

**Economic Engagement and Political Development:
A Discussion on China's Dynamic Economic Openness
and Delayed Political Openness**

© Xianbo Wu

All Rights Reserved, 2018

ABSTRACT

Western decision makers once held the belief that economic openness and prosperity could ultimately result in a democratic China, and such an idea provided important justifications for engaging China into the global economic system. Today China is the second largest economies in the world and one of the major supporters of globalization. However, the country has not made significant progress in political openness in the past few decades.

The paper attempts to delve into the puzzle why economic openness and development fail to promote political openness and liberalization in China. It argues that the country's current socio-political structure and international context form an unfavorable combination that gives the ruling-class no major incentives to consult with social classes especially the middle class. While a strategy engaging China into the liberal economic system is justifiable, the insufficient time and effectiveness to implement such a strategy importantly explain China's political status quo.

TABLE OF CONTENTS

Acknowledgments	III
Abstract	IV
Introduction	1
Part I: Overview of Existing Theories	4
1. Overview of the value of democracy in China's case	4
2. Main perspectives on the engagement strategy and the relationship between economic/political openness	7
Part II: Economic and Political Openness: A Quantitative Assessment	19
Part III: An Empirical Discussion on China's Socio-political Contexts	27
1. Property rights protection in contemporary China: A quick review	27
2. The role of the middle class in the Chinese politics	30
3. Overview of the combination of China's domestic and international structures and its political implications	35
Conclusion	49
Bibliography	56

Introduction

2018 is the 40th anniversary of China's "reform and opening up." In 1978, the country, reflecting on a series of failed attempts to pursue a communist utopia since its establishment including the Great Leap Forward movement and the Cultural Revolution, was determined to focus itself on economic development pragmatically. "It does not matter a cat is black or white, it is a good cat if it catches mice." Such an approach of Deng Xiaoping toward state governance paved the way for China's transition to an open market economy, a process that has been welcomed and supported by Western countries led by the United States.

To the Western world, China's economic reform and openness are attractive not only because of the access to China's huge market and low-cost labor force, but also of an expectation that the economic transition would push the old nation to embark on a political transition toward democracy. Given the Soviet Union's collapse in 1991, China survived as the biggest communist state in the world and how to deal with it became an intractable question for Western decision makers. The U.S. ultimately decided to facilitate China's project of openness based on the belief that economic openness and growth will ultimately bring about political openness and liberty. As George W. Bush put it: "(trade is) an important ally in what Ronald Reagan called 'a forward strategy for freedom.' ...Economic freedom creates habits of liberty. And habits of liberty create expectations of democracy." "Trade freely with China, and time is on our side." It is such an expectation that provides the most important

justification for the West's policy of engagement with China over the last two decades including supporting China to join the WTO (Nathan, 2016).

Currently, China is the second largest economy in the world based on nominal GDP and already the largest economy based on purchasing power parity. It is the world's largest exporter and the third largest importer. What is more, it is one of the most active leaders of globalization and has been promoting its own initiatives of regional integration including "Belt and Road" and Asian Infrastructure Investment Bank.

Nonetheless, the world has not witnessed major progress in China's political openness regardless of its remarkable achievement of economic growth and openness. In fact, some scholars believe China has been moving away from democracy in recent years especially after President Xi Jinping came to power. For example, in March 2018, the National People's Congress has approved an amendment to the Constitution to abolish the term limit on the presidency, paving the way for the president to rule indefinitely. In this way, China's fundamental political order, set up in the 1980s and 1990s by Deng Xiaoping and marked by collective leadership and orderly and regular transitions of power, have been dismantled (Buckley & Myers, 2018), and the consolidation and centralization of political power have reached another peak since Mao's era.

A question facing the world is: Are the U.S. and the West wrong? A China-strategy highlighting economic engagement does favor China's economic development,

which, nonetheless, appears to be irrelevant to the country's political openness, and some scholars and commentaries even argue that it is exactly such a strategy that importantly helps the non-democratic regime consolidate itself.

The paper attempts to delve into the puzzle why economic openness and development fail to promote political openness and liberty in China (contrary to the Western belief). The paper will first examine the theoretical base of the U.S. strategy toward China aforementioned (the paper will call it "*engagement strategy*" hereinafter for convenience) both qualitatively and quantitatively, and then make a research on the gap between theories and China's reality. It will argue that the core assumption behind the engagement strategy is justifiable, i.e., economic openness could push forward political openness. Nonetheless, the strategy has not been implemented effectively enough to overcome the counterforce by China's current socio-political structure largely shaped by its history and international context, which is, to a great degree, adverse to a political transition toward democracy.

Part I: Overview of Existing Theories

1. Overview of the value of democracy in China's case

Before we put the engagement strategy under the spotlight for a serious assessment, we may first want to think about the value of the expected output of such a strategy, i.e., how could a potentially more democratic China shape itself and the world in a more positive way?

Democracy could be measured by key indicators of political openness including electoral participation, competition, transparency, accountability, interfaces between the government and the civil society, and the rule of law, etc. (Garibay, Brande, and Gistelinck et al., 2018) In general, the development of political openness and democracy is a process in which the government develops to be more transparent, inclusive, rule-based and responsible. The implications of such a process in China's case could be understood in three perspectives.

First of all, we may consider democracy itself as a naturally good end. Currently, a political regime highlighting the participation of individuals is one of the symbols of modernization, and it has been widely accepted all over the world. In fact, by 2015 China was one of only 20 autocracies remaining in the world (Chin, 2018). On the other hand, some scholars point out, in a historical perspective, that Chinese have a long history of fighting for democracy (Lue, 2005), and thus China has no reasons to be the exception to the contemporary wave of democracy.

Secondly, democracy has functional or instrumental implications. Democracy could be considered important because it is, arguably, conducive to the sustainable prosperity of a nation as well as the stability of the world. Specifically, there are scholars contending that only deepening political reform and openness could accommodate China's future economic development, and a smoothly developing Chinese economy is, without doubt, in line with the interests of the whole world. In addition, larger political openness is considered the only effective way for China to deal with a series of intractable challenges to the nation at present and in the future, such as environmental degradation, corruption, inequality, human rights abuses, etc. Internationally, a democratic China is expected to be a more responsible and rule-based player, and is less likely to conflict with other democratic states, according to the democratic peace theory on international relations.

Thirdly, China's prospect for democracy is tied with the persuasive power of liberal theories and the sustainability of the "ideological hegemony" of the West, particularly the U.S. If China continues to rise without any progress in political openness, it would become a considerable competitor with the U.S. not only in the fields of economy and geopolitics, but also narratives. The last scenario that the world wants to see is a new round of ideological struggle between two great powers.

At this point, the engagement strategy is reasonable to the degree that it seems to be able to create extra value for China, the U.S., and the world in an ideal state. The

question returns to, however, the methodology, i.e., whether capitalism and economic openness could be a leading actor to promote democracy. From the angle of U.S. policy makers, after all, the implementation of the soft engagement strategy is at the opportunity cost of a hard containment strategy. Even though the former could create visible benefits in other aspects, such as economy, if it cannot reach the foremost policy objective, then the choice of it could be a strategic misjudgment.

2. Main perspectives on the engagement strategy and the relationship between economic/political openness

In general, the current literature on the engagement strategy could be summarized into four categories. The following paper will develop to discuss these views in more detail.

<p>Optimism</p>	<p>The core idea of the engagement strategy is correct.</p> <p>It is a problem of time and policy implementation, i.e., a problem of the dependent variable (economic openness).</p>	<p>The core idea of the strategy is correct. However, certain factors counterbalance the positive role of economic openness in political openness in China, i.e., it is a problem of other variables (e.g. culture, social structure, international environment, etc.)</p>
<p>Pessimism</p>	<p>The core idea of the engagement strategy is wrong.</p> <p>Economic openness and political openness do not have a correlation with each other.</p>	<p>The core idea of the engagement strategy is wrong, and it is the strategy per se that largely lead to the unfavorable outcome. i.e., the strategy has helped strengthen China's authoritarian rule.</p>

Four perspectives on the engagement strategy

2.1. Modernization theory: The most important theoretical foundation of the engagement strategy

The modernization theory that links economic modernization (capitalist development) with political modernization (a democratic regime) might provide the most solid theoretical foundation for the engagement strategy. Specifically, the theory contends that as economic modernization unfolds in a society, the levels of the individual's income, education, socioeconomic mobility, and freedom valuation will markedly increase. All these attributes in turn give rise to a strong middle class, which spread democratization in a nondemocratic society and strengthen the democratic institutions in a democratic society (Chen & Lu, 2011). Lipset, one of the most important proponents of the modernization theory, famously claimed that "the more well-to-do a nation, the greater the chances that it will sustain democracy (Lipset, 1960)."

Samuel Huntington echoes the modernization theory by writing that "few relationships between social, economic, and political phenomena are stronger than that between the level of economic development and democracy," and he argues for a "political transition zone," in which the middle-income states are the most likely to transit to democracy (Huntington, 1991). In fact, some scholars believe that China is going to prove Huntington's theory soon. For example, Pei argued that China has reached the upper region of the transition zone, noting that 36 "third wave" countries that democratized since 1974 had a median GDP per capita of \$9,768 (in constant PPP \$2011), while China has a GDP per capita of over \$12,000 in 2014. Based on

such an observation, he wrote: "...The political laws of modernization are...stacked against the (Chinese Communist) [P]arty. It becomes almost impossible to maintain autocratic rule in non-oil based economies as per capita gross domestic product rises above a given level (Pei, 2012; 2016)."

Economic openness could in this way be an important variable in the theoretical framework of the modernization theory as the degree of a nation's engagement into the global economy has a demonstrated correlation with its economic growth. For example, Miller & Kim's work highlights the theory of classical liberalism by Adam Smith and David Ricardo, arguing that economic openness plays a role of the biggest stimulant of economic development based on comparative advantages, and it would ultimately nurture political reform by enabling individuals to gain economic resources they need to challenge entrenched interests and compete for political power, thereby encouraging the creation of more pluralistic societies (Miller & Kim, 2016).

On the other hand, Morrison points out that economic openness will greatly increase exchanges of ideas, which could in return contribute to the general enlightenment of the society. Economic openness could also bring about growing foreign attentions to the political context of a state (largely to assess the investment risk) and thus put more pressures on an authoritarian regime to reform and liberalize (Morrison, 2013).

2.2. Policy-implementation explanation for China's case

If we acknowledge the rationality of the modernization theory, we have to explain why China's case fails to support it at least so far. First of all, we may argue that it could be a problem of policy implementation. That is to say, China's project of economic openness is not effective enough yet to reach a critical point of political change. After all, China only has 40-year experience in economic reform and openness and 17-year experience in being a member of WTO. It has not been economically "open" and "free" enough given the limited time and determination.

