The Evolution of Trade and Labor Laws in China

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THE EVOLUTION OF TRADE AND LABOR LAWS IN CHINA

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ABSTRACT

This thesis investigates the long-term evolution of legislation that contributed to the shift of China from a command economy to an economic powerhouse in the capitalist world economy. Few have discussed whether the concept of neoliberalization, defined as the process of adapting fiscal conservative and expert oriented policies, explains the longer-term trend of Chinese development. Therefore, this thesis sets out to make a determination whether China is evolving towards or away from the neoliberal model. To answer this question, this thesis analyzes two areas of legislation crucial in a free market: China’s trade and labor laws since the 1970s. More precisely, this research explores, through the lens of legislation, whether a trend of convergence between Western, exemplified by the United States, and Chinese political economies exists, and how the trend itself has changed over time and why. Using interview data based on 15 interviews from foreign entrepreneurs who work in Shanghai or Suzhou, this thesis uses the entrepreneurs’ perception of Chinese trade and labor to seek out reoccurring themes. Based on the information gathered from the literature on the Chinese development of wage and labor laws and the qualitative data in the interviews, this thesis found surprising similarities in Chinese and US policies, effects of those policies that were complementary, and a clear neoliberal direction in the 1980s-1990s in the United States and China. This thesis concludes, based on the policies implemented during the 2000s and 2010s, that this neoliberal direction shifts in both countries, and a different kind of model is taking shape in both China and the US that diverges from neoliberalism.
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Chapter 1: Is China Neoliberal?

Within the large literature on Neoliberalism, it has been established that the implementation of pro-market reforms inspired by neoclassical economics has occurred in context specific ways. Under the rubric of ‘actually existing neoliberalism’ or ‘variegated neoliberalization’ scholars have discussed various place specific ways in which governments across the world have implemented free market reforms, leading to hybrid models between neoliberalism and pre-existing institutional arrangements. More recently, the very idea of neoliberalism is being challenged, arguing that oftentimes free market ideology is not necessarily the best way to interpret trends in policy making.

The evolution of China’s laws and institutions, together with its role in global trade and manufacturing is at the heart of those debates. Some scholars pointed to the apparent paradox of China’s reforms supporting the global diffusion of neoliberalism without having accepted neoliberal principles of policy making (Harvey, 2005), others pointed out the hybrid character of the Chinese government, having accepted both Neoliberal and Keynesian principles at national vs. provincial scales (Lan, Pickles, and Zhu, 2015). However, few have discussed whether the concept of neoliberalization explains the longer-term trend of Chinese development. Having established that China as a whole has adopted a mixed system, is it evolving towards, or away from the neoliberal model? Or rather should a different concept be used?

To answer these questions, this thesis analyzes two areas of legislation crucial in a free market: China’s trade and labor laws since the 1970s. The goal is to determine
whether the long-term evolution of legislation that contributed to the shift of China from a command economy, structured around principles partly inspired by the Soviet Union, to an economic powerhouse in the capitalist world economy, can or cannot be interpreted in the theoretical framework of neoliberalization. More precisely, this research will explore, through the lens of legislation, whether a trend of convergence between ‘Western’ and Chinese political economies exists, and how the trend itself has changed over time and why.

Because the notion of ‘West’ is in itself vague, and because various Western countries exhibited various patterns of adoption of the neoliberal model, or even utter rejection, I will use one specific country as term of comparison: the United States. First of all, together with the UK, the United States was the first country to start the process of abandoning Keynesianism in favor or a neoliberal, laissez faire, political economy under the Reagan presidency. Second the US had been throughout the 1990s and early 2000s the strongest supporter of neoliberalism, to the point that policy circles dubbed the free-market policies adopted by a large number of countries in the 1990s as ‘Washington Consensus’ (Lopes, 2012). Third, exactly like China has adopted a mixed neoliberal and Keynesian model, scholars have argued that the US has structured its own domestic policies as a compromise between Keynesianism and neoliberalism (Harvey, 2005), even during the years in which US foreign policy was actively promoting neoliberal reforms across the globe. Fourth, the US itself is showing a specific trajectory, with an increasing adoption of neoliberal reforms under Reagan, Bush Sr., and Clinton, a more mixed system under Bush Jr. and Obama, and the possibility of a reversal under Trump’s presidency. Thus, a comparison with the US allows us to understand neoliberalization not
as a linear process towards the principles of free market, but as highly contested process subject to reversals. Fifth and perhaps most important, the bulk of investments that jump started Chinese development in the 1990s came from a handful of US multinationals, via the mediation of Chinese expatriates (Harvey, 2005). Thus, the theoretical question of the long term neoliberalization process of China in relation to the US becomes an empirical question on the extent to which highly interconnected trade and investments drives institutional convergence.

Thus, this research involves going through key trade and labor laws enacted in China at the national and provincial levels since the 1970s, along with other indicators I chose to analyze in each decade, and comparing them with similar trends in the United States. In so doing, I seek to answer the following research questions:

A. Does a trend of convergence between ‘Western’ and Chinese political economies exist?

B. If there is a trend, how has it changed over time?

C. Is China evolving towards, or away from the neoliberal model? Or rather should a different concept be used?

Answers to those questions contribute to the discussion of China’s reform by adding a long-term perspective to Lan et al. and Zhu’s (2015) argument about the specific hybrid characteristics of China’s neoliberalization.

My thesis will consist of five primary chapters, the first of which is the introduction. This introductory chapter will include a discussion on the notion and evolution of neoliberalism followed by the methodology of my research.
The second chapter will be the evolution of labor and trade laws in China and the US. In developing this chapter, I will break the US and the Chinese literature down into decades, starting in 1979, when Den Xiaoping combined socialist ideology with pragmatic market economy whose slogan was “Socialism with Chinese Characteristics.” I will analyze in parallel the key indicators of each decade in the United States and China, listed in the methodology, along with the trade and labor laws enacted in China at the national and provincial levels since the 1970s and the trade and labor laws enacted in the United States since the 1970s.

In the third chapter, I will compare China and the United States by using the previously analyzed reforms and indictors in the second chapter to analyze trends in US and Chinese policy. Based on the evolution of reforms and trends in policy in both countries, I will make a determination whether the United States and China are becoming more or less close to the neoliberal principle over time.

The fourth chapter of my thesis will include my impression of entrepreneurs in China. I will discuss the perception of Chinese trade and labor by foreign entrepreneurs, using interview data from a project titled “Opening the black box of the State” collected in 2013-2015. In this chapter, I will summarize my analysis of the interview data in order to determine if the subset of international entrepreneurs are experiencing a convergence or a divergence from the neoliberal model in China.

In my fifth and final chapter, I will use the information gathered from the literature of the previous chapters and the qualitative data in the interviews to draw a conclusion about whether China’s laws are becoming more or less close to the neoliberal principle over time.
China and Neoliberalism

Neoliberalism is an ideology that has, since the 1980s to present, “permeated an enormous amount of policy debates, on the global scale” (Vincent, 2010, p. 347). This ideology identifies "the unregulated free-market capitalist order as the crucial ground for all efficient resource allocation” (Vincent, 2010, p. 347). The founding figures of neoliberal thought took "political ideals of human dignity and individual freedom as fundamental, as the central values of civilization” (Harvey, 2005, p. 5). In theory, neoliberalism is an ideology or belief system in which “individual liberty and freedom are the high points of civilization, which are best protected by strong property rights, free market, and free trade” (Harvey, 2005, p. 2). Although neoliberalism can be difficult to define in this day and age, at its core, it is a revival of the eighteenth century doctrines of individual liberty and freedom.

The overshadowing importance accorded by some "to the phenomenon of neoliberalism does not signify, however, that it is a clearly defined concept” (Thorsen and Lie, 2006, p. 2). This is due, in part, because ‘actual existing neoliberalism’ “can differ profoundly from the theoretical constructs propagated by neoliberalism’s supporters, including the major international financial institutions such as the International Monetary Fund and the World Bank” (Hirt, Sellar, and Young, 2013, p. 1243). What makes a practice neoliberal is often very unclear, and the term neoliberal has come to change meaning overtime. From the 1930s to the 1960s, “neoliberalism had an earlier life when it was used in a positive sense by a group of intellectuals, including the economists Ludwig von Mises, Friedrich von Hayek and Wilhelm Ropke” (Eagleton-Pierce, 2016, p. 175), but starting in the 1980, the term ‘neoliberalism’ came to mean
something else. During this time, it came to “denote a set of policy tendencies that were first crafted and tested in Western countries, notably the UK and the US (but also elsewhere), before spreading to other regions” (Eagleton-Pierce, 2016, p. XIV).

According to academic critics, like the geographer David Harvey (2005), neoliberalism should be understood as “a political project to re-establish the conditions for capital accumulation and to restore the power of economic elites” (Harvey, 2005, p. 19), or in other words, he believes neoliberalism should be read “as an agenda led by, and for, powerful elites, one which emerged in reaction to the perceived failures of Keynesianism and the strength of postwar social movements” (Eagleton-Pierce, 2016, p. XIV). Other critics of neoliberalism argue that neoliberalism, while ill defined, is commonly associated with the expansion of commercial markets and the privileging of corporations; “the re-engineering of government as an entrepreneurial actor; and the imposition of fiscal discipline, particularly in welfare spending” (Eagleton-Pierce, 2016, p. XV).

For the twenty-five years after World War II (1945-1970), "Keynesianism constituted the dominant paradigm for understanding the determination of economic activity” (Palley, 2004, p. 2). However, in the mid-1970s "the Keynesian impulse went into reverse, to be replaced by neoliberalism” (Palley, 2004, p. 2). The motivation lying behind this attack on Keynesianism was primarily “a concern with taxation and inflation, brought to widespread attention during the stagflation crisis of the 1970s when both unemployment and inflation rose dramatically” (Birch and Mykhnenko, 2010, p. 4). Soaring inflation battered the U.S. economy in the 1970s, ending only after the Fed, under Chairman Paul Volcker, abandoned Keynesian policies and "applied contractionary (tight) monetary policy to rein in inflation"(Birch and Mykhnenko, 2010, p. 4). The
Volcker shock, as it has since come to be known, "has to be interpreted as a necessary but not sufficient condition for neoliberalization" (Harvey, 2005, p. 24). Ronald Reagan’s victory over Carter in 1980 is another crucial moment in the movement toward neoliberalism. Because of forty years of Keynesian economics based on a strong active role of the government in crisis, this period of extreme unemployment and inflation made way for Reagan to come in and do things differently. Because "Reagan’s advisers were convinced that Volcker’s monetarist medicine’ for a sick and stagnant economy was right on target, Volcker was supported in and reappointed to his position as chair of the Federal Reserve” (Harvey, 2005, p. 25). Coupled with Volker’s reappointment, the Reagan administration “provided the requisite political backing through further deregulation, tax cuts, budget cuts, and attacks on trade union and professional power” (Harvey, 2005, p. 25).

Reagan’s campaign against big government began to change the shape of the country in the 1980s. His administration’s deregulation of “everything from airlines to telecommunications to finance opened up new zones of untrammeled market freedoms for powerful corporate interests” (Harvey, 2005, p. 26). This deregulation had many effects domestically and abroad. Finance capital increasingly looked abroad for higher rates of return and deindustrialization at home and shifts to take production abroad became much more common (Harvey, 2005). Harvey argues that this began the great “shift towards greater social inequality and the restoration of economic power to the upper classes” (2005, p. 26). As evidence, he states, “The market, depicted ideologically as the way to foster completion and innovation, became a vehicle for the consolidation of monopoly power. Corporate taxes were reduced dramatically, and the top personal tax
rate was reduced from 70 to 28 percent in what was billed as ‘the largest tax cut in history’” (Harvey, 2005, p. 26).

However, deregulation alone was not sufficient to bring about the deep changes that begun in the 1980s. Coupled with them, the second large scale transformation was the so called ‘financialization’ – i.e. the shift of investments, profits and employment from a mostly domestic manufacturing sector to the financial sector – which became rapidly transnational. One major consequence of deregulation was the opening up of financial markets, which had a domino effect of increasing the importance of finance in the overall economy of developed countries. Harvey argues that "deregulation allowed the financial system to become one of the main centers of redistributive activity through speculation, predation, fraud, and thievery” (Harvey, 2005, p. 161). The following became central features of the capitalist financial system: stock promotions, ponzi schemes, structured asset destruction through inflation, asset-stripping through mergers and acquisitions, the promotion of levels of debt incumbency that reduced whole populations, and dispossession of assets (Harvey, 2005).

Scholars point out that neoliberalism goes hand in hand with financialization. Because of neoliberalism, a major transition took place that shifted labor from manufacturing to service jobs. This shift did not take place naturally but occurred because “a wave of innovations occurred in the financial services to produce not only far from sophisticated global interconnections but also new kinds of financial markets based on scrutinization, derivatives, and all manner of futures trading” (Harvey, 2005, p. 33). Because gains in manufacturing capacity no longer meant rising per capita incomes and the concentration of financial services did, there was an undeniable power shift away
from manufacturing to the world of finance (Harvey, 2005). For this reason, “the support of financial institutions and the integrity of the financial system became the central concern of the collectivity of neoliberal states” (Harvey, 2005, p. 33). This rising class power gave an enormous amount of power to bankers, CEOs, and leaders in financial apparatuses since speculative gains “made it possible to amass enormous fortunes within a very short period of time” (Harvey, 2005, p. 34).

The large scales of transformation of the global economy – neoliberalization and financialization – that occurred in the 1980s cannot be explained without an understanding of how, first, US elites bought into the principles formulated by Hayek and the Chicago economists, and, second, how they were able to convince the public to buy in, against the apparent interests of a largely middle class, manufacturing based society. Harvey describes the spread of neoliberalism in the United States by using the term ‘common sense’, and in using this term, he means that consent was “constructed out of long-standing practices of cultural socialization often rooted deep in regional or national traditions” (Harvey 2005, p. 39). This is key for political action since the United States is a democracy; and therefore, neoliberalism had to be accomplished by democratic means. As Harvey states, “For a shift of this magnitude to occur required the prior construction of political consent across a sufficiently large spectrum of the population to win elections” (Harvey, 2005, p. 39). This popular consent of neoliberalism was generated in a variety of ways, but more specifically “powerful ideological influences circulated through the corporations, the media, and the numerous institutions that constitute civil society—such as the universities, schools, churches, and professional associations” (Harvey, 2005, p. 40). The elites had enough power and money to organize institutions
such as think tanks that promoted neoliberal ideals of freedom and liberty. The high frequency of neoliberal ideas through these institutions, “the capture of certain segments of the media, and the conversion of many intellectuals to neoliberal ways of thinking, created a climate of opinion in support of neoliberalism as the exclusive guarantor of freedom” (Harvey, 2005, p. 40). Harvey then describes how this was a domino effect when “these movements were later consolidated through the capture of political parties and, ultimately, state power” (2005, p. 39).

With the collapse of the Soviet Union in the late 1980s, "American power grew yet further" (Birch and Mykhnenko, 2010, p. 4). The "shock therapy and the big bang which accompanied the disintegration of the Soviet system in the late 1980s and early 1990s are commonly identified as neoliberal” (Birch and Mykhnenko, 2010, p. 4), and it has been argued that neoliberalism was imposed on post-Soviet countries by hegemonic international financial institutions such as the IMF and the World Bank (Gowan, 1995). It is important to note that "Russia's reformers were not blindly following an ideological agenda set for them in Washington, DC." (Rutland, 2012, p. 332). With Russia struggling economically, the Russian leaders were looking for new models of behavior, and the “prevailing ideas of the Washington Consensus undoubtedly encouraged Russia's leaders to embrace radical reforms” (Rutland, 2012, p. 332). The collapse of the Soviet Union along with financial institutions such as the IMF and World Bank created an environment in the 1990s where world markets become more integrated and more countries adopt neoliberal policies. While Western countries like the US and the UK were implementing their policies under the notion of neoliberalism in the 1980s, it is important to point out that they were not the success stories, but instead, Germany
and Japan were. Germany and Japan used "state intervention to prevent monopolies and encourage competition among small and medium-sized businesses" and did not implement across-the-board free market principles, but both countries managed to develop reasonably well (Hickel, 2012). In spite of the US and the UK aiming to incur growth in their economies with neoliberalism, "neither Britain nor the US achieved high levels of economic performance in the 1980s, suggesting that neoliberalism was not the answer to capitalists’ prayers" (Harvey, 2005, p. 88). While inflation was lowered and interest rates fell, this happened at the expense of high rates of unemployment, which diminished the quality of life for many people and resulted in a mix of low growth and increasing income inequality (Harvey, 2005). Unlike the US and the UK, the 1980s belonged to Japan and West Germany as competitive powerhouses of the global economy (Harvey, 2005). Harvey makes the point that “their success in the absence of any wholesale neoliberal reforms makes it difficult to argue that neoliberalization progressed on the world stage as a proven palliative of economic stagnation” (Harvey, 2005, p. 88).

Neoliberal reforms were further pushed across the world because, thanks to a combination of pressure from the US government and the hiring of economists trained in top US universities, the two largest international financial institutions, the IMF and the World Bank, adopted guiding principles borrowed from neoliberalism. Since the 1990s, “the US government, along with the International Monetary Fund and the World Bank, have exerted pressure on developing and developed countries alike to adopt similar reforms” (Hirt, Sellar, and Young, 2013, p. 1244). However, such apparent success of the neoliberal project did not turn non-Western economies into carbon copies of the US, as predicted in the early 1990s by Francis Fukuyama, who, under the label ‘the end of
history’ had assumed a converged of the global political economy towards the liberal-democratic system (Fukuyama, 1992). Instead, hybrids between neoliberal principles and local institutional arrangements started to develop.

Scholars studying neoliberalism outside Western settings noticed that this political-economic ideology did not “trickle down to the local context and then, once it hits the ground running, work following a clearly pre-determined pathway” (Hirt, Sellar, and Young, 2013, p. 1245). As Cochrane and Ward state, “It is no longer possible to view the world through lenses that implicitly or explicitly locate the politics of public policy within national bounded systems” (2012, p. 5). It is already widely recognized that “it is rarely possible to transfer policies directly, precisely because they emerge from and are responses to particular ‘local’ sets of social and political conditions which are not replicated in the places to which they are transplanted” (Cochrane and Ward, 2012, p. 5). The evidence suggests “that when neoliberal principles clash with the need to restore or sustain elite power, then the principles are either abandoned or become so twisted as to be unrecognizable” (Harvey, 2005, p. 19). Critics of the neoliberal theory, such as Harvey, highlight a “creative tension between the power of neoliberal ideas and the actual practices of neoliberalization that have transformed how global capitalism has been working over the last three decades” (Harvey, 2005, p. 19).

