China’s Political Economy Under the Microscope

Red Swan: How Unorthodox Policy-Making Facilitated China’s Rise
By Sebastian Heilmann
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Reviewed by Tristan Kenderdine

THE “RED SWAN” that gives this book its title refers to China’s Communist Party-state policy-making process, and is a play on the “black swan” of the induction fallacy, popularized by the former Wall Street trader and finance professor Nassim Nicholas Taleb. Sebastian Heilmann’s policy-centric work is a blend of political economy and political science that takes China’s system of public administration seriously. Rather than the blind optimism of economic convergence theorists or the gradualists’ idea of transition to liberal democracy, Heilmann takes an earnest look at China’s policy-making processes as an institutional system that has delivered economic and political development. This analysis is meaningful and helps numerous research fields to better understand a tenacious political system.

Heilmann is a serious scholar on industrial policy analysis of the Chinese economy. This is an area of study often ideologically sidelined as being advocacy of industrial policy rather than evidence-based analysis of the realities of China’s political economy. Heilmann explores policy process, policy risk and regime legitimacy, and assesses these against the process of institutional change for communist states. He articulates well the institutional space between party, bureaucratic policy formation and legalism, and mostly explores an analysis of adaptive efficiency, political resilience, and the institutionalization of regime typologies.

Heilmann argues that many of the policy processes are adapted from Soviet institutions. For example, because China’s disparate and huge population cannot be effectively commanded by the center, there must be a certain amount of do-it-yourself underneath it all. He explores local policy experimentation, institutional continuity through change in leaders, center-local relations and de facto federalism as well as local elite motivation in explaining marketization reforms. All of these analyses demonstrate multivarious solutions to policy problems that simple institutional analyses of China as a central command economy, or China as an open trading economy, simply cannot provide.

On the early importance of policy development through the Mao era, Heilmann argues that the commitment to local experimentation here gave rise, and continuity, to a process of institutional change at the aggregate national level. Remember that for a nominally central command economy, China does not have national-level Communist Party cadres: administratively, the party is ruled at the top by provincial-level cadres collectively. This is an important distinction from the Soviet Union.

Heilmann correctly identifies such centers of policy experimentation as impossible in rule-of-law countries where law mostly codifies existing practice in policy experimentation. Experimental economic zones were instrumental in the 1980s and early 1990s reform period. Heilmann correctly identifies such centers of policy experimentation as impossible in rule-of-law countries where law must come before implementation, whereas in China, law mostly codifies existing practice in policy experimentation. That this joint central-local policy co-ordination was the key to China’s economic opening to the world economy in the 1980s is well established, but Heilmann gives a clear picture of the process of institutional change both past and future.

In the reinvention of development planning in contemporary Chinese policy-making, Heilmann talks the reader through the plan-formation process, the policy cycle in China, and embedded autonomy in the planning process. He explores the frictions and continuities between the national five-year plans, and the macroregional plans, and then provincial level plans and further with the universal public administration literature. But this is a good compendium of the China policy process, and a good primer for further research into policy-making in the future of the party-state.

Understanding policy-making is intrinsic to understanding economic development, economic structure, political development and social change. That the policy-making process has played such an instrumental role in the transformation of China but has received scant direct attention is worrying. China has faced and faces a range of unresolved public-policy challenges that must be solved in anywhere in Europe or North America. China also faces idiosyncratic problems that have called for idiosyncratic solutions. But at the heart of it, China’s policy process is the public bureaucracy of an industrial state. That is a well-worn path and there are many institutional universalities. Where China’s policy process differs in the Red Swan category of policy solutions, it is important for a range of actors to understand China’s institutional responses to persistent, unidentified or clearly present threats. Histories of party politics or neoclassical ideologies of post-reform economic “miracles” both fall into the induction fallacy of the Red Swan. Heilmann can help us understand this swan in relation to both its white and black brethren.

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