In his report, Ezell pointed out that China fails to fulfil a series of important promises it has made in order to entry the WTO, including substantially reducing production and/or export subsidies, giving foreign banks national treatment, requiring state-owned enterprises to make purchases based on commercial considerations, and liberalizing foreign film distribution, etc. (Ezell, 2015) On the other hand, Flynn argues that a review of the relevant economic indicators including currency convertibility, wages determined by bargaining between labor and management, joint ventures and foreign investment, government ownership or control of the means of production, government control over resource allocation and price and output decisions of enterprises does not present a finding of a free market economy (Flynn, 2017). From these points of view, Chinese economic opening efforts are still lagging behind, and the relatively weak level of economic openness is, not surprisingly, unable to give birth to a breakthrough in political openness.

The problem of the policy-implementation explanation is its inability to explain the contradiction between the dynamic nature of China's economic openness and the almost static nature of its political openness. Even though China's degree of economic openness is still far from high, it has been moving forward progressively since the late 1970s while in comparison, political openness in China has not made any major progress. To a certain degree, it is even worse than the situation in the 1980s (Pei, 2006). China's case cannot be satisfactorily explained unless such a contradiction is answered first.

2.3. Cultural-deterministic approach to China's case

Some scholars hold the belief that unique societal factors in China have counterbalanced the positive role of economic openness in political openness. They typically argue for a type of cultural determinism revolving around the view that Confucian culture is essentially against democracy. For example, Huntington famously wrote that:

“Almost no scholarly disagreement exists regarding the proposition that traditional Confucianism was either undemocratic or anti-democratic...Classic Chinese Confucianism and its derivatives in Korea, Vietnam, Singapore, Taiwan, and (in diluted fashion) Japan emphasized the group over the individual, authority over liberty, and responsibilities over rights. Confucian societies lacked a tradition of rights against the state; to the extent that individual rights did exist, they were created by the

state. Harmony and cooperation were preferred over disagreement and competition.

The maintenance of order and respect for hierarchy were central values. The conflict of ideas, groups, and parties was viewed as dangerous and illegitimate. Most important, Confucianism merged society and the state and provided no legitimacy for autonomous social institutions at the national level.” (Huntington, 1991)

The view of Huntington that the collective elements in Confucianism would necessarily subdue and disable individualism and civil participation does enjoy a great deal of support from academics as he mentioned. His argument is, however, problematic in several perspectives.

First, culture is a social construct that never stands still. Rather, it is always in the process of adapting itself to the development of the society. Furthermore, "everyday life" culture is not the same as political culture. According to Francis Fukuyama, while the culture of “everyday life” is relatively stable, political culture tends to change very rapidly (Fukuyama, 1995). Secondly, contrary to stereotype, Confucianism does contain a series of pro-democratic elements.

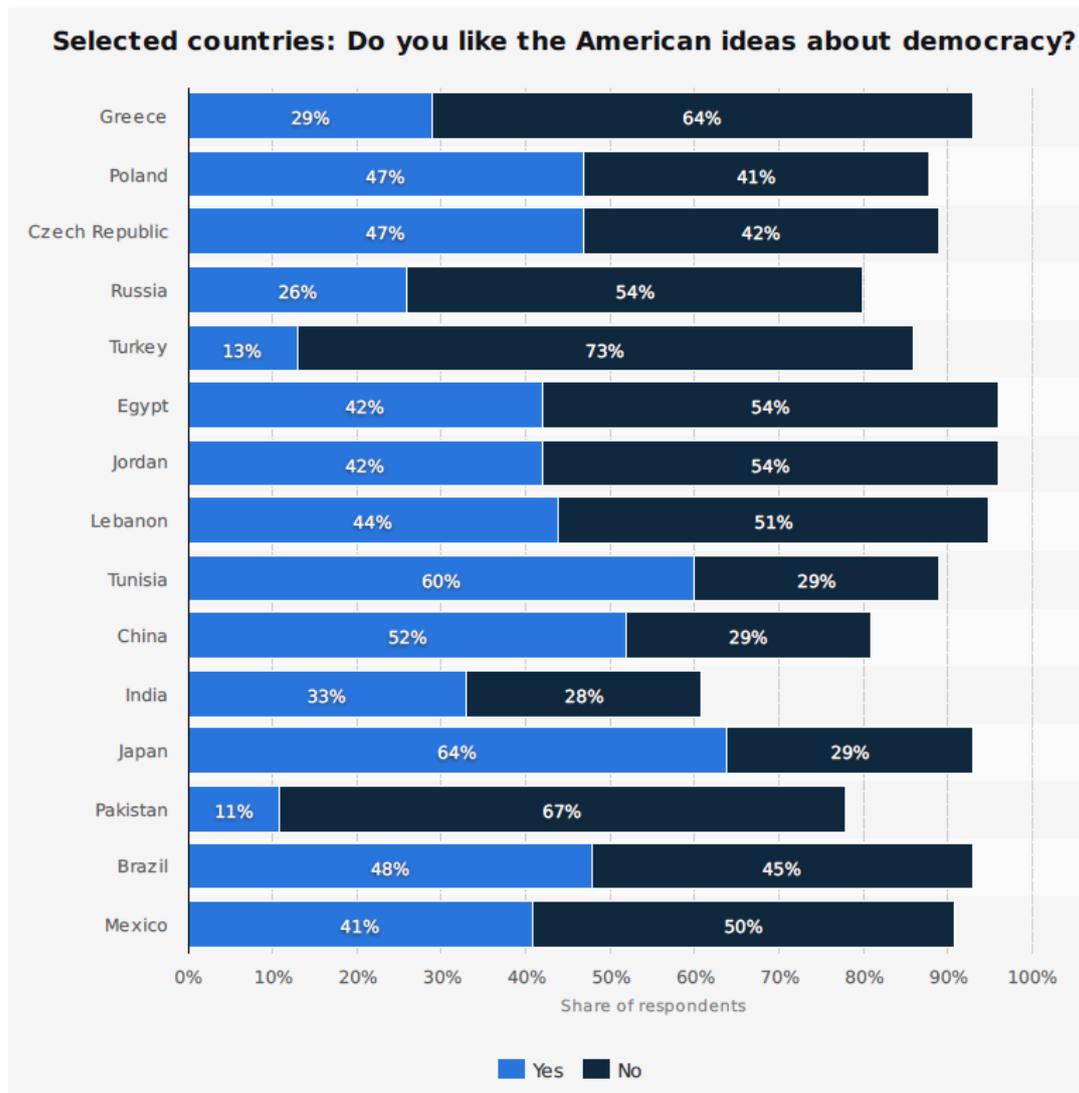
One of the core values of Confucianism is *minben*. The concept is composed of two Chinese characters: *min* and *ben*—*min* means people and *ben* means root, source, or origin. Together these two characters signify the idea that the people are the original

source of the political authority of a state (Zhao, 2000), which shares important similarities with the ideological foundation of modern democracy.

Fukuyama also defends Confucian culture by highlighting the compatibilities between Confucianism and democracy at three levels: 1.) the traditional Confucian examination system (one may still find its shadow from China's contemporary college entrance examination system) was a meritocratic institution with potentially egalitarian implications; 2.) education, to which Confucianism attaches great importance, is an important foundation of democratic institutions; 3.) Confucianism is generally tolerant and inclusive of different ideas, which is also one of the core values of modern democracy (Fukiyama, 1995).

If a student in political science believes that the Confucian culture is simply exclusive of democratic spirit, it would be very difficult for him to answer why Taiwan and South Korea, a part of the influence sphere of Confucianism, managed to transform themselves into exemplary and sustainable democracies. Neither could it explain the Chinese effort of democratization in the history, such as Tiananmen Movement in 1989, which once gained nationwide sympathy toward demonstrating students. These examples seem to be enough to repudiate a view that Confucianism-oriented people are disinterested in, or even averse to, a democratic rule.

For another example, in a global survey conducted by Pew Research Center in 2012, asking whether they like the U.S. ideas about democracy (see the figure below), about 52 percent Chinese respondents chose “yes” and only 29 percent chose “no”. In contrast, in India, a successful Asian democracy, only 33 percent said “yes”. In so-called the cradle of modern Western democracy, Greece, only 29 percent chose “yes” and 64 percent chose “no”. Such a survey could evidence Fukuyama’s opinion about the difference between “everyday life” culture and political culture, and it further exposes the vulnerability of cultural determinism.



Source: Pew Research Center

2.4. Authoritarian regime: A ideal fit to capitalism?

Some scholars argue that it is exactly the authoritarian regime of China that explains the state's smooth engagement into the liberal economic order and outstanding economic performance over the last several decades, as the political system of China is believed to be more capable of implementing developmental plans, mobilizing social resources, addressing export promotion and import substitution, all of which are significant for a nation to survive the global market (Breslin, 2011). In this case, further centralization of political power actually caters to the demand of further economic openness and growth.

One problem with such an idea is that it is hard to measure the degree to which the economic performance of China could be ascribed to its regime. For example, Pei argued that a worldwide review of the empirical evidence shows no systematic relationship between regime type and economic performance (Pei, 2006). On the other hand, it is hard to explain why some other East Asian developmental states like South Korea and Taiwan have managed to democratize after economic success and still keep economic growth at a steady rate.

What is more, many believe that a political reform reducing the authoritarian elements of the government is the true imperative for today's China to address in a bid to continue economic growth. Klein argued that China's recent economic success has largely stemmed from a wholesale rejection of traditional CCP ideological agendas

and many of the largest remaining obstacles to China's further economic development are self-creations of an authoritarian regime in the past (such as corruption) (Klein, 2004). Likewise, Pei points out that although the Chinese model of development has a proved capability to overcome the collective action problem and market failures and generate above-trend growth as late-developers, it is at the cost of a huge political patronage to support the regime, and systemic economic waste and efficiency will consistently drag on economic performance. Particularly, chronic financial hemorrhaging in SOEs, massive overcapacity, and misguided investment projects cater to local elites more than generate real economic returns (Pei, 2016). Apart from these issues, a series of other imminent challenges such as environmental degradation, inequality, and human rights deterioration, etc., also entail a more inclusive and accountable government, which has been discussed above in this paper.