In discussing neoliberalism, many scholars highlight the idea of crises since it shows the vulnerability of the system and can be a way to criticize the usefulness of neoliberalism. Ken Birch and Vlad Mykhnenko argue that "the credit crunch and banking crisis have exposed the fault lines in the neoliberal economic order that has been dominant for the last three decades” (2010, p. 4). Many scholars argue that that financial
crises were used as a tool to spread neoliberalism, and Harvey describes this in much
detail, but his main point is that “financial crises were endemic and contagious” (Harvey,
2005, p. 94). The basic argument is that because neoliberalism is all about opening up
free trade and free markets, countries become very interconnected financially.
Neoliberalism has cycles of boom and bust, and in neoliberal theory, these cycles are free
to express themselves, including the more painful moments of crisis. Either a major or
minor player in that situation might drag along everyone else since neoliberalism made
economies much more interconnected than ever before. The literature surrounding
neoliberalism suggests that the International Monetary Fund was a major player in
spreading neoliberalism, and scholars back up this claim in using many examples of
countries going through crises and the IMF bailing them out. While in many countries it
seemed like neoliberalism was dying due to the various crises, "the institutions associated
with its rise were not all equally moribund. For example, the global economic crisis has
unexpectedly improved the fortunes of the International Monetary Fund (IMF), an
organization long famous for the neoliberal policy conditions attached to its loans”
(Chorev and Babb, 2009, p. 460). To give a specific example, East Asia had developed
very fast in 1980s and 1990s, but by 1997, they hit a financial crisis. It began with bubble
in housing market, and in reaction, East Asia had to devalue their currency to make
payments on loans. A devastating amount of private capital left the country, and since
banks were unable to invest money, they went under. That situation spread very fast in
Thailand, and like a domino effect, hit everyone. At this point, scholars point out that the
IMF came in and agreed to bail them out under the condition that they adopt more
neoliberal policies such as less state spending, which can make the crises even deeper. It
has been long argued in the literature that the neoliberal age increased trade, made
countries much more interconnected, and as a result, economic crises became much more
contagious.

Other scholars point to the different impacts and implications of the recent
economic crises in order to illustrate the “diversity in the implementation and
embeddedness of neoliberalism in many countries, thereby suggesting that neoliberalism
is not (and never was) a single hegemonic system in the first place” (Birch and
ascendance and geographical spread of neoliberalism had been greatly aided by the
maintenance of dogmatic and rhetorical purity” (Birch and Mykhnenko, 2010, p. 5), and
while persistently advocating “maximum scope for the free play of market forces in
economy and society, neoliberal ideologues were able to specify their own
recommendations aimed at achieving a free market evolution” (Birch and Mykhnenko,
2010, p. 5). The crisis of neoliberalism was embodied in the U.S financial crisis of 2008,
which catalyzed cascading chains of financial crises across the globe (Dutta,
2015). While the great depression, the financial crisis in Mexico, the financial crisis in
Japan, and the financial crisis in Thailand all had different characteristics, all these
various crises in different countries play into the financial crisis of 2008 because “it’s like
everything we’ve seen before, all at once: a bursting real estate bubble comparable to
what happened in Japan at the end of the 1980s; a wave of bank runs comparable to those
of the early 1930s; a liquidity trap in the United States, and most recently, a disruption of
international capital flows and a wave of currency crises all too reminiscent of what
happened to Asia in the late 1990s” (Krugman, 2009, p. 152).
After the crisis of 2008, scholars started to notice that something was beginning to change in the global economy and policy making that was leading to a world that is different than the world Reagan and Thatcher initiated in the 1980s. Yates-Bakker (2013) and Gereffi (2014) notice that the world after 2008 is not as neoliberal. Yates-Bakker notices this change in Latin America while Gereffi notices that policies at the global level are changing. Latin America is particularly interesting because it is becoming the place where the big innovation of the global economy happened first. In the 1970s, Latin America was the first example of neoliberal policies, and following a similar pattern in the early 2000s, Latin American governments were already implementing policies that were consciously trying to do something different from the principle of free trade that was strongly advocated by the US and the rest of the world. Yates-Bakker shows that Latin America is ahead of the curve once again, and he does this though the notion of post neoliberalism which he describes as "a combination of an ideological project and a set of policies and practices that revolves around the dual aim of: (1) redirecting a market economy towards social concerns; and (2) reviving citizenship via a new politics of participation and alliances across sociocultural sectors and groups” (64). In sum, he argues that post neoliberalism is a nondramatic shift away from neoliberal principle (free market and privatization) and is more of an evolution and not so much a revolution. Neoliberalism in Latin America in the 1990s-2000s stimulated growth, but this variegated neoliberalism (where the IMF, the World Bank, and some political parties take some parts of the neoliberal project and apply it in their own ways) also had many negative impacts on different Latin American countries such as crowding out domestic producers, sacrificing entire economic sectors. This paired with the small domestic
profits led to social unrest, and as a result of this unrest, many socialist governments were elected in various elections in the 2000s. With these new governments, Yates-Bakker noticed that there were changes in political discourse. Politicians talked less about free trade and started to talk more about justice, and policy changes were adopted that enabled states to reassert control over markets. Because people in Latin America were unhappy with the results of neoliberal policies, the rules of the game of the global economy begin to change. Yates-Bakker says that it is not dramatic or revolutionary, but we start to see something different, which leads me into Gereffi’s argument on how the global economy is changing. Because “the increasing importance of GVCs in the current era challenges the traditional way of measuring countries’ export performance and international competitiveness” (Gereffi, 2014, p. 11), he argues that some governments are becoming more proactive in managing the economy, and rather than having all neoliberal trade principles, they are trying to target their own supply chains in their policies. He also argues that there is an emergence of new powerful actors in the value chains and that power is shifting in the value chains. In the past, the retailer was the most powerful in the chain, but in recent years in various industries, some other companies, that are not the big retailer, are emerging as the most powerful. Gereffi believes we are moving from the traditional Washington consensus model to a post Washington consensus model. The principles of the Washington consensus such as free trade and no government intervention are being put into question. In the traditional Washington consensus, leader firms were Western large manufacturers like Wal Mart, Apple, and GM, but in the post Washington consensus, Gereffi is seeing new leaders emerge among intermediaries like Foxconn. The result is fewer and larger suppliers and more profit and innovation outside
Since the 1970s, China had developed a hybrid system, and because of the 2008 global financial crisis, scholars point out that other hybrid systems like China also began forming. Because China had not freed up their capital markets and suffered far less in the financial crisis of those that had (Harvey, 2010), a new model of doing international business that is not pure laissez faire like they do in the West emerges. The literature suggests that China’s policy response to the global financial and economic crisis was early, large, and well designed (Lardy, 2012). Although "Chinese financial institutions had little exposure to the toxic financial assets that brought down many large Western investment banks and other financial firms, China’s leadership recognized that the country’s high dependence on exports meant that it was acutely vulnerable to a global economic recession” (Lardy, 2012, p. 5). The Chinese government did not subscribe to the view that simply by increasing intraregional trade, could by and large weather the global financial storm that originated in the United States and other advanced industrial economies (Lardy, 2012). After the economies of "Western nations imploded in late 2008 talk spread, not just in China but also across the West, of the advantages of the so-called China model-a vaguely defined combination of authoritarian politics and state-guided capitalism- that was to be the guiding light for this century" (Wong, 2012).

While many scholars have used neoliberalism to explain what happened to the economy in various places around the world, there is recent scholarship that has questioned the relevance of the concept of neoliberalism as a whole and does not believe it to be a reality anymore. In 2014, Sally Weller and Phillip O’Neill set out to determine
whether Australia’s development path is or has been neo-liberalist, and these scholars came to the conclusion that “Australia’s developmental trajectory has never been neoliberal in intent or outcome, even in a distinct or hybrid form” (p. 106). While Australia is one case, it is important to highlight Australia’s position in the global framework. Australia is a part of the advanced economy of the global north and “therefore is integrated into a transatlantic neoliberal project” (Weller and O’Neill, 2014, p. 106). While their case study specifically pertains to Australia, the scholars more generally conclude that “despite numerous liberalizations, neoliberal scripts have been contested and discarded more often than they have been modified and reproduced” (Weller and O’Neill, 2014, p. 106). Other scholars also share Weller and O’Neill’s concern about the “extent to which neoliberalism has become a summary word that elides a complex reality and dissuades close political engagement” (2014, p. 125). Noel Castree believes scholars begin their research assuming that neoliberalism exists, but in doing so, they “are examining contingently occurring processes and outcomes that may well have operated differently if the neoliberal component had not been present” (2006, p. 4). Castree suspects neoliberalism will remain a necessary illusion or “something we know doesn’t exist as such, but the idea of whose existence allows our local research finding to connect to a much bigger and apparently important conversation” (Castree, 2006, p. 4). Other scholars also believe we should abandon neoliberalism in contextualizing the economy at the local and global scales. Clive Barnett argues that neoliberalism conveniently helps tell the story of how the world operates in explaining how “liberalism privileges the market and individual self-interest” (2011, p. 270), but through his research, he concludes that theories of neoliberalism “provide little assistance in thinking
about how best to balance equally compelling imperatives to respect pluralistic difference and enable effective collective action” (Barnett, 2011, p. 270). Overall, these various scholars are contending the relevance of the very concept of neoliberalism and are concerned that this story has been played out too far. As Weller and O’Neill point out, “If we know the story too well, our openness to the unexpected is compromised” (Weller and O’Neill, 2014, p. 125), and when we allow the notion of neoliberalism to include every aspect that contributes to a regime, “then every observed innovation, including those with non-neo-liberal motivations, can be rolled into an overarching story” (Weller and O’Neill, 2014, p. 125).

Within the story of Neoliberalism, it is hard to specifically place China. China sits in an awkward position since the various literatures have different ideas on how China fits into the context of neoliberalism. Harvey argues that China is not neoliberal but enables neoliberalism. While he concludes that China is a “market economy that increasingly incorporates neoliberal elements interdigitated with authoritarian centralized control” (Harvey, 2005, p. 120), Nonie argues that contemporary China is not " neoliberal in either a strong or weak sense, nor undergoing a process of neoliberalization” (2008). Some literature claims that China is neoliberal at the national level but Keynesian at the provincial level (Lan, Pickles, and Zhu, 2015) while others believe the “extent to which (and in what ways) China's reforms can be considered neoliberal is conditioned by the continuing importance and involvement of the state in all spheres of activity” (Wu, 2013, p. 620).

Globalization is an indispensable component of neoliberalism. The one thing the literature generally agrees on is that Chinese development was crucial for enabling
Western neoliberalism. It is important to note that "as capitalist accumulation proceeds, both labor and the environment tend to become increasingly more expensive” (Li, 2005, p. 420), and "capitalism has been able to keep expanding through access to areas where labor and resources remain cheap and abundant, and where spaces for pollution remain available” (Li, 2005, p. 420). Towards the late 20th Century, "much of China’s labor force remained in the rural areas and was readily available for capitalist accumulation on favorable terms. The political conditions in China were such that massive resource depletion and environmental pollution would meet with minimal resistance in the short and medium-run” (Li, 2005, p. 420). Because of China’s vast amount of labor and organized government, Western countries started outsourcing cheap labor to China. China provided the fuel that the Western neoliberal nations of the 1990s and 2000s needed. China went from the poorest to the largest world economy in part because the Western neoliberal countries implemented neoliberal policies and went out looking for cheap labor. Overall, the Western neoliberal market economy and Chinese development could develop together since they were in a trade relationship with each other.

Because Chinese development was pivotal for enabling Western neoliberalism, the relationship between China and the neoliberal model should be studied more in depth. While scholars generally disagree on how neoliberalism applies to China, the scholars studying China have rarely adopted a long-term view. With the long-term view in mind, I will look at the parallel development of Chinese policies and Western neoliberalism. In setting out on a different path from other scholars who have previously researched this subject, my contribution to the literature will be to analyze how the evolution of Western neoliberalism matches the evolution of Chinese reforms and systems overtime.
Methodology

The history of neoliberalism makes clear that the implementation of neoliberalism itself is not static. Scholars point out the various ways it has evolved from the 1980s. The literature is also in consensus that China was an important part of its evolution, but scholars disagree over whether China is neoliberal or not. The key argument of this thesis is that the very asking of the question of the extent of Chinese neoliberalization may be masking the nuances of China’s contribution to the global political economy. First of all, the neoliberal project itself is not static: the policies and ideology that scholars include under the ever-broadening term ‘neoliberalism’ are in constant flux. Scholarship about actually existing neoliberalism has shown that the neoliberal project varies over space; fewer scholars have detailed how neoliberalism has evolved over time. However, especially the discussion of post-2008 neoliberalism suggests that the temporal dimension should be taken more seriously. Second, China itself is experiencing a rapid social, cultural, and economic transformation. Thus, in order to better consider the long term view, I want to compare on a decade-by-decade basis, the main trends in the evolution of the neoliberal project in the US and global institutions with some of the major indicators of Chinese neoliberalization.

This thesis chooses to focus on Chinese trade and labor laws as indicators for the extent to which China approaches neoliberalism over time or not. Neoliberalism “emphasizes the primacy of markets over government, and which advocates policies that have led to the deregulation of labor markets, and the dismantling of the social protections and redistributive policies of the earlier welfare state” (Moutsatsos, 2008). Because I am analyzing how the evolution of Western neoliberalism matches the
evolution of Chinese reforms and systems overtime, it stands to reason that labor and trade laws are key indicators of neoliberalization: according to the literature, the latter need to be understood as a process of progressive erosion of legal protections to labor; it also need to be understood as an opening of markets, that do not involve only the reduction of customs duties, but also give an ‘upper hand’ to private companies when negotiating with government overseas. Thus, by looking at these two areas of law in their evolution over time it will be possible to examine whether China is becoming more or less neoliberal, and whether it is converging with the West.

More specifically, when adopting neoliberal policies, governing states are prompted to minimize the public sector, privatize all social services, make labor markets “flexible, i.e., accommodate the fluctuating needs of various industries but without the safety net of long-term secure employment (Moutsatsos, 2008). These changes in global labor trends correspond to the shift toward “flexible business practices employed by corporations and manufacturers and the decline of unionized workforces in industrialized countries since the 1970s” (Moutsatsos, 2008). Such practices include off-shoring, outsourcing, and subcontracting. China’s development has clearly benefited from Western outsourcing, but it is questionable whether or not it has eroded Chinese workers’ safety nets.

Labor and wage laws are key indicators in my research design since the literature has made it clear that neoliberalism takes shape through laws. Whether through a “rolling back of regulation or a rolling out of market-style governance, neoliberalism is always mediated through law” (Grewal and Purdy, 2015, p. 9). The disputes that these laws address are embedded in such questions as “the scope and nature of property rights
(including intellectual property), the constitutional extent of the government’s power to regulate, the appropriate aims and techniques of administrative agencies, and the nature of the personal liberty and equality that basic constitutional protections enshrine” (Grewal and Purdy, 2015, p. 9). Because laws can help to directly pinpoint if legislation is becoming more or less neoliberal (more or less property rights, trade regulation, etc), trade and labor laws become objective and comparable indicators when analyzing in parallel the evolution of the main characteristics of neoliberalism in the West with the evolution of the main characteristics of neoliberalism China.

While some scholars have chosen to use financial systems as indicators in discussing and analyzing neoliberalism, I chose not to since “China’s financial system is particularly hard to analyze because it is highly opaque and evolving rapidly” (Elliott and Yan, 2013, p. 2). Because “every decade sees major changes in the regulation, structure, and operation of finance in China, consistent with the rapid changes in the nation’s overall economic and political development,” (Elliott and Yan, 2013, p. 2), China’s financial system would be hard to directly compare to the West in a quantifiable and objective way, especially since the Chinese government “intervenes far more actively in banking decisions than in the West” (Elliott and Yan, 2013, p. 2). Also, this information would be extremely difficult to obtain since “only a few decades ago the private financial sector virtually did not exist and all banking was done through branches of the state-owned People’s Bank of China” (Elliott and Yan, 2013, p. 2).

In analyzing the trade and labor laws in China, I chose to look at both the national level and the local level when possible. Scholars such as Fan Lim believe that the size of China allows for governments at the local level to experiment with different policies.
Because “central planning is reconfigured through the dialectical differentiation of Chinese state spatiality and the variegated adaptation of neoliberal logics across different scales” (Fan Lim, 2014, p. 242), the national and provincial governments may follow different patterns (Tu Lan, 2016), so both will need to be investigated.

