

# Le modèle de croissance chinois post covid, une approche en termes de régulation

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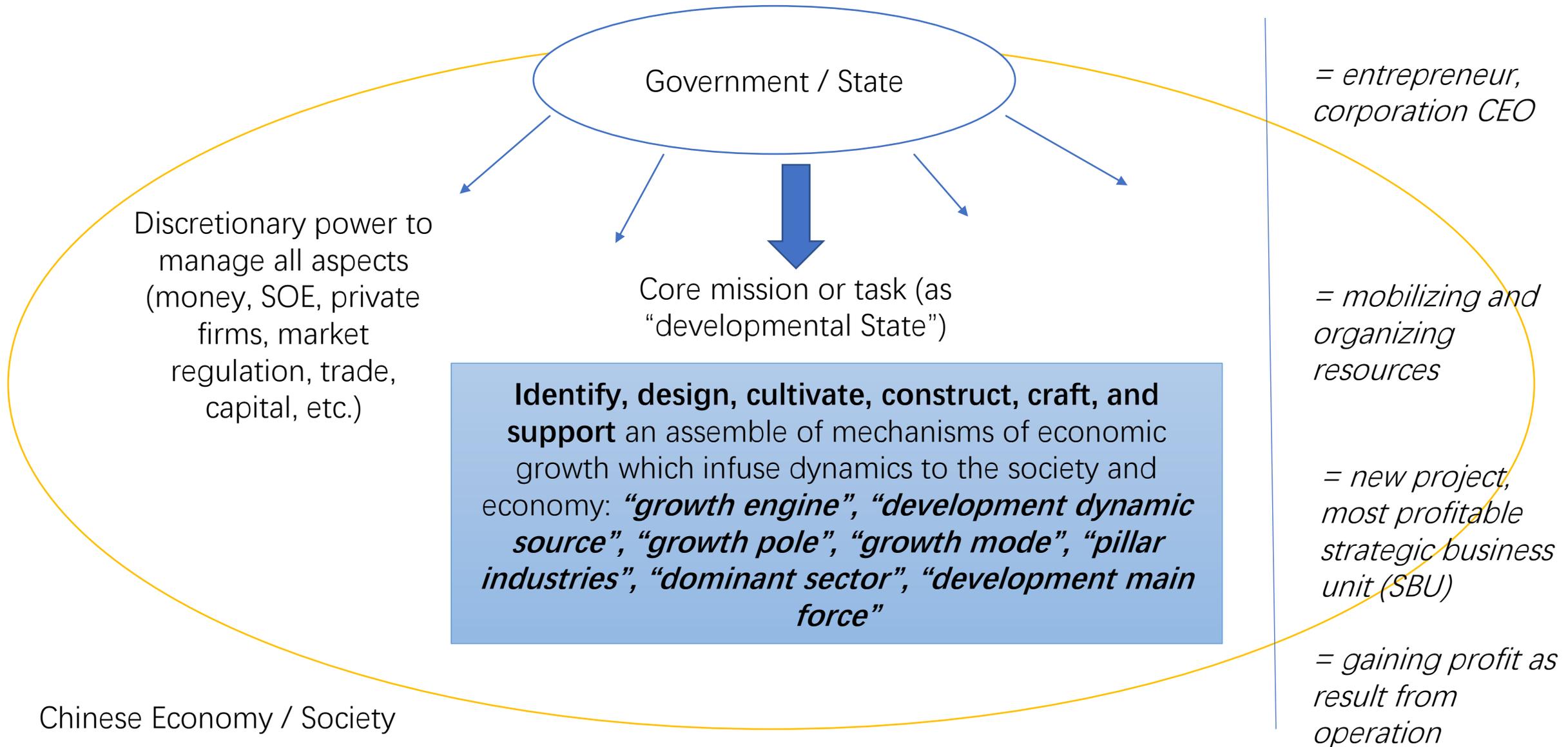
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**Methodology**

