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Chinese approach to Globalization

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INTRODUCTION

In the course of history, there have been two periods of globalization. The first started in the 1850s and ended with the First World War. The second one started in the 1970s and is still continuing nowadays. The characteristics of globalization are the creation of a free trade regime, the unconstrained flows of capital around the world and unlimited migration of people. These were thought to be necessary conditions for entering in the global economy. Nevertheless, the entry in nowadays world system has not always brought benefits but instead, in many developing countries, it has arrived hand in hand with the weakening of the state apparatus. This was possible thanks to the growing importance that Neoliberalism, advocated by important economists such as Von Hayek and Friedman, was gaining since the 1970. It was first embraced by English-speaking countries like the United States and the United Kingdom with the two leaders Ronald Reagan and Margaret Thatcher. Thanks to their influence, they were able to transfer the principles of market fundamentalism to the international institutions of World Bank, IMF and WTO, which in consequence, have brought structural adjustments to the developing countries that were facing a debt crisis. This was possible through the conditionality imposed when negotiating the loans with the countries. These reforms, the so-called “Washington Consensus”, were thought to provide wealth to the developing world but instead they brought numerous problems, due to the difficulties in these countries in managing international capital flows, the privatization of state enterprises and the removal of trade barriers. These have, in fact, led to the disappearance of the state, which has become unable to handle the situation inside its borders, a circumstance where, according to Susan Strange, the markets are the masters of the state.

Differently, the People’s Republic of China has been able to enter in the international economy without accepting any conditionalities of the International Institutions situated in Washington, becoming the second country in terms of GDP. Nevertheless, this fast development has not passed unnoticed. The enormous success of the Asian country has created a willingness over the developing world to emulate China. The example which China is trying to export all over the world is that of not relying on any conditionality or imposition from outside, but to start from your own singular conditions and take your path. There is no ideological background in the Chinese officials’ minds, only pragmatism. As said by Deng Xiaoping, the important for the Chinese leaders is not whether to implement socialism or capitalism, but the intelligent use of both of them to foster economic development in the country. While the West was pushing the expansion of Neoliberalism, through which many developing countries entered in crisis, China was pushing a different view, one based on

pragmatism, a complete detachment from any kind of ideology, being it communism or market fundamentalism.

This immense success of China has made possible for the former communist country to enter into the international economy and to increase the interest among the developing world towards the Chinese model of governance. Furthermore, what has to be noticed is the authoritarian nature of the PRC which has remained as such despite the pressures of democratization deriving from globalization.

This developmental path has rendered the People's Republic of China the country which has most benefited from globalization. It has been able to enter in the global economy, to move out from poverty millions of its citizens, to become an example to be emulated by the developing world and, for what concerns the Chinese Communist Party, to maintain the power and legitimacy over the population. Most importantly, China has been able to do so without relying on any idea coming from outside, it based its own path only on its peculiar conditions, without accepting the absolute truth ruling the world in those years, that is, Neoliberalism. By detaching form any sort of ideology, it reached this striking development.

This work thus, has the objective to retrace the globalization process faced by China during the last 40 years, opposed to the one faced by the developing countries accepting the Washington Consensus. The singular approach adopted by China was the cause for its striking success.

Chapter I: The Development of World Economy

I. A Brief history of World Economy

The word “globalization” has been widely used to determine a process of integration which involves people, governments and societies of the entire world. The principal characteristic of this phenomenon is the creation of a global unified market, free from any restrictions, and movements of both capital, which is achieved through a financial system which permits the inflows and outflows of the latter without barriers, and movements of people. This particular framework has always been created by the willingness of the hegemon country, which has been the UK in the 1850s and the US in the 1970s. In addition, both the globalizations have been pushed by the development of technologies which have compressed the time and space between countries. These changes have undoubtedly consequences in the role of the state.

According to scholars, two were the periods of intense integration that have happened in the course of history. The first globalization, which goes from the first quarter of the 19th century until the beginning of the 20th, was characterized by the liberal ideas of important economists like Adam Smith who, with his famous book “Wealth of Nations”, shaped the conception of international economy (Sutherland, 2008, pp. xxi-xxii). The English economist advocated the benefits that a system based on free trade would have brought. According to his famous absolute advantage theory, “the global welfare would increase if each country concentrated on producing the product that they are best at making” (Ann Capling, 2017, p. 113), then states should freely trade those products in order to be better-off. This idea became so widespread that changed the settings of the global economy. As a matter of facts, in the second quarter of the 19th century, in the hegemon country Great Britain, a campaign for free trade headed by Richard Cobden started to spread all over the country. In 1848, Britain repealed the Corn Laws, protectionist measures which were restricting imports on wheat and other grains. This was the first step which would have conducted the United Kingdom to a free trade regime (Ann Capling, 2017, p. 113). Another important achievement by Cobden was the famous treaty Cobden-Chevalier between Britain and France, this treaty decreased the protectionist measures that were in act between the two countries. Nevertheless, the most important accomplishment was the most-favored-nation (MFN) clause, which led the basis for a series of bilateral trade agreements between the countries of Western Europe. Despite the fact that tariffs were fading in Europe when the agreement was signed, “the nondiscriminatory nature of the MFN principle greatly strengthened the multilateral nature of the nineteenth-century trade regime” since the MFN clauses “implied that

bilateral concessions were automatically generalized to all participants in this network of treaties, which must have speeded up tariff reductions during this period” (Kevin O’Rourke, 2007, p. 396). In addition, for what concerns the free movement of capitals, there was a fixed exchange rate based on the international gold standard which was based on two main features: 1) Central Banks were buying and selling gold at a fixed price; 2) citizens could import or export gold freely, having thus the possibility to move capitals. These properties provided a fixed exchange system for “adjusting the international balance of payments as trade and payment imbalances among nations were brought back into equilibrium through the flow of gold” (Gilpin, 1987, p. 123). Finally, another key element which shaped the international political economy in favor of a liberal trade regime was the development of technologies brought by the Industrial Revolutions. David Harvey would call this phenomenon a “compression of time and space”, which can be considered as the ready use of the differences between places to search for competitive advantages by the capitalist system (Oke, 2009, p. 313). Indeed, this improvement shifted the advantage in the production of grains and wheat to the New World, which resulted in a sharp fall in prices in the European markets, for example in England it led to a loss in landowners rents and a gain in real wages of workers, thus decreasing inequalities (Williamson, 1998, p. 56). Nonetheless, international competition became severe due to low tariffs and technological developments. Moreover, due to the period of intense migration that begun in those years, a decrease in real wages started to affect many of the richest countries of both the New World and the Old. Consequently, protectionist principles began to be considered once again, lobbied by the losers of this globalization. Step by step all the national governments, apart from UK, surrendered to the internal pressures and reversed the period of free trade established few years before (Ann Capling, 2017, p. 114). This situation led to the spread of nationalist ideas in the economy and politics of Europe, principles that were crucial for the outbreak of the First World War in 1914, which “broke up an imperfect but workable equilibrium between internal economic policies, trade, and payments, that had existed under the gold standard of the nineteenth century,” (Ann Capling, 2017, p. 114) thus ending the first period of integration which involved a large part of governments and people of the whole world.

Mercantilism, which considers the economic system as a zero-sum game, where in any economic transaction there is one country which gains and one which loses (Robert Burton Ekelund, 1981, p. 9), became the dominating idea of the global economy until the end of the Second World War. Mercantilism can be considered as the expression of nationalism in the economy of the country, and the results that it brought were a complete collapse of world trade and millions of deaths. Economic nationalism did not disappear after the end of the war in 1919, also due to the behavior of the newly-established hegemon, the United States. The most (in)famous measure implemented by the English-

speaking country was the “Smooth-Hawley Tariff Act” of 1930. It raised US duties and increased their range, provoking a widespread retaliation by other countries which paved the way to an openly discriminatory trade relations in the whole industrialized world (Irwin, 2011, pp. 144-183). In the following years, some progresses were made in international trade. The Reciprocal Trade Agreements Act of 1934 was implemented by Roosevelt, it “empowered the president to lower (or raise tariffs) up to 50% from Smooth-Hawley levels in the course of trade negotiations with other countries”, thus transferring tariff-setting policy to the presidency rather than the Congress (Ann Capling, 2017, p. 115). Nevertheless, conditions of autarky and nationalism were so strong that the Second World War was unavoidable.

The outbreak of the war in 1939 led, once again, to the collapse of the, by then weak, world economy. The result was that in 1942 the three major blocs: the German Europe, the Japanese Asia and the rest of the world, had already stopped trading between them (Kevin O'Rourke, 2007, p. 473). However, after five years of conflict, the winning coalition formed by the allied forces, headed by both UK and US, decided to meet in July 1944 in the Mount Washington Hotel in Bretton Woods, New Hampshire. Two of the most influential economists at the time, Harry Dexter White and John Maynard Keynes, were the principal actors deciding for the future of the world economy. They were representing respectively the interest of US and UK. The result of this conference, to which all the 44 allied countries took part, was the creation of the so-called Bretton Woods system (Helleiner, 1994, p. 165). Two sets of postwar economic priorities were established: first, the accomplishment of economic growth and full employment, with the intervention of the state in the economy and the configuration of a welfare state system; second, the creation of a stable world economic order which would avoid the return to economic protectionism (Gilpin, 1987, p. 141). The result was a world in which governments had the capacity to perform national economic objectives, furthermore, the international monetary system was based on fixed exchange rates so that devaluing the currency to have an advantage in exports, a common policy of the 1930s, was impossible. According to Robert Cox, this system tried to balance between a liberal market and the responsibilities of the state, which became accountable to newly established international institutions: The International Monetary Fund, “created to supervise the operation of the monetary system and provide medium-term lending to countries experiencing temporary balance-of-payments difficulties” (Gilpin, 1987, p. 132), the World Bank, “designed to provide and encourage long-term loans for reconstruction and development” (Helleiner, 2015, p. 204), and the General Agreement on Trade and Tariffs, which then became the WTO, “established to promote economic growth and prosperity through the expansion of international trade” (Ann Capling, 2017, p. 119). Furthermore, countries had the possibility of making adjustments in their own economic policies, so that national governments could maintain the welfare

of internal groups. Thus, Keynesian economic ideas based on demand stimulation became the base of the international economy and what followed was a constant economic growth in the 15 years after the war, characterized by moderate inflation (Cox, 1994, pp. 45-46). For what concerns the creation of a liberal trading and financial order, capital controls were introduced to avoid speculative behaviors which caused the financial crisis of 1929 and thus partly responsible of the Great Depression. The imposition of these restraints was done with the intent to preserve the financial autonomy of the new welfare state from the interfering international financial movements, and also to maintain the newly-established system of fixed exchange rate. This decision in Bretton Woods, represented the sacrifice of financial liberalism in the interest of “creating a stable exchange system and a liberal trading order (Helleiner, 1994, pp. 164-165). The stable exchange rate was based on the freedom of national governments to which were given the power to choose the peg value of their currency whenever they were facing a fundamental disequilibrium. Each country agreed to make their currency convertible into other currencies and the US dollar was the only one exchangeable with gold (Helleiner, 2015, p. 204). This compromise called Embedded Liberalism, was “an attempt to enable governments to pursue Keynesian growth stimulation policies at home without disrupting international monetary stability” (Gilpin, 1987, p. 132).

This set of rules was able to maintain a constant growth in the period following WWII. However, by the end of 1960s, embedded liberalism started to face problems, internationally and domestically. Unemployment and inflation were increasing everywhere, paving the way to a global phase of ‘stagflation’ that lasted throughout much of the 1970s (Harvey, 2005, p. 12). Keynesian stimulation of demand was not able anymore to improve the situation and neoliberal ideas based on the free-market, deprived from any interventions of the state, started to be seen as a possible solution. In addition, one problem emerged with the new gold standard: the American economy was the main engine of growth, its monetary policy was the world monetary policy and the outflow of dollars the only way to provide the necessary liquidity to increase world economy. A system that represented the hegemonic power of the United States, “when America grew, the world grew, when America slowed, the world slowed” (Gilpin, 1987, p. 133). During this period, the US was running its foreign policy on credit, exploiting the fact of being the world banker. This gave to the American government an incredible source of independence and power, a situation that started to be seen with suspect by the most important allied of the US which made possible the stability of the system, the European Community and Japan. However, the US was not just gaining from this particular gold standard: on the one hand, the hegemon country had its currency at the base of world economy, used for every transaction, giving it the possibility to constantly face unbalance of payments both in foreign policy and domestic; On the other hand, the dollar could not be devaluated to improve the trading position

of the country. Nevertheless, the president of France, Charles De Gaulle, noting the immense expenses of the US government with the “Great Society” program established by president Johnson and the Vietnam War, started to advocate for a backlash toward the classic gold standard of pre-WWI (Gilpin, 1987, pp. 136-137). In 1971, the president Richard Nixon, faced with this deteriorating situation, announced the stop to the convertibility of dollar with gold. Gilpin describes it as a situation where “the American Hegemon smashed the Bretton Woods system in order to increase its own freedom of economic and political action” (Gilpin, 1987, p. 140). However, what was clear was that, by accepting floating exchange rates, states were giving up one of the principles of Bretton Woods: the defense of policy autonomy of the Keynesian Welfare State (Helleiner, 1994, p. 167). As noted by Di Gaspare, the collapse of the fixed exchange rate system created in Bretton Woods was the first cause of nowadays globalization, since it paved the way for the liberalization of capital controls (Giuseppe Di Gaspare, 2015, p. 3).

Indeed, the collapse of the gold standard monetary system was accompanied by a change in the dominant idea of the time. What Stephen Gill calls “knowledge structure”, which is intended as what “gives identity to both institutions and material forces” and is crucial in determining the “formation of policy alternatives faced by the governments” (Gill, 2001, p. 76), was shifting from Keynesianism to Neoliberalism. This new mainstream tradition that was gaining popularity since the 1970s was defended by economists such as Friedrich Von Hayek and Milton Friedman who respectively won the Nobel prize in Economic Sciences in 1974 and in 1976. The scholars, and their followers, favored a “liberal financial order on the ground that it would promote a more efficient global allocation of capital and would prevent the state from using “police power” to interfere with the freedom of individuals to move their money across borders” (Helleiner, 1994, p. 167), and a free-market economy deprived from any forms of social solidarity like labour unions, from any policies based on redistribution of wealth and privatizing state-owned enterprises. This meant abandoning the Keynesian ideas that had pushed the world economy up to that point (Helleiner, 1994, p. 167). In the following years, in fact, the economies of two of the most influent countries, the United States and the United Kingdom, were completely restructured. Their liberalizations were of utmost importance in shaping the future role of the state in the national economy. In the 1980s, during the last days of Carter’s presidential term, took place the first liberalization of capital controls with the *Depository Institutions Deregulation and Monetary Control Act (DIMCA)*. This move was followed first, by the UK, then by the whole world. Deregulation became immediately a competitive advantage, since as soon as capital checks were removed, inflows of financial businesses and capital rapidly increased (Cerny, 1994, p. 321). Thus, the less the state regulated, the more money it earned. It is not a coincidence that many scholars argue that this phenomenon has undermined national policy

autonomy. Since money now could flow in and out the country, the capitalist class which was holding them could have exercised immense pressure on the behavior of governments. This started to be felt particularly by those governments characterized by redistributive policies disliked by asset holders: large budget deficits, high taxation, expansionary macroeconomic policies, which are also the engine of growth according to Embedded Liberalism (Helleiner, 2015, p. 208).