In analyzing in parallel the evolution of the main characteristics of neoliberalism in the West with the evolution of the main characteristics of neoliberalism in China, I chose to use the United States to represent the West. Since the West is so diverse, it makes more sense to focus on the United States in order to avoid a general comparison and to be able to specifically compare the indicators of neoliberalism in China with the indicators of neoliberalism in one representative country of the West. The United States is the best country to compare with China in the context of neoliberalization since the United States was the engine of neoliberalism. While neoliberalism was a set of policy tendencies that were first crafted and tested by both the UK and the US (Eagleton-Pierce, 2016), neoliberal reforms were further pushed across the world thanks to a combination of pressure from the US government, the hiring of economists trained in top US universities, and the two largest international financial institutions, the IMF and the World Bank. Not only is the United States the earliest country adopting the neoliberal mode, but they are credited with spreading neoliberalism since “the US government, along with the International Monetary Fund and the World Bank, have exerted pressure on developing and developed countries alike to adopt similar reforms” (Hirt, Sellar, and Young, 2013, p. 1244). The United States is also the best indicator when analyzing neoliberalism in the West compared to China since the United States is the country whose foreign investments, caused by neoliberal policies in the first place, enabled Chinese
While scholars debate the extent to which China is neoliberal, the literature also makes clear that the United States is not fully neoliberal. This is especially clear in the recent election of President Donald Trump. Scholars point out that Trump “channels the hostility generated by that neoliberal indifference to the well-being of working people and its scarcely concealed cultural contempt for heartland America into a racially inflected anti-establishmentarianism” (Fraser, 2016). In many ways, Trump’s victory, is both a break from the status quo and something new in that it expects a person with no government experience to fix the government. This belief says that only a nongovernmental person can save government (Schultz, 2017). While “his victory is also a continuation of the Thatcher-Reagan neoliberal policies that see government as bad and markets as good,” Trump’s win is “born of both neoliberalism and its rejection, at least in the form practiced under Barack Obama and espoused by Hillary Clinton” (Schultz, 2017, p. 559)
<table>
<thead>
<tr>
<th>Year</th>
<th>China</th>
<th>West (United States)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1970s</td>
<td>Chinese Labor Laws, Chinese Trade Laws, Secondary Literature (on effects of those laws/extent to which labor is protected), the extent of opening up the economy</td>
<td>United States Labor Laws, Unites States Trade Laws, Secondary Literature (on effects of those laws, extent to which labor is protected), the extent of opening up the economy</td>
</tr>
<tr>
<td>1980s</td>
<td>Chinese Labor Laws, Chinese Trade Laws, Secondary Literature (on effects of those laws/extent to which labor is protected), the extent of opening up the economy</td>
<td>United States Labor Laws, United States Trade Laws, Secondary Literature (on effects of those laws, extent to which labor is protected), Deregulation, Tax Cuts, Budget cuts, Labor Unions</td>
</tr>
<tr>
<td>2010s</td>
<td>Chinese Labor Laws, Chinese Trade Laws, Secondary Literature (on effects of those laws, extent to which labor is protected), International Trade, Safety Net (extent to which China is protecting Chinese labor)</td>
<td>United States Labor Laws, United States Trade Laws, Secondary Literature (on effects of those laws, extent to which labor is protected), International Trade, Outsource of labor</td>
</tr>
</tbody>
</table>
Table 1 is the general and broad framework for the indicators I will look to when analyzing neoliberalism in China and the West decade by decade. In the next chapter, this graph will be filled in with specific indicators and economic reforms. My comparing of the indicators of neoliberalism in China to the indicators of neoliberalism in the United States in parallel begins in the 1970s since in the mid-1970s "the Keynesian impulse went into reverse, to be replaced by neoliberalism” (Palley, 2004, p. 2), and starting in 1979, Den Xiaoping combined socialist ideology with pragmatic market economy whose slogan was “Socialism with Chinese Characteristics.” In the 1970s decade, I will use the indicators of labor laws and trade laws in China and in the United States, and I will also examine the extent to which the economy opens up in both of these places. I will use secondary literature to not only show to context of labor laws, but I will also determine the extent to which labor is protected.

I will use the same indicators in the 1980s for both China and the United States that I used in the 1970s, but I will also look into the various policies of the United States regarding deregulation, tax cuts, budget cuts, and labor unions since Reagan was elected in the 1980s and began his campaign against big government.

In the 1990s, I will continue to use the indicators of labor and trade laws in both China and the United States, but I will add an international dimension to the neoliberal indicators since this is the decade when China began negotiations with the World Trade Organization (WTO) and the collapse of the Soviet Union along with financial institutions such as the IMF and World Bank created an environment in the 1990s where world markets become more integrated and more countries adopt neoliberal policies.

In the 2000s, along with the trade and labor laws in China and the United States, I
will continue to look at international indicators in China since China joins the WTO in the early 2000s and negotiates special conditions. I will also use the 2008 crisis as an indictor for China and the United States since the crisis of neoliberalism was embodied in the U.S financial crisis of 2008, which catalyzed cascading chains of financial crises across the globe (Dutta, 2015). While many Western investment banks and other financial firms were brought down by this crisis, China’s leadership recognized that the country’s high dependence on exports meant that it was acutely vulnerable to a global economic recession” (Lardy, 2012, p. 5).

In the 2010s, President Trump and the United States question the principles of neoliberalism that have followed for the last thirty years, so I will not only look at the labor and wage laws but also the extent to which labor is outsourced and policies are starting to change. In the 2010 decade, because China is a champion of free trade but is also actively trying to protect labor, I will look at the safety net they introduced in order to protect labor.

In comparing the evolution of Western neoliberalism on Chinese laws paying attention to specific decades of phases, the sources of data I will use will include

A. The secondary literature about neoliberalism in the West at specific times

B. The different laws enacted by China in the same period

C. The reports and rating of the business environment in China done by large Western consultancies in specific years

D. Interview data from the current decade

I will match these four sources of data with the evolution of labor and wage laws in
Taken together, these data will show how Chinese trade and labor laws have changed and developed to determine if they are becoming more deregulated with more free trade or more regulated with less free trade. Such development will be matched with policy development in key Western economies and international institutions to determine the extent to which the two converge.

This thesis approaches the research questions through a qualitative process of textual analysis, analysis of secondary data and interview data. First, I will go through each trade and labor law enacted in China at the national and in some cases provincial level since the 1970s. This distinction between national and provincial will be examined closely in my research since China has the ability and leeway to have a lot of variety in levels of government due to their size. In such a large country with an extremely high population, it is very possible to adopt certain policies on one level of the government and adopt different policies on another level. Second, I will contextualize these laws within larger trends in the organization of the global political economy, drawing on secondary literature in geography, economic sociology, and political science. In particular, I will bring the Chinese literature down into decades, starting in 1979, when Den Xiaoping combined socialist ideology with pragmatic market economy. This is an appropriate starting place for my analysis since 1979 is also the same year in which the neoliberal champion Margaret Thatcher was elected prime minister in the UK. I will go through each decade with the aim of comparing labor and trade laws in China with patterns of neoliberal reforms in certain Western countries and with the policies enacted by the international financial institutions, such as the IMF and the World Bank.
Once I have analyzed China’s development of wage and labor laws on both the national and provincial level of government through each decade, I will embark on my last stage of research and analysis. Using interview data based on 15 interviews from General Managers, Lawyers, Trade Commissioners, Project Managers, and various other workers who work in Shanghai or Suzhou collected in 2013-2015 from a project titled “Opening the black box of the State,” which are listed in Table 2 below, I will analyze the perception of Chinese trade and labor by foreign entrepreneurs and seek out reoccurring themes.

Based on the information gathered from the literature on the Chinese development of wage and labor laws and the qualitative data in the interviews, I will draw a conclusion about whether China is evolving towards or away from the neoliberal model.
### Table 2: Occupation and Location of Foreign Entrepreneurs

<table>
<thead>
<tr>
<th>Occupation</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Manager for SIT Manufacturing</td>
<td>Suzhou</td>
</tr>
<tr>
<td>General Manager for Giuliano Automotive Equipment</td>
<td>Suzhou</td>
</tr>
<tr>
<td>General Manager for FMMG Technical Textiles</td>
<td>Suzhou</td>
</tr>
<tr>
<td>Partner for DLA UK LLP</td>
<td>Shanghai</td>
</tr>
<tr>
<td>Trade Commissioner for Italian Trade Commission</td>
<td>Shanghai</td>
</tr>
<tr>
<td>Lawyer for Zunarelli B&amp;T International Law Firm</td>
<td>Shanghai</td>
</tr>
<tr>
<td>Head of Corporate &amp; Institutional Banking for Intesa Sanpaolo S.p.A</td>
<td>Shanghai</td>
</tr>
<tr>
<td>Head of Italian Desk for Intesa Sanpaolo S.p.A</td>
<td>Shanghai</td>
</tr>
<tr>
<td>Vice Director for Administrative Committee of Suzhou National Hi-Tech Industrial Park</td>
<td>Suzhou</td>
</tr>
<tr>
<td>Regional Vice President for Strategic Markets</td>
<td>Shanghai</td>
</tr>
<tr>
<td>General Manager for System technology co. It.</td>
<td>Suzhou</td>
</tr>
<tr>
<td>Members Relational Manager for European Union Chamber of Commerce in China</td>
<td>Shanghai</td>
</tr>
<tr>
<td>Cultural attaché for Italian Cultural Institute</td>
<td>Shanghai</td>
</tr>
<tr>
<td>China Chief Representative for China Representative Office in Shanghai</td>
<td>Shanghai</td>
</tr>
<tr>
<td>Project Manager for Sino-Italian Campus, Tongji University</td>
<td>Shanghai</td>
</tr>
</tbody>
</table>
Works Cited


Chapter 2: Decade by Decade Analysis

As the scholars Wang and Karl point out, “Neoliberalism, in truth, relies upon the strength of transnational and national polices and economies, and it depends upon a theory and discourse of economic formalism to establish its own discourse.” In this chapter, I will discuss United States economic reforms using secondary literature in order to discover trends in US policy. Going through the same process with China, I will discuss Chinese economic reforms using secondary literature before analyzing trends in Chinese policy. This chapter involves breaking the US and the Chinese literature down into decades, starting in 1970s, when Den Xiaoping combined socialist ideology with pragmatic market economy whose slogan was “Socialism with Chinese Characteristics.” I will analyze in parallel the key indicators of each decade in the United States and China, listed in Table 3, along with the trade and labor laws enacted in China at the national and provincial levels since the 1970s and the trade and labor laws enacted in the United States since the 1970s.
Table 3: Economic Reforms in China and the West Decade by Decade

<table>
<thead>
<tr>
<th>China</th>
<th>United States (West)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1970s</strong></td>
<td></td>
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<tr>
<td>• With Mao’s death in 1977 and Deng Xiaoping’s partial</td>
<td>• As the United States experienced stagflation, political leaders and policy</td>
</tr>
<tr>
<td>restoration to political power in 1977, Deng Xiaoping already</td>
<td>makers, for the first time since World War II, were in search of serious</td>
</tr>
<tr>
<td>displayed a positive new approach</td>
<td>alternative economic policies to Keynesian</td>
</tr>
<tr>
<td>o In 1978, increasing CCP</td>
<td>• In 1971, Nixon officially ended the US embargo on China</td>
</tr>
<tr>
<td>support for Deng</td>
<td>• In 1978, airline deregulation passed</td>
</tr>
<tr>
<td>Xiaoping’s reformist</td>
<td>• Three major deregulation bills passed through Congress:</td>
</tr>
<tr>
<td>agenda culminates in its</td>
<td>trucking, the Staggers Rail Act, and the Depository Institutions</td>
</tr>
<tr>
<td>basic acceptance by the</td>
<td>Deregulation and Monetary Control Act</td>
</tr>
<tr>
<td>11th Central Committee</td>
<td>• Carter appointed Paul Volcker in 1979 to replace Miller as chairman of the Federal</td>
</tr>
<tr>
<td>of the CCP where it was</td>
<td>Reserve</td>
</tr>
<tr>
<td>argued that the reforms</td>
<td></td>
</tr>
<tr>
<td>should begin with agriculture</td>
<td></td>
</tr>
<tr>
<td>o In 1979, Deng Xiaoping</td>
<td></td>
</tr>
<tr>
<td>becomes Chairman of the</td>
<td></td>
</tr>
<tr>
<td>Military Commission, and he</td>
<td></td>
</tr>
<tr>
<td>criticizes dogmatic</td>
<td></td>
</tr>
<tr>
<td>approaches to policy and</td>
<td></td>
</tr>
<tr>
<td>favors a pragmatic approach</td>
<td></td>
</tr>
<tr>
<td>• The restructuring of the farming system</td>
<td></td>
</tr>
<tr>
<td>• The raising of procurement</td>
<td></td>
</tr>
<tr>
<td>prices</td>
<td></td>
</tr>
<tr>
<td>• The opening of rural markets</td>
<td></td>
</tr>
<tr>
<td>(Guangdong and Fujian designated as areas open to foreign</td>
<td></td>
</tr>
<tr>
<td>investment)</td>
<td></td>
</tr>
<tr>
<td>• The supplying of industrial</td>
<td></td>
</tr>
<tr>
<td>inputs for agricultural</td>
<td></td>
</tr>
<tr>
<td>production</td>
<td></td>
</tr>
</tbody>
</table>
### 1980s

- The decentralization of financial power to provincial governments and state owned enterprises
- The institution of measures actively to attract foreign capital
- In 1980, the establishment of four special economic zones (Shenzhen, Zhuhai, Shantou, and Xiamen) to facilitate the movement of offshore manufacturing facilities from abroad
- In 1984, this number expanded when fourteen more cities opened up
- The position of Hong Kong as an entrepôt linking East with West
- By the mid-1980s the number of companies engaged in the direct export and import trade had increased dramatically, and the central government relaxed controls over local agencies and prioritized revenue creation.
- The reforming of the enterprise system in 1984
- The state restored the bonus system and adjusted the wage rate upward
- The leadership’s decision to gradually adjust and decontrol the prices of a few products at a time (By 1988, prices of most farm products and minor daily use manufacturers had been decontrolled, but the prices of wages, interest rates, and foreign exchange rates were still under strict government control)
- In 1988, inflation became rampant, and administrative controls were restored and

### Following Chinese economic reforms of the 1980s, U.S. consumer goods companies were increasingly drawn to China

- American companies entered China by forming joint ventures with a Chinese company or government agency
- In 1980, Congress passed a trade agreement conferring contingent Most Favored Nation (MFN) status on China
- Ronald Reagan took office in 1981
- Reagan four priorities for economic policy: increased deregulation and market liberalization, tighter control of the money supply, tax cuts, and cuts in public spending
- Lifting of the remaining controls on oil and petrol that had been in place since Nixon’s administration and the reducing of taxes on their profits to address the energy crisis
- The air traffic controllers’ strike of the summer of 1981
- The large-scale tax cuts in 1981
- The devaluation of labor power and the steady relative degradation in the condition of the working class, which put downward pressure upon wage rates and labor conditions everywhere
- Shift from manufacturing towards financial power
- Wave after wave of deindustrialization hit industry after industry and region after region within the US
The beginning of the 1990s: a slowdown of the reform movement.
Reform remained hesitant until some signs of revival in early 1992
In 1993, Jiang Zemin was elected as president of the republic
   This second phase of reform rested on regulatory and administrative restructuring of the banking, taxation and corporate governance systems, as well as further exposure to world markets through China’s membership in the WTO
By the mid-1990s, a new legal framework for labor, wages and workers’ contractual rights had been established to replace the system of “socialist” administrative regulation
   In 1993, the Ministry of Labour and Social Security issued the Enterprise Minimum Wage Regulation
   In 1994, the Labor Law which was passed laid down a foundation for

Policy changes had occurred in the realm of affordable housing and urban policy
Household debt sky-rocketed, which required that financial institutions both support and promote the debts of working people whose earnings were not increasing
The two Clinton terms occupied most of the 1990s
Between 1993 and 2000, the United States exhibited the best economic performance of the past three decades
Further deregulation took place in the electricity market and environmental regulation
Exports grew rapidly
Technology, competition and flexibility in goods and labor markets, and the public sector
workers’ legal and contractual rights
  • During this period, social conditions in workplaces were often poor, labor law enforcement was weak, with most local governments reportedly favoring business over migrant workers

- Beginning in 1993, China’s reforms are geared towards competitiveness
- In the mid 1990s, China reformed its financial and tax sectors, and opened capital, bonds and securities markets for new capital acquisition
- In 1994, China introduced a major tax reform
- The new Budget Law became effective in 1995
- In 1997, the Chinese leadership selected 100 big state companies for experimenting privatization
- The Asian Financial Crisis of 1997
- In the later 1990s, China initiated substantial reforms in the financial and fiscal sectors, adhering to capital markets
- The reform of the banking system in 1998
- The negotiations (between US and China) for China joining the WTO in 1999
- Outcomes of the 1990s reforms
  • Price stability replaced rising inflation
  • The number of SOEs dwindled while the number of private firms increased
  • Increased market
| 2000s | China's admission to the WTO in 2001  
The accelerating of global reforms of state companies in China, including stock exchange listing, buying, acquisition and merging, initial public offers, etc.  
In 2000, CCP invited private entrepreneurs and rich persons to join the Party, and even to participate in the central power  
Chinese rural zones began to organize democratic local elections  
In 2002, Hu Jintao was elected General Secretary of the party and President of China  
References to building a moderate wellbeing society, and creating a new situation in the development of socialism with Chinese features  
Since 2003, China had surpassed the United States to become the country with the highest level of FDI inflow in the world.  
Beginning of 2000s, working conditions in this industry were marked by low hourly pay, long and unstable working hours and detrimental environmental impacts  
An increasing incidence of strikes and worker protests  
The Chinese State responded to these pressures through a series of regulatory interventions | The US transformed from a manufacturing country to one focused on finance  
The US trade deficit with China in 2005 and 2006 was the largest deficit it has ever recorded with a single economy in history and  
  - Scholars attributed the deficit to job losses in the U.S. manufacturing sector and obstacles to U.S. exports to China  
2000: Bursting of the Dot.com/Technology Bubble  
George W. Bush serves as President from January 2001-January 2009  
2001: September 11 Terrorist Attacks  
2002: Stock Market Crash  
War on Terror and Iraq War  
2008 Financial Crisis (the housing meltdown, the severe economic recession, and a significant downturn in the U.S. stock market)  
In January 2009, Barack Obama’s presidency begins |
### Three new labor laws that were passed in 2007: The Employment Promotion Law, The Labour Dispute Mediation and Arbitration Law, The Labour Contract Law

- During 2004-2008, the credit and fixed assets for investments increased excessively
- China embarked upon a new phase of macro control
- The shift of the tax policy in 2005 from an active one to a cautious one, as well as adopting a restrictive monetary policy
- China’s transforming of the world-level financial crisis into an opportunity
- The increase of citizen’s participative role
- The establishing a new social security system, in order to ensure workers’ rights, and protect them against market dysfunction
- Reforming the pension system, and preparing for importing foreign management of pension funds on securities market in 2008

### 2010s

- The ten years between 2003 and 2012 were acclaimed as “Hu-Wen’s New Deal,” with referred to the policies with the goal of constructing a “harmonious society”
  - A series of socio-economic reforms to protect the rights of farmers and peasant workers
  - Migrant workers have replaced

- Barack Obama served as President from Jan 2009 – Jan 2017.
  - Low wage growth and high job insecurity
  - Obama’s moderate fiscal expansion to promote economic recovery and falling unemployment
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In pre-1978 China, the economic system was a command economy with the following distinctive features: government-made decisions concerning the volume and composition of output, its production, and distribution; the allocation of resources through central planning; state ownership of all means of production; and distribution of income based on the egalitarian principle (Galenson, 1993). Together with other mutually supporting political and social institutions, “the command economy has developed into an integrated system with a logic of its own” (Galenson, 1993, p. 12). The strength of such a system lies in its effectiveness in mobilizing resources and “achieving accelerated growth in high priority sectors within a relatively short time” (Galenson, 1993, p. 13).