2.5. Critical views on the engagement strategy

There are also more critical opinions on the engagement strategy, arguing that economic and political openness are irrelevant in China's case, or it is indeed economic openness and prosperity that lead to China's stagnant political openness. Przeworski et al. famously illustrated that although democracies become "immortal" at high levels income, that income doesn't increase probabilities of democratic transition after a certain point. To one step further, Chin argued that in fact, the richest autocracies like China (with GDP per capita > \$13,000 in \$2011 PPP) are less than half as likely to democratize than their poorer counterparts (Chin, 2014). Importantly,

after the country's engagement into the global economy, the Chinese government has been much more capable of maintaining its legitimacy vis-à-vis the huge population thanks to the general growth of individuals' income and consistent reduction of poverty, and it is thus able to continue to rule without essential political reforms. After all, it is the economic crisis rooted in a planned economy that importantly challenged the communist rule and accelerated the collapses of socialist regimes all over the world in the 1980s (Gallagher, 2002).

What is more, China's rapid economic development, as a result of reform and openness, leads to the expansion and consolidation of the governmental apparatus (especially security apparatus) that could implement more effective control over the society with a much stronger capacity to repress dissidents (Mann 2006). On the other hand, the government also benefits from the information revolution. While the growingly mature telecommunication infrastructure and Internet networks seem to endow Chinese citizen with more freedom of expression through online platforms, they, on the other hand, give the government a significant edge to monitor and control both physical space (the streets) and cyberspace (Mann 2006 & Chow, 2017).

The main problem with such these views is that, to a great degree, it looks like a kind of circular reasoning. The basic logic behind the explanation could be put in such a way: "China is an authoritarian state, and authoritarian state will mobilize resources necessary to maintain its rule. Therefore, China is, in the end, an authoritarian state."

What the critical school ignores is that while the accumulation of resources is one story, the distribution and redistribution of the resource is another story. While the authoritarian regime benefits from the economic growth, other social strata are also expanding themselves. The central questions here are that why the regime is able to hold the majority of the resource brought by economic openness and why it could retain a balance between itself and other expanding societal forces in an ongoing process of resource distribution and redistribution.

At this point, different views on the engagement strategy all appear to have a certain level of persuasive power as well as particular weaknesses. Further tests are needed to examine the validity of these theories.

Part II: Economic and Political Openness: A Quantitative Assessment

To test the statistical correlation between economic openness and development and their political counterparts, I tried running a quantitative analysis based on the data from the QOG Standard Dataset 2015. I operationalized the level of political openness into “the index of democracy,” and the level of economic openness into eight indexes in the economic field. They are: GDP per capita, freedom to trade internationally, property rights, investment freedom, business freedom, freedom from the governmental intervention, financial freedom, and monetary freedom.

In the test, democracy is defined as a political system that the supreme power of the state is consented by the citizens and exercised directly by them or by their elected agents under a free electoral system (Bassiouni, 1998). The index of democracy (eiu_iod) in the test is from the Economist Intelligence Unit. It is based on a 0 to 10 scale and the ratings for 60 indicators grouped in five categories: electoral process and pluralism, civil liberties, the functioning of government, political participation, and political culture.

GDP per capita is a measure of a country's economic output that accounts for its number of people. It divides the country's gross domestic product by its total population, which makes it the best measurement of a country's standard of living (Kimberly, 2018). According to Huntington's political transition zone theory, GDP

per capita is related to the chance of a state to democratize. The index of GDP per capita “gle_rgdpc” is from the database archived by Kristian Skrede Gleditsch.

The freedom to trade internationally theoretically provides the biggest stimulant of economic development based on comparative advantages and thus strengthen the material base to democracy. It also introduces foreign ideas, cultures, and values that might play a role in democratic enlightenment. The freedom to trade internationally index (hf_ftradeint) is from Economic Freedom of the World Dataset 2012 and is based on a 0-10 scale.

Property rights measure the degree to which the private property in a country could be protected from the violation of a third-party, especially the government, by institutionalized rule. It provides the basic confidence for individuals to address economic activities and as a result, they could gain more economic resources and have stronger motivations to appeal for a more democratic system. It also has the spill-over effect on democracy through promoting the rule of law in other aspects. The index of property rights protection (hf_prights) is from Heritage Foundation Index of Economic Freedom 2015 and is based on a 0-100 scale.

The investment freedom is related to the whole business climate of a country. A high level of investment freedom could encourage foreign investment, increase a state’s dependence on external capitals, and could create a spill-over effect on a state’s

political development. The investment freedom index (hf_invest) is from Heritage Foundation Index of Economic Freedom 2015 and is based on a 0-100 scale.

Business freedom measures the degree to which a business could be set up in a country without obstacle. A higher level of business freedom might promote democracy since it empowers people, on the whole, to exercise greater control of their wealth and daily lives, and makes it possible for individuals to gain more economic resources they need to challenge entrenched interests and compete for political power, thereby encouraging the creation of democracy (Miller & Kim, 2016). The business freedom index (hf_business) is from Heritage Foundation Index of Economic Freedom 2015 and is based on a 0-100 scale.

The freedom from the government is based on two components: Government expenditure as a percentage of GDP; Revenues generated by state-owned enterprises (SOEs) and property as a percentage of total government revenue. The index could be the indicator whether a government is a so-called “big government” and if yes, it might have theoretically negative implications on democracy, vice versa. On the other hand, a too strong existence of SOE squeezing out the space for the private economy is believed to be adverse to democracy, vice versa. The freedom from the government index (hf_govt) is from Heritage Foundation Index of Economic Freedom 2015 and is based on a 0-100 scale.

Financial freedom measures the relative openness of each country's banking and financial system, and the monetary freedom is based on the measurement of the average inflation rate and price controls of a state for the most recent years. The financial freedom index (hf_financ) and the monetary freedom index (hf_monetary) are from Heritage Foundation Index of Economic Freedom 2015 and are based on a 0-100 scale.

The writer firstly runs correlation command to test the preliminary correlation between the variables selected. The result is shown in Table 1.

	eiu_iod	gle_cg~c	fi_ftr~t	hf_pri~s	hf_inv~t	hf_bus~s	hf_govt	hf_fin~c	hf_mon~y
eiu_iod	1.0000								
gle_cgdp	0.4357	1.0000							
fi_ftradeint	0.6240	0.4930	1.0000						
hf_prights	0.7166	0.7383	0.6882	1.0000					
hf_invest	0.6693	0.4501	0.7487	0.7334	1.0000				
hf_business	0.6111	0.5655	0.6748	0.7380	0.6329	1.0000			
hf_govt	-0.4856	-0.3610	-0.3051	-0.4371	-0.2867	-0.3592	1.0000		
hf_financ	0.6597	0.4957	0.7465	0.7551	0.8133	0.6659	-0.3381	1.0000	
hf_monetary	0.4200	0.2620	0.5793	0.5014	0.5795	0.4318	0.0090	0.5806	1.0000

Table 1

According to Table 1, all independent variables demonstrate a certain level of correlation with the dependent variable. Among them, only “hf_govt” (freedom from the government) is negatively correlated to the dependent variable, with Pearson’s r being -0.49. “hf_prights” (property rights), “hf_invest” (investment freedom), “hf_financ” (finance freedom), and “fi_ftradeint” (freedom to trade internationally) show a strong and positive correlation with the dependent variable, with Pearson’s r

being 0.72, 0.67, 0.66, and 0.62 respectively. It is also worth mentioning that independent variables generally show a strong and positive correlation with each other.

To further test the correlation between the dependent variable and the independent variables, the writer then ran a regression command to regress “*eu_iod*” against eight independent variables, and the result is shown in Table 2.

Source	SS	df	MS			
Model	390.508062	8	48.8135078	Number of obs =	137	
Residual	235.878292	128	1.84279916	F(8, 128) =	26.49	
Total	626.386355	136	4.60578202	Prob > F =	0.0000	
				R-squared =	0.6234	
				Adj R-squared =	0.5999	
				Root MSE =	1.3575	

<i>eu_iod</i>	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
<i>gle_cgdp</i>	-.0000226	.0000107	-2.10	0.038	-.0000438	-1.32e-06
<i>fi_ftradeint</i>	.1828997	.178411	1.03	0.307	-.1701169	.5359164
<i>hf_prights</i>	.0388491	.0111159	3.49	0.001	.0168543	.0608438
<i>hf_invest</i>	.0183038	.0103067	1.78	0.078	-.0020898	.0386974
<i>hf_business</i>	.0102157	.010827	0.94	0.347	-.0112074	.0316388
<i>hf_govt</i>	-.0221173	.0061345	-3.61	0.000	-.0342555	-.0099791
<i>hf_financ</i>	.0062341	.0131259	0.47	0.636	-.0197377	.032206
<i>hf_monetary</i>	.0049887	.0167831	0.30	0.767	-.0282195	.0381969
<i>_cons</i>	2.251077	1.187786	1.90	0.060	-.0991604	4.601315

Table 2

The regression equation for estimating the effect of these economic variables on democracy could be expressed as:

$$\begin{aligned}
 \text{Democracy} = & 2.251 + 0.183 * \text{Freedom to trade internationally} + 0.039 * \text{Property} \\
 & \text{rights} + 0.018 * \text{Investment freedom} + 0.010 * \text{Business Freedom} + 0.006 * \text{Financial} \\
 & \text{Freedom} + 0.005 * \text{Monetary Freedom} - 0.022 \text{ Freedom from the Government} - 0.000
 \end{aligned}$$

GDP per capita

The value of adjusted R-squared is about 0.62, which means about 62 percent of all variations in “democracy” could be explained by the aggregated effect of the independent variables. And according to the table, the coefficients of three independent variables are statistical-significantly related to the dependent variable and thus provide major explanatory power for the variation of the dependent variable. They are “gle_cgdpc” (GDP per capita) with a t-value of -2.10 and a p-value of 0.038, “hf_prights” (property rights) with a t-value of 3.49 and a p-value of 0.001, and “hf_govt” (freedom from the government) with a t-value of -3.61 and a p-value of 0.00. According to the regression equation, given other independent variables controlled, a 1-point increase in “GDP per capita” has almost no impact on the variation of the dependent variable, while a 1-point increase in “property rights” could lead to a 0.039-point increase in “democracy”.

Concerning the generally positive and strong correlations with the independent variables shown in Table 1, the writer then tried generating interactions variables to measure the interaction effect among the dependent variables. There are 28 new variables created totally, combined with every two independent variables. Then the writer regressed “eiu_iod” against 8 original independent variables together with 28 interaction-terms added, as Table 3 shows.