Therefore, Keynesianism had entered in a profound crisis in the 1970s, leading power to shift from the state to private people, pushed by the neoliberal ideas of the Nobel prize winners Von Hayek and Friedman. As a matter of facts, the presence of the state in the national economy has been decreasing rapidly since 1970s. The framework of the economy based on the principles of Bretton Woods had become old-fashioned. A new solution had to be found, a new powerful idea had to be accepted as truth. It was in this period that Neoliberalism took the upper-hand, with its ideas of free market economy and financial liberalization. It was incorporated by the hegemon, United States, then endorsed by the International institutions of Bretton Woods: the IMF, the World Bank and the WTO which began their series of structural adjustments. A new era of “competition states” led by new ideologies of competitiveness was being pushed by the US and the OECD countries (Gill, 2001, p. 80). The world economy was thus, once again, completely changed, with the results which are still visible nowadays. In the end, with a free trade regime, an unrestrained financial system and the development of new technologies, the foundations for the second globalization were built once again.

II. Western Acceptance of Neoliberalism

The development of a pure market economy based on the private property and thus free from any intervention of the state (even in capital mobility) was considered as the only solution to revive the economies of both the developed and the developing world. TINA: There Is No Alternative, were the famous words pronounced by Margaret Thatcher, the British Prime Minister which together with Ronald Reagan in the US was one of the most important promoters of the neoliberal idea. With these developments some questions come to mind: which are the principles at the base of this idea? What actually is a neoliberal state? How did it become the mainstream idea?

According to Susan Strange, the various heads of governments and their ministers have nowadays “lost the authority over national societies and economies that they used to have”. The impersonal forces of world markets represented by private firms in finance and trade are much more powerful than states, to which should lie the political authority over society and economy (Strange, 2004, pp.

127-128). Following the reasoning of Susan Strange, the classical conception of the state developed by the famous sociologist Weber: “an institution claiming a monopoly of the legitimate use of physical force in enforcing its order within a given territorial area” (Garner, 2016, pp. 27-28), no longer holds in the globalized world in which we live. In the period following the Second World War, the framework of the global political economy gave the possibility to national governments themselves to be the masters of markets. However, the developments following the 1970s have inverted the situation, now the markets can be considered the masters of states in many issues. Furthermore, the declining authority of the state is evidenced by the growing authority of international and regional institutions which restrain the freedom of manoeuvre of countries (Strange, 2004, p. 128). If there is one advent which could summarize all these phenomena, it is undoubtedly the shift from Keynesianism to Neoliberalism in the decade that goes from the 1970s to 1980s.

Neoliberalism is first of all an economic theory according to which human prosperity can be obtained by freeing the individual entrepreneurial freedoms and skills in an environment which guarantees private property, free markets, and free trade. State intervention in markets should be limited or even removed, since it does not possess the right market information and since various interest groups may distort the interventions in order to increase their wealth (Harvey, 2005, pp. 2-3). The fathers of the neoliberal doctrine considered values like individual freedom and human dignity as crucial. According to them, the menace to those values arrived from misinterpreted ideals like communism and fascism, but also by any forms of state intervention which “substituted collective judgements for those of individuals free to choose” (Harvey, 2005, p. 5). The Neoliberal State has to use its powers just to preserve these freedoms. Freedom of businesses is essential, and the possibility for corporations to operate within a framework of free markets and free trade is considered as a basic public good. “Private enterprise and entrepreneurial initiative are seen as the keys to innovation and wealth creation. Intellectual property rights are protected (for example through patents) so as to encourage technological changes. Continuous increases in productivity should then deliver higher living standards to everyone. Thus, elimination of poverty can best be achieved through free markets and free trade.” (Harvey, 2005, pp. 64-65) Furthermore, neoliberals advocate for the privatization of assets, sectors run by the state must be deregulated and given to private entities, this is the only way to avoid the “tragedy of the commons”. In addition, competition is the engine of growth, it has to be present between individuals, cities and countries. These simple characteristics: privatization and deregulation, combined with competition, are supposed to be necessary in order to enhance efficiency and productivity, increase in the quality of the products, and reduce their costs (Harvey, 2005, p. 65). This goes all to benefit the consumer, to whom will be offered cheaper commodities and services of a better quality.

What can be understood from this description is that neoliberalism, first of all, gives space to individualism. It wants to reduce at a minimum, if not destroy, collectivist measures such as the welfare state or any kind of redistribution. “Individual success or failure are interpreted in terms of entrepreneurial virtues or personal failings (such as not investing significantly enough in one’s own human capital through education) rather than being attributed to any systemic property (such as the class exclusions usually attributed to capitalism)” (Harvey, 2005, pp. 65-66). Groups like labour union are in consequence weakened, leaving workers without any protection and thus leading to a highly flexible labour market. The dissolution of social solidarity and the endorsement of the neoliberal thought can be highlighted from one single statement made by the former prime minister of UK Margaret Thatcher: “there is no such thing as society, only individual men and women” (Margaret Thatcher, 1987).

Having described the neoliberal conception of the state, two questions remain. How were these ideas able to spread all over the world up to arrive to influence the President and the Prime Minister of countries such as the US and UK?

The intellectual leaders promoting neoliberalism were all economists, the most famous ones were members of the Austrian School: Friedrich Von Hayek and Ludwig Von Moses. They created in 1947 the Mont Pelerin Society (MPS). The members of this group shared all the fear of the expansion of collectivism in the Soviet Union and the interventionist trend that had hit the liberal governments of the West, as for example the New Deal of Roosevelt. Associates of this organization, especially the Chicago economist, Milton Friedman, “played a key role in the efforts to protect traditional liberal ideas, to develop neoliberal theory, and to sponsor their utilization by countries throughout the world” (George Ritzer, 2015, p. 85). A key advent for the spread of the neoliberal doctrine materialized in 1970. In Chile, the democratic election gave as winner the Marxist Salvador Allende. The US, in consequence, decided through the CIA to sponsor a coup in order to depose the newly established president. In September 1973, Allende was killed, and the general who led the revolt, Augusto Pinochet, became the new president of the Latin American country. A group of Chilean students, known as the “Chicago Boys” was studying the theories of Milton Friedman in Chicago, where the Nobel Prize winner was teaching. After the coup, they were sent back to their country of origin, and with the cooperation of the IMF, which was providing loans to the country, they were able to restructure the economy according to the ideas just learnt at the university (George Ritzer, 2015, pp. 84-85). The so-called “Shock Doctrine”: the idea that there was the need of a total change in the economic policies to improve the situation, was implemented. These drastic changes were derived by the famous writing of Friedman *Capitalism and Freedom*, and involved the privatization of industry, a complete deregulation of the economy and reductions in government spending on social welfare

programs. Thus, Chile was the first country in which neoliberalism was actually implemented, and the results were not as prosperous as expected. Few were the beneficiaries of these measure: nation's capitalists gained a lot from this economic revolution; particularly thanks to privatization, they were able to pass to an ownership position, controlling the privatized industries. Furthermore, deregulation gave them the possibility to operate freely and to attain high profits, almost without any type of taxation. The losers were instead the nation's poor, who with the elimination of social safeties that had protected them, at least to some degree until now, found themselves in a worse position than before (George Ritzer, 2015, p. 85). Neoliberalism repressed social movements and political organizations of the left and destroyed all forms popular associations, as for example the free healthcare provided in poor neighbourhoods (Harvey, 2005, pp. 6-7). Despite these problems associated with the neoliberal doctrine, the Chilean economy resurged. However, this revival was short-lived, Pinochet's government faced again a crisis in 1982, like many countries in Latin America. Nevertheless, this doctrine remained intriguing for the governments of US and UK, the result was that "a brutal experiment carried out in the periphery became a model for the formulation of policies in the centre" (Harvey, 2005, pp. 8-9).

In May of 1979, new elections were held in UK. Margaret Thatcher was elected in the English-speaking country with the task to completely reform the economy. Friedrich Von Hayek, after visiting in 1981 the country headed by Augusto Pinochet, wrote a letter to the newly-elected prime minister of the UK. In this letter, the Nobel prize winner advised her to use the South American country as an example for transforming the Keynesian British economy (Klein, 2007, p. 131). However, those measures were hardly implementable in a democratic country like Britain, where elected leaders have to worry about the share of votes of the next election. Thatcher in fact, was not able to bring the shock therapy, since in 1979, according to the polls, she had just the 25% of the preferences, one of the worst shares of votes a prime minister has ever had. Thus, since she did not have enough consent to implement the neoliberal measures suggested by Von Hayek, she needed something that would have increased her popularity. Actually, something happened in 1982. Argentina, headed by its new president Galtieri, decided to take control of the Falkland Islands, property of Great Britain. Thatcher recognized it as an opportunity to gain the popularity that she lost during her term, thus, decided to deploy British troops to the other part of the Pacific, even though those islands were of little importance for the English government. The conflict ended up with the British victory, which boomed the personal approving rate of the now-called "Iron Lady" from 25 percent to 59 percent, laying the foundations for the decisive victory of the following year (Klein, 2007, p. 138). Having gained the popularity needed, the shock therapy finally begun in the UK. The first victims were the coal miners who went on strike in 1984, they started to be labelled the enemy within the country and were

violently smashed by the English police force. This was a key event in paving the way for the destruction of social solidarity. In fact, these two victories: one inside the British Empire and one inside the British island, freed Margaret Thatcher from any restraints. Indeed from 1984 to 1988 the government had already privatized: British Telecom, British Gas, British Airways, British Airport Authority and British Steel, and sold its shares of British Petroleum. “Thatcher used her war to launch the first mass privatization auction in a Western democracy”, this was the proof that a limited shock therapy could have been implemented even in democratic country like the UK (Klein, 2007, pp. 139-140).

A similar path was followed by the US. In 1979, Paul Volcker, at the time chairman of the FED under Carter, shifted completely the monetary policy of the country, reversing the interest rate from negative to positive. The commitment to maintain a liberal democratic state stuck to the principles of the New Deal, that was based on Keynesian fiscal and monetary policies with the aim of full employment, was cancelled in favour of policies of which objective was the suppression of inflation at every cost. This, according to Volcker, was the “only alternative” to survive to the period of stagflation that had hit the economy of US (Harvey, 2005, p. 23). The following year, the victory of Ronald Reagan over the former president Carter was crucial for the development of the neoliberal thought. Reagan’s advisers were all convinced as Volcker that the monetarist medicine was the only solution to boost once again the economy. In fact, Volcker was reappointed as the chair of the Federal Reserve. An important feature of the Reagan administration, differently from Margaret Thatcher, was that the newly-established American Government had, since the beginning, the political support necessary to bring the necessary reforms according to the Shock Therapy. As a matter of facts, deregulation, tax cuts, budget cuts, and attacks on trade union did not delay in arriving. The most (in)famous case which paved the way to the destruction of social solidarity was, as happened in England with the coal miners, the PATCO strike, the labour union of air traffic controllers (Harvey, 2005, pp. 24-25). The union had declared a strike in 1981 with the aim of improving their working condition. The answer of Reagan was hard and immediate. He labelled the association as a problem for national safety and in a statement compelled the workers to go back to their work. After that, however, only a small portion of the strikers decided to return to their airports leading to an exemplar reaction of the president Reagan: more than 11 thousand workers were immediately fired the next day, paving the way to a drastic reduction in the condition of labour. In consequence, PATCO was decertified by the Federal government in October of the same year. The defeat of the air traffic controllers is considered "one of the most important events in late twentieth century U.S. labour history" (McCartin, 2007, pp. 1123-1126). The following years, the Federal minimum wage by 1990 had fallen to 30 per cent below the level of 1980, year in which Reagan was elected (Harvey, 2005, pp. 24-25). The evidence shows that

social solidarity was being disrupted in both the Anglophonic countries, setting the scene for a period of individualism, which is one of the core principles of the Neoliberal thought. This shift, together with increasing privatization and capital deregulation, represented the slow decline of the governments' power in managing its own territory in favour of private entities.

In addition to these evolutions of the nation-state must be considered the development of technologies. These are frequently ignored, but their contribute to the power shift from the national governments to private people has been fundamental. The possibility of normal people to access to new types of technologies has taken away from governments the privilege of having the monopoly on the accumulation and control of useful information. This has deprived the state of the advantage it had over its population. In accordance with Neoliberalism, "by drastically reducing the importance of proximity, the new technologies change people's perceptions of community", shifting thus the importance from collectivist measures such as welfare to individualism (Mathews, 2004, p. 204). Important to notice is the fact that information technologies do not take into account any sort of hierarchy, instead they have the capacity to spread any kind of power to more people and groups. With lower costs of communication, decentralized networks come to existence and survive more easily than hierarchic structures. In such frameworks, individuals or groups can act together without the need of building any institutional structure behind. In contrast, governments are based on hierarchies, stuck to an organizational form which is incompatible after the advent of technological innovations that has hit the world from the 1970s (Mathews, 2004, pp. 204-205). Thus, technology has empowered the individual, which is at the same time at the base of the neoliberal doctrine, as evidenced by the policies and the statements of both Reagan and Thatcher. The combination of two different events: the western acceptance of Neoliberalism together with the development of new technologies, has been of utmost importance in empowering the single person and in depriving the states of the capacities that had, until those years, lied in their hands.

From these events, it can be seen the progressive acceptance of neoliberalism by the most important western economies of UK and US. Their choice to move towards individualism, together with technological development, has been incredibly important, since it has set the scene for the spread of neoliberalism to the whole world. Even international institutions fell under the influence of the Reagan and Thatcher administration and changed their principles according to those of Von Hayek and Friedman. An epochal change that would have brought immense consequences to the role of the state in modern international economy.

III. Washington Consensus

Neoliberalism in 1980s had already become the dominant idea in the Anglophonic countries of US and UK. However, since the Bretton Woods system started collapsing in the 1970s, the role of those international institutions which formed in the period after WWII had to be removed or restructured. The choice of the American government was to restructure them, according to US interests. These were pushed by the conditionality imposed in exchange for the loans provided by the international institutions IMF and World Bank. The conditions imposed started to be labeled “Washington Consensus” since they were based on the willingness of those technocrats ruling the IFIs established in the capital of the US.

Since their creation in 1944, international institutions like the IMF and the World Bank had the role of providing funds to countries that were in difficulties with their balance of payments or were lacking the necessary resources to start the reconstruction of their state. These funds were provided having in mind the original goals established in Bretton Woods: the IMF was created to maintain global stability, while the World Bank, as the motto suggests: “Our dream is a world without poverty”, had the role to fight poverty (Stiglitz, 2002, p. 23). However, in the decades following the 1970s, there had been a gradual shift towards the neoliberal ideas in such institutions. Their role changed completely, up to arrive at defending American interests when negotiating for loans.

