White Cat, Black Cat or Good Cat: The Beijing Consensus as an Alternative Philosophy for Policy Deliberation?

Reza Hasmath, University of Alberta
Globalisation - The Downside?
White Cat, Black Cat or Good Cat? The Beijing Consensus as an Alternative Philosophy for Policy Deliberation

Reza Hasmath
Abstract

The Beijing Consensus represents a philosophical movement towards an ultra-pragmatic view of conducting policy deliberation. Contrary to models of development which provide a subset of policy prescriptions for the policymakers’ disposal or a fundamentalist adherence to a particular economic tradition, the Beijing Consensus inherently recognises that each development scenario has a potential set of challenges that may require unique and/or experimental solutions factoring the current political, economic and social environments. This ultra-pragmatism will require the policymaker to engage in greater policy experimentation, and to have a larger risk-elasticity.

Further, this philosophy is most aptly demonstrated by looking at the aggregation of practices and lessons learned using the recent policy experiences of China. Ironically, this leads to a potential confusion regarding the analytical distinction between the Beijing Consensus and the Chinese model of development.

This article outlines this distinction, and further theorises the potential consequences of employing an ultra-pragmatic view of policy deliberation espoused by the intentionality of the Beijing Consensus.

Introduction

The Beijing Consensus represents an analytical dilemma. It has been touted as an alternative model that can be used as a guide for reform, notably in developing and least developed nations. It has, in effect, been viewed as a rejection of the Washington Consensus, which readily embraced notions of market capitalism and neo-liberal economic ideology – foremost, open trade policies, privatization and deregulation. Paraphrasing the colourful words of Joshua Cooper Ramo, one of the early popularizers of the term, the Beijing Consensus replaces the Washington knows best approach when it comes to advising nations how to manage themselves.

Yet, a decade since the birth of the term, many in policy and academic circles have been skeptical, reluctant, and outright dismissive to accept this premise. As John Williamson, one of the main architects of the Washington Consensus suggests, the Beijing Consensus has not been codified in a series of propositions akin to the Washington Consensus. It does not provide a prescription for development. More poignantly, it does not provide common policy advice to the level of precision and detail as the Washington Consensus.

Arguably, there were ten broad policy recommendations stemming from the Washington Consensus, demonstrated in practice by the Bretton Woods institutions’ recommendations to Latin American nations in the 1980s:

1. Fiscal policy conservatism – avoid large deficits relative to GDP;
2. Moving towards investments in pro-growth, pro-poor services such as education, health care, infrastructure;
3. Adopting progressive tax reform;
4. Market determined interest rates;
5. Competitive exchange rates;
6. Trade liberalization (which has received the most attention);
7. Liberalization of inward FDI;
8. Privatize state enterprises;
9. Improve property rights;
10. Deregulation.
The state ought to actively innovate to address the challenges introduced by the changing and evolving, social and economic environment.

Notwithstanding the outcomes of the Washington Consensus policy advice has been mixed – leading to multiple currency crises, stagnation, recession, and the ultimate collapse of several nations’ economic systems in the 1990s; and, it largely contributed to eroding the confidence of the neo-liberal economic model, which has seen additional financial crises beginning in late 2007 and extending to present day in some jurisdictions – the Beijing Consensus does not provide a coherent set of policy tools akin to this level (but as argued in this article it does not have to). In sum, the Beijing Consensus’ practical utility to the policymaker, unlike the Washington Consensus, is limited due to its notoriously vague tenets.

Granted, this has not stopped the search for a concrete policy toolkit and principles for the Beijing Consensus. Numerous authors and critics have debated the contents of the Beijing Consensus. For example, some have argued that the Beijing Consensus is a reflection of China’s gradualist reform policy, which has become synonymous for “socialism with Chinese characteristics”. In a similar breath, some have carefully spelled out various characteristics of China’s development, factoring geography to the population composition and labour market, to the political system, and suggests...
that each of these features (and in sum) are unique enough to disqualify the Chinese experiences from easy generalizations in the form of the Beijing Consensus. Suffice to say, in the pursuit of outlining the lessons learned, best (and worst) practices, and outlining the sub-set of tools and principles for the policy-makers disposal, the literature has a tendency to simultaneously conflate the Beijing Consensus with the Chinese model of development, with the relevant critiques following suit – a red herring, to say the least.

