

# Economic History in the era of Chinese Economic Growth<sup>1</sup>

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Chinese economic growth is the biggest economic and political phenomenon of the past half century. I would argue that we do not have a theoretical framework that can explain how this is possible under what appears to be, from our perspective, a totalitarian political system. Existing models have focused on different aspects of this growth process. Many have studied the economic transformation and emphasized the undoubted success of Chinese reforms without analyzing the underlying political economy (Qian, 2017). Some that have engaged more with the political and institutional context have argued that Chinese growth works because de facto they have western style institutional frameworks of checks and balances, accountability etc. if we just look hard enough (Qian and Weingast, 1997, Tsai, 2012). Other scholars accept the deviation from the canonical set of western institutions that are supposed to be prerequisites for growth, but argue that these are not necessary and that informal institutions, or “deals” and “coalitions”, can substitute for them (Nee and Opper, 2012, Ang, 2016, respectively). A final set of arguments is that there are many instances of “growth under extractive institutions” in world history, but these are ultimately transitory without the right institutional frameworks (Acemoglu and Robinson, 2012), or they are only possible far from the world technology frontier and that once at the frontier innovation is required and that is something completely different from catching up (Acemoglu, Aghion and Zilibotti, 2006).

Any of these arguments may be correct. But it seems likely at this point that China made the transition from catch-up growth to innovation at the frontier, or what Mokyr (1990) calls “Schumpeterian growth,” at least in some key technologies. Whether this can be combined with the political regime is now an active area of research (for example, Beraja, Kao, Yang and Yuchtman, 2023). I believe, however, that it is worthwhile considering that we just don’t have the right intellectual framework in social science for thinking about Chinese economic growth. To see this, note that the intuitions about the institutional frameworks associated with economic success that

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guide these arguments are deeply rooted in western culture. As Gitmez, Robinson and Shadmehr (2022) point out, they have been almost a constant since Aristotle's *Politics*. Yet other parts of the world have had different political traditions. Most to the point here, the political culture of China diverged radically from that proposed by Aristotle. The work of Confucius laid out a very different model of society and how good governance was to be attained. Rather than via an Aristotelian "mixed constitution" or a set of institutions designed to align the incentives of self-interested rulers with that of the collectivity, the Confucian model emphasized self-improvement based on *The Way* and the idea that, as one of the Confucian classics the *Great Learning* has it

"Their thoughts being sincere, their hearts were then rectified. Their hearts being rectified, their persons were cultivated. Their persons being cultivated, their families were regulated. Their families being regulated, their States were rightly governed. Their States being rightly governed, the whole kingdom was made tranquil and happy." (Legge, 1893, pp. 358-359).

Here good governance begins with an individual and ripples up to the level of the state. This Confucian model of society implied that there was no need for things like mixed constitutions. As Confucius famously put it in the *Analects* "When the Way prevails in the world, commoners do not debate matters of government" (Confucius, 2003, p. 193). This attitude went along with other aspects which are amply documented historically, such as an emphasis on meritocracy (Bell, 2016), that seem highly advantageous in a market-based economy.

My hypothesis then is that there may be completely different cultural models of growth with different institutionalizations, and not just the "Confucian model" I am describing here, that allow growth to take place, public goods to be provided, property rights to be secure etc. despite the absence of western style institutions. Respect for merit is just one mechanism. Another might be, just as Confucius proposed, self-improvement along *The Way* really does ripple up to the macro level and induce the government to act in the collective interest.

Why do we have such a hard time thinking about this hypothesis? I think this is because modern social theory, economics included, was developed in 18th and 19th century Western Europe and took an interpretation of European history and abstracted it into a universal social theory applicable to all times and places. The Chinese case most viscerally suggests that this theory is actually not general, but culturally contingent, and this is not simply about the political foundations of

institutions, which seems to be the issue in the Chinese case, but about the structure of economic institutions themselves.

