Hart’s distinction between the uneven and contradictory development of capitalism and the post-War project of international Development merits revisiting here. Recall that, for Hart, Development was not a functional component of development, but rather, was one modality by which “the conditions for global capital accumulation must be actively created and constantly reworked.”[^373] The Development project, in practice, strives to create the relationships—delimit the institutional boundaries, rationalize production systems, and put economic actors in their socially ratified positions—that enable profitable growth within a given social-institutional space. In those countries subjected to structural adjustment, this project has relied heavily on the armor of coercion via debt. In China, however, it has relied on the

production of consent, among party elites, state economists, and policymakers. In doing so, the Bank has mobilized distinct languages, concepts, and reason that I have analytically subsumed under the concept of ‘economic imaginary’. In this sense, the Bank has been one mode of transmission for the “ideological currents” of neoliberalism and neoclassical rationality from the global North to the PRC.  

But if the Development project is to intervene in the constant restoration of the conditions for accumulation, in China, it was not under the conditions of the Bank’s own choosing. Under conditions of macroeconomic crisis—whether in Volcker-era Africa and Latin America, the post-Soviet collapse, or after the Asian Financial Crisis—peripheral and semi-peripheral nation-states were under extraordinary pressure to expediently accept neoliberal reforms from the IMF and World Bank, eviscerating industrial potential and government spending, resulting in decades of austerity, crises of state legitimacy, and unrelenting poverty. China’s crisis of state legitimacy prompted it to renege on the Bank’s main recommendation of complete industrial and financial liberalization and embark, instead, on a protracted passive revolution of capitalist restoration under the banner of the party-state. The shifts in official discourses and formal relations between China and the World Bank reveal how the Bank’s project for China is not necessarily the constant re-assurance of general capitalist growth, but that of a particular kind. It is privately-owned capital that the Bank’s trusteeship is constantly attempting to territorialize. That the Bank is tied, at birth, to U.S. imperialism, is not a coincidence here: the emergent discourse of ‘state capital’ that has emerged within the Western political, financial, and cultural establishment bears striking parallels to the Bank’s insistence on private individuals and firms as the sole bearers of legitimate market activity.

The articulations of neoliberal economic ideologies which I have tracked here are necessarily only partial windows into the World Bank-China relationship, even within the 1978-2001 period which informs the majority of my thesis. The preceding paragraph suggests a deeper investigation to the relationship between the World Bank, the U.S. state, and the “most internationalized investors” to further untangle class-relevant aspects of the geopolitical struggles

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between China and the Bank.\textsuperscript{375} Admittedly, I have largely remained state-centric in my analysis. In the discourse-centric approach I have offered here, I have neglected the dimension of orientalist or Chinese-exceptionalist arguments within the World Bank. Nor have I touched upon the development of gendered assumptions that constitute Bank policy formulation in China’s health sector, despite these articulations being fundamentally constituted by the process of neoliberalization. What I have focused on, instead, is the foundational reliance of the latter upon an absolute and spatialized distinction between ‘market’ and ‘plan’. This remains strikingly prevalent in the Bank’s representations of the Chinese economy today. The China 2030 Report, that I visited at the beginning of Chapter 2, put forward an argument that the success of China’s national innovation system depends on a decisive break from past economic practices.

The role of the private sector is critical because innovation at the technology frontier is quite different in nature from simply catching up technologically. The process becomes essentially one of trial-and-error, with the chances of success highly uncertain. Innovation is not something that can be achieved through government planning. Indeed, the more enterprises are involved in the trial and error process of innovation, the greater are the chances for technological breakthroughs, and the more likely that new discoveries will be translated into commercially viable products. As enterprises take a leading role, the government needs to adopt a more supportive and facilitating role.\textsuperscript{376}

The first sentence of the paragraph establishes two possible technological conditions for a nation-state: either the national economy is ‘catching up’, or it is at the ‘frontier’. It positions China on the verge of ascending from the former to the latter. After explaining the differences in the innovation process between each condition, the text follows with a strong assertion that opposes ‘innovation’ to ‘government planning’, conflating ‘government’ and ‘planning’ while invoking both as bywords for stasis and rigidity.\textsuperscript{377} To successfully break the innovation barrier, the static condition of government planning must submit itself to the whim of the market. China

\begin{itemize}
\item \textsuperscript{375} Glassman, “State power beyond the territorial trap”, 673.
\item \textsuperscript{376} World Bank, \textit{China 2030}, 17.
\item \textsuperscript{377} Paratactic reasoning is the practice of constructing one clause or sentence as an addition to the semiotic value of the previous clause or sentence, resulting in the cumulative constitution of meaning within a text. See Eve Chiapello and Norman Fairclough, “Understanding the new management ideology: a transdisciplinary contribution from critical discourse analysis and new sociology of capitalism,” \textit{Discourse & Society} 13, no. 2 (2002), 185-208.
\end{itemize}
must abandon industrial policy, liberate the market from the shackles of the state, and adapt to a competitive, globalized economy.

Campbell Jones argues that, in economics, “the repudiation of economic planning is so fundamental that it orders the most basic conceptual grounds of the discipline.” Even in its more progressive strands, such as the anti-poverty messages put forward by the World Bank, economic planning—or the insertion of collective political will into the processes of production and distribution—is an unthinkable solution to the process of economic development. The inadequacy of the market to provide for social needs is to be compensated for by a safety net of pensions, unemployment insurance, healthcare, and social security, funded by proceeds from the financial market, which seemingly creates wealth through its mere existence. But it was not always like this: for the World Bank, national economic planning was conceivable, at least for China, well into the 1980s. (Neo-)Liberalism does not forbid all forms of economic planning, but only silences them: in the global North, central banks have assumed the roles of national economic planners, through their continual adjustments of interest rates, purportedly in response to investment demand; firms like Wal-Mart and Amazon, taking advantage of monopsony power, are themselves able to dictate prices and production in a manner not unlike that of a Soviet-style government. Individual consumers, as some of the literature on the financialization of life has made much of, are routinely urged to plan for the future through personalized saving and investing. Planning has not disappeared, but it has been rescaled.

What deserves more attention, then, is how plan and market are articulated, discursively construed, and politically mapped at different conjunctures within a capitalist world that always depends on both plan and market logics of integration. If China, as Christopher McNally argues, “completely subverts the old opposition between central planning and market allocation”, it is not because planning and market somehow disappeared before China began its program of economic reform. It is because the contemporary, discursively-constituted boundaries of the institutional spaces of ‘market’ and ‘plan’ have been thoroughly naturalized. I hope that this thesis has contributed to the project of denaturalizing those boundaries.

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