

Institutions and Development: Understanding the “China Miracle”

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“All under heaven are equal.”

— Confucius

Abstract

The limited explanatory power of the conventional wisdom in understanding the “China miracle” calls for theories that might have more universal appeals. Recent studies point to the fact that the situation could have been significantly improved if adequate credit had been given to China as the first country to establish a modern state in human history. Using the conventional wisdom as benchmark we demonstrate that an analytical framework might be developed to accommodate the characteristics of the Chinese society due to its unique history and cultural values. Our preliminary results show that it was perhaps the set of values emphasizing personal development and rights to property that made the “China Miracle” of last three decades possible. Long-standing issues such as excessive reliance on the state for public goods provision and ubiquitous governmental control of resource industries were largely consistent with China’s history of competitive market development in various dynasties.