Adam Smith developed his economic theory sitting in Kirkcaldy in Scotland and looking out of his window. He abstracted from what he saw and experienced himself. But if he'd been sitting or economizing in Makurdi in Tivland in Eastern Nigeria, for example, he'd have seen something very different, and he'd have made very different generalizations (I am adapting Macpherson, 1962, here). While he would have seen a world where there was "a certain propensity in human nature ... to truck, barter, and exchange one thing for another" this propensity was nevertheless restricted to particular spheres (Bohannon and Bohannon, 1968). Market exchange there was for some commodities, but there were no factor markets and even some consumption goods were set aside as "prestige goods" and were not freely exchangeable with other goods.

Whose generalizations about the economy were right and whose were wrong? The Scottish Smith or the hypothetical Tiv Smith? Both would have been right in their own context, though neither would have formulated a universal theory. We could ask: who had the better theory? Maybe the Tiv had an incorrect theory, or better, if they had conceptualized the economy differently, they could have improved their living standards along the lines of the First Fundamental Theorem of Welfare Economics. It seems though that this evaluation depends on what a society is trying to achieve. The Scots were trying, arguably, to maximize growth, and they did. The Tiv were more plausibly trying to stabilize their political and social system, and they achieved that too. The Bohannans, inspired by Polanyi (1944), noted that

"To the Tiv a market is not merely ... a place to buy and sell ... It is a political institution of major importance because in a society that is dominated by the lineage principle it is a means of overriding that principle."

The Tiv made sure the market did not over-ride the lineage principle and thus, at the time of their colonization by the British, they were an acephalous society governed by lineages and extended kin groups, just as they had intended.

We don't learn about the economic theory of the Tiv in textbooks. One obvious reason for this is that it was not articulated in the way neoclassical economics was as the Tiv had no writing and thus no Adam Smith. Instead, it had to be elucidated ex post by anthropologists and historians. But mostly, I would say, this is because the British empire invaded Nigeria. The Tiv lost out in the

modern period because what they were trying to achieve made them extremely vulnerable to what the British achieved. The Tiv didn't invent the maxim gun, and in fact created a type of society that inadvertently was extremely vulnerable to the pernicious forces unleashed by the early modern and modern commercial and colonial expansion of Britain and Europe.

This leaves us with several big questions. Are there different ways to achieve economic growth? Are there different objectives in constructing an economy? Can we evaluate from a welfare perspective these different ways or objectives?

On ways, the arguments of Pomeranz (2000), Wong (1999) and Morris (2011) suggest that indeed the Chinese political economy was perfectly consistent with growth all along, and not just after 1978. In their telling the emergence of western economic growth was a contingent outcome of historical events rather than some inevitable consequence of superior culture, organization etc. the Chinese political system was capable of generating economic growth as it had in the past, but it didn't for 200 years because of bad luck in the leadership of the 18<sup>th</sup> century Qing state, the negative externalities generated by western economic growth, colonialism, and the way this led to state collapse and internal political instability right the way through to the Communist revolution, the Great Leap Forward and the Cultural Revolution. The post 1978 period is just re-asserting the potential that was always there. Though the details of the political economy are clearly different there are also many continuities, not least in the emphasis on Confucianism. This example is important because it suggests that one should be hesitant at generalizing about how it was the uniqueness of western institutions and culture that generated economic growth in the modern period.

In a sense this argument reformulates that of Gerschenkron (1962) who pointed out the different ways in which Britain, Germany and Russia had industrialized. There is no one way to organize or construct a modern industrial economy. There are no prerequisites or necessary conditions, there were always substitutes. Could it be that the same ideas apply to culture? That there is no one cultural or even institutional model of growth?

With respect to objectives, the Tiv example suggests that society doesn't have to be organized to maximize economic growth, but instead the economy can be subservient to the objectives of society, and not the other way round. There are different ways to think about this. One, which I am not entirely committed too, though it is worth thinking about, is that this is exactly what we need in a

world of global warming and the decimation of our climate. Maybe we need a world where we, like the Aztecs, apologized to trees before we cut them down (López Austin, 1988, p. 346).