China’s economic performance record in the three decades prior to 1978 provides ample evidence of continued economic growth, rapid industrialization, and technological progress in defense-related areas, but the costs of operating a command economy in terms of wastes and human losses are also high, especially since China’s notable economic growth was achieved largely through capital formulation rather than an increase in productivity (Galenson, 1993). Growth of total factor productivity stagnated during the 1960s and 1970s, and China in the later 1970s remained a low-income economy by World Bank standards, and its per capita GNP was the lowest among the centrally planned economies (Galenson, 1993). According to many assessments, the standard of living hardly improved since the 1950s, and it is important to highlight that the principal reason for China’s failure to break out of poverty was its low level of productivity and slow growth (Galenson, 1993).
In the 1970s, China can be seen as slowly opening itself up to the outside world and foreign trade since the two coastal provinces, Guangdong and Fujian, were designated as areas open to foreign investment (Galenson, 1993). But in 1977, there was no sign that China was about to change its economic policies or its cooperation with the outside world (Tisdell, 2008). Examination of the documents of the Eleventh National Congress of The Communist Party of China held in 1997 demonstrates a commitment to past practices and policies, so it seemed that without a change in political leadership China would be stuck in its old economic ways (Tisdell, 2008). Credit for the change goes primarily to “Deng Xiaoping and subsequent Chinese leaders who have followed in his footsteps and have continued to develop, modify and apply his approach” (Tisdell, 2008, p. 3). Before Mao Zedong’s death, Deng Xiaoping believed that there was a need for economic and social reforms in China, but his approach was rejected by the then leadership of the CCP (Tisdell, 2008). With Mao’s death in 1977 and Deng Xiaoping’s partial restoration to political power in 1977, Deng Xiaoping already displayed a positive new approach (Tisdell, 2008). The following events happened shortly after Deng Xiaoping’s partial restoration to power which made reform possible: In 1978, increasing CCP support for Deng Xiaoping’s reformist agenda culminates in its basic acceptance by the 11th Central Committee of the CCP where it was argued that the reforms should begin with agriculture; In 1979, Deng Xiaoping becomes Chairman of the Military Commission, and he criticizes dogmatic approaches to policy and favors a pragmatic approach (Tisdell, 2008).

During the first phase of reform, the main objective was the restructuring of the farming system since the many problems confronting the leadership in the immediate
post-Mao era concerned agricultural stagnation (Galenson, 1993). As evidence of the extent of agricultural stagnation, during the period 1952-1978, net agricultural output grew at only 1.8 percent per year while the population grew two percent per year over the same period (Galenson, 1993). The primary cause of the problem “was not the slower growth of labor or capital input but the inefficient use of these inputs due to the peasants’ lack of incentives under the commune system” (Galenson, 1993, p. 12). Another reason Chinese economic reforms began with agriculture was because agriculture was the foundation of the national economy at the time (Tisdell, 2008). In line with the views of Deng Xiaoping, it was agreed that economic incentives “should be incorporated in the economic system and that economic responsibility should be stressed” (Tisdell, 2008, p. 8). By 1978, in order to reform the commune system, some areas introduced various forms of contractual arrangement. Under the contract system, “a farm household was obligated to use collectively owned assets, including land and means of production, and the autonomy to manage his own operations” (Galenson, 1993, p. 12). In effect, this change reduced the peasant’s marginal income tax from virtually 100 to 0 percent, which greatly enhanced the peasant’s incentive to produce, and output soared (Galenson, 1993).

In terms of institutional change, the commune system was simply replaced with individual household farming, in which the farm households now possessed the rights to use the land and dispose of the income from the land, but not the right to transfer the lease (Galenson, 1993). The Party recognized this dramatic increase in output and “readily supported the movement by dismantling the commune system and by introducing major complementary measures such as raising procurement prices, opening
rural markets, and supplying industrial inputs for agricultural production” (Galenson, 1993, p. 14).

**United States Economy in the 1970s**

For most of the 20th century, the basic policies that comprise today’s United States’ standard economic ideology would have been rejected as absurd since most economists had moved on to embrace Keynesian thought or some form of social democracy (Hickel, 2012). The idea that the "market should be allowed to make major social and political decisions; the idea that the State should voluntarily reduce its role in the economy, or that corporations should be given total freedom, that trade unions should be curbed and citizens given less rather than more social protection – such ideas were utterly foreign to the spirit of the time” (George, 1992). As the United States experienced stagflation (the combination of unemployment, high inflation, and low or no growth) in the 1970s, political leaders and policy makers, for the first time since World War II, were in search of serious alternative economic policies to Keynesian (Jones, 2012).

In June 1971, Nixon officially ended the U.S. trade embargo on China, “sweeping aside the legal barriers which had hindered significant economic interaction between the two nations since 1950” (Wang, 2013, p. 2). With restrictions lifted, “U.S. companies were allowed to export certain non-strategic goods directly to China and haul Chinese cargo between non-Chinese ports” (Wang, 2013, p. 2). A signal achievement of the Carter presidency and one of the first supply-side reforms to be attempted was deregulation. Carter first sent Congress two deregulation bills on trucking and airlines, which was extremely unusual coming from a Democratic Party president (Jones, 2012). In October 1978, airline deregulation passed, and in 1980, “three major deregulation bills
passed through Congress: trucking; the Staggers Rail Act, which liberalized railroad freight; and the Depository Institutions Deregulation and Monetary Control Act, which gave more command over lending to savings and loans associated with mutual savings banks,” where the last act also abolished interest rate ceilings for banks (Jones, 2012, p. 168). It is important to note that Carter’s efforts at liberalization of industry and finance must be considered significant since they began the movement toward deregulation in the United States that continued until the financial crisis in 2007-2010 among policymakers, especially in terms of the financial markets (Jones, 2012). Even with these policy reforms, inflation remained the central economic policy concern during the Carter presidency since inflation pushed close to ten percent in 1977-1978 (Jones, 2012). With high interest rates and the money supply growing fast, Carter appointed Paul Volcker in 1979 to replace Miller as chairman of the Federal Reserve, who was preserving a traditional Keynesian monetary expansion (Jones, 2012). Volcker chose “monetary aggregates as the best measure to control the money supply and ensure that people would understand that he was resolute in his focus on inflation” (Jones, 2012, p. 169). Volcker was not raising interest rates, but instead, the market was. Since he was setting a non-inflationary path for money supply, “it enabled the Fed to do politically, during the transition period, what it couldn’t have done in a more direct way” (Jones, 2012, p. 170). In the State of the Union address in 1979, “Carter proclaimed that government could no longer solve people’s problems. The Left’s reforms and realizations in the environment of the 1970s were as fundamental as those on the radical neoliberal right: the economic and political crises required new responses from those that had been the staple of governments since the 1940s” (Jones, 2012, p. 171).
Chinese Economy in the 1980s

In mid-1981, the CPC stressed the importance of striving for the modernization of China’s economy by “acting systematically and in a staged fashion while basing its development policies on the realities of Chinese conditions and the level of available resources in China” (Tisdell, 2008, p.10). In other words, only modest and realistic goals would be sought. A major systemic change during this period was the decentralization of financial power to provincial governments and state owned enterprises (Galenson, 1993).

Beginning in 1980s, provincial governments were allowed to collect funds from specific sources and contributed part of the revenues to the central government according to a set quota, or in other words, the local governments now had the power to allocate their own financial resources (Galenson, 1993). Similarly, the enterprises were allowed to retain a portion of their profits for their own use, and the rationale behind this policy was “based on the leadership’s perception that the most serious defect of this command economy was the over centralization of decision-making power” (Galenson, 1993, p. 17). By delegating power and providing financial incentives to the local governments and producers, the leadership hoped to revitalize their initiatives (Galenson, 1993). Another key change during this period was the gradual relaxation of restrictions on the growth of non-state business, especially since the early 1980s witnessed a marked increase in the share of output of these organizations, particularly in the service sector (Galenson, 1993).

While two Chinese provinces were opened up to the world during the 1970s, the 1980s expanded upon this opening of the semi-closed economy. In addition to “various institutional changes to expand external trade, the government instituted measures actively to attract foreign capital” (Galenson, 1993, p. 18). In 1980, the government
established four special economic zones, Shenzhen, Zhuhai, Shantou, and Xiamen, to facilitate the movement of offshore manufacturing facilities from abroad, and in 1984, this number expanded when fourteen more cities opened up (Galenson, 1993).

The 1980s witnessed the restructuring of the Chinese domestic economy, coinciding with China’s opening to the outside world, and “here the position of Hong Kong as an entrepôt linking East with West was crucial” (Wang, 2013, p. 4). A key step involved “harnessing Hong Kong’s trading power in world markets by encouraging Hong Kong firms to sign export processing contracts with businesses in China’s newly established Special Economic Zones in Guangdong and Fujian Provinces” (Wang, 2013, p. 4). By the mid-1980s the number of companies engaged in the direct export and import trade had increased dramatically, and “the central government relaxed controls over local agencies and prioritized revenue creation. Government tax incentives to both domestic and foreign investors virtually turned China’s entire littoral into a lucrative export-processing zone” (Wang, 2013, p. 4).

The reforming of the enterprise system is another key event that took place in this decade. The issuing by the CCP of the document “On Reform of Economic Structures” in 1984 marked an important milestone in the strengthening of China’s economic reforms and their extension (Tisdell, 2008). It was agreed that “following the success of China’s rural economic reforms, similar reforms should be extended to the whole economy with the focus now being placed on the urban economy” (Tisdell, 2008, p. 10). In short, The Party shifted its attention from rural to urban areas. The urban reform program “outlined in the Party’s Decision in 1984 and the 7th Five-Year Plan had three main tasks: to transform the state-owned enterprises from being the administrative subsidiaries of the
state into independent businesses firms capable of making their own management
decisions and responsible for their own profits and losses, to develop a competitive
market system, and to institute macroeconomic controls” (Galenson, 1993, p. 19). By
continuing and extending reforms, “it was hoped to establish a dynamic economy,
invigorate enterprises and establish an economic system in which economic activity and
production would be responsive to economic values” (Tisdell, 2008, p. 10).

The focus was on enterprise reform. As the former Party chief Zhao Ziyang
admitted, “inefficiency in the state-owned enterprise was a widespread problem and the
underlying cause was the enterprise manager’s lack of initiative” (Galenson, 1993, p 20).
In order to revitalize the enterprises, the state instituted the following: “the director
responsibility system under which the enterprise director, rather than the Party secretary,
had the management authority and responsibility; the contract management system,
whereby the enterprise director entered into a contract with the state that obligated him to
deliver a fixed amount of profit to the state, thus linking the enterprise’s marginal returns
to management performance; and a bankruptcy law, the penalize managers who
performed poorly” (Galenson, 1993, p. 20).

While in the period from 1952-1978, real wages hardly increased, workers
enjoyed permanent job security, and not surprisingly, the workers had no incentive to
work hard, so during the period from 1978-1984, “the state restored the bonus system and
adjusted the wage rate upward” (Galenson, 1993, p. 21). Since 1984, the state went
further by “removing the limit of bonuses, linking the enterprise’s total wages to profits
turned over to the state budget, and promoting some labor mobility by establishing the
contract labor system, labor markets in some cities, and the authority of the enterprise
managers to hire and discharge workers” (Galenson, 1993, p. 21). Along with the reforms in production management, the distribution system also went through important changes (Galenson, 1993). The state loosened its almost complete control over distribution by allowing more and more items, including some major producer goods like steel, coal, and cement to be traded on markets (after the producing enterprise delivered its quota to the state), and overall, the number of trading centers, wholesale markets, rural markets, and retailers increased sharply (Galenson, 1993). A great amount of progress had been made, and by 1998, over eighty percent of the state owned enterprises had adopted the director responsibility system and the contract system (Galenson, 1993). As a result, “the number of producer goods directly distributed by the state dropped from 256 in 1980 to 27 in 1985; and a large portion of the newly employed workers was on contract basis” (Galenson, 1993, p. 22).

Despite this progress, there was still a lack of a competitive price system (Galenson, 1993). Given a set of distorted prices, “there could be no meaningful measures of economic efficiency, thus making it impossible to enforce financial responsibility” (Galenson, 1993, p. 23). For example, the procurement prices for agricultural prices were too low, as well as the charges for transportation, public utilities, and housing, and the prices of manufactured products were high relative to those of energy and raw materials (Galenson, 1993). The Chinese leadership was well aware that relative prices were seriously distorted, and the questions revolved around how to correct the distortion and how fast the reforms should be made (Galenson, 1993). Ultimately, the leadership’s decision was gradually to adjust and decontrol the prices of a few products at a time (Galenson, 1993). Up to the mid 1980s, price reform consisted mainly of price
adjustments, and subsequently, the emphasis shifted to decontrolling the prices; the outcome of the piecemeal approach was a mixed price system (Galenson, 1993). By 1988, prices of most farm products and minor daily use manufacturers had been decontrolled, but the prices of wages, interest rates, and foreign exchange rates were still under strict government control (Galenson, 1993).

During the 1980s, price reform complicated the situation. For decades, repressed inflation had existed, and upward price adjustments and price decontrol simply brought the repressed inflation to the open, creating expectations of price increases whenever price reform took place (Galenson, 1993). In 1988, the Party decided to push ahead with price reform despite mounting inflation (Galenson, 1993). However, in September 1988, inflation became rampant, and the leadership abandoned the plan for price reform; the policy focus “now shifted to the improvement of the economic environment and rectification of the economic order,” essentially meaning curbing inflation and checking corruption (Galenson, 1993) For those purposes, administrative controls were restored and strengthened, and price reform as well as other reforms were put on hold (Galenson, 1993).

United States Economy in the 1980s

Following Chinese economic reforms of the 1980s, U.S. consumer goods companies were increasingly drawn to China, and “American companies entered the country by forming joint ventures with a Chinese company or government agency” (Wang, 2013, p. 4). For example, early participants included such giants as H. J. Heinz, R. J. Reynolds Tobacco, Coca-Cola, American Express, American Motors, AMF, Inc.,
General Foods, Beatrice, Gillette, Pepsi-Cola, Eastman Kodak, AT&T, Nabisco, and Bell South (Wang, 2013). On January 24, 1980, Congress passed a trade agreement “conferring contingent Most Favored Nation (MFN) status on China,” which “exempted Chinese exports to the United States from the high tariff rates stipulated by the Smoot-Hawley Act of June 1930, a measure that was long used to distinguish friends from foes among U.S. trading partners” (Wang, 2013, p. 3).

When Ronald Reagan took office in 1981, he had four priorities for economic policy including increased deregulation and market liberalization, tighter control of the money supply, tax cuts, and cuts in public spending (Jones, 2012). Like President Carter, “with monetary policy in the hands of Paul Volcker’s Federal Reserve, the administration centered mainly on supply-side reforms” (Jones, 2012, p. 177). The first reform Reagan made upon entering office was lifting the remaining controls on oil and petrol that had been in place since Nixon’s administration and reducing taxes on their profits to address the energy crisis (Jones 2012). There were also two other major events in Reagan’s first year that helped define the president’s economic program: the air traffic controllers’ strike of the summer of 1981 and the passage of a series of large-scale cuts through Congress (Jones, 2012). The large-scale tax cuts came about from a legislative process that began in 1981: the top rate of taxation was reduced successively from 70 percent to 50 percent and then to 28 percent in 1986 (Jones, 2012). Reagan signed into law what were then the largest tax cuts in American history, and this bill “contributed to the spiraling of the federal deficit, which expanded from $700 billion in 1981 to over $3 trillion by the time Regan left office” (Jones, 2012, p. 178). The air traffic controllers’ strike led the administration to successfully bust the union and fire all striking workers.
This event was extremely significant because busting the union, PATCO, and firing striking workers “entailed shifting the balance of power and interests within the bourgeoisie from production activities to institutions of finance capital” (Harvey, 2003, p. 65). Financial power could be used to discipline working-class movements, and when the opportunity arose to launch “a frontal assault on the power of labor and to diminish the role of its institutions in the political process,” President Reagan’s first move was to destroy the strong collective power of the air traffic controllers (PATCO), which served notice on the union movement that it “stood to suffer the same fate should any other group of workers strike” (Harvey, 2003, p. 65). The subsequent devaluation of labor power and the steady relative degradation in the condition of the working class put downward pressure upon wage rates and labor conditions everywhere (Harvey, 2003).

Reductions in the "cost of transport, coupled with political shifts on the part of governments at all levels to offer a positive business climate and to cover some of the fixed costs of relocation, promoted the kind of geographical mobility of manufacturing capital that the increasingly hyper-mobile financial capital could feed upon” (Harvey, 2003, p. 64). While the shift towards financial power brought great direct benefits to the United States, "the effects upon its own industrial structure were nothing short of traumatic, if not catastrophic” (Harvey, 2003, p. 64). It is important to note that offshore production became possible and the search for profit made it probable (Harvey, 2003). Wave after wave of deindustrialization "hit industry after industry and region after region within the US, beginning with the low-value-added goods (such as textiles), but step by step ratcheting up the value-added scale through sectors such as steel and shipbuilding to high-tech imports” (Harvey, 2003, p. 64-65). The US was “complicit in undermining its
dominance in manufacturing by unleashing the powers of finance throughout the globe” (Harvey, 2003, p. 65). Into the slums, “favelas and ghettos of insalubrious cities, tried to get by on less than $2 a day. Awash with surplus capital, US-based corporations actually began to offshore production in the mid-1960s, but this movement only gathered steam a decade later” (Harvey, 2012, p. 15). Thereafter, parts made almost anywhere in the world, preferably where labor and raw materials were cheaper, could be brought to the United States and assembled for final sale close to the market (Harvey, 2012). Because “the global car and the global television set became a standard item by the 1980s,” capital now had access to the whole world’s low-cost labor supplies, and “to top it all, the collapse of communism, dramatically in the ex-Soviet Bloc and gradually in China, then added some 2 billion people to the global wage labor force” (Harvey, 2012, p. 15). While the benefit was cheaper goods from elsewhere to fuel the endless consumerism to which the US was committed, “US dependency on foreign trade was on the rise and the need to build and protect asymmetrical trade relations moved to the fore as a key objective of political power” (Harvey, 2003, p. 65).