Everything started in the late 1970s. In those years, demand for World Bank loans was decreasing, at the same time, the US government questioned the utility of multilateral organizations, since they were, according to US officials, not serving the interest of the hegemon country. For this reason, in 1980, the World Bank pushed by the American government, started to offer loans for balance-of-payments support in exchange for structural adjustments. This feature has been widely practiced by the IMF, which, in exchange for policy reforms, used to provide just fiscal and monetary conditions; these were for example: reduce the budget deficit of a country or reduce the money supply. These regulations were aimed at reducing inflation and providing currency stability. However, after the restructure of Bretton Woods institutions, both the IMF and the World Bank begun to impose a new conditionality aimed at “changing the underlying structure of national economies to promote exports and economic growth” (Babb, 2013, pp. 275-276). Thus, the World Bank in cooperation with regional banks and the International Monetary Fund started to incorporate Neoliberalism’s free market ideals, compelling countries that accepted their loans to restructure their economies according to this new “common-sense”.

Williamson was the first to coin the term of “Washington Consensus”. In his famous paper of 1990, the economist listed 10 points which were representing the policy choices that most people in Washington thought were needed in developing countries of Latin America in order to face the debt crisis that had just hit that part of the world. These were:

- 1) *“Budget deficits . . . should be small enough to be financed without recourse to the inflation tax.*
- 2) *Public expenditure should be redirected from politically sensitive areas that receive more resources than their economic return can justify . . . toward neglected fields with high economic returns and the potential to improve income distribution, such as primary education and health, and infrastructure.*
- 3) *Tax reform . . . so as to broaden the tax base and cut marginal tax rates.*
- 4) *Financial liberalization, involving an ultimate objective of market-determined interest rates.*
- 5) *A unified exchange rate at a level sufficiently competitive to induce a rapid growth in nontraditional exports.*
- 6) *Quantitative trade restrictions to be rapidly replaced by tariffs, which would be progressively reduced until a uniform low rate in the range of 10 to 20 percent was achieved.*
- 7) *Abolition of barriers impeding the entry of FDI (foreign direct investment).*
- 8) *Privatization of state enterprises.*
- 9) *Abolition of regulations that impede the entry of new firms or restrict competition.*
- 10) *The provision of secure property rights, especially to the informal sector.”* (Williamson, 2004, p. 196)

The name “Washington Consensus” evidences the importance of the United States in deciding the ongoing of the international economy of the time. In fact, the ones who were advocating these ten points were “the top decision-makers at the IMF, the World Bank, the Inter-American Development Bank, the US Executive, and those members of Congress who take an interest in Latin America, and the think tanks concerned with economic policy” (Williamson, 1990, p. 1). As a matter of facts, these policies started to be considered as an undoubtable truth, indeed, they got institutionalized in the most important organizations and were used as a means for organizational practices. Of great importance was the number of scholars supporting such a view. Policy choices derive legitimacy by scholarship, as happened with the “Embedded Liberalism” advocated by Keynes, in this case was the turn of Nobel Prize winners like Friedman, Von Hayek and the great number of scholars that supported them, to legitimize the new neoliberal system of international economy (Babb, 2013, p. 271). According to Babb, in fact, there are two sources of pressure that are important in the spread of a transnational policy like the Washington Consensus. The first is that the transnational range of a policy is determined by the normative nature, that might be, for example, reliance on expert knowledge. Political actors can thus use the opinion of those intellectuals in defending their policy choice. In such

a way, “trends within social scientific disciplines can, therefore, affect the outcome of political contests in ways that favor the defeat of one paradigm and the victory of another” (Babb, 2013, p. 272). This is what actually happened first in the period following the WWII, where the majority of developing countries were implementing interventionist policies and maintaining state-owned strategic industries, since they used to follow the thought of the British economist Keynes. However, from the 1970s, there was a backlash toward neoclassical principles, the Keynesian measures became much more difficult to justify, laying the foundations for the triumph of Neoliberalism (Babb, 2013, pp. 272-273). Indeed, the intellectual climate changed in favor of stability-oriented, market-oriented, and outward-oriented policies. Nevertheless, it was not only thanks to pushes of scholarship that Neoliberalism became endorsed in International Institutions, but political choices were even more important. The second source of pressure that lists Babb, which is considered political, is given by the rewards offered by the international institutions in case of compliance with the restructuring policies offered. Babb calls it “Coercive isomorphism”: some organizations tend to adopt similar structures and policies due to the fact that others, more powerful organizations, “are rewarding adoption (and punishing non-adoption) through various means, including the selective channeling of resources” (Babb, 2013, p. 273). Therefore, at the core of the proliferation of one policy is the asymmetry of power, since it can boost the expansion of a particular model through numerous ways. The coercive pressures implicated by the Washington Consensus came from the IMF and the World Bank, in fact, the term was used to help make sense of the IFIs’ practice of conditionality.

Thus, thanks to its power, the US was able to influence the management of the governments of the Third World which were facing debt crisis or currency problems. With the presence of numerous technocrats in all the international organizations originated in Bretton Woods, the American government was practically imposing its will in the countries which were asking for loans. In the first years of the Washington Consensus, conditionality was implemented through Letter of Intent for the IMF or Letter of Development Policy for the World Bank. In case of not complying with the contract, the lender could have stopped the loan. In this way, all the governments that were facing an unbalance of payment or problems with their currency, had to follow the rules imposed by the US if they wanted to be provided with capitals. These countries resulted to be concentrated in Middle East, Africa, Latin America and with the end of the Cold War, in the former communist bloc. Governments with a stable currency like China had little contact with the IFIs’ power, countries facing problems like Argentina instead, had to be subject of the willingness of the US. The Latin American country for example had to accept 7 IMF and 19 World Bank policy-based loans during the same period (Babb, 2013, pp. 277-278). However, not all the states received the same treatment. Strategic allies of the US received a softer punishment where they failed to comply with the American interests. Nevertheless, whenever

international organizations served as a bridge to bring foreign capitals in the troubling countries, conditionality was almost always met. The liberalization of capital controls had been a sort of push towards the compliance with conditionality measures, from the moment that complying with the Washington Consensus meant, for Third World countries, massive inflows of capitals to be used in the national economy. Furthermore, another factor influencing conditionality was the presence of friendly technocrats in the top position of the troubling country. In Latin America, for example, where there was the presence of these highly-educated people in the top decision-making positions, the demand from the IMF and World Bank tended to be met. These technocrats were rarely elected by the population of that country and with the implementation of the Washington Consensus usually shocked the whole nation (Babb, 2013, p. 279).

Thus, the rise of neo-liberalism, helped by the obligation imposed by the IFIs, “has gone hand in hand with a decline in the economic sovereignty of the vast majority of states, with a corresponding reduction in social provisions and welfare, and a shift away from state capitalism towards private, free market capitalism” (Gill, 2001, p. 80). The IMF and the World Bank, while according to Bretton Woods principles were created to keep stable the world economy, became institutions “for the propagation and enforcement of free market fundamentalism and neoliberal orthodoxy” (Harvey, 2005, p. 29).

IV. State’s role erosion in developing countries accepting the Washington Consensus

Thanks to the help of the international institutions of Bretton Woods, the US government was able to open the developing countries which had been like “black boxes” until that moment. Thanks to the conditionality, the United States transferred the power from states to people not only in their territory, but to all the countries which were accepting the Washington Consensus. Indeed, the latter was intended as openness to trade, financial flows and migration; the pursuing of these neoliberal policies was a key feature that made possible and pushed the advent of the Second Globalization. Foreign capitals, people and goods now had the possibility to move freely within and between the numerous countries which were compelled to accept the structural adjustments of the IFIs. This, as was expected, brought immense changes in the organization of the state in many parts of the world.

The initial aim of the Washington Consensus was to provide growth and efficiency in the countries which were lacking economic growth. Williamson’s points on which was based the conditionality of

the financial institutions could be summarized in three major points: 1) Macroeconomic stability and fiscal discipline; 2) A liberal approach to trade and FDI; 3) A free self-regulated market and financial sector (Refai, 2016). These neoliberal policies have become the norm in all the countries in which have been imposed conditionality. However, the expected positive results did not arrive, instead, increasing poverty, falling wages, and steady widening of the income distribution has become omnipresent in these nations (Cypher, 1998). For instance, in Latin America, region which was hit most by the Washington Consensus, GDP growth rose to 3% in respect to the 2% during the period of crisis. It is clear that, despite the structural adjustments imposed, debt figures remained high and the costs were mainly paid by the population. In practice, “while structural adjustments in Latin America and other third world countries achieved some growth, the social implications they had outweigh the benefits” (Refai, 2016).

According to the IMF and World Bank, nations that followed neoliberal guidelines would have been rewarded by immense inflows of foreign funds which could have been spent in the economy through investments. Thus, according to their vision, financial markets liberalization was one of the most important policies to be immediately achieved. However, neoliberals did not take into account that not all capital flows bring benefits, but instead short-term capital movement might cause instability. According to Cypher three different types of capitals have entered into the problematic developing countries: 1) funds have entered in sectors like mining, petroleum, agriculture and other activities which are characterized with high environmental costs, thus worsening the situation of the individual. Furthermore, because of the capital-intensive essence of these activities, it did not help to create jobs. 2) Speculative flows which have entered in shopping malls, financial intermediaries or office buildings. These have brought benefits only to a small portion of the population, the rich ones, while have not brought any financial aid for the central aspects of the economy and society. 3) The so-called “hot money”, short-capital movements which were directed towards the countries offering the highest revenue. However, in order to preserve this money, Latin American states have kept high interest rate, destroying national firms requiring financial support, and sacrificing the efficiency of the public sector. Furthermore, they were even forced to deprive themselves of a larger share of tax revenues to give them to the capitalists that were holding the national debt. “Latin America engaged in an indiscriminate opening to foreign capital, thus permitting its pattern of national economic development to become hostage to the volatile and perverse whims of global financial markets” (Cypher, 1998, pp. 49-50). While Europe and United States had waited until they were ready to liberalize capital controls in 1970s, the IMF and World Bank were carrying the Reagan and Thatcher view to developing countries despite the fact that no evidence showed their benefits on economic growth. Thus, the developing countries have been compelled to liberalize the financial inflows and

outflows quickly, even though they were ill-equipped to manage them. In fact, both developed and developing world suffered from this deregulation, nevertheless, the largest burden was taken undoubtedly by the developing one. They were not able to use these amounts of speculative money to, for instance, build factories or jobs, but instead, to manage the risks associated with these flows, “countries are routinely advised to set aside in their reserves an amount equal to their short-term foreign-denominated loans”, thus reducing the money spendable by the governments in activities that would really help the economy (Stiglitz, 2002, pp. 65-66).

Another important aspect that led to the crisis in the role of the state in developing countries was the imposition of trade liberalization. Theoretically, trade liberalization should enhance a country’s income since it transfers resources from less productive sectors to more productive ones. However, what actually happened under the IMF programs was moving resources from low-productivity to zero productivity. According to the international institution’s view, the destruction of jobs is something that comes with the removal of barriers, but at the same time, more productive jobs will be created. Nevertheless, evidence does not confirm this opinion. Creating new firms and jobs entails immense amounts of capital and entrepreneurial activities. Developing countries first do not possess a highly-educated population, and second do not have powerful financial institutions which could provide capital. Furthermore, with the austerity measures imposed by the IMF which entailed interest rates at unbelievable level like 50% or sometimes even exceeding 100%, “job and enterprise creation would have been an impossibility even in good economic environment like the US” (Stiglitz, 2002, pp. 59-60). The West was pushing for trade liberalization in order to enhance their own exports, but at the same time, they were, and are still, highly subsidizing the agriculture in order to have an advantage over the much cheaper exportable products coming from the developing world. The acceptance of liberalization of trade resulted, in the developing countries, in the opening of barriers for foreign Multinational Corporations which have destroyed local industries, depriving people of their jobs and depriving the state of the revenues it could have gained by imposing tariffs. Furthermore, since the developed world has yet to liberalize in the sectors in which the comparative advantage lies in the hands of the developing world, this openness has not even improved at all the exports on the strong sectors of the country (Refai, 2016).

The state thus, has lost its capacity to control the goods that enter in its territory, has lost the capacity to protect the infant industries of its own people from the international competition and thus has lost the ability to preserve jobs for its own citizens. Friedrich List had understood this problem in the period of the first globalization. In fact, in his book *National System* he critiques the idea of Adam Smith since, according to him, free trade was the policy of the strong, and such strength was created thanks to productive protection. Great Britain was behaving as the United States was doing in the

second globalization with the Washington Consensus, that is, using List's words, they "kicked away the ladder by which they climbed up, in order to deprive others of the means of climbing after them" (List, 1841, p. 46).

The last important measure that led to the state's role erosion was privatization. According to the international institutions of Bretton Woods, privatization was something to be pursued rapidly, as all the other points of the Washington Consensus. However, as all the other measures imposed, it did not bring the benefits that it promised. Particularly the IMF was convinced of its market fundamentalism, and pushed the idea that markets rise quickly to meet every need. Yet, the evidence showed that in reality, many governments' activities come to existence because markets have failed to provide essential services (Stiglitz, 2002, p. 54). The removal of state-owned enterprises or services offered by the latter may probably leave a huge gap, or sometimes this gap may be covered incorrectly. An example can be the case of the telephone company in Cote d'Ivoire. Due to the pushes of the Washington Consensus, the African state decided to privatize the once state-owned company to a French multinational. This was done without any antitrust law or regulation on competitiveness. The result was that the French company immediately found itself in a monopolistic position and decided to acquire also the new cellular services as well. After doing so, due to its favorable position, it raised the prices so high that even university students were not able to afford internet anymore (Stiglitz, 2002, p. 55). A service which had always been provided by the state was smashed away by privatization. Nevertheless, privatization has not only worsened the condition of consumers, but it has also come at the expense of workers. While in developed countries there are safety nets of unemployment insurance, the developing world's safety nets are much more exclusive and may leave unemployed people alone. However, domestic firms, as explained by Stiglitz: "may at least be attuned to the social context and be reluctant to fire workers if they know there are no alternative jobs available." Their private counterpart, on the other hand, "may feel a greater obligation to their shareholders to maximize stock market value by reducing costs, and less of an obligation to what they will refer to as an overbloated labor force" (Stiglitz, 2002, p. 57). Privatization, in many cases, has brought benefits. However, it has to be accompanied by a more comprehensive program, which should create jobs together with the inevitable job losses that it brings. Frequently, what has happened with the privatization brought by the Washington Consensus, was that state-owned enterprises, which were providing jobs to the population and revenues to the state but not working perfectly, were converted to private enterprises which were providing much less jobs, with no revenues for the state, and in a probable position of monopoly that permitted them to increase prices at their own will.

To summarize, the imposition of conditionality by the international institutions has brought a fast and shocking decrease in state's power. This does not mean that those principles are wrong, but imposing

them without any consideration of the different situations inside the countries, and using the same policies to a large group of different states, has been one of the biggest mistakes of modern history. In theory, the neoliberal macroeconomic policies would have brought, thanks to the liberalization of capital controls, huge amounts of credit to be used to push the weak economy of the state. What happened instead, was that the national government became slave of short-term capital flows, which have incredibly restricted its freedom of maneuver. The state was not able anymore to pursue its economic objectives as it used to after WWII. Furthermore, the imposition of trade liberalization has deprived the state of the capacity to protect its own industries from international competitors. Leaving it without the possibility to block goods at the frontiers or block the entrance of foreign firms which would have undoubtedly brought immense problems to local infant industry. Jobs are in consequence lost while foreign companies see their earnings increase. Moreover, privatization has eliminated many state-owned enterprises which were providing, even if not efficiently as they could, jobs and revenues to the population and the government. By changing in such a way without imposing any kind of regulations, the results were: widespread creation of monopolies which led to huge increase in the prices of services once offered by the state, widespread loss of jobs and thus a deteriorating social context, and finally a loss of revenue by the government.