Source	SS	df	MS	Number of obs = 137		
Model	473.967265	36	13.1657574	F(36, 100) = 8.64		
Residual	152.419089	100	1.52419089	Prob > F = 0.0000		
				R-squared = 0.7567		
				Adj R-squared = 0.6691		
Total	626.386355	136	4.60578202	Root MSE = 1.2346		

eiu_iod	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]	
gle_cgdpc	.0000352	.0002197	0.16	0.873	-.0004007	.000471
fi_ftradeint	.1458487	2.175121	0.07	0.947	-4.16953	4.461228
hf_prights	.3341189	.165401	2.02	0.046	.0059681	.6622697
hf_invest	-.2661454	.179625	-1.48	0.142	-.6225162	.0902253
hf_business	-.0130084	.1735564	-0.07	0.940	-.3573395	.3313226
hf_govt	.046155	.0663046	0.70	0.488	-.0853914	.1777014
hf_financ	-.103061	.2422677	-0.43	0.671	-.5837133	.3775913
hf_monetary	.0007374	.1862692	0.00	0.997	-.3688153	.3702902
var1	-.0000458	.0000264	-1.73	0.086	-.0000983	6.62e-06
var2	8.57e-07	7.66e-07	1.12	0.265	-6.62e-07	2.38e-06
var3	1.97e-06	1.51e-06	1.30	0.195	-1.02e-06	4.96e-06
var4	-7.54e-09	1.52e-06	-0.00	0.996	-3.03e-06	3.02e-06
var5	-6.88e-07	1.02e-06	-0.67	0.502	-2.71e-06	1.34e-06
var6	-3.35e-06	2.21e-06	-1.52	0.132	-7.73e-06	1.03e-06
var7	4.83e-06	3.10e-06	1.56	0.122	-1.32e-06	.000011
var8	-.0041583	.0248769	-0.17	0.868	-.0535134	.0451968
var9	.000627	.0175714	0.04	0.972	-.0342342	.0354883
var10	-.0052289	.0178635	-0.29	0.770	-.0406697	.0302118
var11	.0112988	.0121611	0.93	0.355	-.0128284	.035426
var12	.0164198	.0240819	0.68	0.497	-.0313581	.0641977
var13	-.0095108	.0371042	-0.26	0.798	-.0831244	.0641028
var14	.0007772	.0010374	0.75	0.455	-.0012809	.0028353
var15	-.0007839	.0009713	-0.81	0.422	-.002711	.0011432
var16	.0004551	.0006347	0.72	0.475	-.000804	.0017142
var17	.0019224	.001173	1.64	0.104	-.0004049	.0042496
var18	-.0054285	.0024369	-2.23	0.028	-.0102631	-.0005938
var19	.0009718	.0009925	0.98	0.330	-.0009974	.002941
var20	.0010904	.0005877	1.86	0.066	-.0000756	.0022565
var21	-.0024099	.0009142	-2.64	0.010	-.0042235	-.0005962
var22	.0028269	.0023541	1.20	0.233	-.0018436	.0074974
var23	-.0006341	.0007319	-0.87	0.388	-.0020861	.0008178
var24	-.0007956	.0014696	-0.54	0.589	-.0037111	.00212
var25	.0016411	.0022685	0.72	0.471	-.0028594	.0061417
var26	-.0008499	.0008716	-0.98	0.332	-.0025791	.0008794
var27	-.0017134	.0008321	-2.06	0.042	-.0033643	-.0000625
var28	.0025636	.0027616	0.93	0.355	-.0029154	.0080426
_cons	4.316096	10.45378	0.41	0.681	-16.4239	25.05609

Table 3

It could be noticed that the R-squared value has increased from 0.623 on Table 1 to 0.757 on Table 3. It means that overall, the interaction terms have provided extra explanatory power in the variation of the dependent variable. According to Table 3,

the coefficient of “hf_prights” (property rights) is still able to hold statistical significance with a t-value of 2.02 and p-value of 0.046 given interaction terms added. On the other hand, the coefficient of “var18” (the interaction term between “property rights” and “monetary freedom”), “var21” (the interaction term between “financial freedom” and “investment freedom”), and “var27” (the interaction term between “freedom from government” and “monetary freedom”) are statistically significant according to their t-value and p-value. Therefore, the interaction effects between “property rights” and “monetary freedom”, “financial freedom” and “investment freedom”, “monetary freedom” and “freedom from the government” seem to provide major explanatory power for the change in R-square value.

Part III: An Empirical Discussion on China's Socio-political Contexts

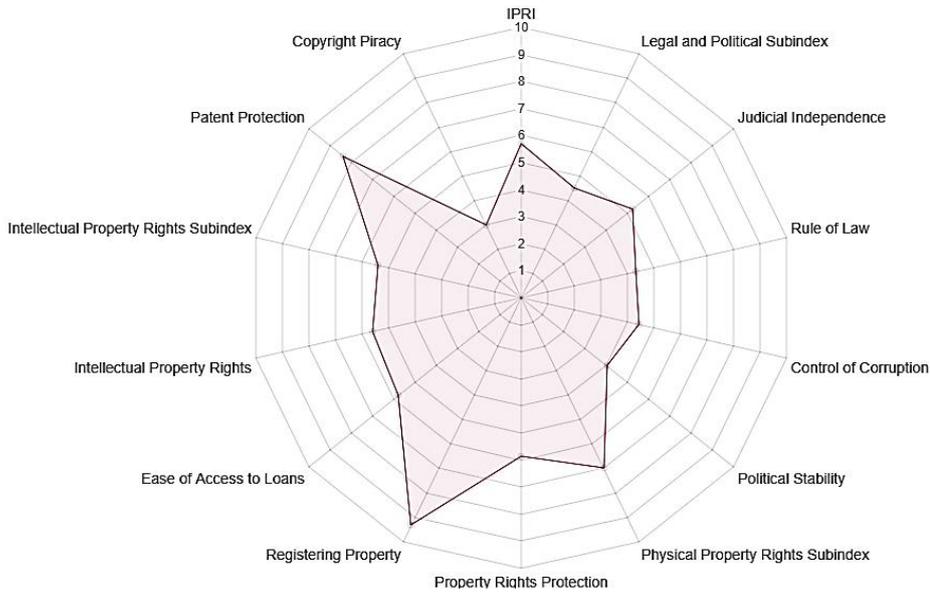
1. Property rights protection in contemporary China: A quick review

The quantitative test has several important findings listed below:

- 1.) The economic independent variables in the test generally have positive correlations with the political dependent variable, and have positive correlations with each other. Together the variation of the independent variables could provide strong explanatory power for the variation of the dependent variable.

- 2.) However, when other variables are controlled, GDP per capita shows almost no correlation with democracy, with a coefficient of 0.0000352. It indicates that the economic and income growth per se may not necessarily result in a higher level of democracy. Rather, the role of economic openness in political openness might be embodied more by a spill-over effect such as the improvement of legal institutions and the redistribution of the power among different social classes.

- 3.) The variable "property rights" appears to have particular importance as it demonstrates strongest correlations with the dependent variable. On the other hand, when other variables are controlled and interaction terms are added, the variable is still able to remain statistically significant and provide explanatory power for the variation of the dependent variable. Such a finding provides useful clues to answer the question of this paper.



Property Rights Index, China, 2017

Source: Property Rights Alliance



Property Rights Index, China, Development from 1995-2017

Source: The Heritage Foundation

The report by International Property Rights Index 2017 offers an overview of China's position of property rights protection in 2017, and it shows that China was not doing well in most fields related to property rights in that year, getting an overall score less than 6 out of 10. On the other hand, the figure by the Heritage Foundation visualizes the trend of China's property rights protection development in 1995-2017. For a long period China retains a score of 30 or less out of 100. It is not until 2017 that China made a breakthrough in property rights, elevating its score sharply to 48. Nonetheless, it is far from enough compared to other developed markets (for instances, U.K., U.S., Japan, and South Korea scores 93.8, 89.4, 81.3, 77.8 respectively in the same year). In such a case, we have reasons to speculate that the delayed progress of property rights plays a certain role in thwarting China's process of political openness.

Once again, it seems to be an issue of policy implementation. Put another way, China's economic openness fails to push forward political openness not because the theoretical assumption of the engagement strategy is wrong, but because China's project of economic reform and openness has not been effective and efficient enough to reach a critical point of political change at the moment.

Nonetheless, another question could arise very soon: Why is it? How does China's socio-political structure limit the progress of the important components of economic openness, such as property rights? The middle class, the most important intermediate variable between economic modernization and political modernization in the

modernization theory, and the social group most interrelated to the property rights theoretically, seem to become a particularly valuable analysis unit at this point.

2. The role of the middle class in the Chinese politics

The middle class, the emergence of which is usually parallel to the advancement of property rights protection, is regarded as a strong and indispensable force to promote a healthy, balanced, open, and transparent legal-political structure, as Glassman wrote: “Unlike individuals in the upper class who have abundant economic resources and close clientelist ties with political elites, those in the middle class have limited economic resources and lack connections with powerful patrons in the government. Out of self-interest, therefore, the middle class supports a democratic system in which their individual rights and private (though moderate) properties may best be protected from potential encroachment by the government and the upper class (Glassman 1995, 1997).” On the other hand, compared to the lower class, middle-class individuals typically have better education and social status, which endow them with the preference for freedom of thought and speech, and also enable them to understand and participate in public affairs effectively (Mills 1953; Lane 1959, Nathan 2016). The universal right consciousness among the middle-class people is believed to prelude democracy, as Gibson, Duch, and Tedin put it, “to the extent that citizens are vigilant about their rights, democracy tends to flourish (Gibson, Duch, and Tedin, 1992).” All these factors together shed light on Moore’s assertion that “No bourgeoisie, no democracy” (Moore, 1966).

Nonetheless, the research of Bellin has offered a rejection of the deterministic theory that the growth of the middle class necessarily results in democracy. She suggests a model of “contingent democracy” that capital holders in late-developing countries will help consolidate democratic institutions only when these institutions are perceived as advancing their material interests, while the pairing of material and democratic interest is highly contingent upon specific historical circumstances. For a middle class, the existing level of social fear and dependence on the state matter most in their decision whether or not support democracy (Bellin, 2000). Likewise, based on their studies of the middle class in China, Chen and Lu argue that the orientation of the middle class toward democracy is determined by some salient sociopolitical and socioeconomic conditions including dependence (or independence) on the state and its fear of political instability aforementioned, and its perceived socioeconomic well-being, its political alliance with other classes (e.g., upper or working classes), its own class cohesiveness (or fragmentation) (Chen & Lu, 2011). In brief, the middle class does not necessarily support democratization, especially when it is heavily dependent upon or closely associated with the authoritarian state, socially/ materially well off or satisfied, fragmented as a class, and/or worried about political instability (Johnson 1985; Rueschemeyer, Stephens, and Stephens 1992; Bertrand 1998; Jones 1998; Englehart 2003; Sundhaussen 1991).