But I would like to suggest that once we recognize that the Chinese growth experience cannot be understood within the western lens, this opens up all sorts of possibilities for alternative growth models not tied to the particularities of western culture or institutions and ones which are possible more compatible with the logics of the local cultures than slavishly trying to adopt western institutions and practices. It seems improbable that the Chinese, if indeed they are a counter example, are the only one. Let me give two instances I know something about. One of the most successful experiences of economic growth in the past 50 years has been in Botswana in Southern Africa. This has happened in a deeply embedded cultural context. Since independence in 1966 the same political party, the Botswana Democratic Party, has been in power. It is a de facto one-party state. This does not imply that there is no accountability, there is, it is just not where you'd expect it to be based on western models of political economy (Comaroff and Comaroff, 2014). Instead, it rests in modernized traditional institutions that force political elites and civil servants to engage with and justify themselves to ordinary citizens (Gulbrandsen, 2013). Moreover, the strategy of economic development is deeply participatory and has leveraged traditional mechanisms of reciprocity such as when the government induced 1 million rand in voluntary contributions in kind (mostly cows) in the 1970s to pay for the founding of the University of Botswana (Mokopakgosi, 2008). The rhetoric of this campaign was "I pelegeng" which translates from the Setswana as "rely on yourself". But this is not the isolated self of western society, the concept of personhood is different. This is a self, embedded in and reliant on a collectivity. Another similar example is Rwanda over the past 30 years. As Heldring and Robinson (2023) document, the modern state has tapped into its deep social connections to society, formed during its history as a "segmentary state" (Southall, 1953), to mobilize peoples' energies and resources and implement policy. This all happens in highly non-western ways: for example, most public servants are not paid, making the presence of an elaborate fiscal system, supposedly a prerequisite for development, irrelevant.

Both of these cases involve deviations from western models both in the nature of economic institutions and also in the political economy that supports and interacts with them.

One could object that Botswana and Rwanda are doing easy things, and they learned how to do them by copying the west. Rwanda is investing in roads and schools and inducing farmers to grow exports crops like coffee and pyrethrum. Rwandans did not invent the separate condenser or

machine learning. True. But in 1970 South Korea's three largest exports were apparel, plywood, and wigs made of human hair with the latter making up 10% of exports. In 1871 the post Meiji restoration government in Japan sent the Iwakura Mission to evaluate and selectively copy western technology and institutions. Look at Japan now. Why not Botswana or Rwanda?

I think these remarks can be complemented by reflecting on what we know of the East Asian miracle economies of the past 60 years. These have featured intense government interventions and types of policies which we would never advocate in western countries. Yet they seem to have been successful (Lane, 2024). This can of course be rationalized by positing the existence of no doubt significant market failures, yet this in itself does not explain how the observed policies could have been so successful under autocratic military regimes in South Korea, Taiwan and elsewhere. Also noteworthy is the remarkable transformation of the United Arab Emirates and Qatar in the past 50 years under what in effect are absolutist monarchies.

One way to reconcile this evidence with arguments about the singularity of Britain or the western world is that there may be a very large difference between the causes of “pristine development” – to adapt an expression innovated by Fried (1967) to study state formation, and “secondary development”. The conditions necessary to create modern development in a vacuum, the provision of key public goods, maybe particular types of cultures of societies, systems of economic institutions – may be very different from those that are necessary or sufficient (more likely) once “the first modern economy” (de Vries and van der Woude, 1997) is out there.

Culture doesn't just end at economic growth. The maxim gun wasn't just used to massacre Nigerians. It massacred millions of Europeans too and ultimately got upgraded into B-52s and nuclear warheads. It's worth observing that the Tiv economy and society was part of a broader political equilibrium in Africa which allowed for the coexistence of at least 20,000 independent politics at the time of the scramble for Africa (Henn and Robinson, 2024). These lived alongside each other without the same impulses of territorial aggrandizement that led Britain to invade Tivland. Historic Africa had a completely different system of international relations than the western powers had, something else that made it extremely vulnerable to European colonial expansion. This is another reason why, apart from the lack of the relevant technology, Africans did not invent the maxim gun. It is not a coincidence that it was Rwanda that was willing to absorb the immigrants to Britain that the last Conservative government wanted to deport. Of course they received payment, but why an African country? Why Rwanda? This is because historically Africa is a continent of

movement and migration and the merging and mingling of peoples. This is reflected in the fact that Africa is the only part of the world where the words for guest and stranger are the same (Henn, and Robinson, 2024). Africa is the most cosmopolitan part of the planet in that it is the least monolingual (Henn, and Robinson, 2023). What better place to adapt to a globalized future?