**Chinese Economy in the 1990s**

The beginning of the 1990s saw a slowdown of the reform movement. In October 1988, “Li Peng, the new premier, announced that reforms in the next two years would be slow” (Galenson, 1993, p. 25). Several reform programs initiated by the former Party secretary had been scrapped, and new measures to tighten government control over a wide range of economic activities had been introduced (Galenson, 1993). Despite repeated “lip service to deepen reform, the reform movement slowed to a halt,”
and the on-going reforms consisted largely of experiments in some cities and the provinces of Guangdong, Fujian, and Haninan (Galenson, 1993, p. 25). Toward the end of 1990, inflation was brought under control, but the pace of reform remained hesitant until some signs of revival in early 1992 (Galenson, 1993).

Despite the slowdown of reforms in the early 1900s, Deng Xiaoping’s influence on China’s development policies continued both directly and indirectly. In 1992, “China’s transition to a market-oriented economy moved into high gear, symbolized by Deng Xiaoping’s “Southern Tour” of Shenzhen and other Special Economic Zones in South China” (Wang, 2013, p. 6). He toured the south of China and gave speeches to assure China and the rest of the world that China’s market reforms and open-door policies initiated by him would continue (Tisdell, 2008). After Deng Xiaoping’s death, China continued on the development path that he had pioneered since Deng’s strong endorsement provided the momentum for a new phase of economic reform (Wang, 2013).

In 1993, after the XIV National Congress of the Chinese Communist Party, which “entered history as the first congress to establish the target of building a socialist market economy in China”, Jiang Zemin was elected as president of the republic (Micu, 2016, p. 124). This second phase of reform, led by Jiang Zemin, “rested on regulatory and administrative restructuring of the banking, taxation and corporate governance systems, as well as further exposure to world markets through China’s membership in the WTO” (Wang, 2013, p. 6). China’s strong commitment to reform yielded multiple outcomes: “price stability replaced rising inflation; the number of state-owned enterprises (SOEs) dwindled while the number of private firms increased, so that the latter employed twice as many workers as the SOEs by the end of 2004; and increased market competition

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sharpened pressure on employers and employees alike, contributing to massive layoffs and social inequity” (Wang, 2013, p. 7)

Beginning in 1993, China’s reforms are geared towards competitiveness, concerns regarding the quality of economic growth, and reconstructing the rule of law (Micu, 2016). In the mid 1990s, China reformed its financial and tax sectors, and opened capital, bonds and securities markets for new capital acquisition (Micu, 2016). Also, the state “tried to transfer funds attracted from the banking sector on capital and securities markets, and, in the last part of this period, it tried to extend its income base by emitting M2 monetary supply and initial public offers, thus preparing for currency convertibility, majoring the foreign shareholders’ capital in some fundamental industries, and adopting flexible monetary and commercial policies, including floating interest rates and exchange rates, etc” (Micu, 2016, p. 131). All these measures have been supported by aggressive reforms of the tax and financial systems, in order to reinforce market competition in the global space, and to stimulate free circulation, facilitating the accumulation of physical capital. In 1994, China introduced a major tax reform, which established a clear distinction between national and local taxes, established a national tax agency, and local tax agencies, each being responsible for its own tax collection, and transformed value-added tax (VAT) into the main indirect tax collected by the central administration, and shared by local administrations in a fixed quota of 75/25 (Micu, 2016). This reform was key since China had no national tax agency before this form, and all taxes were previously collected by local administrations, which frequently reduced or eliminated taxes that should have been paid to the central administration (Micu, 2016). The tax reform made it difficult for local administrations to reduce national taxes as they did in
the past, introduced a series of fixed tax target figures between national and local administrations, and led to the reduction of local budget income quota in official budgetary and extra budgetary accounts (Micu, 2016).

These aggressive reforms of the tax and financial system previously mentioned began with the privatization of the state sector beginning in 1994. In 1994, this included the privatization of small and medium state companies at local levels, and in 1997, the Chinese leadership selected 100 big state companies for experimenting privatization (Micu, 2016). Still, “the long-term problems of privatization in China are deep-rooted in entrepreneurial culture, due to the lack of transparency and transparency stimulation in state companies” (Micu, 2016, p. 125). So, as privatization in China is continuing to “destroy the predominance and monopoly of state companies, judicial system reforms are beginning to play a fundamental role” (Micu, 2016, p. 125). In March 1999, China’s Constitution has been again modified, which is the fourth change since 1982 (Micu, 2016). Overall, both private property and rule of law have been officially integrated into the Constitution, “underlining that private companies are a compulsory component of China’s economy” (Micu, 2016, p. 125).

In 1995, China began taking compensation measures and making additional structural adjustments at market relationships between demand and offer level (Micu, 2016). It was at this time that China rethought budgetary plans and investments structure as well as suspending overproduction projects (Micu, 2016). The new Budget Law became effective in 1995, which prohibited the central administration from making overdraft at the central bank and financing by deficit the current account. “The central administration could finance by deficit its capital account, but financing had to be
obtained from governmental bonds. For local administrations, the requirements were even more severe. No matter of their level, local administrations had to have a balanced budget, and, besides that, the law strictly controlled bond emission, and restricted the loans given to local administration on the financial market” (Micu, 2016, p. 124). During 1991-1997, “China followed restrictive monetary and tax policies, interest rates have been reduced, the money flow on the market was extended in order to revitalize economy, but inflation rate registered a record, reaching 21.7% in 1994. The government succeeded to bridle price boost, by maintaining the increase of money offer and the tax expenses at a moderate level” (Micu, 2016, p. 124). In the later 1990s, China initiated substantial reforms in the financial and fiscal sectors, adhering to capital markets (Micu, 2016). The reform of the banking system in 1998 transformed bank property “through swap programs of transforming debts into capital, by means of acquisitions and merges, allowing foreign companies to penetrate the banking services, opening the internal interbank market, and introducing regulating demarcation between banks, insurance companies and brokers” (Micu, 2016, p. 130). Along with the financial system reform, there was a fiscal system reform in 1998 in order to counteract deflation by stimulating market demand and mass consumption. In 1998, China imposed a tax exemption for main import capital products and investment funds (Micu, 2016). The reforms of the 1990s also revolved around rationalization of the regulating frame, for transparency, justice, and cohesion, especially with the creating of the Securities Regulatory Commission (CRSC) in 1993, extending fraud investigations, and restructuring the financial sector and system (Micu, 2016). China’s reforms also concerned the building of the rule of law with the reinforcing of disclosure requirements for companies listed at the stock exchange and
introducing standards and regulations for telecommunication and technology encryption (Micu, 2016). A key Chinese reform that began in 1995 and extends through today was China’s extending of their financing sources and the income base. The state accomplished this through attracting funds through initial public offers and market recapitalization (bonds, securities, shares, treasury bills, insurances, etc). Lastly, the end of the 1990s decade was witness to the rigorous restructuration of industries in China with the open competition in fundamental economic sectors and introducing stimulants for telecommunication and Internet owners for foreign investors.

China’s current labor regulation framework began to develop during the post-1978 reform period, and by the mid-1990s, a “new legal framework for labor, wages and workers’ contractual rights had been established to replace the system of “socialist” administrative regulation” (Chan and Nadvi, 2014, p. 518). In 1993, the Ministry of Labour and Social Security issued the “Enterprise Minimum Wage Regulation” (Chan and Nadvi, 2014, p. 518), and in 1994, the Labour Law which was passed “laid down a foundation for workers’ legal and contractual rights, a mechanism for solving labour disputes, and a system of collective consultation and contracting between enterprise trade unions affiliated to the All China Federation of Trade Unions (ACFTU) and management” (Chan and Nadvi, 2014, p. 518). The 1994 Labour Law established fixed term contracts as normal, but tenuous employment security was “accompanied by a situation where social conditions in workplaces were often poor, especially for migrants and where labor law enforcement was weak, with most local governments reportedly favoring business over migrant workers” (Pyke and Lund-Thomsen, 2016, p. 57). Local governments competed with one another to lower labour wages and standards “in order to
attract inward investors, with local governments turning ‘a blind eye to violations of China’s own labor regulations and laws’ (Pyke and Lund-Thomsen, 2016, p. 57).

Because of this law, “migrant workers suffered restrictions on their ability to exercise exit strategies by changing employers if they did not like conditions and were prohibited by laws in accessing social benefits” (Pyke and Lund-Thomsen, 2016, p. 57). During this period, most of China’s labor legislation was concerned with individual rights and could not address the growing problem of conflict over collective interests (Chan and Nadvi, 2014, p. 518). This means that even though a framework of “collective consultation” was technically put in place in 1994, independent trade unions were not allowed, and “without an effective trade union to represent workers’ interests the system of collective consultation and contracting” could not be implemented (Chan and Nadvi, 2014, p. 518).

Also, many of the individual rights protected in labor laws are were not always enforced since local authorities could be passive on enforcement, and workers were often “paid below the legal minimum due to patron–client relations between local government officials and business” (Chan and Nadvi, 2014, p. 518). Overall, during this decade, “there were serious issues regarding the efficacy of trade unions in China in protecting members’ interests since there were laws limiting the establishment of independent trade unions or the right to strike,” and “it seems a particular set of labor regulations together with weak enforcement enabled the pursuit of an economic strategy of ‘growth at all costs’, the costs being poor environmental and social conditions” (Pyke and Lund-Thomsen, 2016, p. 57).

The Asian Financial Crisis of 1997 is a key event in the 1990s decade. In sum, this financial crisis affected many Asian countries, including South Korea, Thailand,
Malaysia, Indonesia, Singapore and the Philippines. After “posting some of the most impressive growth rates in the world at the time, the so-called tiger economies saw their stock markets and currencies lost about 70% of their value” (Kuepper, 2017).

During 1998-2003, China adopted an active tax policy and a “prudent” monetary policy, in order to counteract the effects of the financial crisis in Asia (Micu, 2016). The measures “targeted the increase of income for persons with reduced fruition, stimulating mainly the internal demand. As it reduced interest rates, the government began to tax deposit interests, and to adjust money demand through open market operations of the central bank” (Micu, 2016, p. 124). The government also reacted to the crisis and intervened by reducing its own expenses, contracting more debts for financing investments into infrastructure (Micu, 2016).

On November 15, 1999, the United States and China finally signed a landmark agreement on China's accession to the WTO (Fewsmith, 1999). But, the negotiations for China joining the WTO between China and the United States were rather complicated. Chinese leaders in favor of China's greater integration into the world economy were “thrown on the defensive in April by the U.S. rejection of China's unprecedentedly forthcoming offer for joining the World Trade Organization and by the bombing of the Chinese embassy in Belgrade in May” (Fewsmith, 1999). The events of April and May raised the WTO issue from “the already difficult arena of bureaucratic politics to the often brutal realm of elite politics” (Fewsmith, 1999). President Jiang Zemin came under attack by nationalistic opposition leaders for being soft on the United States, so Jiang has spent much of the time since then defending himself and rebuilding support for joining the WTO (Fewsmith, 1999). The Clinton Administration, realizing its miscalculation in
April, “similarly spent the next six months working to repair U.S.-China relations in order to bring China back to the negotiating table” (Fewsmith, 1999). Without the efforts from both China and the United States “to repair the damage done in the spring, an agreement would have been delayed indefinitely” (Fewsmith, 1999). The agreement on China's entry into the WTO was as a major step in bringing China into the world, helped stabilize China's relations with the major powers, and reinforced domestic reform that lead China to play an increasingly constructive role in world affairs (Fewsmith, 1999).

**United States Economy in the 1990s**

By the late 1980s and early 1990s, important policy changes had occurred in the realm of affordable housing and urban policy (Jones, 2012). While President Carter had continued the shift toward an increased role for the private sector in addressing housing needs, Reagan went much further, and his administration completed the federal government’s withdrawal from public housing during the 1980s (Jones, 2012). In sum, “the Reagan administration had success in driving back what remained of the government commitment to public provision of affordable housing. But the affordability crises had not been solved by the turn to the private sector. In fact, the opposite had occurred” (Jones, 2012, p. 203). Whatever attempts were made by Republican and Conservative administrations to encourage the private sector to provide low-income accommodation in the for-profit rental sector clearly failed since reliance on market based-solutions did not resolve the sever issues of homelessness, poverty, and heath in many communities in the United States (Jones, 2012). Without state intervention “to ensure the right level of provision according to the need, the crisis worsened as the
The gap between “what labor was earning and what it could spend was covered by the rise of the credit card industry and increasing indebtedness” (Harvey, 2012, p. 16). Household debt sky-rocketed, which required that financial institutions both support and promote the debts of working people whose earnings were not increasing (Harvey, 2012). While this started with the steadily employed population, by the late 1990s, it had to go further because that market was exhausted, and the market had to be extended to those with lower incomes (Harvey, 2012). Political pressure was put on “financial institutions like Fannie Mae and Freddie Mac to loosen the credit strings for everyone,” so “financial institutions, awash with credit, began to debt-finance people who had no steady income” (Harvey, 2012, p. 16). Harvey makes a great point in by pointing out, “If that had not happened, then who would have bought all the new houses and condominiums the debt-financed property developers were building?” (16). Overall, “the demand problem was temporarily bridged with respect to housing by debt-financing the developers as well as the buyers. The financial institutions collectively controlled both the supply of, and demand for, housing” (Harvey, 2012, p. 16).

The two Clinton terms occupied most of the 1990s, and between 1993 and 2000, the United States exhibited the best economic performance of the past three decades (Frankel and Orszag, 2001). During Clinton’s second term, real economic growth averaged 4 1/2 percent per year, and unemployment fell to four percent, but during the early 1990s, economists would have considered these outcomes unattainable. Strong
growth and low unemployment were accompanied by structural budget surpluses and low inflation, and this economic boom was led by private-sector spending and private-sector employment (Frankel and Orszag, 2001). During this period, some observers found cause for concern in various aspects of economic performance since “personal bankruptcies climbed, the personal saving rate plummeted (as measured in the national income statistics), the trade deficit expanded dramatically, and the stock market may well have become substantially overvalued,” (Frank and Orszag, 2001, p. 3) but overall, however, U.S. economic performance during the 1990s was outstanding.

Many of the most fundamental factors in explaining U.S. economic performance during the 1990s stretch back over two decades or more, and such factors include deregulation, globalization, and innovation (Frankel and Orszag, 2001). Deregulation in the United States for the past 25 years witnessed important further steps toward deregulation. As previous discussed in the other decades, the deregulation trend began during the Carter Administration, in trucking, airlines, natural gas, and banking, and during the Reagan Administration, deregulation was extended to the telecommunications sector (Frankel and Orszag, 2001). During this period, further deregulation took place in the electricity market and environmental regulation, and while some of these deregulation efforts have faced bumps in the road, particularly banking and electricity, the overall effect of deregulation has been to make the U.S. economy more efficient in the long run (Frankel and Orszag, 2001). Globalization is another fundamental factor in explaining the United States economic boom in the 1990s. Exports grew rapidly, “a major selling point for free trade policy,” and “even the increases in imports and in the trade deficit during the 1990s, though politically unpopular, were a useful safety valve
during the strongest phase of the U.S. expansion” since “they released pressure from rapidly growing domestic demand, pressure that would otherwise have shown up as higher inflation and interest rates” (Frankel and Orszag, 2001, p. 10). The third factor contributing to the economic boom was Innovation, which “can be further divided into three types: technology, competition and flexibility in goods and labor markets, and the public sector” (Frankel and Orszag, 2001, p. 10). Technological innovation, especially information technology, received much attention during the 1990s, and “although the IT revolution was not the sole reason for strong U.S. economic performance in the 1990s, it certainly was a positive factor” (Frankel and Orszag, 2001, p. 11). On another note, the United States has always had relatively competitive goods and labor markets, but “the last two decades have seen a further movement in this direction, including the initially unpopular corporate restructuring of the 1980s and the initially popular dot-com start-up firms of the 1990s” (Frankel and Orszag, 2001, p. 11). The final category is “innovation in the public sector. Public- sector reforms include reinventing government and defense reconversion, which have allowed previously low-productivity resources to be shifted to more productive uses, and welfare reform” (Frankel and Orszag, 2001, p. 11).

**Chinese Economy in the 2000s**

After China's admission to the WTO, “privatization became even more complicated, because it had to face a global acerbic competition” (Micu, 2016, p. 125). In fact, some transnational companies “intended to give up financial services and joint partnerships with China, because of even higher risks and costs associated to capital investments” (Micu, 2016, p. 125). Because of this, China’s pressure towards privatization reflects the new urgency of observing WTO international standards (Micu,
China’s reforming elite actively used “its admission to WTO for generating a new blow regarding additional reforms, reinforcing “The law of companies”, diversifying the property structure of large-scale state companies, and building modern structures of corporate governance in China” (Micu, 2016, p. 125).

The 2000s decade marked the accelerating of global reforms of state companies in China, including stock exchange listing, buying, acquisition and merging, initial public offers, etc (Micu, 2016). In 2000, Chinese president Jiang Zemin announced his own doctrine of “Three Represents”, declaring that “CCP invited private entrepreneurs and rich persons to join the Party, and even to participate in the central power” (Micu, 2016, p. 125). As its hybrid economy began to come into prominence, China drew farther and farther away from the previous authoritarian system (Micu, 2016). Strong evidence for this is the fact that some Chinese rural zones even began to organize democratic local elections (Micu, 2016).

On November 15th, 2002 at the first Plenary Session of the XVI-th Central Committee of the Chinese Communist Party in Beijing, Hu Jintao was elected General Secretary of the party and President of China (Micu, 2016). During the congress, there were “references to building a moderate wellbeing society, and creating a new situation in the development of socialism with Chinese features” (Micu, 2016, p. 126).