**Empirical  
Analysis**

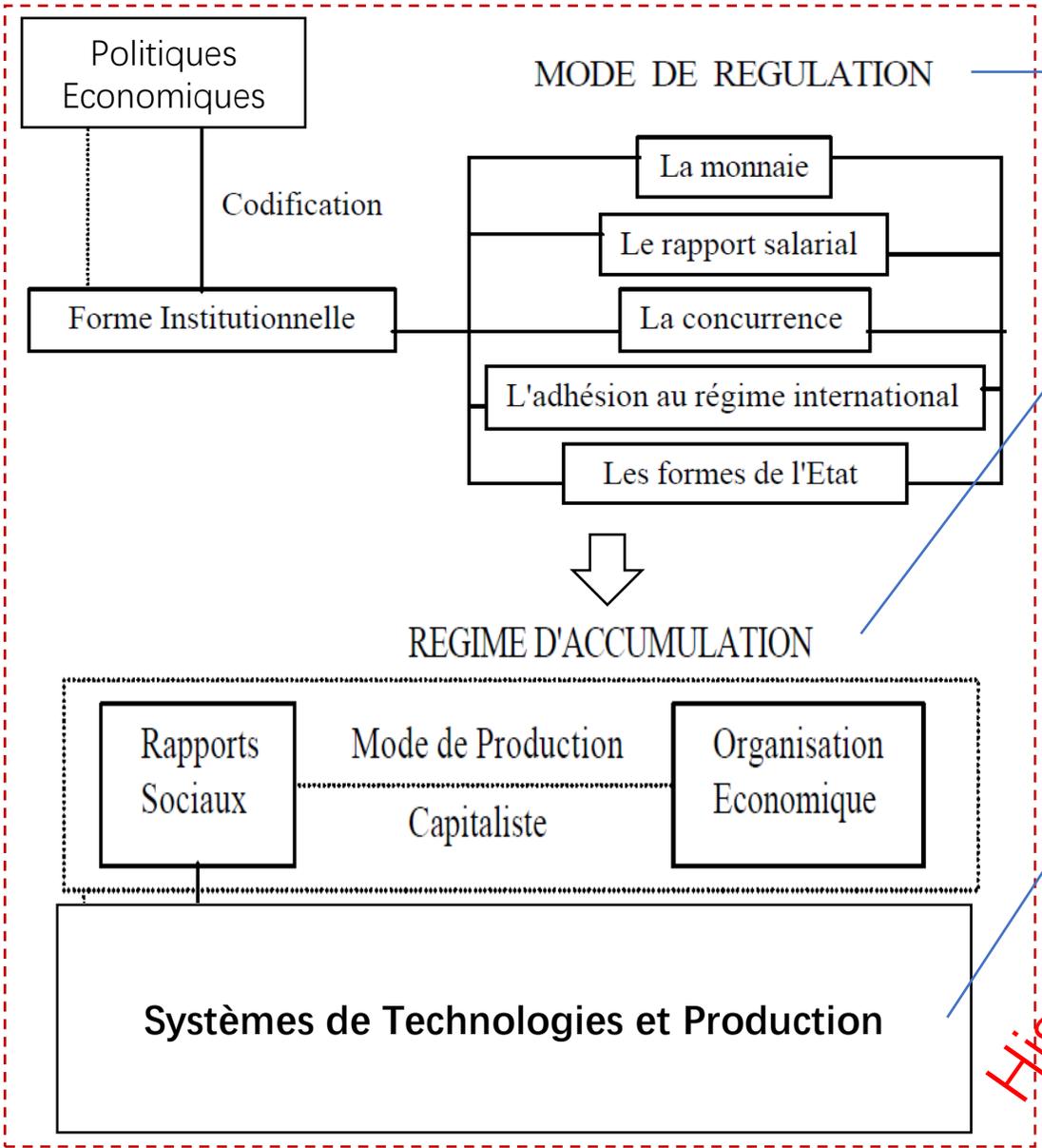
**Conclusion**

# 1. China's government-managed market economy



## 2. Approach of Regulation Theory

Economy is a series of specific techno-economic processes of history, composed by particular events in a society



Modes of regulation: L'ensemble des mécanismes qui permettent aux formes institutionnelles a priori indépendantes de former un système

China?