Chapter II: Parallel Development of the People's Republic of China

I. Gradual Liberalization since 1970s

While in the West, there was the spread of the Neoliberal ideology in countries such as United States and United Kingdom which then transferred it to International Institutions. In the Asian continent, one country was starting to open itself towards the global economy. The People's Republic of China, which until 1978 had been a communist country, started to liberalize with the new president Deng Xiaoping, a decision that would have changed the global relation of power in few decades. This phenomenon, in fact, has put in question even more the ability of the IMF and World Bank of dictating what is right or not for a developing country. Thanks to its fast development, China has become an aspiration by those countries which have not succeeded through globalization but have instead seen their state's role falling to pieces.

The Chinese Communist Party (CCP) took the power in 1949, after the Civil War against the Kuomintang. Mao Zedong, after having become president of the Republic, took the decision together with the officials of the CCP to establish a socialist system based on self-reliance in the 1950s, since they thought it would have been the best way to make China a globally important country as it was in the past (Naughton, 2007, pp. 5-6). Chinese history is important in explaining the decision to isolate themselves from the West. The experience with foreign aggression since the Opium Wars of 1839 through 1945, the so-called "Century of Humiliation", led China to develop a strong diffidence towards foreign imperialism, which in consequence turned to a closed-door socialist development strategies (Naughton, 2007, p. 50). In fact, according to scholars, the policies taken by Mao Zedong from 1949 until the end of the 1970s had many points in common with both the Leninistic modality of state-building in the period pre-1953 and with the Stalinization of the economy starting with the Five-Years-Plan (Niv Horesh, 2017, pp. 428-429). These moves made the Chinese economy split completely from its traditional background and reoriented in a way that the central government had the direct control of all the aspects of the economy, from agriculture to industries. The most important partner and source of technology and ideology that China had at that time was the Soviet Union. The planned economic system established is often referred to as a "command economy" "because market forces were severely curtailed and government planners allocated resources directly through their

own “commands,” which were the crucial signals in the economy” (Naughton, 2007, pp. 55-56). The period in which Mao was the head of the country had many oscillations due to his profound and sudden changes in the economic policies, implemented following his personal ideology. This resulted in some phases of profound crisis in the whole country, for example one of the most tragic famine ever existed in the world resulted from the policies of the “Great Leap Forward” (1958-1962) which were implemented to transform the state from an agrarian society to a socialist industrial one. Tens of millions died due to those policies. Another example widely known for the problems and deaths it created was the Cultural Revolution of 1969. In that year, Mao Zedong, pushed by his strong idea of eliminating the alleged capitalists from the CCP, decided to give life to a social movement formed by the (in)famous Red Guards, this resulted in widespread armed clashes between the new extreme communist faction and the more moderate ones present in China. This period of intense purges and fights paralyzed completely the society and economy of China and lasted until the 1976, year in which Mao died. All the most important party officials who were interested in opening up the Chinese economy, such as Deng Xiaoping, were excluded up to that point from the oligarchic structure of the system in a way that left unconstrained power in the hand of the Communist leader Mao (Naughton, 2007).

However, in 1978, the members of the CCP decided together that it was time to allow a fundamental departure from the policies of the Cultural Revolution. A new era which would have completely broken every tie with the past communist period started. Deng Xiaoping was appointed as president of the Republic and brought with him all the officials that had been removed from their position due to their interest towards capitalism. With this structural change, arguments about economic reforms, which until that point had been considered a taboo, started to be discussed freely and new policies were finally adopted (Naughton, 2007, pp. 79-80). Thanks to these decisions, China was able to experience the fastest growth of any major economy in the world over the following twenty years (Stiglitz, 2002, p. 180). The Chinese government activated a process of eliminating the old economy by creating a new one. Numerous new enterprises were created by “townships and villages”, foreign firms were invited into the country in order to create joint ventures. China became the largest recipient of Foreign Direct Investment in few years. Furthermore, an institutional infrastructure, based on effective securities and exchange commissions, bank regulations and safety nets was created. With this base, new jobs were created, and old State-Owned Enterprises (SOE) together with the bureaucratic structure of the government begun to be downsized. The effects on the population were that millions of people passed from starving to have much better life (Stiglitz, 2002, p. 183). While in the meantime, the policies of the IMF and World Bank were reducing the role of the government in developing countries, China had selected its own path, by “adapting neoliberalism under the

political-economic context of state control, and engineered its economic competitiveness based on the legacies of its socialist institutions” (Wu, 2010, pp. 624-625). The state in the PRC has never diminished or become “minimal”, as advocated Von Hayek and Friedman, it has rather become a redistributive state, and is evolving into a system of entrepreneurial ones, involved in the development of lands and working as a market actor.

China has accomplished a huge market re-orientation since Deng Xiaoping has come to power. Nevertheless, state’s control did not diminish. As evidenced by Wu, “The policies implemented under the rubric of market transition do not necessarily entail the “retreat” of the state, and do not follow non-interventionist neoliberal orthodoxy” (Wu, 2010, p. 626). Instead of putting privatization and the restructuring of old state-owned enterprises at the top of the agenda, as might have been suggested by the Washington’s international institutions, China has put creating competition, new enterprises and jobs. It recognized the unquestionable importance of macro stabilization, “nevertheless it never confused ends with means, and it never took fighting inflation to an extreme” (Stiglitz, 2002, pp. 184-185). “Wending yadao yiqie” (stability overwhelms everything else), these words are characteristic of the reform period and evidence what the executive of Deng Xiaoping wanted before economic development. In fact, the first way to avoid any problem inside the country is social stability, and this is only achievable thanks to the provision of jobs to your population. Many of the policies implemented in that period symbolize this thought, job creation had to go together with the restructuring of the economy. The liberalization of China was, differently from the West, gradual and pragmatic, without any ideological background such as Neoliberalism (Stiglitz, 2002). The Communist party ensured that the resources that were displaced were reoriented to a more efficient use. Monetary policies were not based only at reducing inflation but instead, together with financial institutions, they have been fundamental in the creation of new jobs and enterprises. Moreover, a lot of money were spent to support inefficient SOE, but China thought that it was more important to maintain social stability by preserving the jobs of the people employed by the state rather than immediately privatize every weak sector of its economy. China in fact, took a long time before starting to privatize some of its state-owned enterprises, it preferred to create new ones that would have gradually become more important (Stiglitz, 2002, pp. 184-185). Is evident the contrast between the Asian country and the developing countries which accepted the Washington Consensus. “China, a newcomer to market economies, was much more sensitive to the incentive effects of its policies than the IMF was to its” (Stiglitz, 2002, p. 185). It represents the fact that a more gradualist approach has succeeded in making deeper reforms more rapidly than any country which has based itself on the market fundamentalism idea promoted by the West. In the head of Chinese leaders was no ideology driving their policies from which they separated since Mao’s death. What was present instead, was

“pragmatism” pursued by neutral government that is simply interested in doing what will enhance the situation of the country without any ideological commitment or societal bias. Shaun Breslin describes the Chinese mode of governance as a situation where was present the “experimentation and non-ideological (perhaps even de-ideologized) commitment to doing whatever it takes to promote growth while maintaining political stability” (Breslin, 2011, p. 1328).

What can be understood by the opening of China to the world is that, when they introduced competitiveness into their economy and gave the possibility to keep the economic surplus to the population, the economy of the country surged incredibly. They did not refuse the ideas of neoliberalism, that is, put competition at the base of economic growth, however, the peculiar way in which they implemented it, that is, a gradual liberalization, differs profoundly from the way it was asked to be implemented by the main promoters of that ideology, the IMF and the World Bank. “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” (Harvey, 2005, p. 122). By doing this, the Chinese government was able to demonstrate to the world that by following your own path, separated from any kind of ideology, being it socialism or market fundamentalism, economic growth and, more important, societal development is possible. What was at the base of the Asian hegemon was simply pragmatism, evidenced by the step-by-step implementation of liberal economic policies which were kept if working or were removed if not. This has legitimized the PRC nationally and internationally, becoming a model to be followed by the developing countries and a new potential world hegemon. China is undoubtedly the country which has developed fastest in the last centuries and if there can be a winner in globalization, its name is the People’s Republic of China.

II. Socialism with Chinese Characteristics

The term “Socialism with Chinese Characteristics” was first coined by Deng Xiaoping in a speech during the XII congress of the Chinese Communist Party in 1982. With this statement he wanted to push the development of the market economy inside Mainland China mixed with the bureaucratic public structure; the latter would have had to prevail over the private. In the head of the President of China was the idea that, by enhancing competition among public enterprises, that is, by giving more responsibilities to them without the continuous bail-outs of the state that characterized that period, would have been the solution for the disastrous situation of the state-owned company, without losing

the grip of the CCP. Since the first reforms, China has faced unbelievable developments which have led it to become an international superpower. The first field to be restructured was that of agriculture which was characterized by the collectivization system since Mao Zedong. Those reforms represent the gradual liberalization of China, which did not start with immediate privatization of everything but took instead a pragmatic approach. Together with agricultural reforms, more responsibility was given to the privates thanks to the system of Township and Villages Enterprises, and first only in the region of Guangdong, then in the whole territory, many Special Economic Zones were introduced. These initial developments were fundamental for the rapid departure of the Chinese economy.

In the end of the 1970s, when all the East Asian economies were in the process of restructuring, China was still “partially industrialized and under-urbanized, with an underdeveloped, self-contained rural sector and an isolated, defense-led heavy industrial sector” (Wu, 2010, pp. 622-623). Chinese reformers saw unmet needs in all the sectors of the economy due to the poor situation of China and due to the inefficiencies resulting from the command economy imposed up to that time. Resources had been directed towards expensive industrial projects denying the basic consumer needs to its population (Naughton, 2007, p. 86). State-owned enterprises dominated all the most important sectors of the economy, furthermore, there were numerous local state enterprises controlled by the province, city, or the government itself. In the agrarian sector the framework was that of the commune system, which according to the majority of the officials, was in need of profound reforms. Moreover, each sector was integrated into a state planning system organized at the regional level where the output objectives were dictated, and inputs allocated according to the plan (Harvey, 2005, p. 125). Due to the detrimental situation of the economy, reformers took the crucial decision that “individuals and organizations should be allowed to satisfy unmet needs and earn some additional income, and if, in the process, this new activity tended to erode the command economy and had to be exempted from some of its rules, so be it. Chinese reformers lowered barriers and gradually opened up their system, giving individuals and groups the opportunity to act entrepreneurially and meet market demands” (Naughton, 2007, p. 86). This radical decision was possible thanks to the effects of the Cultural Revolution of Mao, which increased the disregard towards socialism, considered too much utopian and ideological. Indeed, the attachment to ideological purity was removed from the mind of Chinese officials, paving the way for a period of pragmatism. The Chinese state saw itself transformed in few years from resource distributor to active market agent (Wu, 2010, pp. 622-623).

Everything started with the reforms in the agricultural sector. The decision was simple: “the government should reduce the pressure under which farmers had operated for the previous 30 years” (Naughton, 2007, p. 88). Peasants were given the right to sell surpluses when they surpassed the

commune target at free-market prices rather than state-controlled. However, the system of individual responsibility established by the government did not mean privatization: individuals were not allowed to buy or sell without any restrictions. Nevertheless, “the evidence was so compelling that the central government did not have to force this change; it was willingly accepted. But the Chinese leadership recognized that they could not rest on their laurels, and the reforms had to extend to the entire economy” (Stiglitz, 2002, p. 182). The dual-price system established by the CCP, composed by the price at which peasants used to sell their surplus (the market price) and the price of the quotas established by the central government, was an ingenious move. This helped to the market to grope for the undistorted prices. Moreover, this gradualist Chinese approach was able to avoid the striking inflation that had hit all the countries which liberalized with the shock therapy imposed by the IMF. As soon as the Chinese government had reached its purpose, the two-tier system was abandoned in the second period of reforms, leaving space only to the market prices (Stiglitz, 2002, p. 183). The reforms on agriculture were so successful that by the end of the 1980s, agricultural communes were dissolved in favor of a more individually responsible system. Furthermore, new enterprises started to spread all over China, the most famous were called Township and Village enterprises (TVEs), these were created out of the assets held by the communes, becoming “centers of entrepreneurialism, flexible labour practices, and open market competition” (Harvey, 2005, p. 125). These TVEs immediately spread in response to the increased consumer demand that followed the agricultural productivity spike and the larger income in the countryside in the early 1980s: they mainly dealt with labor-intensive activities where barriers to labor capital inflows could not be effectively blocked by urban SOEs (Niv Horesh, 2017, pp. 433-434). Furthermore, the state-owned banking system was rapidly developing in the same years and started to substitute the central government in providing credits to SOEs, TVEs, and privates. The TVEs were initially financed from the surplus made in the agricultural sector and provided markets for outputs or intermediate inputs to the SOEs. Foreign capital entered into the TVEs and the SOEs as time went on, paving the way for the prevalence of the private sector over the public one. Thanks to these developments, a wholly private sector with the TVEs was rapidly emerging throughout China, individuals or communities saw opportunities which they could have exploited, the first ones who moved were the ones which would have benefited most (Naughton, 2007, p. 87). This process created unwillingly a system of intense competition. Indeed, liberated from state control, local administrators took an entrepreneurial stance. Joint ventures with foreign capital started to spread too. TVEs became “an incredible source of dynamism in the economy during the first decade and half of the reform period” (Harvey, 2005, p. 127). They became an example to be followed by the government, whatever was functioning with TVEs could later become the basis of state policy. According to Neoliberalism and to its promoters IMF and World Bank, the

system of hybrid enterprises of Townships and Villages which was central in the transition period, could have not succeeded due to their public original nature. The TVEs instead, solved the problem of governance, an issue rarely taken into account by the IMF. Furthermore, they channeled their important funds into wealth creation. Those particular enterprises could see what was happening to their funds, they could see that jobs were being created and that their incomes were rising at a surprisingly high rate. China, differently from the other developing countries, was following its own path, “building the foundation of a New Economy on existing institutions, maintaining and enhancing its social capital” (Stiglitz, 2002, p. 185).