According to Chen and Lu’s survey research, the Chinese middle class people do have had a pretty high level of right consciousness already, as an overwhelming majority of

the middle-class respondents to Chen and Lu's survey believed that individual freedom and rights should always be protected. However, when political freedom seems to be pitted against the social order, the respondents tend to choose the latter decisively. Xiao's argument may help understand such a phenomenon: "This is because these interests (of the middle class)—such as professional mobility, employment stability, and moderate private property—could be harmed by social disorder in a society where the majority of the population remains in the social strata below the middle classes (Xiao 2003)." Ironically, it is the very pursuit of the security of the private property that explains the middle class's preference for the status quo in China's case.

Ying's research on the socio-political attitudes of the urban middle-class respondents in Ningbo, a developed coastal city, toward a public protest against a petrochemical project (PX incident), which could arguably do great harm to the health of residents nearby, further reveals the limitation of the Chinese middle class. Like Chen and Lu, Ying found that there is a gap between Chinese middle-class individuals' ideological preference and realistic preference, and they can concurrently display high levels of support for democratic principles and low levels of participation in real-life socio-political events. When asked in general and theoretical terms, the respondents showed strong support for political liberty, competitive elections, and participatory norms, which is consistent with the expectation of the modernization theory. On the other hand, however, when the topic of the PX incident was introduced as a specific case

study, the level of proactive participation became very low and respondents' actual participation in the demonstrations was almost negligible (Ying, 2016).

In a nutshell, Ying found that the middle class of China is actually inclined to play a role of stabilizers of society rather than agents of change. Respondents in his research typically took a stance of "passive acceptance," as any prospect of socio-political change could bring risks and unpredictable outcomes. One respondent's view is quite representative and revealing:

"To go for (political) reform now is like standing in a dark room with no light. Now you might be told there is a light somewhere in the room (means Western democracy), but there are a hundred switches and only one of them is real, the others electrocute you. How would you move then? Of course you stay in the dark and stay where you are (Ying, 2016)."

What is more, the middle-class individuals share a mistrust of the general public, echoing Xiao's argument aforementioned. Ying wrote: "Although the middle-class respondents could readily acknowledge and accept the popular rationale behind the protests, but they also prided themselves in 'being able to see beyond it.' ...because they believed that the adverse health effects of PX had been greatly exaggerated, many respondents felt the cause for protest had been sensationalized and they, therefore, saw the project as less of a threat than did the active protest participants."

Overall, while the general public is considered impulsive and prone to manipulation, the middle-class people identify themselves as “better informed, rational, and calm (Ying, 2016).” Such an identification plays a role in separating the middle-class from the lower classes such as the working class and students and preventing the emergence of a unified societal force to drive democratization.

Andrew Nathan attributes the current attitude of the middle class toward democracy to a socially constructed response to the institutional realities in today’s China, largely inherited from the past including the one-party system, state dominance of the economy, and a large working and peasant classes (Nathan, 2016). He summarizes the dilemma of the Chinese middle class clear-sightedly by writing that:

“...Economically, except for the few who are wealthy enough to park money abroad, the prosperity of middle-class Chinese people is hostage to the management skills of a secretive bureaucracy that is navigating a risky transition to an unclear future...Politically, the middle class is caught between a ruling party above, in which obscure and dangerous struggles appear to be taking place in the form of an anticorruption campaign, and a mass of workers and peasants below, who are perceived as uncivilized, seething with discontent, and possessing interests that the middle class sees as adverse to their own (Nathan, 2016).”

In a word, the Chinese middle class, as an emerging class, is deeply dependent on the party-state, averse to political uncertainty that could threaten their hard-earned

property, and skeptical of the lower class that is arguably unenlightened. All of these factors prevent the class from playing a decisive role in promoting political change, and importantly explains China's slow process of political openness regardless of the spectacular economic achievement and the rapid expansion of the class.

Nonetheless, it could be unfair to point the finger at the Chinese middle class due to its "inaction" and "obedience". Nathan points out that many other late-developing economies have followed similar pathways, and their middle classes were similarly quiescent until they grew much larger. Therefore, the story of the Chinese middle class is by no means "exceptional" (Nathan, 2016). Once again, it returns to an issue relevant to the effectiveness of economic reform and openness. The country is in a complicated transition process, and the middle class in such a process need more time to reshape the structure that has given birth to it.

3. Overview of the combination of China's domestic and international structures and its political implications

Tilly considers democracy as a fragile and hard-earned political outcome, which he defines as the "broad, equal, protected, binding consultation of citizens with respect to state actions (Tilly, 2007)." In such a term, democratization is essentially an issue of the changing balance of power between different social classes. To the ruling class, whether or not take consultations with the middle class or other social groups and compromise its monopoly on power largely depends on the incentive structure and

punishment structure. As Bernstein argued: “In most cases, authoritarian political elites are crucial in initiating liberalization and defining its limits; they survey the political landscape around them and ‘choose’ democratization when the costs to them of not doing so become too high (Bernstein, 1999).” When the middle class, or any other classes, stands in a position that the ruling class finds it too costly not to make a political concession, dialogues are like to take place, vice versa. However, currently, there is almost no incentive for China’s authoritarian regime to take negotiation with the middle class based on the weaknesses of the latter, and such a fact is relevant to modern China’s history and its international context.

First, as Gallagher points out, the timing and sequencing of China’s foreign direct investment (FDI) liberalization in the history play a role in disadvantaging the middle-class. On the one hand, China’s pattern of ownership diversification stands in contrast to that of other reforming socialist economies, as FDI (Foreign Direct Investment) liberalization precedes both the privatization of state industry and the development of a domestic sector. On the other hand, China’s mode of integration into the global economy differs from other East Asian developmental states, since FDI has been the dominant source of external capital for the PRC, far outweighing the more indirect and controlled foreign capital in other East Asian states and limiting the role of domestic private sectors in the Chinese political economy. Gallagher believes that these factors significantly restrain the bargaining power of domestic private businessmen and the middle-class individuals, whose counterparts in other East Asian

states played literally a central role in the process of democratization (Gallagher, 2002).

Secondly, the international context of an opening and reforming China over the last several decades generally favors the Chinese state and the ruling class rather than the middle and lower classes. While in the history, the internal opening process of a political regime has always been inextricably related to external competition and pressure, China has been almost immune to such dynamics for decades.

In one scenario of democracy promotion, an external power enforces a democratic regime to another state directly. The democratization of Japan managed by the U.S. after WWII is a typical example. The democratization of communist states in the late 1980s and early 1990s could also be regarded as the triumph of the U.S. containment strategy during the Cold War. On the other hand, the hierarchy of power in the international system has a causal effect of development on democracy. Clients or former colonies of democratic hegemons (e.g. the U.S. and the U.K.) are the states most likely to democratize. For recent instances, both Taiwan and South Korea were largely dependent on the U.S. for their military security when they began democratizing in the 1980's, and the U.S. applied pressure on those regimes to liberalize at crucial moments (Boix, 2011; Narizny, 2012).

Warfare, an extreme form of geopolitical competition, is another major mechanism of democracy promotion in the history. While a regime faces the crisis of survival by a threat of external power, it is typically more willing to develop political consultations with subordinated classes and give more political concessions to them in exchange for their support. Historians Ferejohn and Rosenbluth argue that: “the short answer to the question of how war can promote the cause of democracy is simple: during wartime, when governments are desperate for...help (to)...fight more effectively, they may be forced to pay more attention to the common man.”

In this way, the merchant class and the state form a structure of mutualistic symbiosis in the face of external competition during the European history. The threat to the survival of their regime forced states to develop strong war-making capabilities, and since war was actually a capital-intensive project that entailed huge expenditures, the war-making capabilities essentially depended on states' capability to extract resources from the society, especially the wealth-controlling classes, sustainably. This is why European states have long recognized and guarded private property and been inclusive of a strong bourgeois, which progressively gained rights of political participation from the latter. As Ferejohn and Rosenbluth put it, the rise of European middle class led to “the conditions under which war forced kings to share decision-making power with the owners of wealth,” and “the roots of European democracy...sprouted during a period dominated by power struggles among the nobility (Ferejohn & Rosenbluth, 2016).”

Both scenarios mentioned above are unlikely to be applied to modern China. As a major power in the world, especially one with nuclear capabilities since the 1960s, it is immune to an imposed regime transition. On the other hand, it has been in a relatively peaceful environment for almost forty years (the last war China took was the Sino-Vietnamese War in 1979 without any major impact on the domestic context). The existing hegemon, the U.S., has been overwhelmingly focused itself on the Middle East after it declared the “war on terror” 2001, the year when China joined the WTO. It was not until 2012 that the Obama Administration proclaimed “Pivot to East Asia”, when China has already been the second largest economy in the world. It is in such an international context, where the ruling class typically needs not to be distracted by intensified geopolitical competition and external pressure, that the state has been capable of addressing economic reform and development and turn a huge part of economic profits into the consolidation of the security apparatus and the authoritarian regime consistently.

As we may see at this point, the dynamic of democratization could be a very complicated combination between internal forces and external forces, which highly depends on concrete historical circumstances. The less efficiently that internal and external pressures match and reinforce each other, the lesser incentives that a ruling class has to make changes, vice versa. Theoretically, an external democratic hegemon like the U.S. could significantly impact such a process, but its practical influence still hinges on the determination and the policy flexibility of such a hegemon. In fact,

when China becomes the target country of democracy promotion, the U.S. is in a relative shortage of determination and leverage to reach such a policy objective, however it seems appealing.

First, the U.S. defines itself a “liberal hegemon” or “benign hegemon,” basing itself on a broadly accepted rules-based liberal international order in which a large part of the hegemon’s power depends on consensus between states rather than brute force (Keohane & Nye, 1977). Given such a precondition, persuasion, rather than coercion, is theoretically the first option for the hegemon to realize a long-term objective, even though the former might be less effective to reshape the incentive/punishment structure vis-à-vis the authoritarian regime.

Secondly, concerning the complicated nature of contemporary China and the risks of its potential political transition, the U.S. has to be abstained from promoting political openness in the state too aggressively. Pei’s matrix below could help us better understand such a point.

