Introduction

China’s economic transformation from an agrarian, undeveloped country to an advanced, industrialized nation under an authoritarian political system has challenged some of the core tenets espoused by new institutional economics, specifically raising questions about the necessity of certain institutional conditions for economic development. Economist Dani Rodrik has challenged the idea that there are definitive institutional prerequisites and universal best practices for economic growth, arguing instead that successful institutional arrangements and effective economic policies are country-specific and depend on translating local experience into national policy making. Rodrik’s insight can serve as an important starting point in understanding China’s rise to dominance in the global economic arena given that this process occurred under unorthodox institutional arrangements. Nonetheless, it remains difficult to understand how a state with a rigid bureaucracy was able to undergo such a striking economic transformation. This feat is especially surprising considering that the Chinese politicians who propelled the reform effort faced forceful political opposition throughout the entirety of the reform process, first attacked by ideologues who resisted change altogether and later by more conservative politicians who recognized the need for reform but sought to limit its scope.

In this paper, I seek to demonstrate that this ideological controversy not only played a key role in China’s economic development but also served as a constructive force throughout
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the process of reform. Specifically, I argue that ideological opposition to economic reform, instead of functioning as an obstacle to China’s economic growth, contributed to its success by forcing Chinese reformers to adopt an effective experimental and incremental approach to transforming the economy that was in part facilitated by the authoritarian environment. Although the opposition to reform was not limited to the realm of the Communist Party of China (CPC), I mostly focus on this dynamic within the CPC because reform programs were initiated and regulated by Party members. In the first section, I outline the role of ideology in the reform process. In the second section, I explain how ideological opposition to reform contributed to the experimental and gradual nature of reform and use the policy of Special Economic Zones (SEZs) as a case study, illustrating how ideological constraints played a key role in the ultimate success of this innovative initiative. In the final section, I discuss how the presence of special institutional prerequisites in China was conducive to the efficacy of the experimental approach to reform.

Ideology in China’s Economic Transformation

Before engaging in an analysis of the role ideology played in China’s economic transformation, the concept of ideology must be defined. Wei-wei Zhang, a Chinese historian, defines ideology as “a set of ideas with a discursive framework which guides and/or justifies policies and actions, derived from certain values and doctrinal assumptions about the nature and dynamics of history.” In line with this definition, ideology can essentially be understood as referring to the values and ideas that constitute theoretical justifications for policy. Ideology is important for understanding the reforms that underlay China’s economic growth because China’s political system is by nature ideological; all policy ideas require an ideological
justification. Chinese bureaucrats generally view ideology not only as a personal commitment but also as a statement of what they envision to be the correct course of action for China. As such, the convention in the CPC offers an opportunity for leaders to situate their ideas in a viable theoretical framework in order to achieve a consensus for a given policy agenda.²

Given the ideology-oriented nature of Chinese politics, it is unsurprising that the beginning of the reform process was characterized by an ideological debate between post-Mao reformers, who sought to shift the focus of Chinese politics away from class struggle and towards economic development, and the Cultural Revolution Left, who remained loyal to the core tenets of Mao’s communist doctrine, a variant of Marxism-Leninism that focused on the peasantry as the main revolutionary force.³ Many Party members aligned themselves with Maoism despite the fact that some of Mao’s programs had resulted in disastrous economic consequences, specifically during the Great Leap Forward and the Cultural Revolution. Hua Guofeng, Mao’s successor, deliberately prioritized elements in Maoism that would permit economic development and contact with other countries but fundamentally remained within the framework of Mao’s model for China. He emphasized continuity over change and advocated for the modernization of China without altering its existing economic structure.⁴

In contrast, Deng Xiaoping, the Chinese politician who would spearhead China’s economic reforms and served as the paramount political leader of China from 1978-1992, believed that the economic stagnation during the years of the Cultural Revolution (1966-1976) had demonstrated that change was necessary. In Deng’s view, although this crisis had diminished Mao’s doctrine and the legitimacy of the CPC in the realm of public opinion, it also harbored the potential to serve as a positive catalyst for some much-needed change.⁵
Deng’s immediate obstacle was the pervasive influence of Maoism among Party members. He was tasked with breaking this “monolithic attitude” by encouraging CPC members to reevaluate their understanding of Mao’s policies and China’s economic past. Deng criticized Hua for “upholding whatever policy decisions Chairman Mao instructed” and argued for introducing an element of critical thinking into policymaking. According to Deng, in order to regain the trust of the people, the Party needed to move away from Mao’s radical ideology, shift the emphasis from politics and revolution to the economy and modernization, and initiate successful market reforms that would provide the general population with discernible benefits. However, before initiating a reform program, Deng needed to devise and present a comprehensive ideological justification for this course of action. Only with ideological backing could he win the leadership struggle against Hua and galvanize support from the Party members, many of whom still believed in Mao’s core tenets.