However, the reforms of these enterprises were not the only idea in the mind of Chinese officials, a “dual-track” developmental approach was embraced which gave importance to the development of rural production (TVEs) and to welcome Foreign Direct Investments. In fact, the so-called “special economic zones” developed in the coastal region of Guangdong were the symbol of how China needed to accommodate the entrance of foreign capitals (Niv Horesh, 2017, p. 434). These zones had the initial purpose of producing goods that would have been directed to export in exchange for foreign currencies. They were also the source of technology transfer and managerial skills. The characteristics of these Special Economic Zones (SEZ) were helpful to foreign investors, they can be summarized in: tax holidays, early remittances of profits and better infrastructure facilities (Harvey, 2005, p. 130). The success of these policies pushed the government to develop several other coastal economic cities and open economic regions, after 1995 China opened up practically all its territory to foreign investments. China, in less than a decade changed completely from a self-reliant country to an open economy. Despite the fact that nothing was planned in the head of Deng Xiaoping when he started to liberalize and to open up the country, in 1987, noting the success of the Guangdong province, China established that its own policy for development would have to be export-led. The once communist country, thanks to the provision of low-cost labor and to the incentives imposed to foreign enterprises was able to face an immense growth in terms of global trade. The PRC was able to quadruple its share of world trade in the years that go from 1978 to 1990 (Harvey, 2005, pp. 140-141). The intelligent and gradual economic liberalizations implemented by Deng Xiaoping were able to make China a much more inviting country vis-à-vis the other developing countries. Nowadays, China is undoubtedly the country endowed with the largest amount of Foreign Direct Investment among all the developing world, and a great merit for it relies in the pragmatic policies of gradual liberalization implemented from 1978 onwards.

The first phase of economic liberalization started by Deng Xiaoping, the establishment of the so-called “Socialism with Chinese Characteristics” was an immense success that changed completely the structure of the Chinese economy, transforming it from self-reliant to export-led. What can be

noticed by the measures implemented first in the agricultural sector, then in the Township and Villages Enterprises, ending up with the establishment of the Special Economic Zones, is that all of these policies were deprived by any ideological background. Since 1978, there had been a departure from Socialism and an acceptance of pragmatism. It did not matter whether an issue was considered to go against Mao's doctrine or against market fundamentalism, various policies were implemented and if they were working, they served as a basis for future regulations. This is evident in the TVEs, which as soon as they brought benefits to the national economy were encouraged to spread widely and put into legislation. The same thing happened with the SEZ, first they were established in the coastal region of Guangdong, as soon as the government realized that they were developing at an unbelievable rate, many other cities were given the same characteristics, also due to the willingness of the local officials to become much more attractive to foreign capitals. The important reforms taken in this period were crucial for the future development of China, since they allowed the officials of the PRC to grapple with more fundamental issues of transformation (Naughton, 2007). Nevertheless, this was just the first phase of economic reforms, of which purpose was dismantling the command economy while maintaining economic growth. In fact, after 1993 the emphasis of reform shifted as it became more fundamental and thorough.

III. From Socialism with Chinese characteristics to Neoliberalism with Chinese characteristics

The second period of internal transformations faced by China goes from the end of the 1990s until nowadays. During these years, the economy grew out of the plans, and led the state-sector to be much less dominant in the national economy. The measures that were implemented by the CCP, under the guide of Zhu Rongji, the successor of Deng in the field of reforms, seemed to be neoliberal in nature. They ranged from privatization, macroeconomic austerity, and the creation of a fiscal system capable to reach all the economic actors. It represents once again the absence of ideology in the process of transformation of the Chinese economy, as said by Deng Xiaoping in its southern tour of 1992, the important for the Chinese leaders is not whether to implement socialism or capitalism, but the intelligent use of both of them to foster economic development in the country.

In 1989, a worldwide known crisis hit the CCP, the Tiananmen incident. During that year, the Chinese economy was facing for the first time a period of rising inflation which was causing a rapid erosion of real wages in the population, the first economic crisis since the reform period had started. In

addition, there was widespread anger against the corruption of the government and expectations about political change and further economic liberalizations were rising. “A sense that the government was failing to honor a kind of implicit social contract with urban residents fueled discontent. At the same time, the measures that had been taken to curb inflation were already starting to bite into economic growth and cause expectations of the future to be revised downward” (Naughton, 2007, pp. 98-100). Thousands of people decided for these reasons to start a massive protest in the main square of the capital Beijing against the party officials of the country. In this process, the answer of the party was shocking, the most important reformist leaders were removed from the highest position and were replaced by the more conservative ones. These new leaders decided to send the People’s Liberation Army, the military apparatus of the country, in the square and ordered to open fire. Hundreds were killed, and the course of China’s reform was completely altered (Naughton, 2007, pp. 98-100). The following two years, the conservative officials tried to roll back the reforms of the previous period but without success. In two years, urban inflation was immediately controlled by the Chinese government, and market forces corrected the imbalances of the economy. Furthermore, despite Deng Xiaoping was not anymore in control of the PRC, his statements were still of undeniable importance. In fact, in 1992 he made a Southern Tour in the Special Economic Zones established a decade before by himself. Deng, impressed by the fast development reached in those areas, emphasized the need for further economic liberalizations. His words represent the departure from the ideological background of socialism which was still in the minds of the most conservative part of the state. “The chief criterion should be whether it promotes the growth of the productive forces in a socialist society, increases the overall strength of the socialist state and raises living standards” (Deng Xiaoping, 1992). It was only after Deng’s words that the “force of the central government was put behind the opening of foreign trade and foreign direct investment” (Harvey, 2005, p. 135), and this was the last decisive political intervention of the former Chinese leader.

The post-Deng economic reforms that followed were based on the powerful figure of Zhu Rongji who quickly became an important voice inside the party. Three most important policies were activated, these are “the end of the dual-track system, the recentralization of fiscal resources, and macroeconomic austerity” (Naughton, 2007, p. 100). After having implemented successfully the austerity measures to curb inflation, the attention passed away to regulate and administrate key market sectors like the banking system, the tax system and the corporate governance which still relied in state-owned enterprises. Furthermore, for what concerns external relations, China was able to gain the membership to the World Trade Organization. This second period of reforms had the purpose to clearly divide the responsibilities between the center and the local. The central government had to empower more its regulatory and macroeconomic management functions (Naughton, 2007, p. 101),

For what concerns the fiscal sector, an important year was 1995. In that period, China was seeing its budgetary revenues rapidly falling, from 33,8% of GDP in 1978 to 10,8% in 1995. This was partly due to the erosion of the not functional state-owned enterprises which were not in a monopolistic position anymore. Thus, in 1995 was gradually introduced a new taxation framework, this was fundamental to revive the government budgetary gains (Naughton, 2007, p. 101). In respect of the dual-track system, the removal of the market-imposed price on goods, and thus leaving only the market price, was a policy which was not even noted by the population. As explained by Naughton: “by the end of 1993, material-balance planning was abolished altogether. The orthodox planning system disappeared with barely a whimper, scarcely noticed” (Naughton, 2007, p. 101). According to Qin Hui, this was one of the most important policies of the second period of reforms, since “the end of the “coupon economy” heralded the transformation from the age of shortage of the state-controlled economy to the age of surplus of the market economy” (Qin Hui, 2005, p. 88). For what concerns macroeconomic stability, the Chinese government, had the need to reform its policies to compel public enterprises to become responsible of their profits or losses. Thus, it decided to make it by providing them harder budget constraints, that is, rising the interest rate in a way that they could have not acceded anymore to the cheap credit. By 1997, when China saw it as an essential requisite for a modern economy, the macroeconomic policies shifted to conservatism, as advocated by the Washington Consensus.

Furthermore, Zhu Rongji initiated a new regulatory approach to economic reform. These were regulations that introduced new rules which applied universally to the economic entities present in the territory. The new policies were focused on the creation of permanent competition as the engine for economic change. For what concerns the government instead, its capacity to manage productive enterprises was reduced. In the 1990s, with the increased importance of the market economy, the most important tasks to be completed were the improvement of the regulatory environment together with the reduction of the clearest distortions present in the economic system. As evidenced above, the tax system was reformed in 1995 with the implementation of a new tax base of 17%, this was lower than the previous period but differently from it, was binding on every economic actor. Such policy brought huge inflows in the state’s apparatus and had also “put central-local government fiscal relations on a sounder and more stable basis” (Naughton, 2007, p. 103). Moreover, another important sector restructured was the banking sector and the financial system. The People’s Bank of China was appointed the official central bank in 1983 but was given workable organizational structure only in 1998. A monetary policy board was established as an advisory body, this gave the new CB the possibility to play an active role in determining and implementing the policy of macroeconomic austerity. Undoubtedly, this had repercussion on the commercial banks, which were receiving much

harder constraints due to higher interest rates, and in consequence to all the enterprises which were asking credit to the banks, since the financial institutions were more constrained, they also had to provide loans at a higher price (Naughton, 2007, p. 104). The last important change of the second period of economic reforms was in the field of corporate governance. At first was established a Company Law which transformed all the SOEs in limited availabilities company, however the next year new regulations transformed them in share-based cooperatives in which the employees had the right to purchase shares, transferring thus the ownership position from state to private (Harvey, 2005, p. 129). Regarding Township and Villages Enterprises, with the regulation of 1997, were first defined the specific property rights which had been unclear up to that point. “From then on, the theory that the town and township enterprises belonged to the collective economy was a thing of the past. With the promotion of the successful change of property rights in town and township enterprises, in some areas (such as Zhucheng in Shandong Province) all the local state enterprises were sold or even given away” (Qin Hui, 2005, p. 89). Moreover, also many cities and provinces entered in the same stage of privatization, from the fifteenth Congress of the Chinese Communist Party, these areas begun to abandon the concept of state property rights, and one by one announced that they would not build state enterprises in the future (Qin Hui, 2005, p. 89). Important cities directly managed by the central government: Chongqing, Beijing, Tianjin and Shanghai did not have a preferential treatment due to their strategic position, since the early 2000s they faced the same wave of privatization that was hitting the entire Mainland. Despite the fact that the government has always used the term restructuring instead of privatization to activate such policies, privatization became common in the TVEs, collective and SOEs, sectors after the mid 1990s. These revolutions of the economy are still in place in nowadays China and have marked the final transition from a hybrid economy to one that is more market-based. Moreover, since these liberalizations have provided the country with a much more open framework, in 2001, it was able to gain the privilege of becoming a member of the WTO. The entrance in this institution paved the way for the creation of many new trade relations with all the countries of the world, increasing once again the PRC inflows of FDI and providing it with immense amounts of foreign currencies.

The second phase of economic reforms in China has made it a country much less distinctive than it was in the previous period. Economic policies since the post-Deng Xiaoping period resemble much more the behavior of the western economies. Macroeconomic stability, private property rights, and privatization seems to be all characteristics of a normal market economy. In fact, this was the most important revolution that has happened in China. Becoming a developed economy with most of the characteristics of the West, without adhering to the “shock therapy” and maintaining a strong state role in the direction of the economy and the society. As evidenced by Naughton, while the early

reforms were successful because they were adapted to the environment and specific challenges and opportunities which characterized China in that period, the second period of reforms is a more dramatic reorientation and adaptation to a whole new set of challenges and opportunities (Naughton, 2007). Neoliberal principles deriving from the Washington Consensus were partly implemented in China, but the difference with the majority of the developing world is that this was not done in few years, that is a way that has completely destroyed the economies and the state's power in countries in Latin America, Eastern Europe and Africa. The CCP was able to develop first a system of competition among its existing institutions, a period that lasted more than 10 years, from 1978 to the late 1990s, then, when the population was ready and the economy had resurged, more radical policies such as macroeconomic austerity and huge waves of privatization were implemented in the country without disrupting the existing economy. Nevertheless, the Chinese state still maintains a huge control over capital flows, and also over the former SOEs, since the employees which detain the largest share of those companies are often members of the CCP (Qin Hui, 2005, pp. 93-94). Despite this, it has created an economic environment which has been able to improve the lives of hundreds of millions of people and has become the country which receives the largest share of FDI in the world. It seems that the gradual liberalization implemented has been much more effective than the policies dictated by the IMF and World Bank. China by following its own path has demonstrated to the world that no ideology is needed in order to develop, just pragmatism. The fact of following your own path, without any interventions from external actors has become known as the Beijing Consensus, a system of non-interference that is being watched by the developing world with interest. Nowadays, China is strong enough to be considered the first competitor of the United States and will still continue to increase its position in the international sphere. In 40 years, China has become from a self-reliant communist country, characterized by the starvation of its population, to the second largest economy in the world, center of innovation and at the head of many newly-established international institutions like ASEAN or SCO.

IV. The Beijing Consensus

The Beijing Consensus was a term coined by a Joshua Cooper Ramo in 2004, it is intended to replace the widely-discredited Washington Consensus, that is, the ten points created by Williamson entrenched with neoliberal thought and pushed by the international institutions of the IMF and World Bank. The spread of market fundamentalism in fact, led to the collapse of the economy and the state itself in many developing countries. China's particular way of development instead is wants to reach

an equitable and peaceful economic development by managing by its own terms the concepts of privatization and free market (Joshua Kooper Ramo, 2004, p. 4), it is considered a flexible system, barely classifiable as a doctrine. Differently from its American counterpart, it does not believe in a uniform solution (the shock therapy) for every situation, but rather “it is defined by a ruthless willingness to innovate and experiment, by a lively defense of national borders and interests, and by the increasingly thoughtful accumulation of tools of asymmetric power projection” (Joshua Kooper Ramo, 2004, p. 4).

The famous statement of Deng Xiaoping “groping for stones to cross the river” is symbolic of the developmental approach which has characterized the reform period of China, a pragmatic system which decided to abandon every sort of ideology. This Chinese model, has clearly country-specific features that are peculiar to itself, however, it can be seen as a variant of a statist developmental process (Breslin, 2011, p. 1323). Thanks to its incredible growth, China now is an important example of alternative to the western neoliberal thought which has been at the base of any economic reforms in the developing world the past century. Therefore, the former Communist country, represents an example of the opposition to the absolute truth of the West and moreover, a particular conception of how the global relations of power should be restructured (Breslin, 2011, p. 1324). Furthermore, nowadays is emerging a sort of Chinese exceptionalism. This, according to Breslin, is the idea that China, being different from all the other countries, has the global duty of spreading a valuable alternative to the dominant global order. The birth of such idea became possible thanks to the numerous fallacies deriving from the implementation of neoliberalism in the developing world which has augmented the diffidence towards the hegemonic power of the US and its international institutions (Breslin, 2011). Furthermore, the numerous financial crisis that have hit the developed countries in 1997 and 2008 have showed the weaknesses of the neoliberal system and the problems that have derived from it in the countries which were championing the western liberal mode. China, thanks to its capital controls, was able to avoid completely the effects of the first crisis exploded in South East Asia while suffering slightly due to the global financial crisis of 2008. According to the Economist: “The global financial crisis exposed critical weaknesses in western economies. China, by contrast, suffered only a brief slowdown in its fast-paced growth before surging back into double-digit expansion” (The Economist, 2011). The Beijing Consensus, however, does not entail just notions about economics, there is much about politics, quality of life, and international relations of power. According to the creator of the Beijing Consensus Ramo, it consists in simply “three theorems about how to organize the place of a developing country in the world” (Joshua Kooper Ramo, 2004, p. 11).

The first theorem is on the necessity to concentrate on innovation: “the only cure for the problems of change is more change and more innovation” (Joshua Kooper Ramo, 2004, p. 15). This approach can be evidenced by the first period of reforms under Deng Xiaoping, in fact, in 1980s Chinese agriculture grew faster than any other place in the world. This development was possible thanks to small liberalizing tweaks to inputs which, instead of producing a moderate increase of outputs, have triggered 20 or 30 per cent growth leaps. Chinese farmers, considered one of the most backward categories in the world, have been able to use the control of their crops and an intelligent and innovative two-tier price system to boost outputs and create small businesses. Today, Chinese farmers are one of the most hungry-innovative groups in the world. The Beijing Consensus innovation-led growth allows for a climate where experimentation and failures are accepted since there is no ideology and thus no absolute truth, like neoliberalism, to be respected. A framework that makes possible a dynamism in production which enables important economic sectors to continuously reshape according to the ongoing situation, making them survive to the frequent shocks of development and thus argues in favor of the possibility of a degree of state control to fix bad experiments (Joshua Kooper Ramo, 2004, pp. 20-21).