Accumulation regime: : les mécanismes qui permettent la poursuite de la croissance économique

<i>Great surge of development Core country</i>	<i>Techno-economic paradigm 'Common-sense' innovation principles</i>
FIRST: From 1771 <i>The 'Industrial Revolution'</i> Britain	Factory production Mechanization Productivity/ time keeping and time saving Fluidity of movement (as ideal for machines with water -power and for transport through canals and other waterways) Local networks
SECOND: From 1829 <i>Age of Steam and Railways</i> In Britain and spreading to Continent and USA	Economies of agglomeration/ Industrial cities/ National markets Power centres with national networks Scale as progress Standard parts/ machine -made machines Energy where needed (steam) Interdependent movement (of machines and of means of transport)
THIRD: From 1875 <i>Age of Steel, Electricity and Heavy Engineering</i> USA and Germany overtaking Britain	Giant structures (steel) Economies of scale of plant/ vertical integration Distributed power for industry (electricity) Science as a productive force Worldwide networks and empires (including cartels) Universal standardisation Cost accounting for control and efficiency Great scale for world market power/ 'small' is successful, if local
FOURTH: From 1908 <i>Age of Oil, the Automobile and Mass Production</i> In USA and spreading to Europe	Mass production/mass markets Economies of scale (product and market volume)/ horizontal integration Standardisation of products Energy intensity (oil based) Synthetic materials Functional specialisation/ hierarchical pyramids Centralisation/ metropolitan centres -suburbanisation National powers, world agreements and confrontations
FIFTH: From 1971 <i>Age of Information and Telecommunications</i> In USA, spreading to Europe and Asia	Information-intensity (microelectronics -based ICT) Decentralised integration/ network structures Knowledge as capital / intangible value added Heterogeneity, diversity, adaptability Segmentation of markets/ proliferation of niches Economies of scope and specialisation combined with scale Globalisation/ interaction between the global and the local Inward and outward cooperation/ clusters Instant contact and action / instant global communications

History

### 3. “Economic growth pole”: What is a “regime of accumulation” in China?

1. A series of interrelated economic activities, often an industry, a sector, a cluster, a region, a techno-economic complex, or a value chain, etc.
2. Corresponding to the activities, specific resources combination mode, including capital, labor, equipment, land, raw materials, and organization, etc.
3. Related capital and money circulation flow and the corresponding institutional arrangement which provides enough incentive to repeat capital accumulation and circular investment processes so that the system can be reproduced.
4. As a regime of accumulation: government can get economic and fiscal benefits, the whole society can get (spilled over) economic and social benefits, and in turn can provide governance legitimacy. (stability, GDP, income, etc.)

# 4. Regime of export-manufacturing (since 1980s)

Local governments: decentralized economic management system, industrial policy focus.

- Land
- Labor
- Fiscal incentives
- Infrastructure development
- Etc.

- Tax revenues
- Employment
- Local industrial development
- Technologies



Export-manufacturing sectors  
(coastal areas/ labor intensive industries)

Technology: based on learnt standardized manufacturing technologies and their diffusion among industrial system.

Mode of production: industrial mass production, export-orientation, labor cost and population bonus, resource exploitation, etc.

Export Markets of Advanced Economies

HK, Macau, and overseas Chinese investors

Chinese TVE, etc.