Deng introduced several aspects of his ideology at the Third Plenum, a pivotal meeting of the Central Committee of the CPC that took place in 1978, two years after Mao’s death. Although he adroitly avoided blaming Mao directly, Deng criticized the rigid thinking of the members of the CPC during Mao’s leadership. He encouraged Party members to “dare to think, explore new ways and generate new ideas” going forward, arguing that “otherwise, we won’t be able to rid our country of poverty and backwardness.” He established a reform-oriented policy agenda that prioritized modernization and emphasized decentralization, insisting that reforming the central planning system held the potential to increase productivity. Deng stressed economic development as the primary goal of the Party; this prioritization of the economy would become a defining characteristic of his leadership. A few years later, in a talk with Prime Minister Margaret Thatcher of the United Kingdom in
1984, Deng argued that the merit of an ideology and policy should be judged only by one criterion; namely, whether they promote economic development.\textsuperscript{11} This statement points to a fundamental difference between Mao’s and Deng’s approaches to advancing China’s economy; while Mao prioritized political and social ideology, Deng prioritized economic performance. \textsuperscript{12}

Another defining feature of Deng’s ideology was his determination for China to chart its own path of economic growth rather than importing policy recipes from abroad. Deng expressed this idea in 1982 at the Twelfth National Congress of the CPC, stating that: \textsuperscript{13}

In carrying out our modernization program we must proceed from Chinese realities... mechanical application of foreign experience and copying of foreign models will get us nowhere... We must integrate the universal truth of Marxism with the concrete realities of China, blaze a path of our own and build a socialism with Chinese characteristics.

Deng famously characterized his strategy of economic modernization as “crossing the river by feeling the stones,”\textsuperscript{14} which encapsulates his belief in an experimental, gradual, and pragmatic approach to reform.\textsuperscript{15} Deng’s developmental theme of “socialism with Chinese characteristics” provided a flexible framework for him to initiate and justify economic experiments that would allow him to realize his goal of exploring a unique path of reform and modernization. This concept reflected his commitment to modernizing China without Westernizing it, a position which was partly informed by his experience with the West. Deng viewed power dynamics with the Western world as unfavorable to less developed countries like China and approached engagement with the West with tremendous skepticism. In 1982, during the early period of the reform process, he remarked that “there are still some people around who are wedded to the ideas of the old-line colonialists; they are reluctant to see the poor countries develop and attempt to throttle them.”\textsuperscript{16} This theme was also derived in part from
Deng’s socialist critique of Western values. Although Deng in many ways sought to distance himself from Mao and his theories, he still situated his reforms in the context of a socialist discourse, believing in many of the core values of socialism. Deng’s commitment to embarking on a unique path of Chinese growth played a critical role in the success of the reform process. Although he encouraged gleaning insight from studying the experiences of foreign countries, he understood that China would have to walk its own, distinctive path to economic development and modernization.

Indeed, given the divergent pre-existing institutional arrangements in China and in the West, the policies that Western economists would have recommended for China based on Washington consensus initiatives would have been unlikely to stimulate economic growth. For example, conventional advice for a country working towards opening its economy includes reducing restrictions on imports, decreasing import tariffs, and enabling the conversion of the currency for trade transactions. However, had the Chinese leadership followed this standard list of recommendations, the removal of barriers to trade would have resulted in the closure of many state enterprises without encouraging new investments in industry, crippling employment and economic growth. Instead, Chinese politicians explored innovative solutions that did not exert excessive pressure on the existing industrial infrastructure. Thus, this determination to discover innovative economic solutions contributed to the ultimate success of the reform process.

Through his developmental theme of “socialism with Chinese characteristics,” Deng was able to galvanize enough support to get the first of his reform initiatives off the ground. These early reforms mainly consisted of rural reforms that aimed to decentralize certain features of the planning system and were largely modelled on the local initiatives in Sichuan in the 1970s, which laid the foundation for many future top-down
programs.\textsuperscript{19} The Sichuan reforms had been spearheaded by Zhao Ziyang, then the local Party secretary.\textsuperscript{20} However, Deng’s early success did not mark the end of the ideological struggle that confronted him and other reformers. As they continued to push for reform, a divide emerged between more conservative reformers—which ironically refers to those on the ultraleft, namely, those who adhered more closely to Maoist doctrine—and more radical reformers, who advocated for more rapid and extensive economic restructuring.\textsuperscript{21} Both camps fundamentally agreed about opening up China’s economy and changing some aspects of the central planning system, but disagreed about the nature, pace, and scope of the change.\textsuperscript{22} Reform initiatives were often attacked and sometimes tempered or blocked by the more conservative members of the CPC. Although this dynamic recurred throughout the reform process, I will focus on one example in order to illustrate the nature of this pattern.