The second theorem of this new sort of doctrine “is about trying to create an environment for development that is sustainable and equitable. The problems that capitalism has created in China in the last 20 years have convinced Chinese leaders to advocate for a new kind of “coordinated” economic development” (Joshua Kooper Ramo, 2004, p. 21). This can be evidenced by the numerous speeches by CCP officials who want to promote a more sustainable way of development which will not leave behind parts of the population. In fact, since the arrival of the third generation of leaders formed by Hu Jintao and Wen Jiabao in the fall 2003, the intellectual debate which was stuck to whether or not continue to marketize China, was transformed to change the modality of growth in a more sustainable way. This because, without a change, China’s economy faces the possibility to collapse due to the social risks of uneven development, corruption and pollution. The implementation of new stabilizing reforms is needed by the party to maintain its monopoly of power. Since it cannot rule anymore China with the excuse of the ideology, it has to justify its presence with its competence, and increasing the quality of life of Chinese citizens is undoubtedly the best way to achieve it (Joshua Kooper Ramo, 2004, p. 24).

The third and last theorem of the Beijing Consensus is “based on the notion of asymmetric defense and a philosophy that all nations are created equal, with no distinction between big or small” (Joshua Kooper Ramo, 2004, p. 28). This notion of course offers to many nations, the hope to be a truly independent nation. This willingness of being independent at all costs can be understood by studying the continuous invasions that China had to suffer in the past. Especially the century of humiliation

that goes from the Opium Wars up to the Japanese invasion. What has resulted from this is a way of development completely separated from the Western-driven Washington Consensus and offers a different view based on the fact that technological globalization is capable to bring much more useful changes than what is dictated from Washington or Geneva (Joshua Kooper Ramo, 2004, p. 33). The only point of reference which has always been in the mind of Chinese leaders has and will always be China itself. While before it was pursuing “Socialism with Chinese Characteristics” now it has passed in the phase of “Globalization with Chinese Characteristics”. This particular way of integrating into the world provides a different path to the developing nations and is based on the peaceful coexistence of different cultures, willing to approach each other without the need of prevailing over the other. Ramo evidences the fact that “China’s emerging power is based on the example of their own model, the strength of their economic position and their rigid defense of the Westphalian system of national sovereignty” (Joshua Kooper Ramo, 2004, p. 37).

These are the three main points of the Beijing Consensus described by Ramo which have led many developing countries to look at the Chinese Model with interest. China in fact, is increasing its soft power and thus its influence over economics and politics in the world. Differently from what Deng was advocating, that is “hide the brightness”, since Hu Jintao the Chinese philosophy has become to generate awareness about China in the world, and with Xi Jinping and the project of One Belt One Road, the PRC is even more pushing its soft power and changing the global relations of power. China is not considered a threat but rather an opportunity by all the countries which want to become winners of the globalization (Joshua Kooper Ramo, 2004, p. 53). The actual president Xi Jinping has repeatedly told to the world that China is ready to lead in the field of free trade and climate change and is also ready to export its political system to regimes elsewhere. Since 2014, China has been inviting leaders from all over the world to hear about how the CCP is governing China. When asked if the former communist country is deviating from the idea of self-determination of countries, the answer of the foreign Minister has been that “China will participate more proactively in reshaping global governance and solve international crises” (Huang, 2018).

The particular state-led developmental approach which has rendered China a potential global hegemon has been characterized, according to Breslin, with gradualism, autonomy and strong government. China, differently from others developing countries, has approached globalization under its own terms, that is, focusing first on stability, since “Wending yadao yiqie” (stability overwhelms everything else). Secondly comes the economic development, which is possible only through reforming the existing system. These reforms must be institutionalized through the implementation of new laws which increase the political stability of the country. More stability allows for further development, and so on. Nevertheless, all of these steps require a strong government taking the right

choices (Breslin, 2011, pp. 1329-1330). However, China is not trying to export the policies that it has implemented in its country to reach economic growth, it is simply showing what can be done if a developing country base its growth on its own peculiar circumstances and challenges and do not implement simply what is imposed by a random ideology like neoliberalism. The key message of China is “start from your own conditions, then take your peculiar road”. This means that there is no Chinese model to be followed, its ideal global order, as explained before, is one that accepts plurality, a “peaceful rise” of every different culture which cooperate to solve the problems together. “China is dissatisfied with the existing distribution of power in global institutions and seeks greater representation for the developing world, but it is also a responsible Great Power and will not destabilize the world order through seeking to ‘democratize’ it” (Breslin, 2011, p. 1339). At the eyes of Chinese officials, a new global order is possible, a world which rethinks its mode of governance and is not based on the narrow understanding of neoliberalism but is willing to accept alternatives. This is what China and the Beijing Consensus aim to be, forces responsible for a fair change in the global relations of power which will provide developing countries with a better voice.

Chapter 3: How Chinese policies have helped the Chinese Communist Party to maintain its power

I. Economic Reforms have delayed democracy

One of the most important features of the rise of China is the fact that, despite its entrance in the global economy and the diversification of its national economy, it still remains an authoritarian country. During the phase of liberalization that has hit all the developing countries of eastern Europe, all of them have seen the disappearance of the state in respect to the emerging private class. The same destiny has been faced by countries in Asia such as Korea and Taiwan. The path to economic liberalization or economic growth seemed interlinked with democratization. However, this particular phenomenon was wisely avoided by the Chinese Communist Party thanks to its gradual implementation of reforms. The study of Gallagher in this regard is perfect to explain how the Chinese government has been capable to maintain its grip with the society. According to her, by activating a gradual liberalization, that is, by using the Special Economic Zones as a laboratory for future policies, China has been able to implement a radical liberalization eliminating enormous parts of its public sector and measures of social solidarity without losing the authoritarian control of the society.

The school which argues that economic development is interlinked with democracy derives from important scholars like Seymour Martin Lipset and Adam Przeworski. Their core claim is that democracy is a product of social factors and economic conditions, in particular the emergence of a strong middle class. This implied that countries should have focused initially on economic development; pressures for democracy would have emerged naturally in due courses as the country develops. Using the word of Jie Chen and Bruce J. Dickson “modernization theory argues that countries develop by moving from an agricultural economy to industrialization and then to the development of a large service sector. As a consequence of these structural changes, a greater share of the population moves to urban areas, education levels increase, incomes and standards of living rise, and traditional beliefs and practices are replaced by more “modern” ones based on scientific rationality” (Jie Chen, 2010, p. 3), thus leading to democratization. Epstein and other colleagues had in fact made a study which showed a powerful correlation between higher GDP and democratic transition and thus they confirmed the studies made by the Przeworski (David L. Epstein, 2006). Furthermore, the experience of countries like South Korea for example, seemed to be a poster child of Lipset’s approach. Of course, it is unmistakable that there is some kind of relationship though its

causal direction is debatable. A comprehensive explanation of democratization based on economic development while drawing on the modernization thesis, is an incomplete picture of the reasons why and how countries embark on this process and either stay in the course or experience a reversal. The phenomenon of China in fact, is clearly in contrast with the studies on modernization theory and needs better explanation. How was thus possible for the People's Republic of China to experience an incredible economic growth without becoming a liberal democracy?

State-society relation can be defined as the interactions between the institutions of the state and the various societal group which negotiate how the public authority is implemented and how it can be influenced by the population. According to scholars, the PRC can be considered to have a "statist model": a model where politics is intended as maintenance of order, while the State is a separate actor, an 'Exogenous Variable' that has its own life. The emphasis of statist scholars is placed on the government, on the institutional order that constraints the individual behavior, on the ruling class or on the normative order. Political life is characterized by tensions and conflicts and the maintenance of power is the core principle. Society is differentiated from the governmental apparatus which is unconstrained from any societal pressures (Krasner, 1984, pp. 224-226). Despite being a statist model, since 1978, one of the most important features of the Chinese liberalization has been its openness to foreign trade and FDI, which in many countries has usually gone hand in hand with the transition of power from the state to the private, and thus the transition to a liberal model. Such measures have led to an immense surge of the former communist economy and has transformed it to the greatest recipient of foreign investments. The original implementation of this policy was due to the fact that FDI had to supplement China's primary economy, that is, the one based on failing state-owned enterprises. The leaders wanted to control and manage the inflows of FDI in order to reach the goals that were in their minds, without losing their grip on the population. The liberalization of FDI has been, according to Gallagher, the result of two interacting systems: the liberalization of state policies, and the spontaneous policy innovations put in act by local officials, state-owned enterprise managers, and foreign investors (Mary E. Gallagher, 2002, pp. 347-348). The most important success of the CCP has been that of reaching a fast-economic development without suffering a democratic transition. There were numerous implementations of Special Economic Zones, which according to Ritzer are "largely separated from the rest of society, free from government control, and within which the market is given more-or-less free reign" (George Ritzer, 2015, p. 126), and of which the most important characteristics are "special spaces of labour markets, investment opportunities, and relative administrative freedom" (Ong, 2006, p. 19). These resulted to be the most important sources of FDI for China and begun to be instituted in the South Eastern cities of Zhuhai, Shenzhen, Shantou and Xiamen. In 1984, the government came to the conclusion that the success was mixed, the SEZ had

failed to transform China in an export-led country, those zones still needed large infusions of state money and the high-tech industry was not thriving yet. Thus, the conservative group of the CCP was ready to declare the openness policy a failure. However, despite the pressures, a last chance was given to the Open Policy and the Special Economic Zones were transferred all over the coasts of the country, with what is known as the Coastal Development Strategy. This brought, as the SEZ had done before, many benefits to various groups which were acting in these zones, thus purchasing political support of the representatives of the coastal provinces and providing richness to the central government. The coastal business men were exploiting the special characteristics of these “neoliberal areas” using FDI and liberalized regulations aimed at increasing foreign trade. The result was an immense increase in growth and industrial capacity, furthermore, the transfer of managerial skills and technology favored the whole country. An increasing number of foreign investors and multinationals started to be interested in China (Mary E. Gallagher, 2002, pp. 349-350). This decentralized Coastal Development Strategy was granting local officials enormous autonomy in authorizing foreign investments, and at the same time clarifying and liberalizing preferential policies for foreign investors. This strategy was so successful that in the coast growth spurred in respect to the inland, increasing the inequalities that were already present. Moreover, it raised the support of these policies among the CCP officials, in fact, the implementation of them started to be asked by the governors of the less developed interior parts of the country. In 1994, due to the immense pressures and rising inequalities, the government took the decision to transform all of its country by extending this Special Zones in thousands of local governments which immediately started to announce “breaks in taxes and land-use fees, and offered foreign investors access to low-cost labour” (Yang, 1997, p. 56). Foreign autonomy expanded once again when China started to liberalize its state-owned enterprises by allowing FDI participation. “Reformist leaders now saw FDI as a means to save the state-owned sector from bankruptcy, financial crisis, and rampant unemployment” (Mary E. Gallagher, 2002, p. 351). Since 1997, the policy “Hold the big, release the small” was implemented. The government wanted many small-medium enterprises to change ownership, this measure allowed to massive privatization. Nevertheless, despite the private ownership and joint ventures were growing in the SOEs, the public sector still lagged far behind in employment creation and productivity. “Over time the state sector's contribution to GNP has fallen dramatically. Failure of SOE reform has led to increased demands for significant reform and privatization of property rights” (Mary E. Gallagher, 2002, p. 353).

What is evidenced above is that, the success of FDI’s liberalization in China stands in contrast with the failure of SOEs restructuring and the delayed developing of private firms. However, the cautious reforms of FDI have helped to maintain in power the Chinese Communist Party and thus to not democratize. The importance of this openness was that it has always preceded other key reforms of a

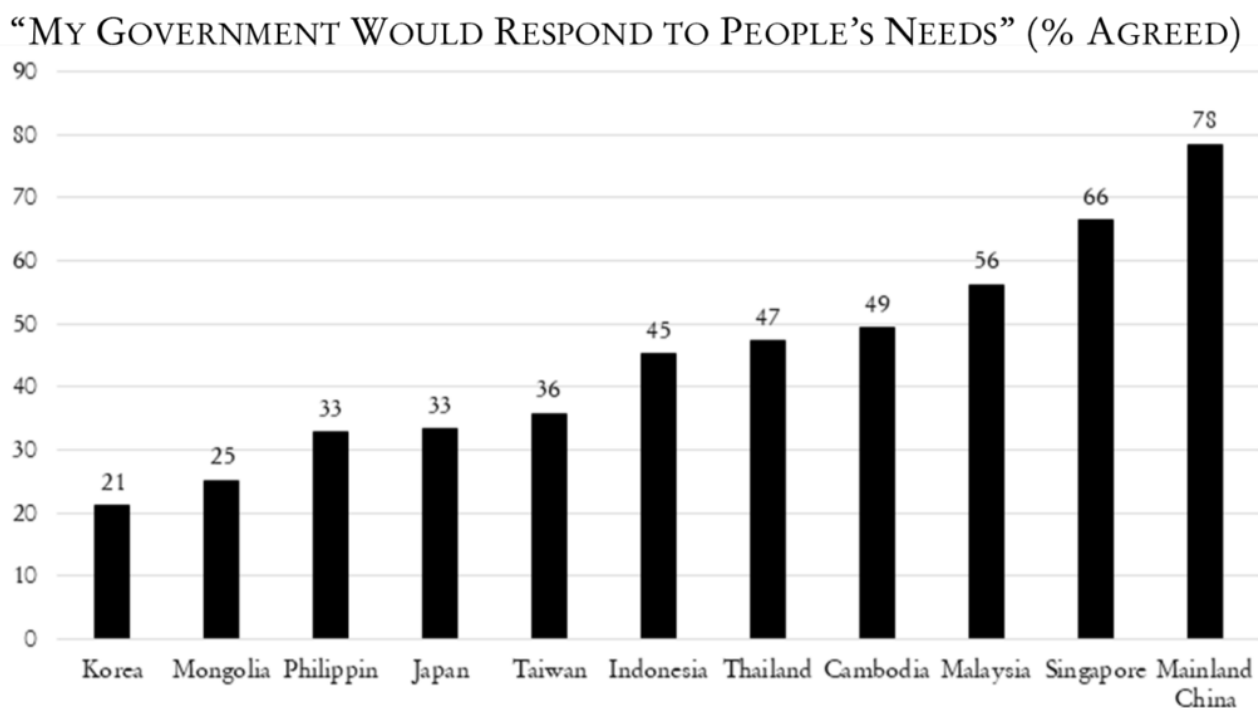
socialist transition like “reform and/or privatization of the state sector and the development of an indigenous capitalist class” (Mary E. Gallagher, 2002, p. 355). In fact, the intelligent move of the Chinese leaders was that of using the Special Economic Zones as a “laboratory for change”. Thanks to the dual-track system, two different configurations existed together in the beginning and were not overlapping, the state sector, and the foreign one. Over time, the FDI sector, since was developing much faster, started to grow in size and was allowed to expand all over China, beginning to have a real presence in the domestic economy. Since 1990s, these laboratories of capitalism started to introduce destabilizing reforms for what concerns employment, social welfare and management of enterprises. These, however, did not affect the socialist norms entrenched with the PRC in the beginning, due to the fact that the part of the population which worked in these neoliberal areas was formed by young, inexperienced workers without any knowledge of the labour practices of socialist firms. The experienced Chinese workers which decided to move in the SEZ sector, did it because the capitalist inegalitarian framework benefited them with higher wages in respect to the SOEs. This difference brought many talented workers to move in the Foreign Invested areas in search of opportunities to exploit (Mary E. Gallagher, 2002, pp. 355-356). The undeniable success of the coastal zones enacted an intense competition among the domestic firms of China for FDI as soon as the government gave more freedom to local officials for attracting investments. This competition has reduced the resistance from those in the public sector since remaining in a socialist framework would have meant losing the possibility to gain capital, technology and prestige for entering in the international economy. Furthermore, Gallagher lists a second type of competition which resulted with these gradual liberalizations, one between the Chinese firms and foreign firms. Since the number of foreign invested enterprises (FIEs) was growing in number and spreading all over China, they begun to deprive, thanks to their huge profits, the once monopolistic position of the SOEs. This phenomenon created a situation where the enterprises of the public sector begun to ask for a “level playing field”. This means that the socialist Chinese firms wanted to be deprived of the hard working regulations peculiar to them, since this situation was impeding the capacity to compete against joint ventures or wholly foreign companies. (Mary E. Gallagher, 2002, p. 357). The preferential laws for FIEs were totally against the socialist principles but were able to provide them significantly more flexibility and reduced the burdens concerning the employment of Chinese workers. As a matter of facts, the government decided to change its nature, and started to implement general laws, thus without discriminating between FIEs and Chinese companies, that were largely based on the ones written for foreign firms, eliminating many workers benefits which have been characteristics of the socialist period. Despite these changes however, the Chinese Communist Party was able to retain its grip among the population, and it was able to do so thanks to the power of discourse. In fact, Chinese

