

Theorising urban development in China: ‘State entrepreneurialism’ from the ground up

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Abstract

Instead of generating a grand theory from urban China, I have a rather modest aim – how we might use the political-economic perspective to better understand China’s urban development politics. Rather than treating empirical materials and theoretical insights as discrete entities, describing China should itself be regarded as a process of theorisation, contributing to a more global Urban Studies. We illustrate how ‘state entrepreneurialism’, as a quite peculiar form of governance, is generated from the conjunctural development of global capitalism and its crises. Hence, the role of the state is not a starting point for theoretical enquiry but rather a historical and material development of China’s political economy.

Keywords

China, state entrepreneurialism, political economy, urban development, the state

Introduction

Teo et al. (2023) diagnose an ‘embedded statism’ as the cause that hinders theoretical development in urban China research because attention to the peculiar role of the state may lead to Chinese exceptionalism (see also Ren, 2021). They offer valuable tactics for conceptualisation by comparing different cases or theories and launching mid-level concepts as an outcome of theorisation. Aiming at generating theories, their efforts are plausible. But I argue that, rather than developing a theory from urban China, describing China can itself be part of theorisation, which constitutes a more global Urban Studies.

Rightly, concepts such as neoliberalism should not be taken as a starting point for theorisation. When Harvey (2005) describes ‘neoliberalism with Chinese characteristics’, he does not intend to apply a theory of neoliberalism and validate it for

the Chinese case. His book aims to fill a gap – ‘the political-economic story of where neoliberalisation came from and how it proliferated so comprehensively on the world stage’ (Harvey, 2005: 4). He thinks of China as part of his overarching narrative rather than as a case in itself. He also starts from the political economy that is generative and does not treat Chinese neoliberalism as imported from the outside: ‘it is very hard to consider this as anything other than a conjunctural accident of world-historical significance’ (120).

As the above clarification shows, Harvey does not generate a theory from the case through an

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inductive process. Instead, China is in his conceptualisation of neoliberalism. I might even argue that he actually theorises about urban China. Thus, his attention to Chinese characteristics, for example, ‘authoritarian centralised control’, neither contradicts his concept of neoliberalism nor renders Chinese exceptionalism.

What we might complain about is that in Harvey’s treatment of China, he lumps together all changes as neoliberalism. In contrast, his seminal theorisation of urban governance under Thatcher and Reagan emphasises economic restructuring and general roots (Harvey, 1989). Thus, the shift from managerialism to entrepreneurialism is a historical and conjunctural outcome. Later, when he describes the Chinese political economy, he encapsulates all political-economic changes (market-oriented reform) together with governance (the role of the state) as neoliberalism. This might not be the best characterisation. But there is a reason for this meta-narrative: to him, neoliberalism is an overarching political-economic change as ‘class restoration’. Indeed, China’s marketisation enhances rather than challenges state legitimacy (Wu, 2022).

Reading Harvey in this way, I develop a tactical experiment to rehearse his ‘neoliberalism with Chinese characteristics’ (2005) using his own approach to studying governance in (Western) late capitalism (1989). I hope to show that through this grounded examination of the Chinese political economy, we may reach a more nuanced representation of governance change in China. Such a narrative is a better and more accurate characterisation of Chinese governance change – ‘state entrepreneurialism’, which refers to ‘a series of state entrepreneurial actions to fulfil its strategic intention to maintain economic growth, stability and capital accumulation and in turn its governance capacity’ (Wu, 2023).

China’s historical and conjunctural moments

This section provides an account of China’s political economy and governance changes. The periodisation is punctuated by historical moments, crises or

turning points, as an outcome of the contradiction of production forces and the means of production, in connection with the world (Wu, 2023). I attempt to understand the emergence of governance in the contradictions of state socialism, but not confined to the national state boundaries.

From 1949 to 1978, China adopted state ownership of the means of production. In this period, China also experienced industrialisation and the development of a national industrial system under the ‘planned’ economy. Its national territory was divided into traditional agricultural and modern industrial parts, presenting a fundamental rural–urban dualism. The Cold War was a defining historical moment for China. Isolated from the world, China was forced to adopt an import-substitution strategy and prioritise heavy and military industries. Through the compulsory purchase of agricultural products, the state extracted the surplus from the rural sector to subsidise industrial workers. However, at the same time, without a labour market, the state possessed the labour power to implement its strategy of ‘industrialisation without urbanism’. The surplus value generated was devoted to expanding production, and this generated its own contradiction of over-accumulation – ‘over’ in the sense of sinking capital suffocating future capital accumulation. The governance form is ad hoc state planning with fragmented subnational and work-unit (workplace) economies.

From 1979 to 1991, China initiated economic reform firstly in the countryside and then extended into the urban areas. This was possible because of the normalisation of China–US relations. Entrepreneurial activities emerged under a dual-track price system. In rural areas, township and village enterprises (TVEs) formed a new accumulation space outside the state-controlled one. Local cadres became entrepreneurs in TVEs. However, market development did not transform the overall logic of governance. Despite introducing the market and entrepreneurial activities, state logic still dominated both the economy and governance. The dual-track price system led to a rent-seeking and predatory local state. This embryonic market economy was still inward-oriented. Radical price reform in the late 1980s triggered hyperinflation

and subsequent political turmoil in 1989. In this period, entrepreneurial activities did not create systematic urban entrepreneurialism.

