MEMO

To ZHAO Changwen

From Jorgen Randers

Date: April 6, 2018

OUR JOINT PAPER ON “HOW DID CHINA SUCCEED?”

Dear Changwen,

Here are some early thoughts on the book we agreed to write in the fall of 2018. It strikes me that it might be better to start with a short version – for example a 20 page paper which summarizes the content of the full book.

To this end I have drafted the following memo, and would like to hear your reactions – additions and corrections – when you may have the time.

TEXT BEGINS

China has managed to do something that no other nation has ever done, namely to increase the GDP per person 45-fold in 40 years (from 200 $/p-y in 1978 to 9.000 $/p-y in 2018).

How was this possible? What did the Chinese authorities do to generate such spectacular results?

Some scholars have raised the issue, many hypotheses exist, but as far as we know there is no generally agreed answer to the question “How did China succeed?”.

In this paper we first list a number of hypotheses (that we find sufficiently credible to be worth considering). Later we will try to identify the best explanation(s).

Possible reasons why China succeeded in increasing GDP per persons 45-folf in forty years (where a source of a hypothesis is known, we have added it in parenthesis):

1. By NOT following the advice from the World Bank, that is by NOT following the guidelines implicit in the Washington consensus (Joseph Stiglitz in EDF 2018)
2. By extending free education and free health care to all of its citizens (in other words, by systematically increasing the competence level of the population) also in the decades before 1978 (Mark Moody-Stuart in EDF, 2018)
3. By sticking to the decisions made by the CPC once they were made, and spending all effort on implementation instead of reopening the debate again and again (Indian consulting group 201x)
4. By aligning the interests of the CPC with the short term interests of the Chinese people – that is to become rich as fast as possible (following the dictum “Being rich is glorious” Deng 1978?; Randers in 2052-book)
5. By being governed by a professional elite which has as its agreed goal to improve the lives of every Chinese in the long run.
6. By making realistic and internally consistent 5-year plans (weakness: did this not lead to take-off in the 30 years before 1978).
7. By following the ideology of “socialism with Chinese characteristics” (but if so, what characteristics were the essential ones? Replacing centrally planned production (based on quotas) with marked based production (based on market prices)?)
8. By seeing the challenge as a technical challenge: finding practical solutions to the problems in a prioritized sequence (e.g. postpone the attack on pollution until most poverty had been removed – but still doing it a lower GDP per person than in the Western democracies when they started their war on pollution)
9. By always implementing in small scale first, observe the practical effect, draw lessons before implementing large scale (following the dictum of to Learn from practice (Deng 1978?)
10. By introducing the one-child policy (Deng, 1982?), thereby lowering the total needs and total footprint of the Chinese population – making it possible to shift investment spending from children to infrastructure.
11. By sticking to the principle of self-reliance in the early stages of China’s economic development, and then reform and opening up in a gradual manner (Deng, 1978) – giving the inhabitants of the special zones the opportunity to experience competition, and the rest of the country the opportunity to learn.
12. By providing a basic safety net (the possibility of a job, and rudimentary health and pension
13. By maintaining the hou-kou system (which meant that all Chinese had a safety net, albeit only in their home village)