In early 1983, following the success of rural reforms in improving productivity and increasing agricultural output, Deng and other reformers took steps to expand these reforms to urban areas. Specifically, in Chongqing, a city with a population in the low millions, reformers initiated changes with the goal of decentralizing certain aspects of the central planning system. Planning was allowed to be carried out under national as opposed to provincial control, individual sectors were expanded, housing was commercialized, and enterprises were granted more agency in decision-making.\textsuperscript{23} Similar changes were adopted in other large cities, such as Wuhan. However, these developments were met with ideological opposition from the conservative camp. The Chinese newspaper Jingji Ribao (Economic Daily) responded with an article entitled “It is Necessary to Adhere to the Planned Economy”, arguing that reform should adhere to socialist values and not “weaken the planned economy.”\textsuperscript{24} Although this opposition failed to impact reforms on the grassroots
level, it prevented Deng from gaining a leadership consensus that would have allowed him to institute more radical forms.\textsuperscript{25}

This pattern of reform followed by ideological attack that served to restrain the implementation of further changes recurred throughout the years of Deng’s leadership. Because of this, Wei-Wei Zhang argues that the course of political and ideological change from 1978-1993 should be divided into four main periods that can be classified as cycles because each stage was marked by a period of advance, consisting of reformist values and initiatives, followed by one of retreat, involving ideological criticism of the reforms and consequent readjustment.\textsuperscript{26} This dynamic affected the nature of reform in two ways. Along with other factors, it forced many of the reforms to take the shape of small-scale pilot experiments from the outset because ideological constraints would have prevented the implementation of the reforms on a national scale, and it also served to temper the pace of reform once reforms were implemented, forcing the process to progress incrementally, gradually, and deliberately, often prompting the reevaluation and revision of reform programs.\textsuperscript{27} The trial-oriented and gradual nature of the reform process, as will be outlined in more detail, played a major role in the ultimate success of many of the reform initiatives and thereby in China’s overall economic rise.

\textbf{The Experimental and Incremental Nature of China’s Economic Reforms}

Before analyzing the experimental character of China’s economic reforms, it is important to note that ideological controversy was not the only factor that caused the process to operate in an experimental and incremental manner. Arguably, the primary challenge for the reformers was to figure out how to shift a system whose characteristics and mechanisms had become ingrained over a twenty-year period.\textsuperscript{28} They had to
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find innovative solutions to reshape market structures and open up China’s economy while working with the preexisting institutional and economic arrangements that were structured around the central planning system and virtual economic isolation from the rest of the world. Nonetheless, ideological opposition also served as an important restraining force on the process of reform, and without this factor, even given the institutional obstacles, the reform process likely would have occurred faster and on a larger scale. If the reformers had never struggled to gain consensus on their initiatives, the reform process would most likely not have been as experiment-based or as gradual. Thus, by limiting the scale and pace of reform, ideological controversy contributed to the experimental and incremental nature of these developments.

Although Deng and other reformers wanted to adopt many of their reforms on a larger scale, they were forced to initiate many of their projects via small-scale pilot experiments due to ideological constraints. Of course, many of the initiatives also took this form simply because the reformers did not know which policies would succeed, but again, these reforms likely would have been adopted on a larger scale without the ideological opposition of more conservative members of the Party. The ideological constraints on reform were a significant determinant of the experimental nature of these reforms, and the fact that these reforms were confined to small scale experiments was tremendously fortuitous; it prevented the reformers from adopting rash policies on the national level. Instead, the experimental initiatives functioned to allow the reformers to see which policies fostered favorable economic outcomes and which hampered growth under local conditions, ultimately allowing for the “selective integration of local experiences into national policymaking.”