From 1992 to 2000, China began export-oriented industrialisation and created emergent urban entrepreneurialism. Deng Xiaoping's Southern China tour in 1992 opened the door for foreign capital. In the 1990s, China also initiated a series of privatisation or market-oriented reforms. First, TVEs experienced bankruptcy, pushing rural labourers into the cities. Then, state-owned enterprises (SOEs) faced difficulties and laid off workers. In this period, local states competed for foreign investment and became more 'entrepreneurial' – different from their earlier rent-seeking behaviour. Housing 'commodification' was launched to cope with the Asian Financial Crisis in 1997. In order to boost domestic consumption, China abandoned public housing provision. The market approach to new 'commodity' housing created an initial real estate sector. The growth coalition between local governments and developers for profitable property markets led to widespread urban demolition and urban sprawl in the late 1990s. The selling of SOEs and laying off of workers, welfare retrenchment, and housing privatisation demonstrated changes similar to neoliberalism. Establishing development zones became a toolkit for deregulation within a bounded space or 'zone of exception' (Ong, 2006).

From 2001 to 2007, China became the factory of the world and consequentially a more state-centric strategy and the 'double movement' arose. China joined the World Trade Organisation (WTO) in 2001, epitomising the world-factory model. China's integration into the global economy through global production networks (GPNs) is not a state-centred or state-led strategy. It is conjunctural, dating back to the new international division of labour or the spatial fix at a global scale. The 'neoliberal' reform of the 1990s laid the conditions for large-scale industrialisation in the 2000s. However, the world-factory operation required more than deregulation in development zones but rather demanded extensive state-centred development activities. This created an initial governance form of 'state entrepreneurialism'. The local state uses development corporations to organise land acquisition and infrastructure provision.

Such an active behaviour, known as 'planning for growth' (Wu, 2015), lies beyond neoliberal retrenchment or simply maintaining the social order. With the influx of rural migrants into cities and mounting tension between the forces of production and the means of production, the state played a critical role in maintaining structural coherence. China established a basic social security system as a Polanyian 'double movement' during this period. The state also imposed a land development quota under the so-called 'scientific approach to development' to control urban sprawl.

From 2008 to the present, financialised state entrepreneurialism was finally established. Under the world-factory model, the state accumulated experience in governing infrastructure-led development. The Global Financial Crisis in 2008 marked another conjunctural moment for China. A fiscal stimulus package of 4 trillion Yuan was launched to rescue the economy. However, the central government did not have the fiscal capacity to allocate funds to local governments. Instead, it used a financial approach, permitting local governments to use debt financing. This led to the Chinese style of financial expansion or 'financialisation'. This financial expansion does not mean the dominance of global financial capital in Chinese governance, as the financial flows are regulated. Rather, it is the state that mobilises capital through the land. The state-owned banks quickly expanded. This political economy of economic restructuring does not place governance under a financial logic. Nevertheless, applying financial expansion did introduce financial logic into the state. The state is at the centre of financial operations, which turned the form of governance into financialised state entrepreneurialism. In other words, the state uses financial instruments, including development corporation bonds and local government bonds, to finance infrastructure and urban development.

A situated and ground-up tactical experiment

As convincingly advocated by Teo et al. (2023), 'thinking cities through elsewhere' (Robinson, 2016) and mid-level concepts considering conjunctural moments (Peck, 2015) can be fruitfully used to

develop tactical experiments for theorisation. As shown by their examples, the tactics of comparing cases, dialoguing with, selecting and combining theories, and launching concepts sensitive to local particularities now form a wide range of valuable toolkits (for a comprehensive treatment of comparative methodologies, see Robinson, 2022).

In two ways, the tactical experiment in this commentary differs from theirs. First, the motivation here is not to derive a theory from urban China, even if the outcome might be a mid-level concept. The eagerness to theorise may also create a risk of Chinese exceptionalism. As stated in the editorial of the new journal devoted to urban China, *Transactions in Planning and Urban Research*, the primary concern 'is not to fill a theoretical niche but rather to understand the situation on the ground', and studies should 'contribute towards a better understanding of urban China' (Zhang et al., 2022: 4). Second and related, the paper describes how the Chinese political economy has generated its changing form of governance at historical and conjunctural moments. Understanding this situated ground helps to reveal this generative dialectic process. The production of situated knowledge is a process of theorisation.

Conclusion

The tactical experiment in this commentary aims not to create more generalisable urban theories out of the Chinese context (theorising with China) but to demonstrate a situated and grounded knowledge of the Chinese political economy and its governance changes (theorising China).

China's development is not singular and isolated but situated in broader historical and conjunctural moments. I have illustrated these moments as 'economising urbanisation' under the Cold War, market-oriented reform amid globalisation and neoliberalism, 'planning for growth' under the world factory, and state-led financialisation to manage the global financial crisis. These political-economic changes eventually drive the ascendancy of the state. It may be more precise to describe this governance form as state entrepreneurialism rather than neoliberalism, even though the latter does not preclude a strong

role for the state and state dominance might not be denominated with Chinese characteristics, a logical conclusion deduced from Harvey's neoliberalism as the state project of 'class restoration'.

Hence, a more global urban studies should not only permit plural theories (perspectives) that help us understand the concrete urban but also include situated urban knowledge (Wong and Zheng, 2022). These narratives together form global Urban Studies, as illustrated by Chinese state entrepreneurialism in the emerging conversation of state capitalism.


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