Although this economic system “brought China on the second place of the largest economies in the world, at internal level, dissatisfaction at population level is continuing, because the society is strongly biased, which led to the advent of such tendencies as The New Left; this current is composed of old-school socialists, who consider the present system a forced march toward market economy and private property” (Micu, 2016, p.
Based on this context, since president Hu Jintao came into power, he had tried to define himself as a left-oriented person who was “fighting hard for re-establishing balance at society level, taking measures in favour of poor people, and supporting the emergence of a solid middle class” (Micu, 2016, p. 126). In other words, Hu Jintao drifted away from the policies of his predecessor, Jiang Zemin, who allowed businessmen to join the Communist Party, “thus creating its look as a leader supporting politicians “with relationships”, while trying to acquire public properties” (Micu, 2016, p. 126).

The 2002 and 2007 congresses debated the directions of long-term economy development, targeting: the activation of modernization process, the progress and transformation of economic structures, the improvement of socialist market economy, the vigorous promotion of computerization, ensuring a healthy and lasting development of the economy in order to continuously improve the population’s standard of living, development of rural economy, stimulation of urbanization process, maintaining and improvement of the basic economic system, and extending the reform of state properties administration system, deepening the reform of the income repartition system, and accomplishing the social protection regime, and creating new workplaces for the population (Micu, 2016). Going along with the economic development plans that were stated in the 2002 and 2007 congresses, from 2008-2013, the leadership made an effort to invite renown researchers from abroad to teach in universities, as well as to call back people born in China (Micu, 2016). The 2000s also saw an increase of the citizen’s participative role, especially with the establishment of a new social security system, in order to ensure workers’ rights, and protect them against market dysfunction (Micu,
A few other actual events that took place in this decade and that were discussed in the congresses include: the reforming of the pension system, and preparing for importing foreign management of pension funds on securities market in 2008, continuing anti-corruption campaigns from 2008 to 2013, and increasing tax stimuli for boosting economic growth and observing social security obligations from 2001 to 2009 (Micu, 2016). During 2004-2008, the credit and fixed assets for investments increased excessively, and in order to stop the economy from overheating and inflation, China embarked upon a new phase of macro control (Micu, 2016). As a result, the authorities changed the tax policy in 2005 from an active one to a cautious one, as well as adopting a restrictive monetary policy (Micu, 2016).

After China joined the World Trade Organization in November 2001, the growth rate of the inflow of foreign direct investment (FDI), which had been in decline since 1994, returned to double digits (Chan and Nadvi, 2014, p. 519). Since 2003, “China had surpassed the United States to become the country with the highest level of FDI inflow in the world. Export-oriented manufacturers of light goods, such as toys and electronics, benefited from a tariff reduction after China joined the WTO, which led to rapid economic growth and an increase in job opportunities” (Chan and Nadvi, 2014, p. 519).

By 2004, China had become the world’s biggest garment exporter, “with 26.6 per cent of global exports. The textile and garment industry accounted for 18.9 per cent of the country’s total manufacturing employment” (Chan and Nadvi, 2014, p. 515). However, working conditions in this industry were “marked by low hourly pay, long and unstable working hours and detrimental environmental impacts” (Chan and Nadvi, 2014, p. 515). It is important to note that such features were “linked to the competitive pressures within
the international garment industry – including persistent demands from global buyers for higher quality, shorter delivery times, and lower prices – and to industrial upgrading strategies” (Chan and Nadvi, 2014, p. 515). Because the working conditions and real wages of Chinese workers, especially migrant workers, were been poor, there was an increasing incidence of strikes and worker protests (Chan and Nadvi, 2014, p. 524). The Chinese State sought to engage with and respond to these pressures, “most notably through a series of regulatory interventions aimed at improving the individual contractual rights of workers and strengthening the social floor through social insurance and pension provisioning” (Chan and Nadvi, 2014, p. 524). Since 2004, labor shortages and worker protests have resulted in substantial wage gains and improved working conditions in export-oriented zones, and at the level of the central government, the Chinese State has steadily legislated new regulations to protect the rights of workers (Chan and Nadvi, 2014, p. 514) At the local levels of provincial, municipal and even county government, “researchers have also found that the extent of implementation of these labor laws has increased in recent years” (Chan and Nadvi, 2014, p. 514). Such developments suggest a “new, and generally more optimistic, perspective on the future of labor rights in China” (Chan and Nadvi, 2014, p. 514) Since 2005, minimum wage increases have generally been higher than inflation, indicating a rise in real wage levels, and “apart from local government initiatives to increase the minimum wage in locations where strike activity and labour activism has been most pronounced, the central Government has also sought to strengthen workplace regulations and legislated better labour rights in response to workers’ unrest” (Chan and Nadvi, 2014, p. 522). Evidence of this comes in the form of the three new labor laws that were passed in 2007, which were the Employment
Promotion Law, the Labour Dispute Mediation and Arbitration Law and the Labour Contract Law (Chan and Nadvi, 2014). In sum, “the Employment Promotion Law provided county governments with guidelines on monitoring employment agencies and facilitating vocational training,” “The Labour Dispute Mediation and Arbitration Law simplified the legal procedures for mediation and arbitration, thereby reducing their cost to workers in time and money,” and “The Labour Contract Law sought to stabilize and regulate employment relations by making written contracts a legal obligation for employers and clearly specifying the conditions under which employers may legally terminate a labour contract, the procedures they must follow and their legal responsibilities should they fail to do so” (Chan and Nadvi, 2014, p. 522) The Labour Contract Law and the Labour Dispute Mediation and Arbitration Law aim to regulate workplace relations and limit labour conflict, and the Employment Promotion Law and the Social Insurance Law address problems in the broader labour market (Chan and Nadvi, 2014, p. 522). Such developments could suggest “an end to the era of cheap labour in China and a relatively more optimistic future for Chinese workers, marked by increasing real wages, better social protection and pension benefits, and improved labour rights” (Chan and Nadvi, 2014, p. 522).

All of the economic changes made by the Chinese leadership in the 2000s are put to the test with the 2008 global financial crisis. The global economic slowdown, which began in 2008, had a significant impact on the Chinese economy. China’s media “reported in early 2009 that 20 million migrant workers had returned home after losing their jobs because of the financial crisis and that real GDP growth in the fourth quarter of 2008 had fallen to 6.8% year-on-year” (Morrison, 2014, p. 5). Unlike other countries
responding to the crisis, “the Chinese government responded by implementing a $586 billion economic stimulus package (approved in November 2008), aimed largely at funding infrastructure and loosening monetary policies to increase bank lending” (Morrison, 2014, p. 5). Such policies enabled China to “effectively weather the effects of the sharp global fall in demand for Chinese products,” and from 2008 to 2010, China’s real GDP growth averaged 9.7% (Morrison, 2014, p. 5). China is said to have transformed the world-level financial crisis into an opportunity, “by acquiring long-term resources from countries like Brazil, Russia, and African states” (Harvey, 2010, p. 69). As Harvey points out, since China possessed huge surpluses and an untroubled banking system easily manipulated by the central government, they had the means to act in a more “full-blooded Keynesian way.” The crash of export-oriented industries and the threat of mass unemployment and unrest in early 2009 lead the government to form a stimulus package where nearly $600 billion were put largely into infrastructural projects – “highway building on a scale that dwarfs that of the US interstate highway system of the 1960s, new airports, vast water projects, high-speed rail lines and even whole new cities,” and secondly, the central government forced the banks to loosen credit for local state and private projects (Harvey, 2010, p. 70). Overall, China has emerged from the global financial crisis “faster and more successfully than anywhere else with growth rates quickly reviving towards 8 or even 10 percent” (Harvey, 2010, p. 70). China had “stimulated a partial revival in international trade and of demand for its own export goods (trade with Latin America has increased tenfold since 2000 and China’s investments in US debt have helped sustain effective demand for its low-cost products there) (Harvey, 2010).
United States Economy in the 2000s

In order to demonstrate how the United States had transformed from a manufacturing country to one focused on finance, as of the end of 2005, “only 10.7 per cent of all US employment was in manufacturing—down from 21.6 per cent at its height in 1979—in raw numbers, manufacturing employment totaled 19.426 million in 1979, 17.263 million in 2000, and 14.232 million in 2005” (Scipes, 2009). The U.S. trade deficit with China in 2005 and 2006 was “the largest deficit it has ever recorded with a single economy in history,” and “critics attributed the deficit to a raft of factors, most of which related to job losses in the U.S. manufacturing sector and obstacles to U.S. exports to China” (Wang, 2013, p. 10). Also, “American critics emphasized the low cost of Chinese goods and services, arbitrary suppression of the value of the Chinese currency, market-access barriers, and lack of protection of intellectual property rights and government transparency” (Wang, 2013, p. 10).

Not only was the United States a country primarily focused on finance rather than manufacturing in the 2000s, but this decade was also a tumultuous decade for the United States. During the first 10 years of the 21st Century, “there was a major terrorist attack, a housing meltdown, a severe economic recession, and a significant downturn in the U.S. stock market” (Jacobsen and Mather, 2010, p. 2). The Year 2000 was the year of the bursting of the dot.com/technology bubble. Before the bubble burst, entrepreneurs saw potential in online business, and “investors were getting rich off unprofitable stocks with high prices and higher price/earnings ratios — firms like software companies and all things computer and Internet” (Peavler, 2017). But, In April of 2000, an inflation report caused the speculative bubble to burst and there were huge investment losses (Peavler,
2017). The 9/11 terrorists attacks helped shape other financial events of the decade, and after the awful day in September 2001, the economic climate of the United States was never to be the same again (Peavler, 2017). The New York Stock Exchange was shut down from September 10 - 17, and some estimate that there was over $60 billion in insurance losses alone (Peavler, 2017). Also, “approximately 18,000 small businesses were either displaced or destroyed in Lower Manhattan after the Twin Towers fell,” and “there was a buildup in homeland security on all levels” (Peavler, 2017). Although the stock market rallied after post 9/11, it began to decline again in March of 2002; “The corporate fraud scandals, such as Enron, along with 9/11, were contributors to this loss of investor confidence in the stock market” (Peavler, 2017). After the 9/11 terrorist attacks, “the War on Terror was launched in Afghanistan and the Iraq War was launched in 2003. The cost of these wars is ongoing. To date, the Congressional Research Service has approved about $944 billion for the operations overseas. This has been an incredible financial drain on our economy and it is impossible to know what the final cost will be” (Peavler, 2017).

In the early part of the 21st century, the U.S. housing market was booming, housing values were high, and just about anyone who wanted to buy a home could buy a home since individuals and families who, in the past, could not have qualified for a mortgage were able to qualify for adjustable-rate mortgages with low or no down payments and low initial interest rates (Peavler, 2017). Banks “made mortgage loans to these individuals for houses with inflated values. As the interest rates rose and their adjustable rate loans got more expensive, they couldn't make their mortgage payments,” and soon, “large financial institutions were holding portfolios of loans that were
worthless” (Peavler, 2017). In September of 2008, “a seemingly perfect storm of factors came together to form the deepest economic downturn in not only the U.S., but across the globe, since the Great Depression” (Peavler, 2017). The great investment banks that had stood on Wall Street began to collapse due to the sub-prime mortgage crisis and serious corporate fraud (Peavler, 2017). Even though the United States spent 60 years after the depression implementing policies to avoid crises, the US stumbled into a huge one with the 2008 crisis, and Krugman (2009) argues that this happened due to the lack of regulation, people finding ways around the law, and the government not really objecting to people finding a way around the law. Businessmen find ways around the rules through the legal language. They do this by establishing an organization that has some function of banks but not all, and therefore, they don’t register the organization as a bank and the rules do not apply. The crisis of 2008 was everything we have seen before all at once and occurred on all three levels: government level, central bank level, and federal official level (Krugman, 2009). In 2008, there was the problem of the real estate double paired with a bank run like in the great depression. Although the US had safeguards that they put on banks, the other financial institutions did not have these safeguards since they are not technically banks. As a result of the bank runs, there was not enough money in circulation, and therefore, a disruption of economic flows around the world since everyone is interconnected. During the last months of the Bush Administration, the federal government stepped in to bail out some of these institutions in order to keep the U.S. financial system afloat, but by the time the Obama Administration reached the White House in January of 2009, the economy had contracted and the recession had taken hold (Peavler, 2017).
Chinese Economy in the 2010s

Although China’s economic growth in the post-reform era has been predicated on its export manufacturing performance, since the 2008 global economic crisis, China has “begun to recognize the economic importance of the domestic market and domestic consumption” (Chan and Nadvi, 2014, p. 530). Also, “robust and sustained growth within the Chinese market has prompted Western retailers and brands to view China not only as a manufacturing platform but also as a key end market for industries as diverse as electronics, clothing, sports goods, foods and automobiles. Many Chinese producers have also begun to refocus their energies on the domestic market” (Chan and Nadvi, 2014, p. 530)

The ten years between 2003 and 2012 were acclaimed as “Hu-Wen’s New Deal” (Hu Wen Xin Zheng) by the media and China scholars (Chan and Nadvi, 2014, p. 520). This referred to the policies of President Hu Jintao who took power in 2003 with the avowed goal of constructing a “harmonious society” (Chan and Nadvi, 2014, p. 520). Notably, they introduced a series of socio-economic reforms to protect the rights of farmers and peasant workers, such as when the CPP and the State Council issued a “Document No. 1” entitled “Opinions on Policies for Facilitating Increases in Farmers’ Incomes” (Chan and Nadvi, 2014, p. 520). The document not only focused on the stabilization of food production, increases in farmers’ income and infrastructural development in rural villages, but it also “highlighted the rights and interests of peasant workers, stating that “peasant workers are an important component of the production workforce” and therefore deserved state protection and basic civic rights” (Chan and Nadvi, 2014, p. 520). Since then, “migrant workers have replaced urban workers as the
key concern of the State’s employment and welfare policies” (Chan and Nadvi, 2014, p. 520). These dramatic changes both in the urban economy (rapid growth driven by export-oriented manufacturing) and in the rural economy (improvements in socio-economic conditions under the State’s new policy) have given rise to a new phenomenon in the 2010s decade: “a shortage of rural labour willing to move to urban jobs,” which “stands in stark contrast to the tidal wave of peasant workers seen during the early 1990s” (Chan and Nadvi, 2014, p. 520). This labour shortage “spread from Fujian province to the Pearl River Delta and then to the Yangtse River Delta, and eventually to the whole country” (Chan and Nadvi, 2014, p. 520). The recent labour shortages reflect the desire of many migrant workers to seek employment nearer to home, resulting in higher levels of labour turnover, which, in turn, has also led to shifts of capital (Chan and Nadvi, 2014, p. 520). This process has been encouraged by the State at the central and provincial levels: the “Go West, Go Out” policy has indeed “promoted significant relocation of labour-intensive manufacturing facilities away from the coastal areas to inland provinces and abroad” (Chan and Nadvi, 2014, p. 521). These developments have generated a growing debate within China on “whether the labour market might result both in an increase in real wages and incomes for urban workers, and in additional investment in more capital- and knowledge intensive production” (Chan and Nadvi, 2014, p. 521).

Xi Jinping was elected 7th President of the People’s Republic of China in March of 2013, and under his leadership, China sought to increase its control over state-owned and private enterprises (Kroeber, 2016). Nobody denies that, during 1993-2013, the situation in China stabilized, and the country transformed from a radical one (led by “proletarian dictatorship”) into a more modest state-nation (with “four modernizations”).
Also, the survival and success of any Chinese company, no matter whether it is owned by the state or not, was dependent on its performances on the market. By the 2010s decade, it is safe to say that China has made efforts towards integration into the global community (Micu, 2016, p. 125). Throughout this decade, the Chinese government has “made innovation a top priority in its economic planning through a number of high profile initiatives, such as “Made in China 2025,” a plan announced in 2015 to upgrade and modernize China’s manufacturing in 10 key sectors through extensive government assistance in order to make China a major global player in these sectors” (Morrison, 2014, p. 5). Such measures have increasingly “raised concerns that China intends to use industrial policies to decrease the country’s reliance on foreign technology and eventually dominate global markets” (Morrison, 2014, p. 5).

United States Economy in the 2010s

Barack Obama served as President from January 2009 to January 2017. The main economic policies enacted under Barack Obama’s presidency were moderate tax increases on higher income Americans designed to fund healthcare reform, reduce the federal budget deficit, and decrease income inequality (“CEA 2017 Economic Report of the President-Chapter One-Eight Years of Recovery and Reinvestment”). His first term, from 2009–2013, included policies to address the global financial crisis of 2008. When Obama came to office in January 2009, “the United States economy was in a deep recession, with falling real GDP, high unemployment and rising levels of government borrowing” (Pettinger, 2017). In response, Obama oversaw a moderate fiscal expansion,
which helped to promote economic recovery and falling unemployment (Pettinger, 2017). While unemployment fell to pre-recession levels, the US recovery was unevenly distributed since median wages barely rose, which “compares to a booming stock market and rising corporate profit levels” (Pettinger, 2017). During this decade of low wage growth and high job insecurity, many workers have not felt much of a recovery in their wages and job security since “new jobs are increasingly in the new flexible ‘gig economy’ which give firms greater flexibility but offers lower wages and greater insecurity to workers” (Pettinger, 2017). Also, “the challenges of rapid technological change and increased automation of manufacturing processes have led to profound changes in the US labour market, which have led to higher inequality and insecurity” (Pettinger, 2017).

