Introduction

China's trajectory of economic development has been remarkable in more ways than one. From 1978—the year in which China's leadership resolved to break away from the principles of the command economy—to 2012, gross domestic product (GDP) grew more than twentyfold, from 364.5 billion to 51.63 trillion yuan (NBS 2013, table 2-1). In that same period, average per capita GDP in constant units increased from 381 to 38,420 yuan, putting China squarely in the contingent of upper middle-income countries. This economic rise has had implications which far transcend national boundaries. In 2009 China became the world's largest exporter, a distinction accompanied by its status of the world's largest economy by the end of 2014.¹

As such, China's economic development has become of pertinent interest not only to area specialists but to researchers and policymakers the world over. However, recent studies of Chinese economic development have generally paid but little attention to the role of economic discourse.² The speeches and writings of China's Party-state leaders and prominent economists (who often hold key positions in government's policy organs and think-tanks) constituted a major subject of earlier analyses (e.g. Schran 1962; Brødsgaard 1983b; Hsu 1985). Emphasis on the study of discourse subsequently disappeared as China's borders opened up to foreign researchers and the Chinese government began the compilation and publication of detailed statistics. The shift away from the study of indigenous discourse has been accompanied by a perceived decline of the stature of Maoist–Leninist ideology (Misra 1998). The pragmatic approach to economic governance adopted by post-Mao leadership (Deans 2004) has contributed to a common perception that the extensive repertoire of indigenous slogans and theoretical constructs serve little purpose other than maintaining a veneer of legitimacy for one-Party administration of China's political apparatus and economic system.

Yet discourse is central to economic governance.³ Governance sets the institutional conditions for the organization of capital, labor and competition,

1 By purchasing power parity (PPP), <<http://www.imf.org>>.

2 For an exception, see for example Wang (2011); Hsu (1989); Holbig (2001). The most recent example of an “ideational approach” to China's political economy is Eaton (2016).

3 Hall (1993) proposes a three-tier hierarchical model of policy; paradigms, which define the overall economic objectives and basic causal explanations of economic phenomena;

and encourages certain types of economic activity and actors while inhibiting or delegitimizing others. Therefore, we seek to contribute to the extant literature on Chinese economic development through an in-depth study of Chinese economic discourse and its relation to governance.⁴ Our analysis of Chinese economic governance is informed in particular by the concept of economic paradigms, the narratives which inform elite understandings of the nature and working of the economic system and, as such, provide the substance for economic programs and policies. Such narratives have two functions. They are interpretative frameworks, allowing actors to formulate causal explanations about economic phenomena. In addition to allowing for sense-making, narratives play an indispensable part in politicking. Factions compete for influence by way of advancing narratives that discredit or negate contesting ideologies (Hall 1993; Schmidt 2008). In fact, as we shall discuss in more detail in a subsequent section, sensemaking and politicking are intimately interlinked. When dominant narratives fail to provide efficacious answers to economic problems they lose their credulity and legitimacy, thus opening up a discursive space for rival factions to advance alternative interpretations.

In the following chapters, we trace how economic ideas emerged, changed or became obsolete and were superseded as China's leadership sought to drive forward the grand project of economic development and deal with its attendant problems. This is thus not an analysis of Chinese economic growth per se. We do not seek to deal extensively with the quantity of growth and its constituent elements (i.e. the relative contributions of labor, capital and factor productivity). Nor do we purport to provide a comprehensive analysis or explanation of the evolution of the Chinese economy. However, the study of economic paradigms allows us to ask certain questions that are difficult to answer without taking into account the reciprocal dynamic between discourse and economic phenomena or the actual substance of elite economics. We focus in particular on two of these.

First, we ask why the Chinese economic system has developed by way of a periodic succession of distinct and sometimes contradictory modes of governance. This matters because in China we have witnessed large and discontinuous changes in the roles of market and state, private and public

techniques, that is, the fiscal, monetary and regulatory arrangements by which the state seeks to achieve its objectives; and policy settings, the ratios, severity or leniency maintained in applying those techniques.

