

RETHINKING CHINA'S PATH OF INDUSTRIALIZATION

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Abstract

This study shows that China's post-1949 state-led industrialization has closely followed an underlying path that began in the late nineteenth century. It was initiated by pressing national defense needs and has since been motivated by the same and strong incentives for a faster catch up with the West despite radical regime shifts. Government-determined or influenced resource allocation benefited selected industries and hence nurtured vested interest groups connecting and integrating with the ruling elite, which have strengthened and sustained the path. This means that the path is inherently inefficient which is evidenced by a growth accounting exercise using a newly constructed data set by the author. It shows that reform measures can only temporarily improve efficiency performance but are unable to break the path in the absence of a genuine political democracy.

Keywords: Government-engineered industrialization, path-dependence, central planning, economic reform, efficiency

JEL classification: N15, O14, O47, P21

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