Donald Trump became President of the United States on January 20, 2018. Donald Trump's signature economic policy proposals, sometimes referred to as “Trumponomics,” include trade protectionism, immigration reduction, individual and corporate tax reform, the dismantling of the Dodd–Frank Wall Street Reform and Consumer Protection Act, and the repeal of the Patient Protection and Affordable Care Act (“What is 'Trumponomics'?”). Trump's tax reform plan was signed into law in December 2017, which included substantial tax cuts for higher income taxpayers and corporations as well as repeal of a key Obamacare element, the individual mandate (“What is 'Trumponomics'?”). Although his term began only a year ago, there are five economic trends (that explore his relationship with US growth, the labor market and trade) that have taken shape during his presidency (Palumbo, 2018). The first trend is the growth of the American economy, especially since “the latest figures, released by the US
Department of Commerce in December, show that it grew at an annual rate of 3.2% in the third quarter of 2017” (Palumbo, 2018). But, it is important to note that after the US central bank, “the Federal Reserve, raised interest rates for the third time in 2017 in December,” (Palumbo, 2018) so growth might be affected in the upcoming months. The second trend is that US stocks have had a record run. The Dow Jones Industrial Average, which follows the shares of 30 major US companies, “has risen to record highs throughout the past year in a run that stretches back to August 2016”, just before President Trump's election (Palumbo, 2018). Other US stock markets, including the Standard & Poor's 500 index and the Nasdaq index, have also reached historical highs. His supporters claim that his corporation tax cuts, passed shortly before Christmas, “helped to boost US shares, along with his US-centric policies, his clampdown on bureaucracy and his promises of infrastructure investment” (Palumbo, 2018). Thirdly, United States unemployment does seem to be falling, especially since unemployment is “down to 4.1% in December - and is close to its lowest-ever recorded level of 3.9% in 2001”, which is “less than half the 10% peak of 2010, reached after the global financial crisis” (Palumbo, 2018). But, this downward trend began during President Barack Obama's time in office; when President Obama left office, unemployment was 4.8% (Palumbo, 2018). Fourthly, despite other positive economic indicators, US wage levels have flattened since Trump took office. Wage growth “has stayed between 2.5% and 2.9% without showing any meaningful rise in the last 12 months” (Palumbo, 2018). Many economists do not have an answer as to why wage growth has been flat, but “the general forecast for 2018 is that wages will rise if unemployment continues to fall” (Palumbo, 2018). Lastly, the trade deficit is rising. While Trump has made improving US
trade a priority of his administration, the country's trade deficit (when imports are higher than exports) has actually risen to a level not seen since 2008 (Palumbo, 2018). Some economists claim that “part of the explanation for the deficit could be that the continued growth of the US economy, and an increase in consumer confidence, have led to an increase in the goods bought by US shoppers from overseas” (Palumbo, 2018).
Works Cited


Chapter 3: Comparison of China and the United States

Analyzing the key economic reforms and indicators of neoliberalism in China and the United States decade by decade, from the 1970s to 2010s, led me to find surprising similarities in Chinese and US policies, effects of those policies that were complementary, and a clearly neoliberal direction in the 1980s-1990s that altered in the 2000s-2010s for both countries.

There was striking parallelism in the economic situation in United States and China in the 1970s despite the fact that the countries were completely different: China had a communist system of government based on the ideas of socialism and the United States economy was driven by the principles of capitalism. The United States experienced stagflation or unemployment, high inflation, and low or no growth in the 1970s while China remained a low-income economy and its per capita GNP was the lowest among the centrally planned economies (Galenson, 1993). Just like China was seemingly committed to their economic ways in 1977, so was the United States since Keynesianism dominated all economic thought. Despite both countries’ commitment to patterns of the past, the leadership in China and the United States began to search for other economic alternatives around the same time. As the United States experienced stagflation in the 1970s, political leaders and policy makers, for the first time since World War II, were in search of serious alternative economic policies to Keynesian (Jones, 2012), and similarly, in China, because of Mao’s death and the dire economic situation,
Deng Xiaoping believed that there was a need for economic and social reforms in China.

Both China and the United States were moving in a clear neoliberal policy direction throughout the 1980s and 1990s. Elements of neoliberalism, privatization, deregulation, cuts in public spending, floating exchange rates, protection of property rights, liberalization of trade and investment, and limits to state power, can be seen in China and the US throughout these two decades (Xu, 2011). Following the neoliberal concept of limiting state power, when Deng first initiated the reform, the transformation of government functions was one of his priorities, and several waves of administrative reform in the 1980s and 90s reduced the size and responsibility of the government (Xu, 2011). After the leadership in both countries recognized the need for change in the late 1970s, actual reforms were implemented in the early 1980s. Both China and the US placed their first reforms on the most important sectors in their respective economies. During the first phase of reform in China, the main objective was the restructuring of the farming system since the many problems confronting the leadership in the immediate post-Mao era concerned agricultural stagnation and since agriculture was the foundation of the national economy at the time (Tisdell, 2008). In effect, the restructuring of the farming system greatly enhanced the peasant’s incentive to produce, farm households possessed the rights to use the land and dispose of the income from the land, and output soared. The Party recognized this dramatic increase in output and introduced major complementary measures such as raising procurement prices, opening rural markets, and supplying industrial inputs for agricultural production (Galenson, 1993). Deregulation in the United States was occurring at the same time as it was in China, just on different industries. In the United States, one of the first supply-side reforms to be attempted was
deregulation. In 1978, airline deregulation passed, and in 1980, three major deregulation bills passed through Congress which liberalized railroad freight, gave more command over lending to savings and loans associated with mutual savings banks, and abolished interest rate ceilings for banks (Jones, 2012).

Both China and the United States made huge strides in the 1980s of opening up their countries to the rest of the world, but it is important to point out that for the United States opening up meant “going out” and for China this meant “coming in.” By the United States “going out,” I am referring to offshoring production, and by “coming in,” I am referring to China allowing other countries to start joint ventures or offshore production in China. Following Chinese economic reforms of the 1980s, U.S. consumer goods companies were increasingly drawn to China, and China allowed American companies entered the country by forming joint ventures with a Chinese company or government agency (Wang, 2013). In addition to various institutional changes to expand external trade, the Chinese government instituted measures actively to attract foreign capital in the 1980s while also establishing several special economic zones to facilitate the movement of offshore manufacturing facilities from abroad. In the United States, reductions in the cost of transport paired with the government’s willingness to cover some of the fixed costs of relocation led to the geographical mobility of manufacturing capital (Harvey, 2010). In the 1980s, offshore production and the search for profit took off, and while US-based corporations actually began to offshore production in the mid-1960s, this movement gathered steam in the 1980s since parts made almost anywhere in the world, preferably where labor and raw materials were cheaper, could be brought to the United States and assembled for final sale close to the market (Harvey, 2010).
More economic parallelism can be seen in China and the United States in the beginning of the 1990s since both countries experienced issues with their economies. Inflation was increasing in China in the beginning of 1990, and toward the end of the year, it was brought under control, but the pace of reform remained hesitant until some signs of revival in early 1992 (Galenson, 1993). In the United States, household debt skyrocketed, and political pressure was put on financial institutions to loosen the credit strings for everyone, so financial institutions began to debt-finance people who had no steady income (Harvey, 2010). Beginning in 1993, the economies in China and the United States pick up again, and both countries seem to become more aggressive with their reforms. Between 1993 and 2000, the United States exhibited the best economic performance of the past three decades (Frankel and Orszag, 2001). Strong growth and low unemployment were accompanied by structural budget surpluses and low inflation, and this economic boom was led by private-sector spending and private-sector employment (Frankel and Orszag, 2001). Although the economy was booming, personal bankruptcies climbed, the personal saving rate plummeted, and the trade deficit expanded dramatically. Beginning in 1993, China’s reforms were geared towards competitiveness, concerns regarding the quality of economic growth, and reconstructing the rule of law (Micu, 2016). In the mid 1990s, China reformed its financial and tax sectors, and opened capital, bonds and securities markets for new capital acquisition (Micu, 2016). All these measures by the Chinese leadership were supported by aggressive reforms of the tax and financial systems in order to reinforce market competition in the global space, and to stimulate free circulation, facilitating the accumulation of physical capital (Micu, 2016).
The United States made major reforms to taxes beginning in the 1980s, and the Chinese Leadership, while initially hesitant about making major changes to tax policy, initiated large reforms in the 1990s. In the United States, the large-scale tax cuts came about from a legislative process that began in 1981: the top rate of taxation was reduced successively from 70 percent to 50 percent and then to 28 percent in 1986 (Jones, 2012). Reagan signed into law what were then the largest tax cuts in American history, and this bill “contributed to the spiraling of the federal deficit, which expanded from $700 billion in 1981 to over $3 trillion by the time Regan left office” (Jones, 2012, p. 178). During 1991-1997, China followed restrictive monetary and tax policies, but in the later 1990s, China initiated substantial reforms in the financial and fiscal sectors, adhering to capital markets (Micu, 2016). China and the United States, both competitive economies in the 1990s opening themselves up to global markets, came together on November 15, 1999 and sign a landmark agreement on China's accession to the WTO (Fewsmith, 1999). The agreement on China's entry into the WTO was as a major step in bringing China into the world, helped stabilize China's relations with the major powers, and reinforced domestic reform that lead China to play an increasingly constructive role in world affairs (Fewsmith, 1999).

Parallelism between China and the United States can also be seen in the 1990s based on the flourishing inequality and reduced welfare for citizens. While China’s strong commitment to their overall economic strategy (banking, taxation, corporate governance system, and further exposure to the world market) yielded increased market competition, there was sharpened pressure on employers and employees, which contributed to massive layoffs and social inequity (Wang, 2013). During this decade,
China can be characterized as having a particular set of labour regulations coupled with weak enforcement which enabled the pursuit of an economic strategy of “growth at all costs,” the costs being poor environmental and social conditions (Pyke and Lund-Thomsen, 2016, p. 57). Similarly, in the United States, the heavy focus on market based-solutions only worsened the issues of homelessness and poverty in the United States (Jones, 2012) since “empowerment and rights and responsibilities were to be combined with markets and public/private/voluntary sector partnerships” (Jones, 2012, p. 215). Following increased deregulation and market liberalization was the subsequent devaluation of labor power since the steady relative degradation in the condition of the working class put downward pressure upon wage rates and labor conditions everywhere (Harvey, 2003).

Based on Chinese policies in the 1980s-1990s, China was moving in a neoliberal direction due to the focus on capital accumulation, the expansion of commercial markets, the privileging of corporations, deregulation of labor markets, and dismantling of social protections, but in the 2000s-2010s, we start to see the policies alter in a different, non-neoliberal direction. It could be said that neoliberalism in the West tends to cut the state’s provision of public goods and brings about severe inequality and the breakdown of social welfare, but the Chinese state does maintain a commitment to protect such elements for their citizens. In the 2000s, Chinese rural zones began to organize democratic local elections, and there was an increase of the citizen’s participative role, especially with the establishment of a new social security system, in order to ensure workers’ rights, and protect them against market dysfunction (Micu, 2016). Although in 2002, Jiang Zamin, in his report to the 16th Congress of the CPP re-affirms China’s policies for economic
development, he also expresses concern about growing economic inequality in China and disparities in access to social services (Tisdell, 2008). While Jiang Zamin had tried to encourage policy to reform such inequality, Hu Jintao went further, and in his report to the 17th Congress of the CPP, he indicated that policy must pay more attention to China’s income distribution system, social services system, energy issues, and the quality of the environment (Tisdell, 2008). The shift in Chinese labor laws is also evidence of a departure from the neoliberal model, especially with the labor laws passed in 2007. The developments in labor laws in China in the 2000s could suggest “an end to the era of cheap labour in China and a relatively more optimistic future for Chinese workers” (Chan and Nadvi, 2014, p. 522). With the shift in labor law to increased real wages, better social protection, and pension benefits, China is going against a key aspect of neoliberalism: the process of progressive erosion of legal protections to labor.

Although China began departing from the neoliberal model in the early 2000s decade, after 2008, both the United States and China began departing from the neoliberal model; however, the specific reforms implanted were signaling also a divergence between the two countries. When the global financial crisis of 2008 hit, both the United States and China were impacted, but the two countries handled the economic situation in completely different ways. While China was proactive in trying to thwart the crisis from negatively affecting the Chinese economy, the United States can be seen as being more reactive. During the last months of the Bush Administration, the federal government finally stepped in to bail out some of these institutions in order to keep the U.S. financial system afloat, but by the time the Obama Administration reached the White House in January of 2009, the economy had contracted and the recession had taken hold (Peavler,
The key finding of a divergence from neoliberalism in Chinese policy becomes clear in the observance of the Chinese Government having major influence in the amount and nature of investment in China, “particularly in infrastructure and in the selection of key sectors for development, as well as in human capital formation and in the direction of scientific and technological research” (Tisdell, 2008, p. 8). Evidence of this takes shape in the reforms to thwart the global financial crisis of 2008 when the Chinese government responded by implementing a $586 billion economic stimulus package aimed largely at funding infrastructure and loosening monetary policies to increase bank lending (Morrison, 2014). Based on the policy changes in the 2000s decade, it can be argued that the Chinese economy has become a mixed economy in which “the CCP plays a central role by providing a general framework or blueprint for China’s development” (Tisdell, 2008, p. 8).

Both countries’ departure from the neoliberal model is evidenced by policy changes being adopted to enable states to reassert control over markets and the redirecting of the market economy towards social concerns, but these policy changes in China and the US are implemented in different ways. We begin to see this in the United States when Obama takes office in 2009 and redirects the economy towards social concerns by implementing moderate tax increases on higher income Americans designed to fund healthcare reform, reduce the federal budget deficit, and decrease income inequality. With Donald Trump becoming President of the United States on January 20, 2018, so far, there is a continuing divergence from the traditional neoliberal model and a different kind of model is forming. One of Donald Trump's signature economic policy proposals is trade protectionism, a principle directly contrary to that of neoliberalism,
which emphasizes reducing barriers to trade. Trump’s policies also revolve around boosting manufacturing employment, which involves pressuring international trading partners to renegotiate trade deals like NAFTA and domestic businesses to keep jobs in the United States (Karsten, 2017). In trying to bring manufacturing back to the United States, President Trump has also threatened tariffs on imports of steel to protect U.S. producers, is seeking to lower costs for manufacturers (both by reducing the corporate tax rate and by rolling back existing regulations), and hoping to slash funding for existing training programs in favor of pressuring businesses to invest more in training for their own workers (Karsten, 2017). While Trump “wants to upend the neoliberal Washington Consensus” (Smith, 2018) by threatening to impose tariffs on American corporations that move their production to other countries, at the same time, he is also “doubling down on some aspects of neoliberalism” (Smith, 2018). This can be seen in Trump's tax reform plan that was signed into law in December 2017, which included “substantial tax cuts for higher income taxpayers and corporations as well as repeal of a key Obamacare element, the individual mandate” (“What is 'Trumponomics'?”). His plans to “cut taxes on the rich, rip up government regulations that “hamper” business interests, expand Obama’s fracking program to provide corporations cheaper energy, and to go after public sector unions” (Smith, 2018) also seem to follow the neoliberal model.

While China in the early 2000s decade began departing from the neoliberal model, post 2008, the leadership further focuses on the improvement of socialist market economy, ensuring a healthy and lasting development of the economy in order to continuously improve the population’s standard of living, the development of rural economy, and creating new workplaces for the population (Micu, 2016). China post 2008
clearly makes efforts towards reasserting control over the market, and as scholar Xu states, “Dubbed as ‘the state advances, the private sector retreats’, this new trend has seen tremendous growth in the public sector both in size and profitability. From 2003 to 2009, the total assets of central government-controlled SOEs increased from $1.1 trillion to $3.2 trillion” (2011, p. 1076). The $600 billion stimulus package announced in 2008 to minimize the impact of the global financial crisis is also evidence of the states taking control of the market since the stimulus focused on housing, infrastructure and transportation industries, which are sectors traditionally dominated by the state (Xu 2011). When Xi Jinping was elected President of the People’s Republic of China in 2013, China actively sought to increase its control over state-owned and private enterprises (Kroeber, 2016). Throughout the 2010s decade, the Chinese government made innovation a top priority in its economic planning, especially through its plan “Made in China 2025,” which is a plan announced in 2015 to upgrade and modernize China’s manufacturing in 10 key sectors through extensive government assistance in order to make China a major global player in these sectors” (Morrison, 2014, p. 5). The key phrase in the 2025 plan is “extensive government assistance” which further shows the Chinese leadership reasserting control over markets.

Through my analysis of the economic reforms in China and the United States decade by decade, from the 1970s to 2010s, I have found surprising similarities in Chinese and US policies, effects of those policies that were complementary, and a clear neoliberal direction in the 1980s-1990s in the United States and China. But, after analyzing Chinese and US reforms in the 2000s-2010s decades, this neoliberal direction shifts in both countries, and a different kind of model is taking shape in both China and
the US that diverges from neoliberalism since the policies being implemented throughout those decades run directly contrary to the core practices of neoliberalism. In the following chapter, I will discuss how a subset of international entrepreneurs is also experiencing such a divergence from the neoliberal model in China.
Works Cited


Chapter 4: Interviews- Impression of Foreign Entrepreneurs

Table 2: Occupation and Location of Foreign Entrepreneurs

<table>
<thead>
<tr>
<th>Occupation</th>
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<tr>
<td>General Manager for SIT Manufacturing</td>
<td>Suzhou</td>
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<td>General Manager for Giuliano Automotive Equipment</td>
<td>Suzhou</td>
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<tr>
<td>General Manager for FMMG Technical Textiles</td>
<td>Suzhou</td>
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<tr>
<td>Partner for DLA UK LLP</td>
<td>Shanghai</td>
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<tr>
<td>Trade Commissioner for Italian Trade Commission</td>
<td>Shanghai</td>
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<tr>
<td>Lawyer for Zunarelli B&amp;T International Law Firm</td>
<td>Shanghai</td>
</tr>
<tr>
<td>Head of Corporate &amp; Institutional Banking for Intesa Sanpaolo S.p.A</td>
<td>Shanghai</td>
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<tr>
<td>Head of Italian Desk for Intesa Sanpaolo S.p.A</td>
<td>Shanghai</td>
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<tr>
<td>Vice Director for Administrative Committee of Suzhou National Hi-Tech Industrial Park</td>
<td>Suzhou</td>
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<tr>
<td>Regional Vice President for Strategic Markets</td>
<td>Shanghai</td>
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<tr>
<td>General Manager for System technology co. Ltd.</td>
<td>Suzhou</td>
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<tr>
<td>Members Relational Manager for European Union Chamber of Commerce in China</td>
<td>Shanghai</td>
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<tr>
<td>Cultural attaché for Italian Cultural Institute</td>
<td>Shanghai</td>
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<tr>
<td>China Chief Representative for China Representative Office in Shanghai</td>
<td>Shanghai</td>
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<tr>
<td>Project Manager for Sino-Italian Campus, Tongji University</td>
<td>Shanghai</td>
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After analyzing the economic reforms in China and the United States decade by decade in the previous chapter, I came to the conclusion that in the 2000s-2010s decades the neoliberal direction shifts in both countries, and a different kind of model is taking shape in China and the United States that diverges from neoliberalism. In this chapter, I will summarize my analysis of the interview data based on 15 interviews from General Managers, Lawyers, Trade Commissioners, Project Managers, and various other workers who work in Shanghai or Suzhou, which was collected in 2013-2015 from a project titled “Opening the black box of the State.” Overall, my analysis of the perception of Chinese trade and labor by foreign entrepreneurs and suppliers of US companies provides further proof of my conclusion in the last chapter of China’s deviation from neoliberalism in recent decades since this subset of international entrepreneurs is also experiencing such a divergence from the neoliberal model in China.