Chinese private firms

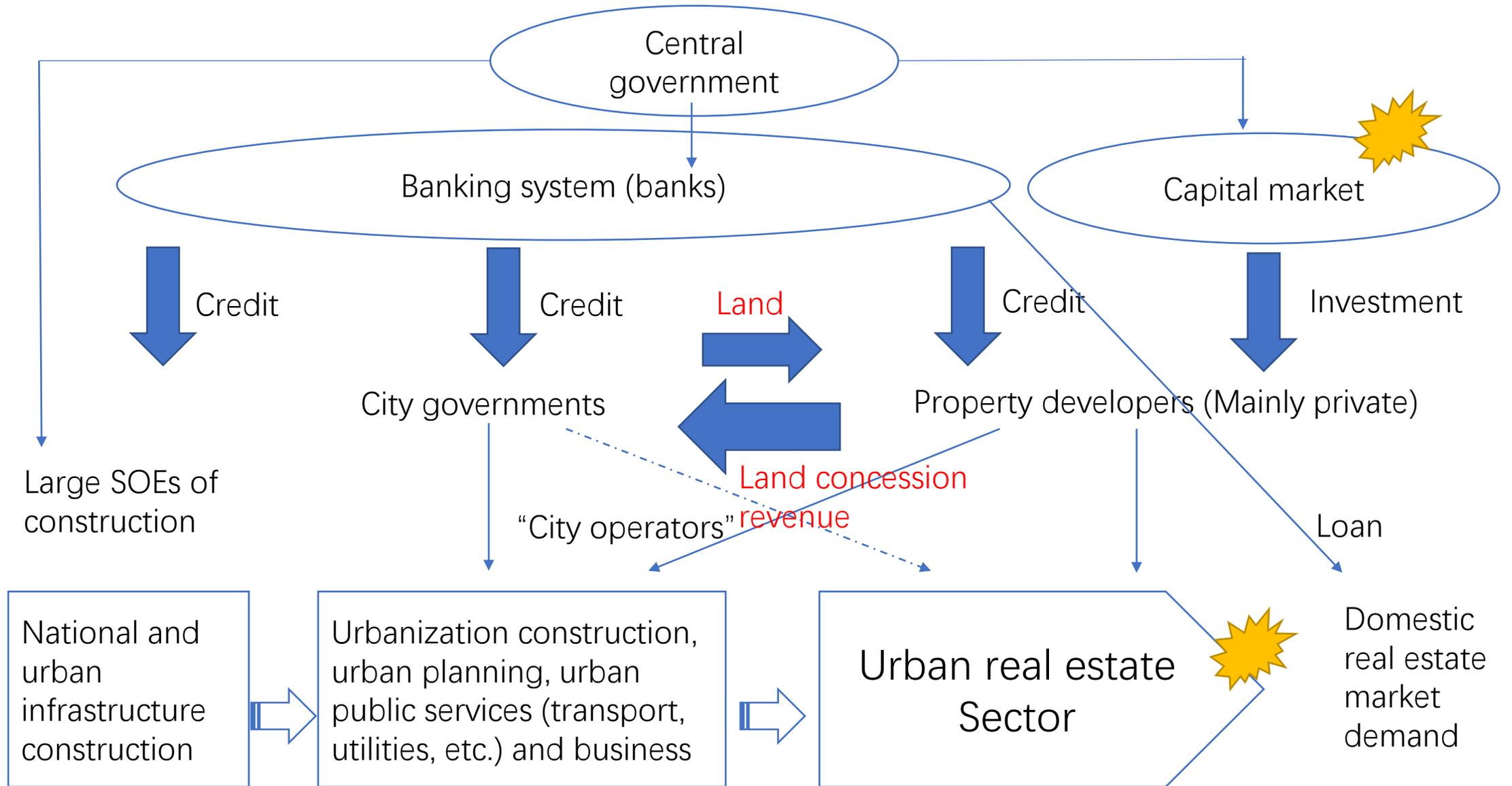
Western MNCs



# China's Accumulation Regimes (1)

Period	Policy	Accumulation Regime
<b>1978 – 2008</b> <b>(factor-driven stage)</b>	<ul style="list-style-type: none"> <li>● Localized industrial policies</li> <li>● Contractionary macroeconomic policy</li> <li>● Export-promotion policy</li> <li>● Technology-importation and transformation policy</li> <li>● FDI attraction policy</li> <li>● Decentralized fiscal system</li> <li>● Loose regulation on labor (Labor Law revised in 2007)</li> </ul>	<p style="color: red; text-align: center; font-weight: bold;">Export-production capital accumulation</p> <hr/> <ul style="list-style-type: none"> <li>● Standardized and large-scale production technologies</li> <li>● Industrialization through export-oriented manufacturing ;</li> <li>● Industrial firms took use of China's surplus labor from rural areas and constructed low-cost advantage;</li> <li>● The export to international markets and foreign direct investment in China brought in large amount of foreign exchange;</li> <li>● The Chinese foreign exchange regime increased simultaneously national foreign reserves and domestic currency supply;</li> <li>● Governments