Building Capability By *Defying* Best Practices: The Case of China

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Connection to Conference Theme

- **CONFERENCE THEME**: building state capability to implement solutions to complex problems
- **EXISTING ARGUMENTS**: PDIA, pragmatism, incremental problem-solving, trial-and-error
My Argument: A Radical Brand of Pragmatism

- Leverage what appears to be weak institutions or wrong practices to kick-start development in developing countries.

- For example: corruption, patronage, profit-sharing within public sector, piracy, communist political structures, tribal networks, etc.
What’s the Logic?

- We may only spark change in poor societies with what they have... not with what we wish they had.

- Normatively weak/bad institutions can be functionally strong.
Sources

- Book: *How China Escaped the Poverty Trap* (CUP, 2016)

- Article: “Beyond Weber: Conceptualizing an Alternative Ideal-Type of Bureaucracy in Developing Contexts.” *(Regulation & Governance)*
THE CASE OF CHINA
Local development paths are distinct yet interconnected.
Forest Hill City, Fujian Province
Chicken-and-Egg Problem of Development

Good governance/strong institutions → Economic Wealth

Economic Wealth → Good governance/strong institutions
A multi-step, co-evolutionary sequence of development
1993: Central government accelerated market liberalization

- Establish a specialized, professional investment agency
- OR
- Adopt en masse, personalized investment promotion
Defining Conditions of Early Development

{GOALS} {CONSTRAINTS} {RESOURCES}
1993: Central government accelerated market liberalization

**GOAL**

“In the past, our goal was to push for rapid economic growth, so we welcomed any investor.”

- Establish a specialized, professional investment agency

**OR**

- Adopt en masse, personalized investment promotion
1993: Central government accelerated market liberalization

**CONTRAINTS**
Bureaucracy left over from Maoist era. Can’t fire anyone.

**Domain 1: ECONOMY**
Establish a specialized, professional investment agency

**Domain 2: BUREAUCRACY**
Adopt en masse, personalized investment promotion
1993: Central government accelerated market liberalization

**Domain 1: ECONOMY**

*Establish a specialized, professional investment agency*

**Domain 2: BUREAUCRACY**

*Adopt en masse, personalized investment promotion*

**RESOURCE**

"Businesses invest here because of personal relationships."
1993: Central government accelerated market liberalization

En masse, personalized investment promotion (bee hive campaign)
Back then, our commercial parks had no plan. A tofu factory sat beside another factory making fiberboards. How was that going to work?
CHANGE OF PRIORITIES REFLECTED IN ANNUAL GOVERNMENT WORK REPORT

Prior to 2003, work reports emphasize “speed” and “expansion.”

Word “quality” first appeared in 2003

“Quality” appeared in first line in 2007

Domain 1: ECONOMY

“Bee hive” campaigns: all agencies court investments

All types of investments arrive; GDP grows but market is a mess

Readjust economic goals from pursuing quantity to quality investments
CHANGE IN DESIGN OF AGENCY TARGETS OVER TIME

Agencies evaluated by amount of investments...

Then by number of projects that exceeded certain scale

Then by number of projects in state-selected sectors

Investment targets abolished altogether

Domain 1: ECONOMY

All types of investments arrive; GDP grows but market is a mess

Readjust economic goals from pursuing quantity to quality investments

Domain 2: BUREAUCRACY

“Bee hive” campaigns: all agencies court investments

Agencies shed en masse promotion role; actual specialization of functions emerges
Domain 1: ECONOMY

- Poor economy

Domain 2: BUREAUCRACY

- Maoist bureaucracy with formal specialized functions assigned to each office
- "Bee hive" campaigns: all agencies court investments

All types of investments arrive: GDP grows but market is a mess

- Redo economic goals from pursuing quantity to quality investments
- Agencies shed on masse promotion role; actual specialization of functions emerges

Restructure economy and target selected industries for growth
In essence, what’s the **simple—but not simplistic** story of development?
Step 1:
Harness existing weak institutions to **build** markets

Step 2:
Emerging markets stimulate strong institutions

Step 3:
Strong institutions **preserve** markets
Cross-national extension of theory

Unlike China, none are centralized authoritarian regimes, yet markets were built through normatively weak institutions or wrong practices.
Conclusions

1. A radical brand of pragmatism, tailored to poor, traditional, weak societies
   - Go beyond saying that we should adapt, experiment, incrementally solve problems.

2. Normatively weak/bad institutions can be functionally strong
   - Think about institutions functionally rather than normatively
Thank You