officials were able to make the population understand that the Chinese industries were risking to be eliminated by the increasing foreign competition, and this would have damaged the Mainland (Mary E. Gallagher, 2002, p. 361). Privatization, and thus the removal of worker benefits embodied in the public sector, was considered necessary by the government so that the Chinese national industries could have revived and strengthened vis-à-vis its international competitors. While these policies of liberalization have led in many countries to the creation of a strong middle class which consequently has successfully pushed for democratization, in China, the policies empowered the middle class, but the latter, despite losing its benefits of the former State-Owned enterprises, justified the CCP's policies since these modernizations were for the wellbeing of the Chinese State. These measures were considered as necessary by the population to increase the power of the China in respect to international competitors, and thus, since they brought the benefits promised by the central government, they generated even more support. The change in discourse from a socialist perspective to a nationalist one was the intelligent move thanks to which the CCP has maintained its power. The Chinese population, instead of feeling abandoned by the government due to the loss of their working benefits, embraced the liberalizing policies. The middle class, after having become powerful, instead of asking for democratization, they were justifying the policies of the state and increasing the support towards it. In short, the population accepted to be deprived of the assistance of the state to benefit the wellbeing of their country, China.

In summary, this particular sequence of reforms has delayed the democratic process in China. The foreign-invested sector has behaved like a laboratory for the tough capitalist reforms of a socialist economy. As long as the foreign sector grew, competitive pressures concerning FDI led to the possibility of convergence between the parallel socialist system and the market-oriented system of the economic zones (Mary E. Gallagher, 2002, p. 371). Moreover, the presence of foreign competition has restructured the debate from being between public and private enterprises to a debate between domestic and foreign industries. While the socialist system advocate principles such as the state ownership of enterprises, protection of the worker and wealth redistribution, the Chinese Communist Party rejected them. Moreover, it has been able to stay in power despite moving its interests towards issues like nationalism, local industries, and the capacity of being an important international player. (Mary E. Gallagher, 2002, p. 371). The Chinese population did not push for democracy because the central government was, in their eyes, necessary to transform China in a world superpower.

II. Chinese population disregards towards democracy

The CCP has been ruling China for 80 years and it does not seem to be losing its popular support among the population. Despite being a mono party system considered authoritarian by the West and which deprives its citizens of human rights, it still rules unconstrained. The Chinese people seem to be satisfied with their own form of government and disregard democracy, considering it a place where continuous struggle to reach the power slows the possibility of growth. The Asian barometer Survey of 2008 has demonstrated that to the question: “my government would respond to people’s need?” the positive answers of the Chinese citizens has been for the 78% positive. One of the highest results among all the Asian countries. This is possible thanks to the strong links that are present between the CCP and its middle class, especially the private entrepreneurs and thanks to the various policies to help the less developed sector of its country.



Source: Asian Barometer Survey II, 2008.

According to Jie Chen and Bruce J. Dickson, “support for the current regime represents citizens’ value conviction that the existence and functioning of the regime conform to their moral or ethical principles about what is right in the political sphere” (Jie Chen, 2010, p. 785). The two scholars made a survey to the private entrepreneurs of China in which they asked to rank from 1 to 5 different statements so that they could have understood how legitimate the Communist Party is among its most capitalist class. The overall results demonstrated that a clear majority of the respondents supported

the current political system. One of the main explanation for this incredible legitimacy towards the Communist Party is that “the CCP has promoted the development of the private sector in China in the reform era and then gradually incorporated private entrepreneurs into the CCP-controlled political system as an essential part of its strategy for regime survival” (Kevin G. Cai, 2010, p. 464). In fact, this is possible because the policies undertaken by the Chinese officials were aimed not only at making the private sector contribute to the economic growth of the country and to increase its legitimacy among the population. The behavior taken by the central government was also aimed at avoiding the creation of a political opposition inside its territory. These measures seem to have worked well with the private entrepreneurs since “China's capitalists, rather than organize themselves into an opposition group as a new center of power to promote a democratic system in China, are the beneficiaries of the CCP initiated economic reforms and have a high stake in preserving the existing political system that allowed them to prosper” (Kevin G. Cai, 2010, p. 464). This is the reason for which this sector of the Chinese population might gain more by supporting the status quo instead of pushing for the implementation of democracy. In fact, overall satisfaction does not permit only to a democratic party in a democratic system to win the next elections, but it can have undoubtedly effects in an authoritarian country like China in preserving its power as well. As explained by Jie Chen and Bruce Dickson, life satisfaction achieved by the population leads undoubtedly to the creation of support to the status quo regardless the form of the political regime, whoever is enhancing its life's quality will have a stronger support for the current political framework and unwilling to advocate for a drastic change (Jie Chen, 2010, p. 790). In fact, what China has been doing since the first economic reforms of 1978 is increasing living standards and improve governance, this undoubtedly has enhanced the popular support and in consequence repressed any aspiration of a different political system. While in its Asian counterparts South Korea and Taiwan the implementation of liberalizing policies has increased the benefits of the private entrepreneurs and, in consequence, increased their bargaining strength in respect to the state. The special characteristic of China's capitalist class is the approval towards the current system. Rather than being a threat to the Communist Party, they are an fundamental source of support for the persistence of the authoritarian system. (Jie Chen, 2010, p. 802).

Nevertheless, the private entrepreneurs' sector is not the only component of Chinese society. In fact, after decades of industrialization and urbanization, China still has about 560 million rural residents and the CCP needs their support too in order to maintain the control over the population. Those areas, despite the economic growth of the country, still lag incredibly behind cities in terms of income level, living environment and public services. For this reason, China is not leaving that sector alone, instead, it is trying to improve the situation by providing immense quantities of money. In February, the

minister of agriculture allocated a 7 trillion yuan of investments (Yu Xinrong, 2019). The professor of Renmin University Kong Xiangzhi has commented it saying that “by prioritizing agricultural and rural development, the government will tilt towards the sector in financial input, industrial layout, employment, infrastructure and public services, and gradually solve the urban-rural imbalance” (Xinhua, 2019). These funds provided to the rural areas of China demonstrate the big concern that the CCP has in trying to make progresses in the fight against poverty. Due to the increased inequalities, the government cannot rely just on the consensus of the private sector in the most developed zones but has also to accomplish the willingness of the less developed part of the population if it wants to maintain a stable control over the whole territory. The rationale works in the same way both with the private entrepreneurs and with the rural areas. Improving the situation and thus maintaining stability so that there will be no opposition front that may threaten the disruption of the CCP.

The Chinese Communist Party still has a strong grip over the society. With the private entrepreneurs’ sector, it has been liberalizing and providing them with a favorable environment to increase their wealth. The various economic liberalizations have, in fact, brought the largest amount of richness in the hands of the sector composed by private industrialists. These, step by step, have been incorporated inside the Chinese bureaucracy so that they would have not risked threatening the stability of the government (one third of the private entrepreneurs of China are members of the party). A famous example is the case of the creator of Alibaba, Jack Ma, the first Chinese entrepreneur to appear on the journal Forbes and the richest man of China who has been declared to be a member of the CCP (Yuan, 2018). Apart from the entrepreneurial sector, the Chinese government, in order to maintain political stability and avoid a regime shift, has protected not only the coastal riches but has implemented policies with the aim of helping also the poorest rural areas of Mainland China. Hundreds of billions in fact, are spent every year to increase the socio-economic situation of the inland, the less developed part of China. The aim of the leaders is to reduce the immense inequalities that have surged since the period of liberalizations. Wage differentials are present in all the countries, but China now ranks in the top positions in terms of inequalities due to its fast development which has not been evenly spread. However, the Chinese Communist Party is trying to fix this problem to preserve stability inside its borders. Up to now, this seems to have worked, and various surveys seem to confirm the legitimacy of the state. Nevertheless, the international pressures coming from globalization combined with the increased openness of China may destabilize the country. In fact, since China has integrated into the world, many Chinese students are going abroad and learning about democratic systems around the world. If the CCP wants to maintain its grip over the population it will have to face the difficult task of providing continuous benefits to its population. This, however, will not be possible if the country stops growing in economic terms, and the trade war just begun with

the United States is not helping the Chinese officials in this regard. Thus, the next few years will be crucial for the life of authoritarianism in China. If growth will stop, internal pushes for democratization will start to spread all over China, and nowadays, another “incident” like that of Tiananmen in 1989 would be unacceptable for the international community.

CONCLUSION

The developmental path of the People's Republic of China is the demonstration that there is no absolute truth to be respected to achieve economic growth. Since the beginning of the Second Globalization in the 1970s, the general consensus was that development is possible only through the acceptance of Neoliberalism. This school of thought advocates for the removal of the state from the society, since according to it, human prosperity is obtainable by freeing the individual entrepreneurial freedoms and skills in an environment which guarantees private property, free markets, and free trade. State intervention in consequence must be limited or even removed from the Neoliberal state. The United States and the United Kingdom have been the two countries which have most promoted this view and have been able to transfer these principles in the international institutions of Bretton Woods (World Bank, IMF, WTO). These, in consequence, have imposed on the developing world the principles of market fundamentalism through what is known as Washington Consensus. The result of the implementation of this doctrine has been, on one hand, the entrance in the global economy of almost all the countries of the world; on the other hand, due to the weakened state apparatus, the proliferation of numerous crisis in the developing countries deriving from the incapability of managing capital flows, privatization and a free trade regime. A situation which evidenced the transfer of power from the public to the private.

However, one country in Asia, achieved an impressive development without relying on the advices of the West. China, which was characterized by a Communist regime until 1978, had been basing its policies, up to that year, on its profound commitment to the socialist principles (state ownership of industries, protection of workers, and redistribution of wealth). The death of Mao, the first president of the People's Republic, was the symbol of the separation between the Chinese model of governance and ideology. In fact, from that moment on, at the base of each measure implemented by the government was pragmatism. It did not matter if the nature of the policies was capitalist or socialist, the important was that those measures increased wealth inside the country. This has proofed to be an intelligent move since the growth in terms of GDP has been the fastest in modern history. China has never relied on any conditionality of the international institutions of Washington, but rather it has always seen with suspicion the foreign countries, also due to its history characterized by the numerous invasions and impositions of Western colonizers. The former communist country decided to not accept neither Communism neither Neoliberalism, but instead it used the combination of both to arrive at economic growth. Differently from the majority of the developing world, it entered in the

global economy without implementing any shock therapy and more importantly, it became one of the countries benefiting most from the globalization process.

China's gradual liberalization has shown to the whole world that the rapid introduction of market fundamentalism, advocated by the neoliberal experts, was not the best solution. Moreover, the PRC has become an example to be emulated by the countries which want to become winners of the globalization. The notion of Beijing Consensus was created, opposed to the American Washington Consensus, and it is being looked with interest by the numerous developing countries nowadays. In addition, another striking characteristic of the Communist regime is the fact that, despite becoming a world superpower, the Chinese state apparatus has been able to maintain a strong presence in the society and moreover, a stable regime and the preservation of power and legitimacy. Despite the rejection of the socialist principles protecting its population, the Communist Party did not lose the confidence of its citizens, this was possible by bringing growing prosperity to both the now powerful middle class and the much poorer rural one. The Chinese population is in fact supporting the Communist Party and is willing to preserve the status quo rather than bring democratization.

In conclusion, China's path has been, since 1978, a continuous increase in prosperity inside its borders, a continuous increase in importance in the international system and lastly, a continuous increase in legitimacy over its population. All of these achievements were obtained without relying in the principles of market fundamentalism pushed by the West but instead, these unbelievable records have convinced important advocates of Neoliberalism like Francis Fukuyama to rethink about what they were considering as the End of History.

A country which started from nothing in 1978 and which was starving its population, has been able, by following its own peculiar path, to challenge the absolute truth of the hegemon country United States, up to arrive at a direct confrontation against it to become the new most powerful world superpower.

