

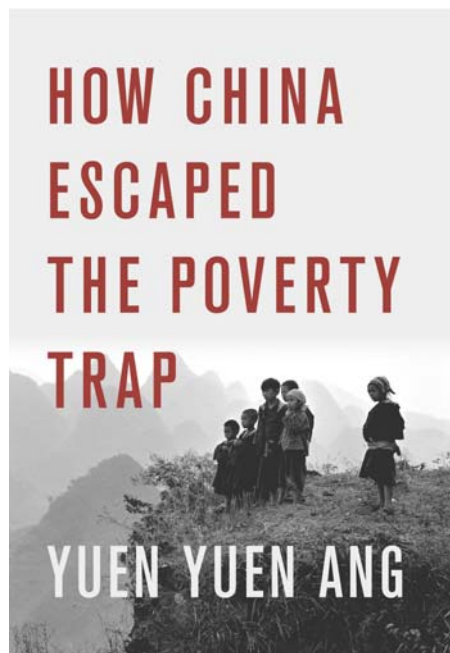
How China Escaped the Poverty Trap

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Book Summary



How China Escaped the Poverty Trap opens with a quote from Pablo Picasso.

Every act of creation is first an act of destruction.

This quote describes Schumpeter's vision of development exactly: In order to create new markets and institutions, existing ones must first be modified or dismantled.

To me, it also captures the essence of scholarship: In order to generate new—and more useful—ideas, methods, and paradigms, we must first question the assumptions that underlie our present ones and, if necessary, demolish them.

This book began as an effort to explain why China could succeed as a developmental (growth-promoting) state if it did not possess the Weberian (professional) bureaucracies that seem to be required for effective growth promotion. At the time, I thought this was a good question. Yet over time, my doubts grew.

Must developmental states have Weberian bureaucracies? If so, how did Weberian bureaucracies originate?

Moreover, is China always a developmental state and does it lack Weberian bureaucracies everywhere?

The more I studied, the more I realized that a large and fast-changing country like China can fit any description, depending on *where* and *when* one looks. Dividing China into regional “models” with fixed characteristics is not a satisfactory way to deal with its immense variation. The fact is, even within a single county, everything is in flux.

Having called into question the premises with which I began, I relaunched my investigation with a basic question: How did development *actually* happen?

The existing literature insists that it is either good institutions (such as private property rights and professional bureaucracies) that lead to growth or the other way around. My study, instead, begins with a simple observation: Development *is* a coevolutionary process, whereby states and markets interact and change together over time. But while it is easy to assert this observation, it is far from easy to systematically map out processes of coevolution.

Hence, the first task of my book is methodological. I lay out the steps for tracing sequences of mutual interaction between the economy and institutions. I also introduce a distinct strategy of fieldwork that records observations not only in the present but in earlier time periods as well. I apply this empirical strategy to trace China's development trajectory at national and sub-national levels through three contrasting local cases. In a comparative chapter, I extend this analysis to medieval Europe, antebellum America, and contemporary Nigeria.

Through this dynamic and painstaking exercise, I arrive at two core insights of how development actually happens.

First, my analysis reveals a reciprocal sequence of development, summed up in three steps.

Harness weak institutions to build
markets → emerging markets simulate
strong institutions → strong
institutions preserve markets

My book thus underscores the distinction between *building* and *preserving* markets. Conventional wisdom conflates the different stages and tasks of development into one category, thus mistaking institutions that support established markets to be the same institutions that spur the birth of markets.

I show that in China and elsewhere, development actually occurred by first harnessing weak institutions—that is, features that *defy* good governance—to build markets.

Examples of weak institutions featured in my book include non-Weberian bureaucracies (China), non-private property rights (medieval Europe), risky, corruption-prone methods of public financing (U.S.), and rampant piracy (Nigeria).

Second, I argue that the foundation of creative destruction lies in creating the right conditions for adaptation. Drawing on the ideas of complex adaptive systems (or complexity for short), I stress that adaptation, though essential for development, does not automatically occur, let alone work.

Many observers agree that China has displayed remarkable adaptability during the reform era, yet few have attempted to explain *why* it alone appears so adaptable. My book traces the sources of this adaptive capacity to the party-state's responses to three universal problems of adaptation: how to balance variety and uniformity (variation), how to clearly define and reward success (selection), and how to turn unequal endowments across members into a collective advantage (niche creation). These problems exist across countries and organizations; China is unique in its responses to them.

Highlights

To sum up, I highlight five innovations in *How China Escaped the Poverty Trap*.

1. Instead of thinking about development in linear terms, I introduce new methods of data collection and analysis to map out coevolutionary processes of development (Chapter 1, Appendix A)
2. Instead of dismissing the “backward” features of developing societies as mere obstacles to development, I show that such institutions can actually become solutions to problems of development (Chapter 1, 5 & 7).
3. Instead of trumpeting adaptation as a panacea for all problems, I identify the challenges involved in making adaptation work and thereby suggest the sources of adaptive capacity or its lack thereof (Chapter 2, 3, 4 & 6).
4. Instead of conceptualizing countries and locales as fixed points, I present each unit as a moving trajectory made up of multiple points that are connected over time (Chapter 5 & 6).
5. Instead of explaining only variation across cases by focusing on fixed attributes, I show that we can make sense of both variation and similarities across dynamically evolving cases by attending to their spillovers and interdependent ties (Chapter 6).

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Yuen Yuen Ang is Assistant Professor of Political Science at the University of Michigan. She is a winner of the 2014 GDN Next Horizons Essay Contest on "The Future of Development Assistance," sponsored by the Bill and Melinda Gates Foundation.