



FROM MY PERSPECTIVE

Will the explosive growth of China continue?

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ABSTRACT

The role of China in the world economy is constantly growing. In particular we observe that it plays more and more important role in the support of the world economic growth (as well as high prices of certain very important commodities). In the meantime the perspectives of the Chinese economy (as well as possible fates of the Chinese society) remain unclear, whereas respective forecasts look rather contradictory. That is why the search for new aspects and modes of analysis of possible development of China turns out to be rather important for the forecasting of global futures. This article employs a combination of scientific methods that imply (a) the analysis at the level of Chinese economic model; (b) the analysis at regional level (at this level the Chinese economic model is compared with the regional East Asian model); (c) the analysis at the global level that relies on the modified world-system approach that allows to answer the question whether China will replace the USA as the global leader. It is important that the analysis is conducted simultaneously in economic, social, demographic, and political dimensions.

As regards the analysis of specific features of the Chinese model as an especial type of the East Asian model (that is based on the export orientation, capital & technology importation, as well as cheap labor force), we note as organic features of the Chinese model the totalitarian power of the Communist Party and the immenseness of resources. As regards special features of the Chinese model, we note (in addition to “cheap ecology” and cheap labor force) and emphasize that China has a multilevel (in a way unique) system of growth driving forces, where, as opposed to developed states, the dominant role belongs not to native private capital, but to state corporations, local authorities and foreign business. This explains the peculiarities of the Chinese investment (or rather overinvestment), which determines high growth rate up to a very significant degree. A unique feature of the Chinese model is the competition of provinces and territories for investments and high growth indicators.

As regards perspectives of the global hegemony of China, we intend to demonstrate that, on the one hand, economic and political positions of China will strengthen in the forthcoming decades, but, on the other hand, China, assuming all possible future success, will be unable to take the USA position in the World System. We believe that in a direct connection with the development of globalization processes the hegemony cycle pattern is likely to come to its end, which will lead to the World System reconfiguration and the emergence of its new structure that will allow the World System to continue its further development without a hegemon.

Finally, the article describes some possible scenarios of the development of China. We demonstrate that China could hardly avoid serious difficulties and critical situations (including those connected with demographic problems); however, there could be different scenarios of how China will deal with the forthcoming crisis. We also come to the conclusion that it would be better for China to achieve a slowdown to moderate growth rates (that would allow China

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to go through the forthcoming complex transition period with less losses) than to try to return at any cost to explosive growth rates attested in the 2000s.

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1. Introduction

The role of China in the world economy is constantly growing. In particular we observe that it plays more and more important roles in the support of the world economic growth (as well as high prices of certain very important commodities). In the meantime the perspectives of the Chinese economy (as well as possible fates of the Chinese society) remain unclear, whereas respective forecasts look rather contradictory. That is why the search for new aspects and modes of analysis of possible development of China turns out to be rather important for the forecasting of global futures. In the meantime, researchers tend not to have an adequate vision of how the world hegemony situation may change as a result. We confront the prevalence of simplified ideas that either the USA will continue the global leadership in the forthcoming decades, or it will be replaced by China in this capacity. Note that this approach implies that the output volume correlates almost perfectly with a state's position in the World System. We do not find the study of the future within this dichotomy fruitful. We believe that in a direct connection with the development of globalization processes the hegemony cycle pattern is likely to come to its end, which will lead to the World System reconfiguration and the emergence of its new structure that will allow the World System to continue its further development without a hegemon.