For much of China’s economic transformation, experimental initiatives were the dominant mode of economic
reform. In the early to mid 1980s, approximately half of all the national regulations in China had explicitly experimental status. As Rodrik explains, “through experimentation, China’s policy makers sought to discover solutions that would overcome their constraints and be more suited to local conditions.” A significant part of the success of the experimental policies was that after each period of advance in the reform process, Party members had to evaluate and readjust certain elements of every program before surging ahead with new initiatives. Although in the short term this dynamic may appear to have restricted the pace of reform, and perhaps in individual cases, did indeed have this effect, this paradigm had a valuable impact on the long term process of economic growth. The pattern of advance, ideological attack, and consequent revision ensured that future reforms were thoroughly thought out and directly based on the outcomes of the experiments under local conditions.

The establishment of the Special Economic Zones (SEZs) illustrates this process of experimentation, ideological critique, and readjustment and is broadly representative of how this sequence manifested in many of China’s other reforms. As an experiment for opening up China’s economy to the outside world, certain regions within China were granted more flexible policies in foreign trade in order to attract foreign technology and investment. The approach of limiting the process of opening up to small-scale experimentation proved to be very effective. If reformers had jumped to open up larger areas faster by eliminating barriers to trade, this likely would have caused state owned enterprises to close without substantially stimulating new investments in industrial activities, increasing unemployment, and impeding economic growth. Deng was very attuned to the experimental nature of this initiative and the potential advantages of implementing this type of pilot policy. In the summer of 1985, Deng disclosed to a visiting Algerian delegation the following remarks regarding the
Shenzhen SEZ that had been established five years earlier:\footnote{37}

> The Shenzhen Special Economic Zone is an experiment. It will be some time before we know whether we are doing the right thing there. It is something new under socialism. We hope to make it a success, but if it fails, we can learn from the experience.

Unsurprisingly, the experiment of the SEZs was met with sharp ideological critique. The Chinese media invoked egalitarian values to criticize the increasing inequality of income between the SEZs, coastal areas, and poorer inner regions and pointed to the reemergence of exploitation in private enterprises. Advocates of central planning within the CPC argued that the special privileges conferred to foreign investors as a part of this policy constituted a concession to Western powers. In late 1985, students joined this crusade and protested in Beijing, specifically claiming that China’s open-door policy involved excessive concessions to Japan.\footnote{38} This mounting opposition to the SEZs escalated to the point that Party members, fearful of this rising trend and the threat it posed to their authority, decided to reevaluate this policy.

In the process of revisiting the SEZs, the reformers found that the performance of the SEZs was not as successful as expected up to this point. Increasing economic costs, the lack of high-tech industries, foreign exchange imbalances, and disproportionate infrastructure spending demonstrated that the SEZs had not achieved their original goals of attracting foreign technology and facilitating a successful export-oriented strategy.\footnote{39} Though due to these outcomes it is likely that reformers would have reevaluated the SEZ policies on their own volition, ideological attacks—specifically, widespread protest with underlying ideological justification—were the immediate impetus to this reconsideration. Because of the opposition to this policy, “reformers were under strong pressure to explore other policy alternatives for SEZ development that could produce fast and visible results.”\footnote{40}
The reformers realized that their original strategy for the SEZs was too ambitious and radical to succeed. By late 1985, they formulated a new and more realistic strategy based on the results of the experiment of the SEZs up to that point. They revised their targets to focus on pragmatic, short-term objectives rather than a vision of a distant endpoint. For example, they adopted the realistic goal of advancing small and medium enterprises that would promote better-quality manufacturing and light industry. They also implemented a “two way” strategy in which zones would use foreign investment and technology to develop an industrial capacity that would allow them to compete in the international export market. The domestic market would also be used to develop an export-oriented economy, and the home market would be selectively opened to zone-based foreign enterprises if they utilized advanced technology. As a result, the SEZs would function in a reciprocal manner, not only leading to China’s participation in the world market but also bringing world market forces into China.

By the middle of 1987, this revised strategy had yielded positive results. The SEZs had become export-oriented, and foreign investment had multiplied. In June, Deng declared the ultimate success of the SEZs and stated this explicitly in a talk with a member of the League of Communists of Yugoslavia:

The improvement of the SEZs as a result of this process highlights the critical role of ideological opposition in modulating reform. Ideological critique functioned as the immediate catalyst that propelled the reformers to refine and revise the less effective aspects of the SEZ strategy, ultimately leading to marked improvement in the outcomes of this policy. From the outset, ideological constraints proved helpful in
limiting the implementation of SEZs by restricting the scope of reform. By confining this experiment to a smaller scale, ideological controversy, among other factors, allowed this policy to be implemented and later revised without engendering the widespread economic setbacks that likely would have transpired had China opened up their economy on a national level. Although the example of the SEZ is perhaps particularly clear-cut in exhibiting this dynamic, this trend is evident in many of the other reforms that stimulated China’s economic growth.  