	Democratic reform	Authoritarian rule
Sustained growth	Liberal Dream: A strong partner for the West (Scenario I)	Authoritarian nightmare: A formidable competitor (Scenario II)
Faltering growth	Democratic disappointment A weak, peaceful power (Scenario III)	Frail Giant: A stagnant and insecure regime (Scenario IV)

Political development and economic growth: Four scenarios of China

Source: Minxin Pei (2006)

There are four potential scenarios of China's future development based on its economic growth and regime type. The optimal scenario would be a democratic China that shares common values and economic prosperity with the West. In such a case, China would achieve political liberalization while not compromise further economic openness and growth, thus making itself a perfect template for the U.S. democracy. On the other hand, the once worrying China threats could theoretically decrease to the minimal degree in such a scenario, as the world could foster a sustainable partnership with an accountable, transparent, and trustful Chinese government.

The second scenario, which the reality seems to tend toward, is that China keeps on growing with the preservation and consolidation of its current authoritarian regime. In such a case, China would become a worrying competitor to the U.S. and the West not

only because of China's expanding power, but also of the ideological implication of its development history.

How about a democratic but stagnant China? Such a scenario is not preferable, either, to the degree that it leads to another form of disillusionment with the U.S. liberal stories. If an authoritarian China could retain economic prosperity but fails to do so when it has embraced democracy, the persuasive power of the U.S. would face another credit risk as the whole world would, like in the second scenario, reconsider the value of the U.S.-type liberal democracy. On the other hand, democratic peace theory might not be applied to a democratic but economically weak China as there could be a surge of populist movement empowered by democratic institutions, which could have negative implications on China's domestic environment (chaos) as well as its international politics (external conflicts). To a degree, the third scenario could be as disappointing as the fourth scenario marked by a weakening regime full of uncertainty.

As we can see, while the first scenario is highly preferred and it is exactly the expected outcome of the engagement strategy that we have been discussing in this paper, there are no effective policy tools for the external world to secure such an outcome. A hasty and aggressive approach toward Chinese democratization could result in the third or fourth scenario, which is likely to be a lose-lose situation ultimately. In fact, since the second scenario (authoritarian nightmare) and the third

scenario (democratic disappointment) both imply a disillusionment with liberalism, moderate transition from the status quo seems to be the only feasible strategy. After all, while guaranteed peace with a democratic China is only theoretical, the huge invested economic interests of the U.S. and the whole world in the Chinese market today is real.

On the whole, China's case is largely different from historical counterparts. Its immunity to external pressures on democratization is a result of the mutual game between different levels of the current international system, including:

- Westphalian system legally enforced by the United Nations that delegitimizes the use of force, which decreases the geopolitical risk for the Chinese regime;
- Liberal system that highlights persuasion and consensus establishment, which makes soft engagement a priority option;
- Global capitalist system that entrenches the interdependence between different markets, which partly forces foreign policy makers to prefer an authoritarian but stable Chinese state over a democratizing but uncertain one.

Such an international context that China lies in determines that external forces of democratization cannot supplement the internal ones to pressure the regime

effectively. Actually, China's case today is the very antithesis of its historical counterparts in Europe.

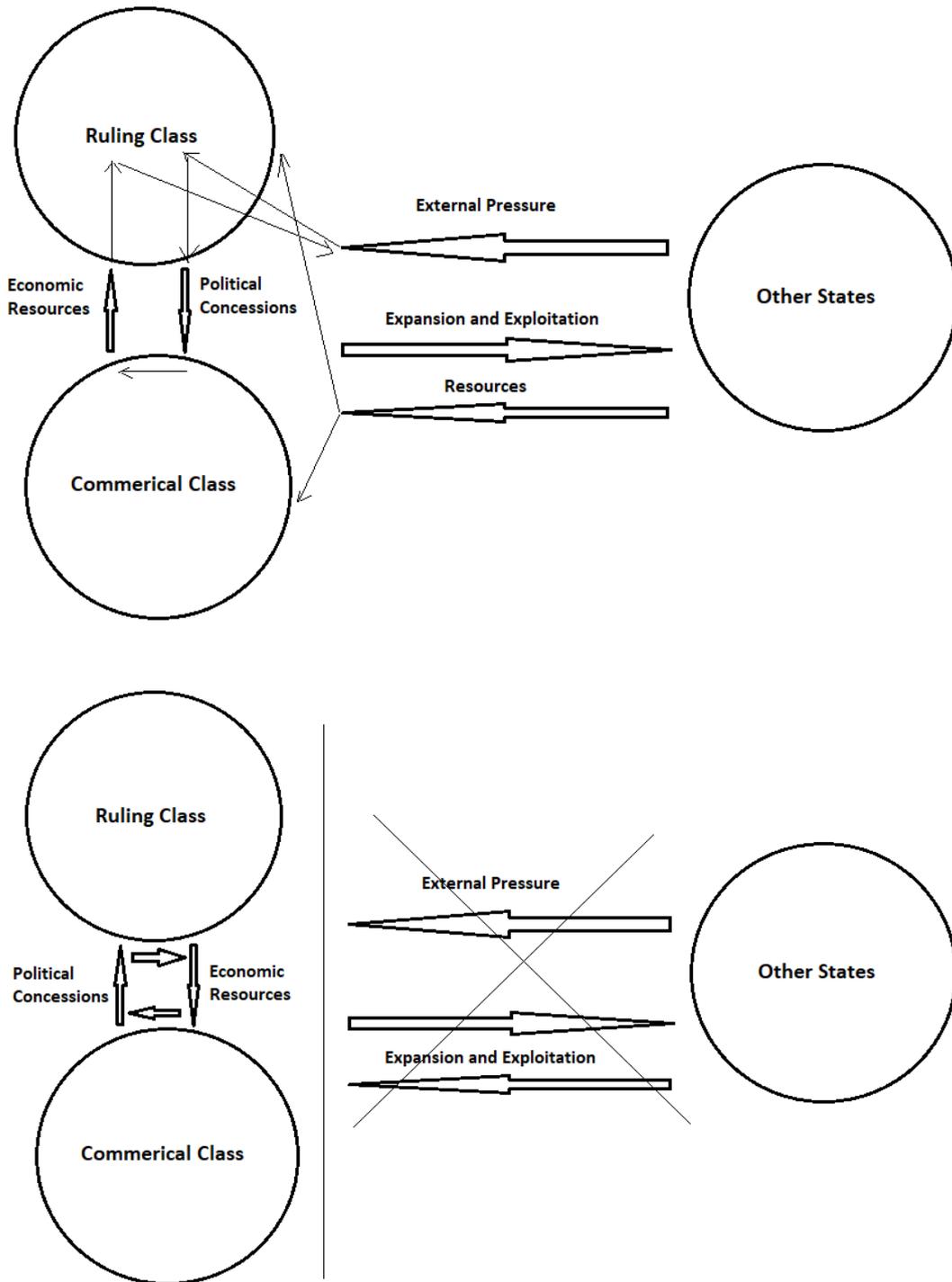
McNeill put forward the concept of "self-reinforcing cycle" to illustrate how the interdependence between capitalism and the state against a background of incessant interstate competition endow European states with an expansionist tendency. He wrote: "Whether in India, Siberia, or the Americas...Frontier expansion in turn sustained an expanding trade network, enhanced taxable wealth in Europe, and made support of the armed establishment less onerous than would otherwise have been the case. Europe, in short, launched itself on a self-reinforcing cycle in which its military organization sustained, and was sustained by, economic and political expansion at the expense of other peoples and polities of the earth." In short, the logic of capitalism and the logic of state preservation converged in military expansion, the profit of which feed both the capitalist class and the ruling class. A successful military state is a state with most efficient access to the financial resources provided by the capitalist class, and a prosperous capitalist class is dependent on the military triumph of a state, thus consolidating a state-capitalism complex.

We may find another type of self-reinforcing cycle in contemporary China, which is, however, introvert and inward-repressive rather than extrovert and expansive. Under today's international system, China is strictly prohibited from military expansion; in turn, no states have legitimate excuse to launch a war against China or intervene in

China's internal affairs. It is in such a circumstance that the capitalism and the Chinese state achieve a new kind of mutualistic symbiosis.

As discussed above, the Chinese middle class and capitalist class are heavily dependent on the state. A very important political-economic consequence of such dependence is a phenomenon that Kevin O'Brien calls "entwinement", a process whereby emerging social classes try to gain relevance and influence by allowing themselves to be co-opted by existing power centers (O'Brien, 1994). While the business class in today's China and historical European states both need the state to guarantee social order and stability, the latter has long taken advantage of economic resources to change the power relations between itself and the state; the former, in sharp contrast, needs to cultivate and maintain the existing power relations cautiously, which is the most crucial way for the class to access and preserve the property, especially if the latter aims to gain higher competitive edge to triumph in the global market under the umbrella of the Chinese government.

An introvert self-reinforcing cycle comes into existence as the party-state provide political order and favorable condition for the development of the capitalist class, and in return, the latter gives back economic resources as well as political concessions for the state to maintain and strengthen its authoritarian rule. The cycle could sustain as long as the economy keeps on developing at a steady rate and no external threats change the domestic balance of power between the state and the social classes.



A comparison between the state-capitalism complex in historical Europe and contemporary China

To sum up, in general, the combination of the international context and the domestic context has been unfavorable to promoting consultations between China's ruling class and subordinated classes, especially the middle-class, because:

- In a domestic perspective: Commercial class individuals still heavily relies on a consolidated state apparatus, which helps maintain the social order, to accumulate and preserve the property, thus involving themselves into a process of “entwinement”. On the other hand, China is still a developing state with the majority of the population being peasants and the working class, the main target of nationalistic propaganda. Klein argues: “economic growth via market reforms stokes nationalism by increasing China's wealth and power...and...CCP has been at least partially successful in equating love of country with the support of state policies (Klein, 2004).” In addition, the competition with foreign capitals in the process of economic openness also typically highlights the Chinese identity, which favors the leadership that is proficient at taking advantage of nationalism to maintain the rule (Gallagher, 2002). While nationalistic propaganda has generally been accepted among the lower-class, the middle-class people, identifying themselves as more rational and less manipulation-prone according to Ying's research, is deeply alert of an impulsive social group that implies a threat to social orders (Ying, 2016). In fact, there are signals that the government is entrenching such a division on purpose. For example, Tomba argued that the Chinese government is using mechanisms such as residents' committees on purpose to

encourage the middle-class individuals to think of themselves as more “civilized” than lower-class persons (Tomba, 2014). In this way, it is almost impossible for the middle-class to reach cooperation with the lower classes to strengthen its political influence.