invested heavily in infrastructure and land development to support manufacturing;</li> <li>● Formulation a techno-economic paradigm with manufacturing system as its core part and relevant social system depressed.</li> </ul>

# 5. Regime of infrastructure investment (since 2008)



## China's Accumulation Regimes (2)

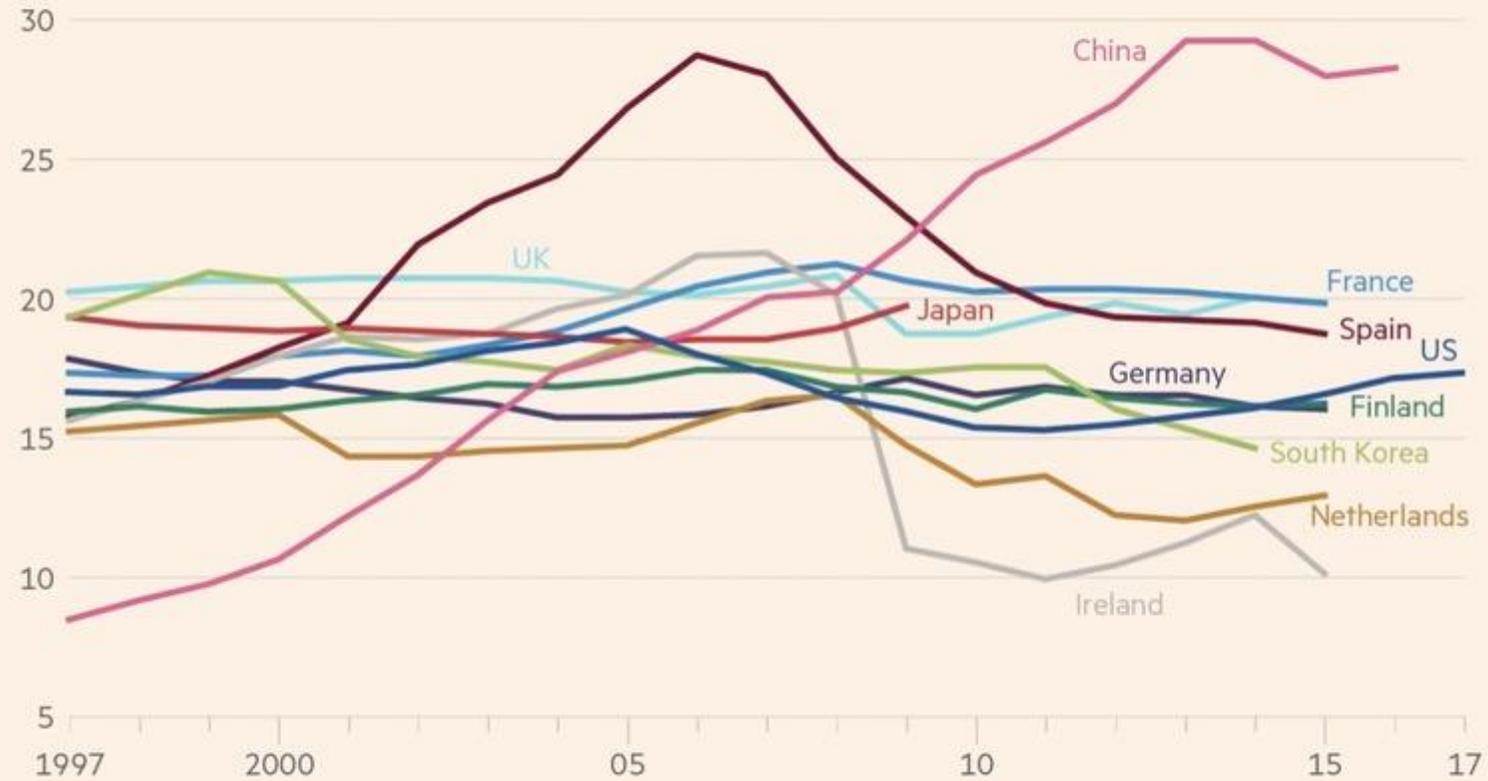
Period	Policy	Accumulation Regime
<b>after 2008</b> <b>(investment-driven stage)</b>	<ul style="list-style-type: none"><li>● Centralized macroeconomic management system</li><li>● Manipulating macroeconomic variables such as trade, investment, and consumption</li><li>● Expansionary monetary and fiscal policies</li></ul>	<b>Infrastructure-investment capital accumulation</b> <ul style="list-style-type: none"><li>● The 2008 crisis and decrease of export market slowed down the catch-up of manufacturing sectors in global value chain ;</li><li>● Government reacted by expansionary fiscal and monetary policy, and injected excessive liquidity in the economy;</li><li>● Industrial system became unattractive for investment, due to rising labor costs, insufficient domestic consumption demand, overcapacity, and diminishing profitability;</li></ul>

