

## CSCC Podcast Ep. 17: “Diagnosing China’s State-led Capitalism – Yasheng Huang”

### Introduction:

Welcome to the podcast of the University of Pennsylvania’s Center for the Study of Contemporary China. I’m your host, Neysun Mahboubi, and in today’s episode, you’ll hear my conversation with the great Yasheng Huang, professor of global economics and management at MIT’s Sloan School of Management, and a preeminent thinker about the dynamics of China’s economic development in the reform and opening period.

Professor Huang has famously argued, in his important 2008 book, “Capitalism with Chinese Characteristics: Entrepreneurship and the State,” that China’s economic takeoff in the 1980s was rooted in the private entrepreneurship of rural township and village enterprises ... and that China’s later economic growth, under a more state-led capitalism that is sometimes characterized as the “China Model”, has come at the expense of accumulating social and economic costs that eventually will have to be paid, perhaps in dramatic fashion. Even today, some 10 years after his book was published, its arguments remain fresh, and continue to challenge a certain kind of conventional wisdom about the merits of heavy state intervention in the Chinese economy, which has only grown more robust since the 2008 financial crisis and especially in the past six years under President Xi Jinping.

Given those trends, and the extent to which the structural features of Chinese state-led capitalism drive current economic tensions between China and other countries—the United States, in particular—I was thrilled to have the opportunity to speak with Professor Huang, for this podcast, when he visited the University of Pennsylvania last April to participate in the Center’s annual conference, on the theme of “Reform and Opening: 40 Years and Counting.” In our conversation, I invited Yasheng to restate and then revisit the core arguments of his book, in light of later developments, at a time when the US-China trade war was just heating up. As the episode goes live, now in April 2019, we may be on the cusp of a sort of resolution to that trade war, which did in fact intensify—a resolution which by all accounts seems more likely to institutionalize economic tensions between China and the United States rather than to eliminate them, and yet does *not* appear poised to modify the primary components of Chinese state-led capitalism in any substantial ways.

On a different podcast, you might find speculation as to why the US government under President Donald Trump appears ready to accept a US-China trade deal that features major Chinese purchasing commitments, but no real structural changes to how China approaches its economy. On *this* podcast, you will hear Professor Huang’s careful and even-handed analysis of China’s impressive economic gains over the past 40 years ... the assorted costs and dangers he associates with the particular state-led approach that rose in prominence in the 1990s and is only growing more prevalent today, notwithstanding President Xi’s recent comments in support of private entrepreneurship ... as well as the hope that Yasheng placed, as a last resort, in the prospect that the US-China trade war might provoke the structural economic reforms that you will hear him advocate—a hope that does not appear to have been realized in the time since we spoke.

But whatever form the impending US-China trade agreement ultimately takes, and whether or not China's slowing economy otherwise provokes a shift away from its current model, it will still be necessary to better understand and draw the right lessons from China's dramatic economic development. To that end, you'll be sure to want to listen closely and reflect upon the diagnosis you're about to hear from Professor Yasheng Huang.