The Context of the Experimental Approach: China’s Institutions

The efficacy of the experimental approach to reform in China was likely in part due the presence of certain pre-existing institutional prerequisites. Specifically, the authoritarian political system dominated by the CPC involves certain features that are conducive to policy experimentation. The Party’s unitary organization and unified commitment to economic modernization, the lack of vulnerability of Party members to electoral cycles, and the fact that China’s economy was growing but relatively less advanced fostered an environment in which policymakers were willing to take some risks via experimental reforms. These conditions created a unique set of circumstances in which Party policymakers, secure in their own power, were willing to take political risks in launching experimental reforms with the hope of boosting China’s economy. This experimental and incremental approach to reform likely would not have been as successful in a more advanced political economy under more democratic conditions. Sebastian Heilman, a political scientist who specializes in China, explains that in an advanced political economy “most policymakers, administrators, interest groups and citizens… tend to view experimental policy departures as risky,
destabilizing, and threatening to their stakes in the status quo.”

Although the political system of an authoritarian government allows for policy experimentation, which may in turn stimulate economic growth, it is also important to recognize that experimentation within the context of a rigid bureaucratic government is limited in its capacity to provide people with social and public goods. Implementing policies that grant access to health care, protection of land tenure rights, and environmental protection involves imposing national policy priorities in response to societal advocacy that would oppose the short-term interests of most local elites. Thus, while China’s economic reforms were successful in invigorating the economy, they were accompanied by a host of social problems and needs, many of which were not alleviated until years later or not at all.

Similarly, although many theories point to economic growth as a precursor to political liberalization, democratization did not immediately follow China’s economic development, perhaps illustrated most poignantly by the Tiananmen Square Massacre in 1989. The lack of democracy is a fundamental part of this story, and in fact, this arrangement made the role of ideological opposition all the more critical. According to Zhang, ideological controversy takes on additional significance in “the absence of institutionalized democracy because it generates pressure on reformers to act with prudence for tangible results, and it guards against any simplistic approach to China’s complicated economic problems.” Not only did ideological critique contribute to the success of reforms by forcing them to be exploratory and gradual but it also served as a kind of quasi-democratic check on China’s authoritarian political system, functioning as a channel in which public demands wielded some degree of influence over the political considerations of Party members.
Conclusion

Ideological opposition played a central role in the process of reforming China’s economy, serving as a restraining force that shaped the experimental and gradual character of the reforms. By limiting new initiatives to small-scale pilot programs, this dynamic allowed Chinese policymakers to see what worked on the local level before they adopted policies on the national scale. Furthermore, ideological critique encouraged the reexamination and consequent improvement of reform programs, as exhibited by the example of the SEZs. The experimental approach to reform was in part enabled by China’s existing institutional arrangements, as the authoritarian political system contributed to Chinese leaders’ affinity for a trial-based strategy. The unconventional story of China’s economic rise thus supports the idea that a successful path to economic development depends on pre-existing institutional arrangements. A given institutional framework in one place may facilitate a certain approach to economic growth, and policy experimentation, in environments in which it is possible, bears the potential to demonstrate which programs yield positive outcomes under local conditions. China’s economic growth highlights the potential benefits of charting a unique path to growth instead of attempting to replicate the experiences of other countries, serving to underscore that there is no universal formula for economic development.
Notes

1 Zhang, Ideology and Economic Reform under Deng Xiaoping, 5.
2 Ibid, 2.
3 Ibid, 6.
5 Ibid.
7 Zhang, 20.
8 Ibid, 22.
9 Third Plenary Session of the 11th Central Committee of the Communist Party of China.
12 Zhang, 107.
14 Mōzhe shítou guòhé
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18 Zhōngguó tè sè shèhuìzhǔyì
19 Zhang, 22.
20 Ibid, 34-35.
22 Zhang, 19.
23 Ibid, 103-104.
25 Zhang, 95.
26 Ibid, 8.
30 Zhang, 95.
31 Heilmann, 23.
33 Ibid.
34 Zhang, 9.
38 Zhang, 140-141.
39 Ibid, 139.
40 Ibid, 142.
41 Ibid, 143.
42 Ibid.
43 Zhang, 143.
44 Deng Xiaoping, “We Shall Speed Up Reform” (June 12, 1987), The
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45 Zhang, 8.
46 Heilmann, 5.
48 Heilmann, 19.
51 Zhang, 222-223.