- 4 Our corpus of economic discourse encompasses two main sources: academic texts derived from leading economic journals, the prominent publication *Jingji Yanjiu* (economic research) in particular, and the speeches and writings of central Party-state leaders as well as national economic plans.

enterprise and the rural and urban economy, which are not easily explained by extant theory. Nor does the fashion in which these periodic transformations occurred suggest any clear predetermined strategy or correspond to any articulated blueprint—Marxist or otherwise—for economic development. Second, we ask why the continuous and rapid accumulation of fixed assets has been a persistent focal point of governance. For over three decades now, government has intensely debated the need to transition from a model of growth based on the continuous expansion of industry to one driven by technological advancements and domestic consumption. Yet, somewhat perplexingly, reliance on investment in fixed assets has only increased in recent years. Both these issues seem to refute that economic governance, or economic paradigms themselves for that matter, are simply outcomes of rational deliberation and action on the part of the state. Rather, we interpret the haphazard changes and inherent contradictions within Chinese economic paradigms and governance as result of a reciprocal dynamic between discourse, politics and economic outcomes. However, before we preview our answers to the foregoing questions, we briefly survey the overall contours of economic development between 1953 (the year in which the Chinese Communist Party (CCP) introduced the first of its Five Year Plans) and 2012; the focus here is on change in the dynamics of growth (which, as we shall expound subsequently, were correlated with shifts in the mode of governance) and the continuity of rapid accumulation. We then introduce the main theoretical interpretations of the drivers of the transformation of China's economic system and present some thoughts on their respective merits and weaknesses. Finally, we discuss our analytic approach and its application to the issues of change and continuity in Chinese economic governance.

Changes and Continuities in Chinese Development (1953–Present)

As stated previously, this book does not aim to quantify Chinese economic growth or its constituent elements and drivers.⁵ Rather, we are interested in the process whereby the economic paradigms that dominate politics shape governance, and how these paradigms and their attendant modes of governance are, in turn, adjusted or supplanted when challenged by economic outcomes or shifts of political influence. Nevertheless, to understand the reciprocal relation between discourse and economics, it is necessary to refer at times to the general dynamics and qualities of growth. Here we focus on two elements which are

5 Those interested in such quantitative analyses can consult Brandt and Rawski (2008); Young (2003) and Ostry (2009) amongst others.

central to Chinese economic discourse and therefore of particular importance to our analysis: the relationship between investment and consumption (which jointly make up GDP from an expenditure perspective), and the sectoral composition of the Chinese economy.

In China's seven or so decades of economic development under the rule of the CCP, we can distinguish three distinct patterns of development, corresponding to three equally distinct modes of governance: (1) 1953–1978: accelerated industrialization under central planning; (2) 1978–1992: rapid development of rural industry under decentralization and partial market relations; (3) 1994–2012: the reestablishment of central control over investment through the application of “economic levers.”

A cursory examination of the growth rates of gross fixed capital—a measure of additions in productive assets such as buildings, machinery and improvements to land—and household consumption, demonstrated this difference in the patterns of development in the Maoist and reform eras (see Figure 1). Under Mao, the Chinese economy experienced significant but highly volatile growth. This growth was accompanied by massive surges in the formation of gross fixed capital, followed by precipitous drops. High rates of capital formation were sustained by maintaining increases in consumption expenditure below the rate of growth of GDP (Figure 2). As a result, industry's share of GDP rapidly increased from 25.9 percent during the First Five Year Plan to 43.2 by the end of the Fourth Five Year Plan in 1975. Due to a strategy of expropriating agricultural surplus for the benefit of the expansion of heavy industry, agriculture's share of output dropped commensurately (see Table 1).