This article argues that the Beijing Consensus represents a philosophical movement towards an ultra-pragmatic view of conducting policy deliberation. Contrary to models of development which provide a subset of policy prescriptions for the policymakers’ disposal (e.g. Washington Consensus) or a fundamentalist adherence to a particular economic tradition (e.g. neo-liberalism, Marxist, or political economy theories of exploitation and dependency), the philosophical intentionality of the Beijing Consensus is reflected in the infamous words of Deng Xiaoping “I do not care if it is a white cat or a black cat ... It is a good cat so long as it catches mice”. The Beijing Consensus inherently recognizes that each scenario has a potential set of challenges that may require unique and/or experimental solutions factoring the current social and economic environment. The key element here is that it requires the policymaker to have a broader risk-elasticity to employ relatively unique and/or experimental policies rooted in an ultra-pragmatic viewpoint towards an issue at large. Ironically, this is most aptly demonstrated by looking at the aggregation of practices and lessons learned using the recent policy experiences of China. This, the article contends, leads to a potential confusion regarding the analytical distinction between the Beijing Consensus and the Chinese model of development. The article will further theorize the potential consequences of employing an ultra-pragmatic view of policy deliberation espoused by the intentionality of the Beijing Consensus.

The Original Conception

To unpack this analytical confusion, it is worthwhile to return to the three original conceptions of the Beijing Consensus popularized by Joshua Cooper Ramo. The first conception is a commitment to innovation and experimentation. There is no perfect solution or set prescription. For example, the state ought to actively innovate to address the challenges introduced by the changing and evolving, social and economic environment. This requires a commitment to constant tinkering and change, and the recognition that different strategies are appropriate for different situations, and differential treatment may be necessary at a sub-national level within the same nation-state jurisdiction.

A good example of the ultra-pragmatic tenets of the Beijing Consensus in practice, is illus-
The second conception is a rejection of per capita GDP as a measure of progress.

will remain in place for the foreseeable future. Fast forward to present day, for the first time in decades the working age population in China fell. Current projections indicate that the labour force will shrink at a rate of 10 million per year from 2025 onwards. This is undoubtedly an alarming figure for a nation that has aspirations for rapid economic development and growth through the development of a stronger middle class, with an agile labour market that will in turn, develop into a stronger consumer class. What does an ultra-pragmatic policy-maker do in this scenario? As demanded by the philosophical spirit of the Beijing Consensus, the policymaker adapts to circumstances. It is thus not surprising that the current Xi Jinping regime have formally phased out the one-child policy from 2016 onwards.

The second conception is a rejection of per capita GDP as a measure of progress. The Beijing Consensus advocates an increased focus on measures such as quality-of-life and individual equity. One of the most accurate measures of quality-of-life is the United Nations Development Programme (UNDP) Human Development Index (HDI), guided by Amartya Sen’s capabilities approach. This approach provides an alternative to the view of development equated exclusively with economic growth. It helps us understand that poverty is the deprivation of basic capabilities rather than low income. The disparity between measurements of GDP and HDI can be pronounced. For instance, according to the latest data from the International Monetary Fund, in 2014 China ranked 88th in the world with a GDP at purchasing power parity per capita of US$ 13,224, whereas the nation’s HDI ranking in the same base year is 90th (0.727). Thus, considering GDP as the single most important factor would therefore either undervalue or overvalue a nation’s other substantive achieve-
ments. To reiterate, the point of fact here is not to advocate a particular policy advice per se, but instead, the philosophical intentionality of the Beijing Consensus is to suggest that it will be unwise to fundamentally adhere to a single economic measurement as a sign of progress. It is a prudent tactic on the part of the policy-maker to be open to the notion of employing varying measurements that can further capture the social and economic experiences of a nation.