## 6. The deviated regime of properties-financial assets investment

Period	Policy	Accumulation Regime
<b>after 2008</b> <b>(investment-driven stage)</b>	<ul style="list-style-type: none"><li>● Economic re-launching package (2008)</li><li>● Macroeconomic rebalancing (2008-2014)</li><li>● Supply-side Structural Reform (2014-present)</li><li>● Belt and Road Initiative (2013- present)</li><li>● ...</li></ul>	<p data-bbox="1146 292 2395 364"><b>Property-financial capital accumulation</b></p> <ul style="list-style-type: none"><li>● Excessive money supply flooded and accumulated in property markets, then stock markets, and recently foreign exchange markets, creating several rounds of inflation of assets prices, financial instability, and permanent bad loans;</li><li>● Central government had to spend more energies and resources on fiscal and monetary policies to handle the newly-added problems of financial system, somehow leaving aside its industrial system which had been decoupled from the financial realm but faced of the persisting problem of sustaining and upgrading.</li><li>● Finance-driven growth has been exhausted in 2015</li></ul>

## China's world-historic dependence on real estate

Share in gross domestic product of construction and real estate activity (%)



Source: 'Has China's Housing Production Peaked?' by Kenneth Rogoff and Yuanchen Yang  
© FT

# 2015: the Chinese version of financial crisis of 1929 or 2008 ?

Crisis of “ property-financial accumulation regime”:

- 1) decoupling of real and monetary economies, and financialization of innovation system = *speculation of financial capital in name of innovation*;
- 2) exhausting “accumulation regimes” within the current “techno-economic paradigm” = no place to earn money !

## The Shanghai Composite Meltdown

After its worst decline since 2007, this year's massive gains are now gone.



## Pressures grow on Evergrande

Share price (Hong Kong dollars)



Source: Refinitiv  
© FT

# 7. The rising problem of digital platform regime

## **Digital platform economy**

- E-commerce, mobile payment, shared mobility, etc.
- Expansion in traditional sectors
- Fintech and penetration in financial system
- Big data
- Digital firms listed in US stock market
- Emerging from bottom and private sector

## **“Regulation” problems for government**

- “too big to control”
- Breaking up the monopoly of State banks
- Threat to national security, data security, and information control
- Foreign capital and international relation risk
- Risk of “out of control”
- Irrelevant to “real economy”
- Revenue and benefits to government are not significant

# Central Economic Tasks 2021

(CCP economic work meeting 2020)