In comparison, from the introduction of reforms onward, the Chinese economy experienced more stable growth, and consumption expenditure developed at a higher rate, albeit still lower than that of investment. In fact, in the immediate years after the introduction of reforms (1978), the growth of consumption expenditure initially outpaced that of the overall economy, and in certain intervals even surpassed the growth of gross fixed capital formation (GFCF) (Figure 2). This increase in consumption expenditure was brought about by a rapid upsurge of growth in the labor-intensive agricultural sector and service industry under the Sixth and Seventh Five Year Plans respectively. However, during the first two decades of reform, the economy continued to experience pronounced conjunctural movement as massive local investment in rural light industry and services led to overcapacity and inflation. This overheating of the economy was controlled by extensive central fiscal measures, which, however, invariably inhibited growth. But, from the mid-1990s onward, the growth of consumption expenditure has been much more modest and the Chinese economy has reverted to a model of growth characterized by centrally

FIGURE 1 *Growth rate of GDP (%), household consumption expenditure (HCE) and gross fixed capital formation (GFCF), 1953–2011.*

SOURCES: CHINA STATISTICAL PRESS (2005, TABLE 10), NBS (2013, TABLE 2-17).

FIGURE 2 *GFCF and HCE as proportion of total GDP (%), 1952–2012.*

SOURCES: CHINA STATISTICAL PRESS (2005, TABLE 10), NBS (2012, TABLE 2-17).

directed investments in fixed capital both in industry and real estate. In this period both overall growth and fixed capital formation have developed in steadier fashion.

Notwithstanding changes in the pattern of formation of fixed capital and its sectoral distribution, high accumulation has been a persistent feature of Chinese economic development. As shown in Figure 2, the share of GFCF in

overall GDP consistently increased, rising from an average 21.8 percent in the communist era to 34.5 percent in the period of reform,⁶ and reaching an unprecedented height of 46.6 percent in 2012. This trend has been mirrored by a commensurate decline in the share of consumption expenditure. In sum, Chinese economic growth has been characterized by periodic changes in the dynamics of accumulation, from “big pushes” in investment during the Maoist era, to bust-and-boom-type growth in the initial period of reform and more stable, investment-driven growth from 1994 onward. Despite these changes, the ratio of GFCF to GDP has consistently increased, a development driven predominantly by the expansion of capital-intensive industry.

Explanations of Change within Chinese Economic Governance

The idiosyncratic transformation from centrally planned system to the present admixture of state coordination and market exchange has been a central

TABLE 1 *Sectoral composition of GDP, 1953–2012 (%)*

Plan	Period	Primary	Secondary	# Industry	# Construction	Tertiary
1st	1953–57	44.6	25.9	21.9	4.0	29.5
2nd	1958–62	32.2	37.4	33.2	4.2	30.3
	1963–65	39.2	34.4	31.0	3.4	26.4
3rd	1966–70	38.8	35.7	32.5	3.2	25.4
4th	1971–75	33.5	43.2	39.3	3.9	23.4
5th	1976–80	30.4	47.0	43.0	4.1	22.5
6th	1981–85	31.8	44.2	39.9	4.4	23.9
7th	1986–90	26.4	43.0	38.0	5.1	30.6
8th	1991–95	21.2	45.1	39.4	5.7	33.7
9th	1996–2000	17.4	46.6	40.7	5.9	36.0
10th	2001–05	13.3	46.0	40.5	5.5	40.7
11th	2006–10	10.8	47.7	41.7	6.0	41.4
12th	2011–12	10.1	46.0	39.2	6.8	44.0

SOURCES: NBS (2009, TABLE 1-7; 2013, TABLE 2-5).

6 Data for 1952 (the first year for which data is available) to 1977.

fixture of analysis. A large number of studies have examined the dynamics of Chinese growth through analysis of the changes in productivity of capital, labor and technology with regard to economic growth (Young 2003; Brandt and Rawski 2008; Ostry 2009). Other research has focused less on growth *per se* and instead emphasized economic organization, such as the roles of state and market (Tsai 2007; Huang 2008; Chu 2010), the institutional legacy of socialism (McNally 2007; Lin 2011), and economic and social outcomes (Chang 2003; Hu, Oppen and Wong 2006). In explaining the driving forces behind the ongoing reconfiguration of modes of governance, studies have generally adhered to one of two views.