- In an international perspective: Unlike the cases in South Korea and Taiwan, China’s pattern of FDI liberalization leaves major bargaining power to foreign investors rather than domestic private economic sectors and the commercial classes. On the other hand, given a relatively peaceful and stable international environment without major geopolitical risks, and an important immunity to the intervention of an external power based on the current international structure, the ruling class has almost no incentive to initiate political consultations with social classes, not to mention give political concession to the latter. As a result, a new form of self-state-capitalism symbiosis came into existence, which is not expansive but inward-repressive. The commercial class people need policy tools of the state to gain competitive advantages in the global market, apart from general stability of the domestic environment. In turn, they have no choice but to compromise political rights that they believe to be increasingly important though. It is thus not surprising that China has not made major progress in political openness over the last twenty years despite the advancement in economic openness and development.

Conclusion

Based on the findings of this paper, the core assumption of the engagement strategy is justifiable. However, China's domestic socio-political context and its international environment form an unfavorable incentive/punishment structure that gives the ruling-class no major motivations to consult with social classes especially the middle class, and such a structure becomes the midwife to a form of state-capitalism symbiosis that is to extract economic resources externally and maintain orders internally. In this way, the growth and expansion of the Chinese economy become proportional to the consolidation of the state and the regime.

China's political status does not mean the bankruptcy of the engagement strategy. On the contrary, there is a lot of evidence indicating that it is the relative shortage of time and effectiveness of the strategy that explains the inability of the Chinese project of economic openness to reshape the incentive/punishment structure aforementioned and make a real difference politically. In fact, even though the world has not witnessed any substantive results of the engagement strategy, we still have reasons to believe in the positive role that economic openness and prosperity is playing. For example, the very high level of right consciousness among the Chinese middle class people according to Chen and Lu's survey and 52 percent respondents' expressed interest in the American democracy according to Pew Research Center's survey could both be good signals.

China only has less than 30 years of market economy reform (which begun in the late 1980s and the early 1990s) and 17 years of WTO membership. The country still has great potential for further economic openness and development, and it is totally possible that China's "self-reinforcing cycle" gets broken by certain factors someday, based on the changed balance of power between the ruling class and the subordinated classes. We should see that the most important variable in the modernization theory – the middle class, will keep on expanding in China as economic growth and openness continues, and while today's so-called first-generation middle class has a penchant for stability due to their desire for protecting the hard-earned property as well as their painful memories about China's previous chaos, middle-class individuals in the next generation, given better education and enlightenment since birth, could be more inclined to devote themselves to active political participation.

To a great degree, it was the time background in the 1990s that entailed an engagement strategy toward China. Neither the U.S. decision makers nor the general U.S. public would want to see a new round of containment against a great power after the end of the Cold War, especially at the expense of a market with more than one billion people. In fact, as China's democratization is too huge a project, no short-term policy tools could be applied without sacrificing other important policy objectives of the U.S. Pei's game model abovementioned, with four different potential scenarios of China's future, helps us understand why the engagement strategy could be the only realistic choice for the U.S. in the 1990s.

Today the international climate has changed a lot compared to what it used to be in the 1990s. The U.S. is still the only superpower in the world. However, its advantages over the rest of the world seem to be losing especially in the face of China's rise. On the other hand, the once-dominant Washington Consensus has been frequently questioned after the 2008 financial crisis, and the world has witnessed the universal surge of populism, economic nationalism, and anti-globalization sentiment, which partly lead to unexpected political consequences such as Brexit and Trump's election victory. As a consequence, the Chinese leadership is facing one of the most, if not the most, hawkish U.S. administrations since the normalization of U.S.-China relations. The current administration is tempted to reverse the engagement strategy by claiming that the previous decision to support China to join the WTO was a mistake, and when I write this paper, the world is shrouded in the shadow of a trade war between the U.S. and China. What does a U.S. president who stands against liberal values (both economically and politically), regards the global economy as a zero-sum game, and labels China as a revisionist power mean for the prospect of China's democracy?

On the one hand, it could play a part in delaying China's progress of political openness in the short term. An unexpectedly hawkish U.S. government provides timely and lively defense materials for China's recent political development such as the abolishment of presidential term limits, as one reason for such a move according to Chinese propaganda is that the country needs a more solid and consistent leadership to handle the increasingly complicated economic-political challenges

internally and externally. As President Trump's tariff war plan shocked the Chinese society, a larger part of Chinese population under the influence of nationalist thinking could turn to consider whether China does need a one-man rule, rather than democracy, to counter a U.S. president who begins to "contain" China massively, and, by implications, the U.S. itself, thus potentially providing stronger social foundations for the authoritarian regime.

But in the long term, the current U.S. approach toward China might be conducive to China's political openness, as the Chinese government has indicated its willingness to compromise and reform and open the domestic economy to a greater degree. The improvement of legal institutions on property rights could give rise to a stronger middle class, and a larger foreign share in the Chinese market could challenge some of the most entrenched interest groups and redirect the political trend. Overall, a more nationalistic U.S. government plays exactly a role in reshaping the combination of China's international context and internal context and the Chinese ruling class could be gradually put in a position that "broad, equal, protected, binding consultation of citizens with respect to state actions" becomes increasingly an imperative.

China's authoritarian resilience is a longstanding puzzle and this paper is far from explaining the interactive mode between economic openness and political openness perfectly. I sincerely hope future students and scholars in international relations and political science could devote more energy and time to the area, which I regard as

highly interesting and worth-researching. It is relevant to one of the most important geopolitical events in the 21st century, i.e., the rise of China, which makes the topic timely and full of practical significance. It also provides useful clues for students to better understand the history and think about the future of the world by reexamining some of the most essential questions in social science and political philosophy, such as the value of a rule by the majority.

It is noteworthy that the anti-globalization trend in recent years has already reminded more and more social scientists to consider whether China's political system could indeed better fit an era of globalization, as a democratic system, under which the middle class and the lower classes are the main holders of political resources, seem to inevitably conflict with a system of economic globalization, under which elites and big capitalists are the main holders of economic resources.

How to evaluate such an idea depends on where one stands. Given China's rapid growth and prosperity under the current international economic system, it is not a surprise that a new myth about national development could attract wide attention and get even overstated in some cases. Nonetheless, China's experience is essentially not exceptional. Many scholars have pointed out that it shares important commonalities with the experience of East Asian developmental states in the 20th century. These states include democratic states (e.g., Japan), authoritarian states (e.g., Singapore), and transitional states (e.g., South Korea and Taiwan). It could be a logical fallacy to

simply correlate its economic success to its regime type. On the other hand, China's current "immunity" to the anti-globalization sentiment could be largely attributed to the fact that the nation, as a whole, is the beneficiary of the system over the last several decades. It means that generally, all social classes in China have been favored by the last wave of global redistribution of wealth more or less. However, nobody could be a forever winner, and China could face the similar issues that today's developed states face in the future, such as the hollowing out of the manufacturing sector. If the country can no longer be a leading player in globalization and issues relevant to globalization, such as inequality, environmental degradation, and resource exhaustion fail to be well addressed in the future, there could be even heavier social cost under an authoritarian regime rather a democratic regime, as the former does not have institutionalized mechanism of dissatisfaction expression and those disadvantaged by the current political system and the system of globalization, a part of the "silent majority" today, could rebound drastically at a certain point. Even though a democratic system could experience painful periods as today's world demonstrates, in the long run, it decreases the cost of social governance and paves the way for the sustainable development of a nation.

In essence, if economic development itself is regarded as the only end, China's current political system does have something for the world to learn. For example, its capability to produce high efficiency well matches with the increasingly competitive global economy. However, if we believe there are values beyond GDP, such as the

freedom to think and talk, the dignity of work and live, and a more inclusive and pluralistic society, we have the reason to believe that it should be China that walks closer to the world in the future, not the opposite.

Bibliography

- Arrighi, G. (2009). *Adam Smith in Beijing: Lineages of the Twenty-First Century*. W.W. Norton & Co.
- Bayliss, K., & Van, E. (2011). Waeyenberge, and Ben Fine. *The political economy of development: The World Bank, neoliberalism and development research*. London: Pluto Press.
- Bell, D. A. (2016). *The China model: political meritocracy and the limits of democracy*. Princeton; Oxford: Princeton University Press.
- Bellin, E. (2000). Contingent Democrats: Industrialists, Labor, and Democratization in Late-Developing Countries. *World Politics*, 52(02), 175-205.
- Bertrand, Jachues. (1998). Growth and democracy in Southeast Asia. *Comparative Politics*, 30(3), 355-75.
- Boix, C. (2011). Democracy, development, and the international system. *American Political Science Review*, 105(4), 809–828.
- Breslin, S. (2011). “The China model and the global crisis: from Friedrich List to a Chinese mode of governance?” *International Affairs*, 87(6), 1323-1343.
- Bronner, S. E., & J, M. (2006). Thompson. *The Logos Reader: Rational Radicalism and the Future of Politics*. University Press of Kentucky.
- Buckley, C., & Myers, S. L. (2018). China's Legislature Blesses Xi's Indefinite Rule. It Was 2,958 to 2. *The New York Times*.
- Cai, Y. (2005). Chinas Moderate Middle Class: The Case of Homeowners Resistance. *Asian Survey*, 777-99.
- Chang, H. (2002). *Kicking away the ladder: Development strategy in historical perspective*. London: Anthem.
- Chen, A. H. (2014). The Discourse of Political Constitutionalism in Contemporary China. *SSRN Electronic Journal*. 12(3), 11-22.
- Chen, J. (2014). *Middle class without democracy: Economic growth and the prospects for democratization in China*. Oxford University Press.

- Chen, J. & Lu, C. (2011). Democratization and the Middle Class in China: The Middle Class's Attitudes toward Democracy, *Political Research Quarterly*, 64(3), 705–719
- Chin, J. (2014). *Authoritarian Power and the (non-) Diffusion of Democracy*. Washington, DC: APSA.
- Cho, Y. (2013). Appraising the Quality of Democracy as a Developmental Phenomenon: How South Koreans Appraise the Quality of Their Democracy. *Social Indicators Research*, 116(3), 699-712.
- Clarke, D. C. (2009). New Approaches to the Study of Political Order in China. *Modern China*, 36(1), 87-99.
- Dallmayr, F. R., & Zhao, T. (2012). *Contemporary Chinese political thought debates and perspectives*. Lexington: University Press of Kentucky.
- Dalpino, C. E. (2001). Does Globalization Promote Democracy? An Early Assessment. *The Brookings Review*, 19(4), 45-53.
- Dong, W. (1993). Generational Differences and Political Development in South Korea. *Korean Studies*, 17(1), 1-16.
- Donnell, G. A. (1993). *On the state, democratization and some conceptual problems: A Latin American view with glances at some post-communist countries*. Notre Dame, IN: Kellogg Institute for International Studies.
- Dowd, D. V., Carlson, A., & Mingming, S. (1999). The prospects for democratization in China: Evidence from the 1995 Beijing area study. *Journal of Contemporary China*, 8(22), 365-80.
- Economic Freedom of the World Dataset. (2012). *Fraser Institute*. Retrieved from http://www.freetheworld.com/datasets_efw.html
- Englehart, N. A. (2003). Democracy and the Thai middle class. *Asian Survey*, 43(2), 253-79.
- Ezell, S. (2018). *Top 9 False Promises That China Made in Joining the World Trade Organization*. Retrieved from <https://www.innovationfiles.org/top-9-false-promises-that-china-made-in-joining-the-world-trade-organization/>
- Fang, N. (2015). Characteristics of Chinese Democracy: Unification of Protecting Rights and Centralizing Power. *China Insights*, 67-91.