- 1. Strengthen national strategic scientific and technological strength**
- 2. Enhance the independent controllability of the industrial supply chain**
3. Adhere to the strategic basis of expanding domestic demand
4. Comprehensively promote reform and opening up
5. Solve the problem of agricultural seeds and cultivated land
6. Strengthen anti-monopoly and prevent disorderly expansion of capital
7. Solve the outstanding problems of housing in big cities
8. Do a good job in carbon peaking and carbon neutrality

**Macroeconomic level:  
Solving and  
sustaining the old  
regime of  
accumulation**

(demand side)  
Rebalancing

Supply-side Structural  
Reform

Belt and Road  
Initiative

'dual  
circulation'  
strategy

Innovation-driven  
Development Strategy

2006

2008

2014

2017

2020

Indigenous Innovation (Mid-  
and Long-Term Plan)

Made in China  
2025

Internet +  
Action Plan

Industrial transformation and  
upgrading

Strategic emerging industry  
development plan

Massive entrepreneurship  
and crowd innovation

**Industrial and  
technological level:  
creating a new  
regime of  
accumulation**

**The Main Economic Policies in China since 2008**

# 8. The mid-term desire for intelligent manufacturing regime

Period	Policy	Accumulation Regime
<b>After 2015</b> <b>(“Desired”</b> <b>innovation-</b> <b>driven stage)</b>	Innovation policy or Chinese innovation-driven development strategy, including: <ul style="list-style-type: none"><li>● Mid- and Long-Term Science &amp; Technology Plan Outline</li><li>● Industrial Transformation &amp; Upgrading Plan</li><li>● Massive Entrepreneurship and Crowd Innovation Strategy</li><li>● “Made in China 2025”</li><li>● Innovation-driven Development Strategy Outline</li></ul>	<b>“Intelligent manufacturing” capital accumulation</b> The expected new mode of production will include: <ul style="list-style-type: none"><li>● Industrial competitiveness based on strong science &amp; technology development;</li><li>● World class exports;</li><li>● High skilled jobs;</li><li>● High-tech industries (10);</li><li>● High added-value activities;</li><li>● Dynamics of entrepreneurship;</li><li>● ...</li></ul> The new regime of accumulation will be based on: <ul style="list-style-type: none"><li>● emerging and world-leading digital platform capitalism</li><li>● implementation of intelligent manufacturing system across all industries</li></ul>

# Techno-Economic Paradigm in China: The uncertain future for government

## Platform bubble and asset trap

### Finance- and assets-led regime

- Profit making is mainly through rent-generating capital operation and accumulation such as investment in stock market, foreign exchanges, and bubbled real estate.
- Macroeconomy can be in stag-inflation and it is what the Chinese government is fighting to avoid.

## • Made by the World, Bought by China

### • Digital platform-led regime

- Fast expansion of China's service economy, especially e-commerce along with low-end strategies of manufacturing rationalization or no restructuring at all.
- Chinese government tries to not only depend on this American path.

## Made in China, Buy by the World

### Intelligent manufacturing-led regime

China successfully transforms its industrial sectors and upgrades to advanced manufacturing in becoming flexibly specialized in innovative technologies both for new process, products, components, and systems.

## Made and buy by China

### Integration of manufacturing and platform-led regimes

- In integrating customer interfaces, production and supply chains under the intelligent manufacturing paradigm, China's whole manufacturing industry, and even the foreign manufacturing sectors are becoming a supporting part of the Chinese e-commerce service system.
- Manufacturing will no longer be the sole focus of accumulation regime which will turn to service, especially internet-based service sectors

# 9. The short-term challenge of export-manufacturing regime during Covid

## **Supply chain destabilizers**

- Labor, land, and all other fact costs rise rapidly
- Operation risk, such as power crunch
- Policy and international relation risks are increasing

## **Supply chain stabilizers**

- Supply chains are complete, and clusters are well developed
- US import from China is still robust
- Compared to other countries, China's low cases of Covid-19

## **Critical enablers to supply chain in long run**

- Development of intelligent manufacturing and digital transformation of industries
- Innovation system and core technology development

# 10. Post Covid: China's growth model at crossroad