Efficiency-based explanations (Naughton 1996; Hart-Landsberg and Burkett 2004; Szelényi 2010) emphasize how institutional change is prompted and directed by pressures to optimize the organization of production and resource allocation so as to maximize profits and minimize waste. Convergence theory (Buckingham 1958; Galbraith 2007), which predominated in Western economic thinking in the 1960s and 1970s, held that the profit incentive and market exchange best served the objective of efficiency maximization. This, it was believed, would impel a gradual global tendency toward the system of market capitalism. Although convergence theory was subsequently criticized for its functionalistic orientation and insensitivity to path dependence (Skinner 1976), neoclassical assumptions about the formative influence of the principle of efficiency on economic systems have persisted in the guise of transition economics, which study the transformation from socialism to capitalism. Applications of the transition paradigm to the case of Chinese economic development emphasized how much the progressive adoption of market reforms owed to self-reinforcing market dynamics and interdependence between economic institutions. Naughton (1996) described how scarcity of consumption goods—a consequence of the unrelenting emphasis within the command economy on the expansion of heavy industry—impelled rapid entry into light industry and market expansion following the introduction of private production in the late 1970s. The development of non-public producers in turn exerted competitive pressures on state-owned enterprises (SOEs), promoting corporatization and price rationalization (Lardy 2014). Meanwhile, increases in household savings provided additional investment for the market economy, allowing for its continuous expansion. In this manner, the Chinese economy gradually “grew out of the plan,” and direct state coordination of production and exchange played an increasingly smaller role.

Implicit in this dynamic process is a refined conceptualization of the convergence tendency, emphasizing the interdependence of economic institutions. Recent comparative studies of economic systems generally assume that

the institutions (i.e. rules and regulations; see North 1990) regulating key relations (e.g. those between investment and consumption, capital and labor) and processes (e.g. the organization of the financial regime, industrial relations, interaction between producers) within economies will affect one another in ways that either complement each another or give rise to systemic antagonisms and imbalance (Aoki 2001; Hall and Soskice 2001). Hart-Landsberg and Burkett (2004) describe how partial decentralization of production and exchange brought about differential prices within the public and private economy, which prompted extensive arbitrage by SOE. Moreover, the government's continued responsibility for enterprise losses induced massive unproductive investment by public enterprise. Such adverse economic behavior necessitated subsequent price reform and adjustments to the governance of public enterprise. The process described by Hart-Landsberg and Burkett, wherein institutional changes in one sphere of the economy cause imbalances that give rise to a need for adjustments in contiguous institutions, underscores the assertion that socialism and capitalism comprise cohesive and distinct modes of economic organization and their constitutive elements are not simply interchangeable (Szelényi 2010). Such explanations of the development of China's economic system avoid convergence theory's presumptions regarding the unchallenged superiority of liberal capitalism. They nevertheless imply that, once market relations are introduced within socialist systems, pressures for efficiency will push for further reforms.

The second explanation of the ongoing transformation of the Chinese economic system focuses not on the technical constraints of interdependent forms of organization, but rather on dynamics within the political sphere. Although the CCP has retained a monopoly on political authority, the distribution of political power *within* the state is in fact highly dispersed and ambiguous.⁷ This "fragmented authoritarianism," which would come to dictate policy-making after the introduction of reforms in 1978 (Lieberthal and Oksenberg 1988), originated in the early years of the People's Republic. The dispersion of political authority across a large number of bureaus was partially motivated by Mao's reservations about the development of a strong central bureaucracy that could potentially undermine the primacy of Party rule (Lieberthal

7 The Party maintains this monopoly due to the absence of popular suffrage and a governance structure wherein administrators at each level of the state bureaucracy are subject to supervision by the CCP's Organization Department (*zuzhibu*) at the next higher level, which manages the appointment, promotion and dismissal of China's leaders (Burns 1994; Brødsgaard 2002). Although additional political parties exist, their status is purely consultative and, as such, they cannot exert direct influence over policy.