Unlike a typical neoliberal path which tends to cut the state’s provision of public goods and brings about severe inequality and the breakdown of social welfare, the Chinese departure from the neoliberal model can be seen in the way that the state maintains a commitment to protect such elements for their citizens. As addressed in the last chapter, in the 2000s, there was major effort put forth to ensure workers’ rights and protect them against market dysfunction, and post 2008, the leadership further focuses on the improvement of socialist market economy, ensuring a healthy and lasting development of the economy in order to continuously improve the population’s standard of living, the development of rural economy, and creating new workplaces for the population. In an effort to protect their citizens, economy, and well-being of the country as a whole, China post 2008 clearly makes efforts towards reasserting control over the
market, dubbed as “the state advances, the private sector retreats” (Xu, 2011, p. 1076). This theme of reasserting control over their markets, focusing on their country domestically, and serving the Chinese people more and more was continuously repeated throughout the interviews. The General Manager for SIT Manufacturing in Suzhou pointed out that while China is a big market entering it is not easy since now business have to compete with local competitors. In the last five years, the GM has noticed that labor costs have increased around 10% each year and that manufacturing costs in China are quite high. Interestingly, the GM asserts that China wants the manufacturing costs to be high so that companies will relocate elsewhere where labor costs are cheaper; a clear plan by the central government in Beijing. This so called “Go to West” plan by the government is an effort to increase the standards of living in less developed parts of the country. The coast is very developed and the standard of living there is high, so now China is making an effort to develop the other less-developed parts of the country. The GM also addressed the notion that Chinese firms are serving the Chinese market more and more, and the winning strategy for these businesses is producing local to local since the time for low cost outsourcing is over due to the fact that costs such as labor and energy are growing. The interviews from the Head of Corporate & Institutional Banking for Intesa Sanpaolo S.p.A and the Head of Italian Desk for Intesa Sanpaolo S.p.A also highlight how China is now focusing in on their internal market. These interviewees point out that many of their clients in the manufacturing sector over the last five years have started to change their strategy to manufacture for the Chinese market because the government “has focused on that, changing the balance of what constitutes the GDP here, and companies with an original view to manufacture and export to wherever have moved
toward manufacturing in China and for the China market. So their businesses have become purely domestic.” The China Chief Representative for China Representative Office in Shanghai’s interview also contained a similar discussion, as the representative stated that “China is losing its predominant position as a world exporter, wages are growing, it is becoming a country of consumers, and thus the cost of producing here is growing. Because of the growing costs and the long distances of delivery, the batches of exported goods are becoming smaller. Thus, in order to keep using their enormous industrial capacity, the Chinese government and enterprises are pushing the development of the internal market.”

A key aspect of a neoliberal path is implementing policies that open up foreign markets, but in the most recent decades, China has closed their doors to foreign employees, implemented laws putting limitations on importers, closed the market in certain sectors, and established strict regulations on foreign companies. The interview from the partner for DLA UK LLP touches upon China closing off and creating barriers for foreign employees, and the partner states, “China is closing doors to foreign employees. Now they require a higher education degree and two years of work experience. This creates obstacles to our members, especially in manufacturing.” The Regional Vice President for Strategic Markets in Shanghai talked about how strictly the business is being regulated by China, and since the business is in the medical sector, there is a complex process of registration for their products, and they have to be extremely careful to insure compliance, as well as monitoring that the quality of our products remains constant. The VP identified how China is closing off their markets when stating, “laws are being discussed to put limitations on pure importers like us, so we are
discussing our next steps.” China is a lot stricter on foreign companies than their domestic companies, and the interviews make it evident that there is a lot of caution, hesitancy, and over watch around these foreign companies that do business in China. The General Manager for System technology co. ltd. discussed how difficult the Chinese market is, pointing out that in China “laws are applied much more strictly to foreign companies, and thus our costs are higher…In general, China has a purely commercial relation with us: they buy our machines until they found a Chinese producer with a matching product. Part it is because of law enforcement issues: the government strictly controls that we issue invoices, and they are more lax with the Chinese. Part is ease of relationships, or even outright nationalism, part is pure cost differential.” This discussion of the Chinese government making imports difficult, as well as the Chinese market itself being difficult is continued with the interview from the Members Relational Manager for European Union Chamber of Commerce in China. The manager states, “The market in China is complicated in some sectors, and completely closed in others. Publishing is closed to foreigners; automotive manufacturing must be up to 50% joint ventures – or you can import cars paying very high levies, as Ferrari does. In other sectors the requirements for foreigners are implicitly higher – for example, food safety regulations are applied more strictly to foreigners.” In the interview, the manager also address the Chinese laws concerning banks pointing out that access to credit in China is quite difficult since the Chinese banks have limits by the Chinese law on how many branches companies can have and how much they can loan. In another interview, the Cultural attache for Italian Cultural Institute stated that the “Chinese economy is indeed a mix of State enterprises and private sector,” and business deals will be successful only when the
Chinese government is in some way involved. In China, foreigners traditionally cannot act independently, and foreign investments are always joint ventures with Chinese counterparts. As a result, the interview states “any business proposal has to be introduced by a local mediator.” The China Chief Representative for China Representative Office in Shanghai also hones in on the notion that China is very hesitant in establishing relationships with the foreign businesses. The representative points out how important it is to cultivate relationships with their Chinese partners because “once the relationship is established, the next step is usually to establish a small foothold in China. This often consists in an office in a business incubator, and hiring a Chinese salesperson that keeps the connections going and attends all business fairs. After a while there will be space for a larger investment”

In order to minimize the impact of the global financial crisis in 2008, the Chinese government implemented a $586 billion economic stimulus package aimed largely at funding housing, infrastructure, and transportation industries. Such sectors are traditionally dominated by the state, which shows that the Chinese Government has a major influence in the amount and nature of investment in China. Because of the reforms the Chinese leadership implemented in order to thwart the global financial crisis, China was able to remain economically strong and minimally impacted, and the interviews also reflect this result. The General Manager for SIT Manufacturing in Suzhou discussed how the world changed after 2008, and while most manufacturing firms experienced a crisis, SIT actually financially improved because they kept investing in new plants. The GM also pointed out how proactive the Chinese government was in trying to prevent the financial crisis from hurting their economy in saying “working as Suzhou Working
Group with a far-sighted Suzhou government, we obtained financing at discounted rates and a one year delay in rent payments for the shed.” The General Manager for FMMG Technical Textiles in Suzhou also stated that “the crisis did not have a long term effect on this company in China, just a short term reduction of sales.” The General Manager for System technology co. Ltd. In Suzhou contributed to this discussion of the impact of the crisis in China stating, “China recovered rapidly, thanks to the huge government stimulus, and US took much longer.”

After 2008, China evolves very rapidly and the interviewees point out that the laws and conditions have changed. The Lawyer for Zunarelli B&T International Law Firm hones in on these changing conditions in saying that “Chinese laws and conditions have changed, new kind of business is coming, not only manufacturing anymore. Now we work a lot with engineers, architects, and other kinds of professionals.” The lawyer also talks about how sector is important since “manufacturing, trading, and services need different kind of work because Chinese laws are different for each of those. Now very few new manufacturers are coming, and the other two are more important.” The interview expands upon his previous statements in stating that “China has recently changed almost everything in their laws. They made important technical changes in corporate laws and tax laws.” The lawyer explains that this is because when China realized that they attracted so many investments they changed their labor laws and made them much stricter. From the viewpoint of the law, the interviewee asserts that “China has changed from being a developing country to a developed one, from being an export base for wealthier countries to an internal market.” From 2000 to 2010 China opened to the world, but “after 2010, China, conscious of its power, normalized its laws: now
environmental and labor standards are much stricter, and foreigners cannot come here to 
exploit anymore.” The General Manager for FMMG Technical Textiles, in addressing the 
Chinese policies that influence the company stated, “The tax bureau and labor 
inspectorate impose on you, they are not partners. They produce new laws, they do not 
enforce them for years, and then they implement them very fast. China is evolving very 
rapidly, and it is difficult to manage.” The Regional Vice President for Strategic Markets 
also touches upon the complexity of Chinese laws. Although the company is organized in 
three sections, sales, marketing, and regulatory compliance, regulatory compliance is 
heavier than elsewhere because of the complex Chinese laws. The VP then discusses the 
rapidly evolving country stating “regulations are changing fast, following the pace of 
development. The scenario is changing every three to six months, so we need a 
permanent presence. The General Manager for SIT Manufacturing in Suzhou compares 
China before 2008 to China after 2008. The GM discusses how back in the early 2000s 
the Chinese government gave exceptional fiscal incentives, such as giving the land for 
free and building sheds for companies. SIT manufacturing paid no taxes for two years, 
and 50% for the next three years, but later, when investors reached a critical mass, the 
GM says that the Chinese government stopped the incentives. After 2008, the GM asserts 
that “the Chinese government (as a part of its decision to develop the domestic market) 
began investing billions of yuan in infrastructures: highspeed trains, highways, with the 
goal of connecting the cities of 3rd and 4th belt with the coast” and “now they are 
repeating the incentives to convince companies to move to 3rd and 4th belt cities and 
pushing cities to invest in developing the interior.” Now, as the GM says, the Chinese 
government is incentivizing reverse migration to bring the necessary skills to the new
industrial areas. The government is encouraging people who moved to Suzhou from the interior to go back through reduced income tax and promises of lower cost and lower pressure lives.

In Hu Jintao’s report to the 17th Congress of the CPP, he indicated that policy must pay more attention to energy issues, and the quality of the environment (Tisdell, 2008), and in the interviews there was a reoccurring theme of the Chinese government making an effort to clean the environment. The General Manager for SIT Manufacturing in Suzhou discusses how back in 2004, Chinese families (in the South) did not use heaters, but in a decade, a sizeable middle class developed, and they wanted better living conditions and heated apartments. Nowadays, they use AC units and electricity that in China comes mostly from heavily polluting coal plants. In an effort to protect the environment, China has pledged to cut CO2 emissions 25% by 2020. China also started a national plan for clean energy. Besides wind turbines and solar, the GM says the bulk of lean energy will come from gas from Central Asia and Myanmar. The Trade Commissioner for Italian Trade Commission also discusses the environmental effort in China in stating that “there are new environmental policies, a strong effort to clean up the environment, attracting companies in that sector, urban policies (smart cities), and food policies focusing on healthy and affordable food that are interesting for the food processing industry.”

In analyzing the interviews, I found that loyalty is an ideal that the Chinese leadership upholds and values. As Regional Vice President for Strategic Markets states, “China values companies that have been here for the long run, invested and helped the country to develop.” China is hesitant towards foreign companies, and based on the
interviews, it seems that loyalty is a key factor in China establishing a relationship with foreign companies. The Members Relational Manager for European Union Chamber of Commerce in China confirms this notion in saying that “trust and respect are extremely important in China…they take their time, and you need to show you are working for the Chinese community- your employees and the tax authorities” In another interview, the Cultural attache for Italian Cultural Institute pointed out that “there are strong taboos that must be respected in China, or the relationship will break: the validity of the Chinese political system must not be questioned, as well as their profound veneration for antiquity.”

Although China began departing from the neoliberal model in the early 2000s decade, after 2008, both the United States and China began departing from the neoliberal model; however, the specific reforms implanted were signaling also a divergence between the two countries. Both countries’ department from the neoliberal model is evidenced by policy changes being adopted to enable states to reassert control over markets and the redirecting of the market economy towards social concerns, but these policy changes in China and the US are implemented in different ways. Another theme I found when analyzing the interviews was the difference in business relations in China and the United States. The Lawyer for Zunarelli B&T International Law Firm compared China to the West and pointed out that “in China information generally is not public, so you need to connect with people even to find a budget or a balance sheet. But, in Western countries relationships are easy and recognizable. Here they are not, and moreover they must be continuously nurtured.” The lawyer further goes on to say that the most important issue in China is bureaucracy and states that “the power of a single employee
in a single office is huge. It is difficult to explain this to our clients, that the relationships with government officials are very important. In China, the government is used to inward FDIs, but it has policies suspicious of outward FDIs, so sometimes it is difficult for the smaller Chinese investor to go overseas.” The Members Relational Manager for European Union Chamber of Commerce in China contributes to this discussion of comparing China to the West. The manager asserts, “The Chinese government is very fast in changing laws, and the power of the bureaucracy is very strong: their parliaments do not meet often, official make the actual regulations. Thus, lobbyists in the West talk to politicians, here they talk directly to the bureaucracy.

In analyzing the interview data from the 15 interviews, I found the following reoccurring themes throughout the interviews: China reasserting control over their markets and focusing on their country domestically, China closing the doors to foreign business, China thwarting off the negative impacts of the global financial crisis of 2008, Chinese laws rapidly changing after 2008, China’s focus on environmental and energy issues, China valuing loyalty in business relationships, and the contrast of business relations in China and the West. Because of these overarching themes in the interviews, I came to the conclusion that the entrepreneurs were also experiencing such a divergence from the neoliberal model in China.
Chapter 5: Conclusion

The history of neoliberalism makes clear that China was an important part of its evolution, but scholars disagree over whether China is neoliberal or not. Because Chinese development was pivotal for enabling Western neoliberalism, this thesis aimed to study the relationship between China and the neoliberal model in the long term. In order to determine if neoliberalism can be used to explain Chinese development, this thesis analyzed the key economic reforms and indicators of neoliberalism in China and the United States decade by decade, from the 1970s to 2010s, as well as extracting themes from interview data based on 15 interviews from foreign entrepreneurs who work in Shanghai or Suzhou. Three research questions were posed in order to determine the long-term evolution of legislation that contributed to the shift of China from a command economy to an economic powerhouse in the capitalist world economy.

The first question posed was, “Does a trend of convergence between ‘Western’ and Chinese political economies exist?” In analyzing economic reforms implemented in China and the United States in parallel from the 1970s to the 2010s decade, I concluded that a convergence between Western and Chinese political economies existed. My conclusion comes from the following key similarities between China and the United States in each decade. There was striking parallelism in the economic situation in United States and China in the 1970s, despite the fact that the countries were completely different. In short, both countries were committed to political economic models that had
not merged after World War II. Both countries were experiencing dire economic situations after World War II, and despite both countries’ commitment to patterns of the past, the leadership in China and the United States began to search for other economic alternatives around the same time. Throughout the 1980s and the 1990s, both China and the United States were moving in a clear neoliberal policy direction since the neoliberal elements of privatization, deregulation, cuts in public spending, floating exchange rates, protection of property rights, liberalization of trade and investment, and limits to state power can be seen in China and the United States throughout these two decades. With both countries strongly committed to their overall economic strategy in the 1990s, parallelism between China and the United States can also be seen based on the flourishing inequality and reduced welfare for citizens. After 2008, both countries at the same time seem to diverge from the neoliberal model, evidenced by policy changes adopted in the 2000s and 2010s to enable states to reassert control over markets and the redirecting of the market economy towards social concerns.

My second research question asked, “If there is a trend, how has it changed over time? As addressed in the previous research question, there was a trend of convergence between Western and Chinese political economies, and this trend has changed in the way that the United States and China were going in a clear neoliberal direction in the 1980s-1990s, but, after analyzing Chinese and US reforms in the 2000s-2010s decades, I concluded that this neoliberal direction shifted in both countries, and a different kind of model is taking shape in both China and the US that diverges from neoliberalism since the policies being implemented throughout those decades run directly contrary to the core practices of neoliberalism.
The final question this thesis set out to answer was, “Is China evolving towards, or away from the neoliberal model? Or rather should a different concept be used?” After analyzing the key indicators of neoliberalism in each decade in the United States and China and extracting themes from the interview data from the foreign entrepreneurs in China, this thesis concludes that China is evolving away from the neoliberal model.

Regarding the question “Should a different concept be used?” I concluded that neoliberalism is the right concept to use. While the policies being implemented in the most recent decades are not neoliberal, the concept of neoliberalism can be used to explain such reforms because the policies implemented run directly contrary to the core practices of neoliberalism. Based on Chinese policies in the 1980s-1990s, China was moving in a neoliberal direction due to the focus on capital accumulation, the expansion of commercial markets, the privileging of corporations, deregulation of labor markets, and dismantling of social protections, but in the 2000s-2010s, we start to see the policies alter in a different, non-neoliberal direction. During this time, the Chinese state maintains a commitment to protect many elements for their citizens, such as the establishment of a new social security system in order to ensure workers’ rights and protect them against market dysfunction. In the 2000s, China began to pay more attention to China’s income distribution system, social services system, energy issues, and the quality of the environment. The shift in Chinese labor laws in the 2000s signal a departure from neoliberalism since such developments in labor suggest an end to the era of cheap labour in China and a relatively more optimistic future for Chinese workers due to the increased real wages, better social protection, and pension benefits. Such reforms in China directly contradict a key tenant of neoliberalism, the process of progressive erosion of legal
protections to labor. China’s departure from the neoliberal model is evidenced by policy changes being adopted to enable states to reassert control over markets and the redirecting of the market economy towards social concerns. Post 2008, the Chinese Government has major influence in the amount and nature of investment in China, particularly in infrastructure and in the selection of key sectors for development.

Continuing to stray from the neoliberal path in the current decade, the Chinese leadership further focuses on the improvement of socialist market economy, ensuring a healthy and lasting development of the economy in order to continuously improve the population’s standard of living, the development of rural economy, and creating new workplaces for the population. The interviews from the foreign entrepreneurs in China further back up the claim that China is diverging from a neoliberal path. The interviews stress how China in the current decade is reasserting control over their markets, focusing on their country domestically, and serving the Chinese people more and more. A key aspect of a neoliberal path is implementing policies that open up foreign markets, but as addressed in the interview data, in the most recent decades, China has closed their doors to foreign employees, implemented laws putting limitations on importers, closed the market in certain sectors, and established strict regulations on foreign companies.
Bibliography