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SUMMARY

Nel corso della storia, due periodi di intensa globalizzazione hanno caratterizzato il sistema mondiale. Il primo, a partire dal 1850, fu spinto dall'allora egemone Regno Unito. Questo periodo fu caratterizzato da un rapido sviluppo tecnologico, la creazione di un sistema di libero mercato, la presenza del "Gold Standard" e la possibilità per le persone di muoversi da un paese a l'atro senza restrizioni. Queste caratteristiche resero possibile l'integrazione dei governi, società e persone di tutto il mondo. Nel 1913, tutto si interruppe a causa dello scoppio della Prima Guerra Mondiale, di conseguenza, tutti i paesi ritornarono a misure protezionistiche per quanto riguarda l'economia e forti pensieri di nazionalismo si sparsero dall'Europa fino in Asia. La fine della guerra nel 1919 non portò un miglioramento alla situazione, anzi, il nuovo egemone, gli Stati Uniti d'America, invece di promuovere un regimo basato sul libero mercato, cominciò a implementare leggi protezionistiche come lo "Smooth-Hawley Tariff Act" nel 1930. Ciò portò ad una rappresaglia da parte degli altri paesi commercianti con gli Stati Uniti causando così un immenso calo di scambi commerciali in tutto il mondo. Nonostante ciò, gli Stati Uniti provarono a ritornare nei loro passi con l'implementazione del "Reciprocal Trade Agreement Act" nel 1934, ma la situazione ormai era sfuggita di mano, e i venti della Seconda Guerra Mondiali erano ormai già presenti in Europa. Lo scoppio della Guerra nel 1939 portò ancora una volta l'economia mondiale al collasso tanto che nel 1942, i tre maggiori blocchi: l'Europa Nazista, l'Asia Nipponica e il resto del mondo avevano già smesso di commerciare tra di loro. Tuttavia, dopo 5 anni di conflitto, la fazione vincente degli Alleati decise di incontrarsi nel Mount Washington Hotel a Bretton Woods per decidere il futuro dell'economia mondiali. Tra i più importanti esponenti di questo meeting vi erano Harry Dexter White e John Maynard Keynes. Furono stabilite 2 priorità: la realizzazione della crescita economica e della piena occupazione, con l'intervento dello stato nell'economia e la configurazione di un sistema di welfare state; in secondo luogo, la creazione di un ordine economico mondiale stabile che eviterebbe il ritorno al protezionismo economico. Inoltre, un nuovo Gold Standard basato sul dollaro fu stabilito, una situazione che rappresentava l'effettiva egemonia degli Stati Uniti. Questo sistema monetario internazionale fece in modo che in paesi non potessero svalutare le proprie monete per avere un vantaggio competitivo. Un'altra importante innovazione di Bretton Woods fu la creazione di numerose istituzioni internazionali con il compito di mantenere una stabilità economica in modo da non ricadere nuovamente in un conflitto mondiale. Queste sono: il Fondo Monetario Internazionale, il quale doveva offrire prestiti a medio termine a paesi che incontravano difficoltà temporanee nella bilancia dei pagamenti; la Banca Mondiale progettato per fornire e incoraggiare prestiti a lungo termine per

la ricostruzione e lo sviluppo; e il GATT, successivamente trasformato in Organizzazione Mondiale del Commercio, istituito per promuovere la crescita economica e la prosperità attraverso l'espansione del commercio internazionale. Per di più, furono introdotti controlli sui capitali per evitare comportamenti speculativi che causarono la crisi finanziaria del 1929 e quindi parzialmente responsabili della Grande Depressione. L'imposizione di queste restrizioni è stata fatta con l'intento di preservare l'autonomia finanziaria del nuovo welfare state dai movimenti finanziari internazionali, e anche di mantenere il sistema di cambio fisso di nuova costituzione.

Questa situazione fu capace di portare un incremento all'economia mondiale costante per una quindicina di anni. Negli anni 70' però, un periodo di stagflazione, mancata crescita dell'economia e costante inflazione, colpì il sistema mondiale. Le ricette Keynesiane che fino ad allora avevano aiutato i vari governi a prosperare non erano più funzionanti. Inoltre, le immense spese effettuate dal governo americano cominciarono a suscitare sospetto negli stati sotto la sua egemonia. Questo sospetto si concretizzò quando la Francia di de Gaulle cominciò a chiedere i pagamenti degli Stati Uniti in oro invece che in dollari. Ciò causò, nel 1971, l'annuncio di Richard Nixon dove riferiva lo stop della convertibilità del dollaro con appunto l'oro. Questa fu la prima causa che portò alla globalizzazione dal momento che fece strada alla liberalizzazione dei mercati finanziari. In aggiunta, negli stessi anni, una nuova idea stava proliferando tra i vari esperti di economia, il Neoliberismo. Questa scuola di pensiero è prima di tutto una teoria economica in base alla quale la prosperità umana può essere ottenuta liberando le singole libertà imprenditoriali e le competenze in un ambiente che garantisce la proprietà privata, i mercati liberi e il libero scambio. L'intervento statale nei mercati dovrebbe essere limitato o addirittura rimosso, dal momento che esso non possiede le giuste informazioni di mercato e dal momento che vari gruppi di interesse possono distorcere gli interventi al fine di aumentare la loro ricchezza. Tale scuola di pensiero cominciò ad essere guardata con interesse dai vari paesi, considerandola come una possibile soluzione per ravvivare la ormai deteriorante situazione economica.

Questa dottrina venne prima implementata in Cile, grazie ad Augusto Pinochet e i suoi Chicago Boys, i quali, dopo aver assistito a numerose lezioni dell'esperto neoliberista Milton Friedman presso l'università di Chicago, implementarono gli insegnamenti nel loro paese d'origine. La così chiamata "Shock Therapy", ossia la rivoluzione economica del paese basata su privatizzazioni a catena, liberalizzazione del mercato finanziario, rimozione del welfare state, deregolamentazione nel lavoro e l'istituzione di un libero mercato, fu implementata nel territorio. Ciò portò a un arricchimento in generale del paese, specialmente della classe capitalista, mentre a pagare il costo di questa rivoluzione furono i componenti delle fasce più basse, in termini di ricchezza, della popolazione. Nonostante ciò, gli Stati Uniti e il Regno Unito furono attratti da queste idee neoliberiste e grazie alla presenza al

governo di Ronald Reagan e Margaret Thatcher furono capaci di implementarle anche nel loro territorio. Ciò portò ad un periodo dove gli stati più influenti del mondo videro il loro apparato statale in continua diminuzione, dando il via ciò che Susan Strange chiama “la dittatura dei mercati finanziari”. Inoltre, date le continue agevolazioni fornite alle varie aziende multinazionali e non, il potere cominciò a spostarsi dal settore pubblico al settore privato.

I due paesi anglofoni non si fermarono qui. Grazie alla potente influenza di cui godevano, specialmente gli Stati Uniti, furono capaci di trasmettere gli ideali neoliberalisti alle istituzioni internazionali formatesi con Bretton Woods. Queste, di conseguenza, cambiarono totalmente il loro comportamento e cominciarono ad avviare una serie di aggiustamenti strutturali nei vari paesi di sviluppo colpiti da una crisi di debito. Furono capaci di ciò grazie all'imposizione della condizionalità, ovvero, nel corso della negoziazione del prestito da fornire a tali paesi, venivano imposte delle riforme da implementare nell'economia del paese, queste erano indubbiamente di natura neoliberalista, ciò che è conosciuto come il “Washington Consensus”. Grazie a queste riforme, un gran numero di paesi isolati dall'economia mondiale fu capace di entrarvi, dando quindi il via a ciò che noi conosciamo come globalizzazione. I costi però, furono molti e sparsi. La maggior parte dei paesi in fase di sviluppo che hanno accettato il Washington Consensus nel proprio paese hanno visto il loro apparato statale lentamente scomparire, dal momento che le varie liberalizzazioni hanno portato a una crescita spropositata dei flussi di capitale internazionale, un aumento delle privatizzazioni, la rimozione di tutte le barriere al commercio utili per proteggere le aziende locali. Ciò ha trasferito il potere dalle istituzioni pubbliche alle aziende private, dando così grande importanza al singolo individuo, come promosso dalla scuola di pensiero neoliberalista.

Negli stessi anni, a partire dal 1978, un paese in Asia cominciava ad affacciarsi al sistema economico internazionale, un paese che fino ad allora era rimasto isolato e chiuso nella sua ideologia comunista. La Repubblica Popolare Cinese dal 1949, fino al 1978 fu governata da Mao seguendo unicamente l'ideologia creata da Karl Marx e già presente nell'allora Unione Sovietica. Dopo la sua morte però, e grazie alla presa di potere di Deng Xiaoping, la situazione cambiò completamente. La morte dello storico leader cinese segnò la separazione del paese Asiatico dall'ideologia. Ciò che il nuovo presidente voleva era semplicemente l'arricchimento della Cina. Pertanto, si distaccò da ogni dottrina, e grazie al pragmatismo fu capace di generare una crescita mai vista nella storia. Il governo cinese si rivelò ingegnoso nel combinare il socialismo e il capitalismo in modo da diventare il secondo paese in termini di Prodotto Interno Lordo.

Due periodi hanno caratterizzato le riforme cinesi. Il primo dal 1978 fino a metà degli anni 90' vide l'inserimento della competizione del sistema socialista cinese. Ciò fu fatto in modo graduale, evitando le privatizzazioni a catena e mantenendo sempre un controllo generale dell'economia da parte dello

stato. Durante questo periodo il sistema socialista e quello capitalista convivevano nello stesso territorio. Si vennero a creare le così chiamate “Townships and Villages Enterprises”, centro di imprenditorialità dove venivano offerti i servizi che lo stato non riusciva a provvedere. Fu abolito il sistema comunale dell’agricoltura, dando la possibilità ai vari contadini di generare un surplus e di venderlo al prezzo del mercato invece che quello stabilito dal governo. Ciò cominciò a generare un accumulo di ricchezza nelle tasche dei contadini i quali, di conseguenza, spendevano i soldi appena guadagnati nelle TVEs appena createsi, iniziando così una economia parallela a quella gestita dallo stato. In aggiunta, per quanto riguarda i rapporti della Cina con i paesi esteri, numerose Special Economic Zones furono introdotte nelle coste della regione Guangdong. Queste erano zone “Neoliberiste” distaccate dalla gestione del governo dove erano presenti leggi agevolanti le Multinazionali estere che volevano investire in Cina. Questa particolare struttura ha fatto sì che il paese asiatico cominciò a ricevere incommensurabili quantità di Foreign Direct Investments, tanto che in pochi anni il governo decise di basare l’economia del paese sulle esportazioni. La Cina si trasformò da un paese comunista e isolato a un paese basato sul commercio grazie alle sue graduali liberalizzazioni.

Il secondo periodo di liberalizzazione che va dalla metà degli anni 90’ fino ai giorni d’oggi ha visto il cambio del sistema cinese da una struttura singola e particolare a una più comune e orientata al mercato. Nel corso di questo periodo sono state implementate delle misure considerabili neoliberiste. La Cina rimane comunque un paese unico per quanto riguarda la sua economia e il rapporto tra stato e società, nonostante ciò, il secondo periodo vide diminuire passo per passo la presenza dello stato nell’economia cinese dando spazio all’intraprendenza dei cittadini. Ciò avvenne ad esempio con la privatizzazione di numerose industrie statali in tutta la Cina, comprese quelle situate in città strategiche come Pechino e Shanghai. Fu introdotta l’austerità economica inoltre da parte delle banche cinesi in modo da rendere più difficile alle varie aziende nazionali e non richiedere il credito. In aggiunta, una parità di condizioni fu introdotta per le varie aziende agenti nel mercato cinese, eliminando così le differenze nelle regolamentazioni tra imprese locali ed estere. Le Special Economic Zones furono sparse in tutto il territorio cinese dando il via a un periodo di deregolamentazioni da parte dei vari ufficiali del partito comunista che avevano in gestione le città. Queste furono implementate per favorire l’ingresso di aziende che avrebbero di conseguenza aumentato la ricchezza della città. In fine, nel 2001 la Cina entrò a far parte dell’OMC avendo così la possibilità di aumentare in modo spropositato i rapporti commerciali con i vari paesi di tutto il mondo.

Questo rapido sviluppo del paese ha portato molti altri stati in fase di sviluppo a guardare con interesse il colosso asiatico. Joshua Cooper Ramo ha creato il termine Beijing Consensus, in contrapposizione

al Washington Consensus di Williamson. Questo è basato su tre principi particolari: il primo si basa sulla continua ricerca dell'innovazione, il secondo è la creazione di un ambiente stabile per la crescita economica del paese che non lasci indietro parte della popolazione, il terzo è basato sulla difesa della sovranità nazionale dei vari paesi, indipendentemente dalla loro grandezza. A differenza della sua controparte americana, il Beijing Consensus, non si basa su delle particolari misure da apportate per accrescere l'economia nazionale. Il consiglio che lo sviluppo cinese può dare ai paesi di sviluppo è semplicemente quello di basarsi unicamente sulle loro peculiari caratteristiche e di usare queste per raggiungere lo sviluppo. Non c'è una particolare ideologia o politica da seguire come la "shock therapy", nulla è giusto e nulla è sbagliato. Ciò che funziona per il tuo stato, sia essa una politica socialista o capitalista, se porta alla crescita economica ed all'accrescimento del benessere della popolazione, allora può essere considerata una politica giusta. Non c'è nessuna verità assoluta come quella del "market fundamentalism" promossa dal neoliberismo.

Una particolarità della Repubblica Popolare Cinese è il suo regime autoritario. Il paese è riuscito a diventare la seconda superpotenza mondiale senza affrontare un processo di democratizzazione, nonostante le immense spinte che arrivano dalla globalizzazione. Ciò è stato possibile grazie alla capacità del partito comunista di, uno, effettuare una graduale liberalizzazione che non ha portato ad una rivoluzione anche dal punto di vista politico come successo in Russia e nei paesi del blocco sovietico; due, il crescente miglioramento della qualità della vita di tutte le classi della popolazione. Per quanto riguarda il primo punto, la Cina è stata abile nell'implementare le riforme capitaliste prima nelle zone speciali della costa, usandole come un laboratorio per il cambiamento. Dopo aver visto l'immensa crescita di tali zone, ha implementato le varie liberalizzazioni anche all'interno del paese. Facendo così ha dovuto rinunciare ai vari principi socialisti come la difesa del lavoratore, la possessione di aziende da parte dello stato, e la redistribuzione. Tuttavia, riformulando il discorso alla popolazione, dichiarando necessarie queste rivoluzioni per aumentare il prestigio delle aziende Cinesi vis-a-vis i suoi competitori internazionali, quindi mettendola nel punto di vista nazionalista, il governo cinese fu capace a far accettare questi cambiamenti radicali al popolo senza che questo si ribellasse.

In aggiunta, questi vari cambiamenti, bensì hanno rimosso molte agevolazioni ai singoli lavoratori, hanno continuamente aumentato il benessere della società cinese. Nonostante la creazione di una forte classe media che, in molti casi in paesi come Taiwan e Sud Korea, ha portato alla democratizzazione, in Cina ciò non è accaduto. La classe media è il settore della popolazione che beneficia di più dalla presenza del partito comunista. Inoltre, molti dei più grandi imprenditori Cinesi vengono costantemente incorporati nel partito, rendendo così quasi impossibile un fronte per l'opposizione. Per quanto riguarda le zone rurali, la Cina sta continuamente spendendo innumerevoli miliardi di

dollari per ridurre il gap che il sistema capitalista ha generato. Aumentando il benessere di tutti i settori della popolazione, il regime comunista rende riluttante, agli occhi dei cittadini, il bisogno di cambiare lo status quo.

Questo particolare sviluppo della Repubblica Popolare Cinese va in totale contrasto con la verità assoluta stabilita dai paesi dell'occidente, ossia il Neoliberismo. Il partito comunista seguendo il suo peculiare percorso si è distaccato da ogni forma di ideologia, sia essa comunismo o capitalismo, ed è stato capace di portare uno sviluppo economico nel paese mai visto in precedenza. Usando come unica base il pragmatismo, i leader cinesi hanno implementato una serie di riforme di mercato che, se funzionanti venivano espanse in tutto il paese, se non, venivano semplicemente rimosse. Ciò ha fatto in modo che il paese asiatico entrasse nel processo della globalizzazione, e di beneficiarne il più possibile, rendendo il partito al comando ancor più legittimato agli occhi dei propri cittadini.