1997). Additionally, Party leadership perceived a need to ensure that the state bureaucracy would prove responsive to varying local conditions (Lieberthal and Oksenberg 1988; Lyons 1990). This resulted in the rather unique administrative system of *tiao-kuai* (lit. “lines and blocks”). Under this arrangement, which persists to the present day (2016), bureaucratic organizations either fall within the functional (*tiao*) or regional (*kuai*) category. The former ensures that central policies are devolved to and implemented by lower levels of the administration, while the latter allows for adjustments, if warranted by local conditions and desired by local Party and state organs.

The idiosyncratic structure of the Chinese state gave rise to two related indigenous conceptualizations of institutional change. A first explanation emphasized how reforms under Deng Xiaoping intensified political fragmentation. The devolution of fiscal authority to the provinces in the initial stages of reform had weakened central control. At the same time, the *tiaokuai* system prohibited the articulation of spheres of responsibility and authority. This, argued Shirk (1990; 1993) resulted in a process of policy formulation characterized by protracted bargaining between subcentral bureaucratic constituents. The role of the central state was chiefly confined to the selection of bureaucratic contenders within the policy arena and mediation between actors,⁸ should they fail to reach consensus. Because of the limited direct involvement of the center in economic policymaking, and the emphasis on consensus, outcomes tended to reflect the vested interest of subcentral bureaucracy.

Whereas the bargaining approach aptly describes the quality of policymaking throughout the 1980s and early 1990s (Lampton 1987), the subsequent shift in the distribution of power from locality to center considerably reduced the scope for such bargaining. More recent explanations in the vein of the fragmented authoritarianism framework consequently put greater emphasis on the role of consensus building at the apex of the state apparatus. Provincial government is considered to assert its influence predominantly through policy experimentation. Although the consolidation of political control within the center has restrained local deviation from national regulations, the lion's share of routine economic governance falls outside of the remit of the central state. This provides local government with considerable leeway to engage in the formulation and implementation of novel policy initiatives. Moreover, because local administrators' professional advancement primarily depends

8 A primary means by which the central state shaped arenas for policymaking was through the establishment of so-called leading groups (*lingdao xiaozu*)—ad hoc organizations of leaders of relevant bureaucratic organs, chaired by a prominent member of the central state—formed specifically around pressing policy issues (Brødsgaard 2002; Pearson 2007).

on regional economic performance, a strong incentive exists for these local administrators to formulate policies that expedite economic growth (Xu 2011). Because the implications of such policy entrepreneurship are limited to the locality, experiments provide a low-risk means of assessing the efficacy of experimental measures (Qian, Roland, and Xu 2006). Successful trial implementation may convince central leadership to elevate such policies to the level of national policy. Consequently, more recent fragmented authoritarianism approaches consider local policy experimentation the primary driver of institutional change (Heilmann 2008; Xu 2011).

The efficiency and fragmented authoritarianism perspectives each provide important insights into the nature and dynamics of Chinese economic development. Emphasis on the interdependence of economic relations and processes draws attention to the manner in which unanticipated imbalances within the economic system, resulting from incompatible institutions, provide an endogenous drive for further institutional change. Moreover, such a perspective suggests that the nature of emerging imbalances and subsequent institutional adjustments depend on the manner in which established and new forms of economic regulation interact with one another. The fragmented authoritarianism approach demonstrates that economic governance is not merely a process of technical optimization, but is shaped by political dynamics. Within China's layered and disjointed state apparatus, local policy experimentation and central consensus building exert opposing forces for transformation and stabilization on the trajectory of economic development.