2. Theoretical framework

In this research we have relied on the following theories and theoretical/methodological approaches:

- 1) World-system approach and the hegemony cycle theory (Wallerstein, 1974, 1980, 1987, 1988, 2003, 2004; Modelski, 1987, 1996; Kennedy, 1987; Thompson, 1988, 2010; Goldstein, 1988; Modelski and Thompson, 1996; Arrighi, 1994; Frank, 1998; Harkavy, 1999; Knutsen, 1999; Friedman and Chase-Dunn, 2005; Chase-Dunn and Anderson, 2005; Korotayev, 2005, 2007; Korotayev et al., 2006; Grinin and Korotayev, 2012; Babones and Chase-Dunn, 2012).
- 2) Theories of Great Divergence and Great Convergence (catch-up) (Gerschenkron, 1952; Solow, 1956; Caselli et al., 1996; Quah, 1996; Bianchi, 1997; Jones, 1997; Lee et al., 1997; Pomeranz, 2000; Islam, 2003; Sala-i-Martin, 2006; Ho, 2006; Epstein et al., 2007; Goldstone, 2008, 2012; Caggiano and Leonida, 2009; Clark, 2008; Sadik, 2008; Allen, 2011; Korotayev et al., 2011a,b; Villaverde and Maza, 2011; Korotayev and de Munck, 2013; Korotayev and Zinkina, 2014; Spence, 2011; Derviş, 2012; Rodrik, 2013).
- 3) Theory of East Asian development model (see, e.g., Berger, 1986; Berger and Hsiao, 1988; Inoue et al., 1993; Ito and Krueger, 1995; Unger and Chan, 1995; Okuda, 1997; Aoki et al., 1997; Lee, 2002; Yusuf et al., 2004; Perkins, 2013); note that the development of East Asian countries in

recent decades provided the most salient examples of the convergence/catch-up processes (see, e.g., Lin, 2003, 2011; Lin et al., 2003; Wong and Goh, 2014).

- 4) The middle income trap theory. As defined by Aiyar et al., the “middle-income trap” is “the phenomenon of hitherto rapidly growing economies stagnating at middle-income levels and failing to graduate into the ranks of high-income countries” (Aiyar et al., 2013: 3; for a detailed description of the factors and mechanisms of the middle income trap see Kharas and Kohli, 2011; see also Kohli and Mukherjee, 2011; The World Bank and the Development Research Center of the State Council of the People's Republic of China, 2012: 12; Cai, 2012).
- 5) Theories of the correlation between political development and economic growth (Barro, 1996; Liew, 2001; United Nations Development Program, 2002; Polterovich and Popov, 2007).
- 6) Scenario methodology (e.g., Wright et al., 2013a,b; O'Brien and Meadows, 2013; MacKay and Tambeau, 2013; Wilkinson et al., 2013).
- 7) Demographic dividend theory (Mason, 2001, 2007; Bloom et al., 2001; Bloom and Sevilla, 2002).

This theoretical framework has conditioned the choice of key variables that we have chosen in order to analyze the development of China – such as GDP, technological innovation rates, labor force, population age and sex structure.

3. Recent trends in the development of China

Every year China is mentioned more and more in mass media and the Internet, which reflects the growing global role of this country. Our perceptions of China do not catch up with its development. Some people admire Chinese progress (see, e.g., Lau et al., 2000; Lin et al., 2003; Lin, 2011), others are frightened of it (e.g., Bernstein and Munro, 1998; Goldstein, 2013), the Chinese phenomenon is used to corroborate various ideas, conceptions and forecasts – ranging from the forthcoming Chinese global hegemony (e.g., Campbell, 2008; Hutchinson, 2013; Mugomba and Bekker, 2013; Kelly, 2014) to the collapse/disintegration of China (e.g., Chang, 2001; Javers, 2009; STRATFOR, 2010: 6).

In the present article we intend to demonstrate that, on the one hand, economic and political positions of China will strengthen in the forthcoming decades, but, on the other hand, China, assuming all possible future success, will be unable to take the USA position in the World System (cf. Grinin and Korotayev, 2011). The present article suggests that the limitations of the Chinese global hegemony are embedded within the model of the Chinese development itself, as a result of which its strengths turn out to be its weaknesses. We will show what the strengths and the defects of modern Chinese model of economic development are; whether it is possible to readjust it. Will the per capita GDP in China be able to reach the Japanese levels in the foreseeable future avoiding the fall into the “middle income

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