This strategy is evident in the context of China where there is an emphasis on the need to simultaneously pursue multiple goals. This is aptly demonstrated when examining China’s ‘Scientific Concept of Development’ for promoting growth, with attention to the five-balances: (a) balancing urban and rural development; (b) balancing development among regions; (c) balancing economic and social development; (d) balancing development between individual and nature; (e) balancing domestic development with opening wider to the outside world. Moreover, paying homage to the five balances is China’s State Council 2008 US$586 billion economic stimulus package. The ten focus areas of the plan are as follows (with the correlation to the five balances in parentheses): (1) Building more affordable housing, especially in rural areas [a,b,c]; (2) Accelerating rural infrastructure construction, including roads, power grids, and water conservation projects [a,b,c]; (3) Expanding transportation networks, including railways and airports in western provinces [a,b,e]; (4) Improving health and education services [a,c]; (5) Enhancing environmental protection efforts [c,d]; (6) Supporting innovation and industrial restructuring [b,d,e]; (7) Speeding disaster rebuilding [b]; (8) Raising average incomes, especially in rural areas [a,b,c]; (9) Adjustments to the value-added tax system [c,e]; (10) Making increased financing available to domestic companies [a,b,e]. The Communist Party of China rhetoric notwithstanding, China’s current strategies, added together, recognize that an increasing GDP without other goals, and serious strategies for achieving them, will not solve problems of everyday relevance to the population. This is the spirit and philosophical intentionality of the Beijing Consensus.

Finally, the Beijing Consensus suggests a policy of self-determination. That is, the need for developing nations to seek relative independence from outside pressures. Coiled at the heart of this conception is the idea that nations should have the space to pursue a level of policy experimentation and innovation without being hampered by overt, outside interests – as was the accusation by several Latin American nations during the implementation and subsequent aftermath of the Washington Consensus policies. For instance, nations should plan their own policy agenda without accepting (or having little to no option but to accept) any undue restrictions that generally accompany foreign aid.
China’s foreign aid is attractive to nations since it generally comes with no conditionality related to governance, fiscal probity, or other concerns that are characteristic of international donors.

Again, we can see this with China’s behaviour in providing approximately US$ 190 billion in foreign aid to developing and least developed nations. China spends roughly 40 percent of its foreign aid on grants, and 30 percent each on interest free and concessional loans. Expressed differently, two-thirds of China’s foreign aid is geared towards improving a recipient nation’s infrastructure, such as transportation, energy, and communications. Little of China’s aid to developing nations can be categorized as traditional overseas development assistance, e.g. contributions to food aid and/or social welfare.

Nevertheless, China’s foreign aid is attractive to nations since it generally comes with no conditionality related to governance, fiscal probity, or other concerns that are characteristic of international donors. The downside is the fact Beijing’s assistance has provided support to regimes otherwise ignored or condemned in the international society of nation-states. China’s development assistance may strengthen existing authoritarian and semi-authoritarian regimes, forestalling democratization in some contexts, and perhaps reverse this process in other jurisdictions. Notwithstanding, from a purely philosophical standpoint, China’s behaviour suggests that it does not seek to overtly impose its own priorities on partner countries. Strictly speaking, the growth of China’s overseas development assistance has mirrored the growth of its commercial investments – as embodied in the “Going Out” (zou chu qu) policy – with much of it directed at nations where China has a substantial stake in the natural resource sector. It is therefore not surprising that there is growing evidence to suggest that Chinese investments may provide a gateway for Chinese industries to access the relevant domestic market. As such, although there is little to no conditionality attached to Chinese foreign aid at the surface level, it is by no means an altruistic gesture. Irrespective of this caveat, relative to most Western nations’ behaviour, China’s foreign aid delivery provides a greater space and risk-elasticity for the recipient nation to engage with policy experimentation and innovation.

Conflation with the China Model of Development

In the search for a concrete set of principles and policy tools akin to the Washington Consensus, the literature has a tendency to simultaneously conflate the Beijing Consensus with the Chinese model of development. It will be worthwhile to spell out the various conceptions of the Chinese model of development to illustrate why this mistaken belief plays out.

Commonplace among some conceptions of the Chinese model of development is the notion that China’s experiences in development are relatively unique. Those who essentialize China’s experiences point to three facts: (a) China’s physical size and population; (b) the abundance of labour; and, (c) its political system: an authoritarian state. It will be misguid- ed to extend this argument with any substance. There are nations that have large physical size, population and an abundance of labour – per-
haps not technically for some, but certainly in terms of stature – that can rival China such as Brazil, India and Indonesia. Further, as China’s economy demands higher human capital labour, which is undersupplied at the moment, this ‘uniqueness’ will become a liability. Finally, the experiences of much of East Asia and the likes of Brazil suggest that there are nations that have experienced China’s authoritarian and semi-authoritarian political systems in some form, and have developed under this guise.