Nevertheless, several important issues remain. First, by focusing on the roles of market institutions and decentralized bargaining and experimentation, conventional explanations are biased toward the post-Mao era. Such an approach may seem justified when adhering to the conventional evaluation of China's economic development, which contrasts institutional dynamism and rapid growth in the post-Mao period with sluggish growth under a monolithic socialist system of central economic administration. Nevertheless, from its establishment in 1949 until the introduction of reforms in 1978, the coordination of socialist planned economy went through several distinct phases, characterized by considerable differences in the roles of bureaucratic administration and central planning. Moreover, as we will discuss subsequently, Maoist-era economics and policies would continue to exert great influence on subsequent discourse and governance (Hung 2016).

Second, although the quality of institutional arrangements may determine the character of economic problems that appear at any specific point, they do not prefigure the measures advanced by actors to deal with them. Rather, the

formulation of responses to economic problems is a cognitive process, based on the varying conceptions of actors regarding the main components of the economic system, the interrelations between them and resultant outcomes. To complicate matters, these actors may hold divergent views as to the objectives of economic organization. Contrary to neoclassical assumptions about agents' single-minded pursuit of utility maximization, policymakers' pursuit of economic efficiency is generally moderated by concerns relating to, for example, distributive issues, national competitiveness and security, and short- versus long-term tradeoffs. Due to the multiplicity of (sometimes incompatible) objectives, decision-making is likely to take the shape of satisficing rather than rational optimization (Simon 1962).⁹ The problem of the ostensibly indeterminate nature of decision-making is compounded when we consider the role of politics stressed by the fragmented authoritarianism approach. If policymakers seek to not only simultaneously advance multiple objectives, but seek to do so in ways that are most beneficial to their respective bureaucratic constituency, then how can they arrive at the consensus necessary to realize coherent policy programs?

Finally, efficiency- and fragmented authoritarianism-based perspectives are unable to adequately capture the dynamics of change within economic governance. The notion of convergence implies that the underlying logic of market capitalism will result in a teleological process of institutional transformation. However, as Peck and Zhang (2013) note, the development of the Chinese economic system has not developed in unitary fashion, but has rather been characterized by periodic non-linear alternations and contradictions. Fragmented authoritarianism's emphasis on the roles of vested political interests and local policy experimentation may prove a better fit for such a dynamic, but it likewise suggests that change in governance will be predominantly incremental. Nevertheless, processes of gradual transformation have been accompanied by periodic comprehensive reorganization. Such changes can hardly be explained by a focus on the disparate initiatives of separate bureaucratic actors. We believe that an emphasis on economic discourse can enrich the fragmented authoritarianism approach by stressing that policymaking is not only a result of the interaction of bureaucratic actors, but that policy platforms also play a role.

9 Satisficing refers to a strategy of decision-making where a solution is deemed acceptable if it meets actors' threshold values for stipulated criteria.

Discourse, Economic Paradigms and Governance

In contrast to analyses revolving around the technical constraints of market coordination or political configurations, this study of the Chinese economy focuses on the manner in which discourse shapes and constrains policy-making. Discourse is “language as a form of social practice” (Fairclough 1989, p. 22). Such a definition, while admittedly very broad, nevertheless suggests several relevant aspects. First, language is a product of social interaction and convention, and thus structures the manner in which ideas can be formed and expressed. Conversely, contention about the meaning of linguistic concepts (such as “socialism,” “capitalism,” “efficiency” and “equality”) can have profound implications for patterns of action. Second, the quality of discourse depends on its social setting. What expressions, concepts and propositions are deemed appropriate and who has a right to participate in discourse are determined by institutionalized principles of interaction. Discourse in turn is instrumental in sustaining these social principles by allowing for the continuous replication of established concepts and modes of interaction. Discourse thus is inherently political (Van Dijk 1989).