Many scholars have argued that China also had a distinct and different theory of international relations, for example Reus-Smit (2018) and Xiang (2023). I am not enough of a scholar of Chinese politics to evaluate these claims, but working in Africa I have often been struck by the remarkably different way in which Chinese people interact with African elites and political leaders. Unlike westerners, who are focused on explaining to Africans how they can succeed if only they would be more like them, Chinese typically have no interest in proselytizing or telling Africans what to do. One could of course relate this to the difference between Chinese and Abrahamic religions (which separate the world into in-groups – right – and out-groups -wrong, and tries to persuade the out-groups of the error of their ways), but I think it also reflects a different theory of international relations and a Chinese notion of co-existence and mutual respect. It is remarkable how few the negative externalities the Chinese growth experience has created compared to those inflicted on the Global South by the British and western industrial revolutions.<sup>2</sup>

On welfare, and focusing on the economy, the First Welfare Theorem is conditional on a set of preferences, so there is (provocatively) no reason why the equilibrium that the Tiv were trying to achieve was not Pareto efficient, even if it clearly did not maximize economic growth.

Undoubtedly the Tiv did not anticipate the costs their institutions would create for their own society in the modern world. But that does not imply, as my examples from Botswana and Rwanda were supposed to suggest, that they cannot be reconfigured in culturally relevant ways to reap the benefits of modern technologies etc. Moreover, stepping back from pure economic efficiency and the First Welfare Theorem, I have emphasized that the economic organization of Tiv society, along with much of Africa, went along with, and were inseparable from, attitudes of coexistence and toleration which are remarkably different from those of western societies that constructed mass colonial empires and now fight tooth and nail over Ukraine and the Middle East. A broader concept of welfare might make Tiv social organization look even better.

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<sup>2</sup> I owe this insight to Nathan Nunn.

Where does this leave us? Recognizing that modern social theory is an abstraction from a particular time and culture suggests some humility and that we might have a lot to learn from the experiences of other parts of the world. That has certainly been my experience as a researcher in the Global South for the past 35 years. There is a lot to celebrate about the past 300 years in terms of the technological and institutional innovations of western society. These have led to large increases in standards of living in western countries and in parts of the world, such as East Asia, which have managed to also replicate key aspect of the model innovated in Britain in the 18<sup>th</sup> century. Some of the fruits, particular medical innovations, have spread to the developing world and radically improved health and life expectancy. But there is also a lot to condemn as the wealth of Britain, for example, was built on-top of its domination of the global slave trade and then it's colonization and oppression of millions of people. Most of Africa is still struggling to extricate itself from the multifarious negative legacies that colonialism has left for the economic, social and political prospects of the people there. Meanwhile the United States wrote slavery into its constitution of liberty and expanded westward by dispossessing and exterminating swathes of indigenous peoples. Is this the only growth model we have? Is it separable from the creativity that created the separate consenser?

The main principle in evolutionary theory is that variation is the key to adaptation. We face a lot of existential challenges in the world today. The perspectives I have advanced here suggest that the world would be a better and probably richer place if we stopped seeing everything through the lens of western history and achievements. Just as important, maybe we have a lot to learn from the cultural and institutional variation in the rest of the world if we take it seriously. I suggested one example, alternative logics of international relations. Let me end with another: how we deal with the pressing and corrosive problem of inequality. As Ferguson (2015) points out, western society, redistribution of income is seen as charity, altruism or a form of generosity. For some it is a violation of a person's property rights that they be taxed to reduce inequalities. In Africa, the situation is different. Redistribution is "the proper and just division of a whole to which all have a claim ... *no one is giving anyone anything*" (2015, pp. 176, 178). As Ferguson shows, this opens up all sorts of new political possibilities.

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