- Faure, D. (2006). *China and capitalism: A history of business enterprise in modern China*. Hong Kong: Hong Kong University Press.
- Fidrmuc, J. (2001). Economic Reform, Democracy and Growth During Post-Communist Transition. *SSRN Electronic Journal*.
- Flynn, M. (2017). China: A Market Economy? *Georgetown Journal of International Law*. Georgetown University Law Center.
- Francis, F. (1995). Confucianism and Democracy. *Journal of Democracy*, 6(2), 20-33.
- Gallagher, M. E. (2002). "Reform and Openness": Why Chinas Economic Reforms Have Delayed Democracy. *World Politics*, 54(3), 338-72.
- Gao, B. (2002). *Economic Ideology and Japanese Industrial Policy: Developmentalism from 1931 - 1965*. Cambridge: Cambridge University Press.
- Garibay, M, Brande, K, et al. (2008). *Political openness: an assessment of democracy*. Leuven Centre for Global Governance Studies.
- Gibson, L., Raymond, M. D., and Kent, T. (1992). Democratic values and the transformation of the Soviet Union. *Journal of Politics*, 54, 329-71.
- Gilley, B. (2006). Elite-Led Democratization in China: Prospects, Perils, and Policy Implications. *International Journal*, 61(2), 31-45.
- Glassman, R. M. (1995). *The middle class and democracy in socio-historical perspective*. Leiden, the Netherlands: Brill.
- Glassman, R. M. (1997). *The new middle class and democracy in global perspective*. New York: St. Martin's; London: Macmillan
- Hansen, S. B. (1978). Political Participation: How and Why Do People Get Involved in Politics?. *American Political Science Review*, 72(4), 1482-484.
- Huang, Y. (2012). China's Conflict between Economic and Political Liberalization. *SAIS Review*, 32(2), 51-63.
- Huntington, S. P. (1991). *The third wave: Democratization in the late twentieth century*. Norman: University of Oklahoma Press.
- Index of Economic Freedom. (2014). *Heritage Foundation*. Retrieved from <https://www.heritage.org/index/explore>

- Johnson, D. L. (1985). Class and social development: Toward a comparative and historical social science. *Middle classes in dependent countries*, ed. Dale L. Johnson, 13-41. Beverly Hills, CA: Sage.
- Keohane, R. O., & Nye, J. S. (2012). *Power and interdependence*. Boston: Longman.
- Kimberly, A. (2018). Why the World's Largest Economies Aren't the Richest. *The Balance*. Retrieved from <https://www.thebalance.com/gdp-per-capita-formula-u-s-compared-to-highest-and-lowest-3305848>.
- Klein, B. (2014). Democracy Optional: China and the Developing World's Challenge to the Washington Consensus. *Pacific Basin Law Journal*, 22(1), 89-149.
- Leventoğlu, B. (2013). Social Mobility, Middle Class, and Political Transitions. *Journal of Conflict Resolution*, 58(5), 825-64.
- Li, Q., & Reuveny, R. (2003). Economic Globalization and Democracy: An Empirical Analysis. *British Journal of Political Science*, 22(3), 29-54.
- Lieberthal, K., Li, C., & Yu, K. (2014). *China's political development: Chinese and American perspectives*. Washington, D.C.: Brookings Institution Press.
- Lin, C. (1997). *Red capitalism in South China: Growth and development of the Pearl River Delta*. Vancouver: UBC Press.
- Liu, Y., & Glassman, R. M. (1992). China in Transition: Communism, Capitalism, and Democracy. *Contemporary Sociology*, 21(6), 810.
- Lollar, X. L. (1997). *China's Transition toward a Market Economy, Civil Society, and Democracy*. Bristol, IN: Wyndham Hall.
- Luciani, G. (2017). *Combining economic and political development: the experience of MENA*. Leiden: Brill.
- Mann, J. (2008). *The China fantasy: why capitalism will not bring democracy to China*. London: Penguin Books.
- McNeil, W. H. (1982). *The Pursuit of Power: Technology, Armed Force, and Society since A.D. 1000*. Chicago: University of Chicago.
- Milchman, A. (1988). Max Weber on capitalism, socialism and democracy. *Socialism and Democracy*, 4(2), 97-119.
- Mitchell, L. A. (2016). *Democracy Promotion Paradox*. Brookings Institution Press.

Moore, B. (2010). *Social origins of dictatorship and democracy: Lord and peasant in the making of the modern world*. Boston: Beacon Press.

Narizny, K. (2012). Anglo-American primacy and the global spread of democracy: An international genealogy. *World Politics*, 64(2), 341–373.

Nathan, A. J. (2016). The Puzzle of the Chinese Middle Class. *Journal of Democracy*, 27(2), 5-19.

O'Brien, K. (1994). Chinese People's Congresses and Legislative Embeddedness: Understanding Early Organizational Development. *Comparative Political Studies*, 27(1), 84-107.

Oksenberg, M. (2001). China's Political System: Challenges of the Twenty-First Century. *The China Journal*, 45, 21-35.

Paik, W. (2012). Economic development and mass political participation in contemporary China: determinants of provincial petition (Xinfang) activism 1994–2002. *International Political Science Review*, 33(1), 99-120.

Pei, M. (2006). China: “Can Economic Growth Continue without Political Reform?” *Strategic Asia 2006–07: Trade, Interdependence, and Security*.

Pei, M. (2012). China's leaders must embrace democracy. *Financial Times*. Retrieved from <https://www.ft.com/content/5d992eea-2e6f-11e2-8f7a-00144feabdc0>

Pei, M. (2016). Transition in China? More likely than you think. *Journal of Democracy*, 27(4), 5–19.

Perry, E. J. (1989). *The political economy of reform in post-Mao China*. Cambridge/Mass. u.a.: Council on East Asian Studies, Harvard University.

Pradella, L., & Marois, T. (2014). *Polarizing development alternatives to neoliberalism and the crisis*. London: PlutoPress.

Przeworski, A. (2009). *Democracy and development: Political institutions and material well-being in the world, 1950-1990*. Cambridge: Cambridge University Press.

Roach, S. (2015). *Unbalanced: the codependency of America and China*. Yale University Press.

- Roy, K. C., Blomqvist, H. C., & Clark, C. (2012). *Economic development in China, India and East Asia: Managing change in the twenty first century*. Cheltenham: Edward Elgar.
- Rueschemeyer, D., Stephens, E. H., & D, J. (2005). *Capitalist development and democracy*. Chicago: University of Chicago Press.
- Schumpeter, J. A. (1976). *Capitalism, Socialism, and Democracy*. New York: Harper & Row.
- Shin, E. H. (1999). *Social change, political elections, and the middle class in Korea*. *East Asia*, 17(3), 28-60.
- Stephens, E. H. (1989). *Capitalist Development and Democracy in South America*. *Politics & Society*, 17(3), 281-352.
- Sundhaussen, U. (1991). Democracy and the middle classes: Reflections on political development. *Australian Journal of Politics and History*, 37, 100-117.
- Svolik, M. (2008). *Power-Sharing and Leadership Dynamics in Authoritarian Regimes*. SSRN Electronic Journal.
- Tang, M., Woods, D., & Zhao, J. (2008). The Attitudes of the Chinese Middle Class Towards Democracy. *Journal of Chinese Political Science*, 81-95.
- Teorell, J., Dahlberg, S., Holmberg, S., Rothstein, B., Hartmann, F., and Svensson, R. (2015). *The Quality of Government Standard Dataset*, version Jan 15. University of Gothenburg: The Quality of Government Institute, <http://www.qog.pol.gu.se>.
- Gleditsch, K. S. (2011). *Expanded Trade and GDP Data*. <http://privatewww.essex.ac.uk/~ksg/exptradegdp.html>
- Tilly, C. (1992). *Coercion, capital, and European states: AD 990-1992*. Cambridge (Mass.): Blackwell.
- Tilly, C. (2008). *Democracy*. Cambridge: Cambridge University Press.
- Tisdell, C. (2008). *A. Thirty Years of Economic Reform and Openness in China: Retrospect and Prospect*. Brisbane: School of Economics.
- Tsai, K. S. (2007). *Capitalism without Democracy: The Private Sector in Contemporary China*. Ithaca, NY: Cornell UP.

- Walder, A. (2009). Unruly Stability: Why China's Regime Has Staying Power. *Current History*, 18, 257-63.
- Ward, R. E., & Rustow, A. D. (2016). *Political Modernization in Japan and Turkey*. Princeton, NJ: Princeton University Press.
- Wong, R. (2014). Bin. *China Transformed: Historical Change and the Limits of European Experience*. Ithaca: Cornell University Press.
- Xiao, G. (2003). The Rise of the Technocrats. *Journal of Democracy*, 14, 59-65.
- Yap, O. F. (2011). A Strategic Model of Economic Performance and Democratization in South Korea and Taiwan. *British Journal of Political Science*, 42(1), 213-39.
- Ying, M. (2016). The Paradox of Middle-Class Attitudes in China: Democracy, Social Stability, and Reform. *Journal of Current Chinese Affairs*, 45(1), 169-190.
- Yu, K. (2011). *Democracy is a good thing: essays on politics, society and culture in contemporary China*. Washington, D.C.: Brookings Institution.
- Zhao, S. (2003). Political Liberalization without Democratization: Pan Weis proposal for political reform. *Journal of Contemporary China*, 12(35), 333-55.
- Zhao, S. (2014). *China and democracy: reconsidering the prospects for a democratic China*. London: Routledge.
- Zheng, Yongnian. (1993). "Nationalism, Neo-Authoritarianism, and Political Liberalism: Are They Shaping Political Agendas in China?" *Asian Affairs: An American Review*, 19(4), 207-27.