According to “discursive institutionalism” (Schmidt 2008), the reciprocal relationship between political language and institutions is a crucial determinant of the setup of economic systems. One of the earliest comprehensive analyses of the influence of discourse was provided by Van der Pijl ([1984] 2012), who studied how the economic programs of the Roosevelt and Kennedy administrations, and the Marshall Plan, promoted a transatlantic union of industrialists, investors and labor. The covenant between these constituents was made possible through an underlying ideology of corporate liberalism, characterized by the free international flow of capital and the institutionalization of the interests of industry and labor at the level of the nation-state. In similar vein, Hall (1993) examined how the emergence of monetarism provided the ideological underpinnings for the neoliberalism of the Thatcher administration, prompting a marked departure from the interventionist orientation of initial Conservative policies. Economic paradigms are thus instrumental in coordination across actors and constituents. Schmidt (2008; 2009) explains how actors articulate and organize around their respective interests by developing competing narratives. However, in order to be perceived as acceptable, such narratives also need to address the concerns and respective positions of other parties. As such, these narratives constitute a primary means by which constituents seek to compete and bargain with other policy actors.

In addition, discourse enables actors to develop cognitive and normative frameworks that allow them to interpret developments and emerging

phenomena within the economy and formulate appropriate responses. According to Hall, “policymakers customarily work within a framework of ideas and standards that specifies not only the goals of policy and the kinds of instruments that can be used to attain them, but also the very nature of the problems they are meant to be addressing” (1993, p. 279). Generally, these overriding objectives and causal explanations provide the implicit foundation for, but do not directly factor into, routine decision-making. However, unanticipated antagonisms or destabilizing dynamics (of the sort emphasized by the efficiency-based perspective) may cause established norms and assumptions to be called into question. Persistent failure to provide explanations for, or responses to, systemic problems—for example when Keynesianism was unable to account for the rampant stagflation in the UK in the late 1970s—prompts paradigmatic crisis and creates scope for the development and promotion of alternative narratives. In such instances, what paradigm will emerge as dominant depends both on its explanatory merit as well as the distribution of political influence, as powerful constituents will be able to marshal greater resources to promote their associated narratives.

A Discursive Explanation of Change and Continuity in China’s Mode of Governance

On basis of the foregoing, we can begin to outline the general features of a discursive approach to the study of economic governance, and formulate tentative explanations to our questions regarding the quality of change. According to this perspective, the establishment of a mode of governance is prefigured by the articulation of an economic paradigm, a general framework describing elite beliefs about the causal mechanisms operating within the economic system as well its general objectives. Over time stochastic variations and structural juxtapositions within the economy, however, tend to lead to (undesirable) outcomes that are unaccounted for by this paradigm. This discrepancy between established beliefs and actual outcomes will exert pressure for a reevaluation of established notions about the working of the economy. If economic problems are grave enough, political conditions are amenable to change and alternative interpretations are readily available, such crisis will be resolved through the introduction of a new dominant paradigm, and consequently a new mode of governance.

Indeed, when applied to the Chinese case, this framework demonstrates how periodic changes to economic governance resulted from unforeseen imbalances that necessitated a reconceptualization of economic paradigms.

However fervently debated by senior political figureheads and economists alike, ultimately the adoption of such alternative paradigms was conditional on the support of the paramount leader. If the general dynamic of paradigm shifts accurately describes the pattern of periodic and comprehensive change of governance witnessed in China, the matter of continuous investment, however, requires a more nuanced perspective. The imperative for the rapid accumulation of fixed capital derived from the Maoist-era strategy of industrialization. From the mid-1950s onward, both the rate of accumulation and the role of agriculture and industry were intensely debated, providing the conceptual groundwork for the readjustment and reforms of 1978. Yet none of China's central leaders refuted that economic development in the end depended on the continued expansion of fixed capital, nor that the state should retain a directive influence on the process of capital allocation. Instead, imbalances were responded to by way of reform (*gaige*, the partial reinstatement of market relations) and readjustment (*tiaozheng*, rebalancing of the investment rate between the sectors of the economy). Even as the state sought to grapple with the negative externalities of investment-driven growth (e.g. socioeconomic inequality, environmental degradation, the build-up of inefficient and idle productive capacity), it returned to the principles of diverting investment to relatively underexploited areas of the economy.

The incapacity or unwillingness to altogether abandon the concepts and techniques of Maoist-era governance demonstrates that the introduction of a novel paradigm does not necessarily imply the complete abandonment of its predecessor. The notion of promoting growth by way of the redistribution of investment in fixed capital persisted because it agreed with the normative values of the Party—importantly, it ensured the indispensability of the state in the processes of production and allocation, and allowed for the reapplication of extant techniques of control. Moreover, economic and political conditions in the latter half of the 1990s almost put an end to discussions about the objectives and mechanisms of economic development, precluding the articulation of a feasible alternative to investment-driven growth. As such, paradigmatic change in China has been a partial and fragmentary process through which certain concepts and techniques have been retained, others have been subject to redefinition, and yet others have been substituted or abandoned. In the chapters to follow, both the aforementioned changes and continuity in Chinese economic discourse and governance are explored in further detail.

In the second chapter, we examine the Marxist–Leninist influences and indigenous ideological innovations that lay at the basis of the Chinese communist paradigm, which centered on the transfer of agricultural surplus to the industrial sector through a system of depressed prices for produce. The agricultural

sector, however, soon proved incapable of simultaneously providing for the basic needs of the Chinese population and furnishing the input required for the continuous expansion of industrial capital. This resulted in the promulgation of two rival paradigms: the Maoist revolutionary economics epitomized in the Great Leap Forward, and the strategy of reform and readjustment that would provide the conceptual foundations for Deng Xiaoping's program in the late 1970s. In the third chapter, we discuss how the reforms introduced under Deng spelled the end of accelerated accumulation and removed the constraints on agricultural development imposed by the system of intersectoral transfers. However, reform proved incompatible with readjustment, as the state was incapable of curbing the wave of local investment and concomitant inflation unleashed by fiscal decentralization. Reinstatement of central controls, however, caused stagnation of growth. In the end, neither reform nor readjustment were able to provide a solution to the problem of sustaining rapid growth of productive capital under the auspices of the Party-state. Subsequently, the concepts of reform and readjustment would lose their prominent position in discourse. In Chapter 4, we discuss how Chinese leadership addressed the conundrum of inflation and stagnating growth by way of the assimilation of foreign economic concepts. While the introduction of fiscal policies that attenuated the control of SOE over China's banks and pervasive privatization appeared to signify an embrace of economic liberalism, these techniques actually bolstered the public economy and the central state's economic control. In fact, from the latter half of the 1990s onward, the practice of centrally directed investment in fixed capital was firmly reestablished, enabled by a new system of intersectoral transfers from private to public industry. In Chapter 5, we examine why this new centralism caused an intensification of the pattern of investment-driven growth, in spite of the stated need to address the detrimental consequences of the continuous expansion of productive capacity. We attribute this to the lasting influence of Maoist-era principles, which prompted central leadership to opt for solutions which perpetuated the deeply entrenched notions of state control and growth through accumulation. Chapter 6, the final empirical chapter, covers developments under China's new president Xi Jinping. Dwindling marginal returns to labor and capital affirmed the long-held concerns about the inherent limitations of investment-driven development. Nevertheless, the rate of accumulation has only been slightly reduced during Xi's tenure. In the latest iteration of the entrenched paradigm of accumulation-driven growth, the state has turned outward. Thus, the Silk Road "One Belt, One Road" initiative seeks to invest heavily in the infrastructural development of Sino-European trade routes, creating new demand for the outputs of publicly owned pillar industries such as steel, cement and

construction. This latest episode in Chinese economic development demonstrates how, in spite of a generally acknowledged need to fundamentally alter the course of Chinese economic development, elite conceptualizations of economic growth remain beholden to both the political imperative for continued central control and the industrial legacy of accelerated accumulation. Finally, in Chapter 7, we discuss in detail how our emphasis on discourse and policy illuminated certain previously overlooked aspects of China's development, and how the Chinese experience can further inform studies on economic discourse and the relation of this to economic governance.