Most scholars generally understand China’s model of development in one of three fashions. The first is that the nation advocates national champions within a strong public-private partnership. Again, this is not necessarily unique to China as this strategy has been adopted by its neighbours in East Asia: Taiwan, South Korea and Japan in particular. Whether to establish new industries and create new products or to upgrade quality, technologies and skills, the East Asian and Chinese experiences have emphasized the advantages of a publicly coordinated approach to industrial innovation and the advocating of national champions. Central to this idea is the role of governed market and governed interdependence theories that build a view that government and private enterprises should intimately collaborate to develop strategic industrial policies with the overarching mindset to improve a nation’s economic success. This may require heavy investment in high growth industries, whereby the level and pattern of investment are different from what would have been the case if market mechanisms alone had operated.

It is therefore not surprising that a second hall-
The experience of China suggests that authoritarianism and economic restructuring can co-exist. China’s institutional arrangements allow policies to be pursued with consistency and effectiveness in relation to other developing nations. More acutely, China’s strong authoritarian, corporatist state system allows firms and state enterprises to be relieved (in whole or in part) of four major risks: (a) raising capital; (b) developing new products and technologies; (c) finding new markets; and, (d) training skilled engineers and workers. A significant proportion of the costs of upgrading technology, new product development, industrial training and market expansion, is embedded in a thick network of state-informed (i.e. public-private) institutions. What makes the policies so effective is a particular type of institutional structure and relationship between the state and private enterprises. In other words, China’s development model is not an argument against privatization, rather that state-ownership has not become an impediment to its development. The authoritarian, corporatist state system is crucial to China’s development model.

Finally, what makes the policies so effective in this system is a particular set of institutional arrangements, in this case a strong autonomous state. In effect, the Chinese model of development is short hand to discuss the role of the state in developing the nation. Wrapped up in this conversation is the role of institutions and the state in economic development. In the Chinese model of development, there is a strong corporatist state, whereby the modern Chinese state has traditionally affected every major aspect of the domestic society – and even with the growing liberalization of the economy this is still a reality. Corporatist arrangements in China have had a long life span since the state can use a combination of control and suppression to manage political, economic and social institutions.

Put differently, the experience of China suggests that authoritarianism and economic restructuring can co-exist.
— the system has been updated, professionalized and strengthened. The system effectively socializes risk, whereby firms and enterprises are relieved from bearing the full burden of the four major ‘risks’.

Seemingly, these conceptions of development have been highly successful in practice. China has averaged a growth rate more than 9 percent over a 25 year period. Within this time period, the nation has lifted 235 million out of absolute poverty; in global terms, contributing to 67 percent of the total reduction of global poverty during the last quarter century. Due to the success of China’s model of development, there is a growing dichotomy between the ‘Western regulatory state’ and the ‘Chinese model’. In the Western version, little state intervention in the market is preferred. Whereas, in contrast, China has actively intervened in the market in order to guide and promote particular substantive goals. The China model of development is thus a strategy that answers to the particular needs of Chinese society, with lessons learned potentially applicable to other jurisdictions pitting a diverging dichotomy in economic development. The Beijing Consensus points to a philosophy of conducting policy deliberation. Herein lies the analytical distinction that is often lost in discussion.

The Beijing Consensus should be seen as a statement of intent. It is a philosophical movement towards an ultra-pragmatic view of policy deliberation. It is a pragmatic adaptation to circumstances. It pleads to the policymaker to recognize that each development scenario has a potential set of challenges that may require relatively unique or bold solutions and experimentation factoring evolving and changing political, economic and social environments. A broader view is to see this form of policy experimentation as a necessary part of the overall process of policy formation and implementation. It is, in effect, a positivist approach to development.

There are, of course, serious consequences catching mice without prejudice. The potential attraction for many developing nations to the Beijing Consensus has come almost entirely due to the tangible economic and political benefits, rather than intangible moral appeals. The Beijing Consensus lacks moral appeal because it is guided entirely by pragmatism, which by definition, is behaviour disciplined by neither a set of values nor established principles. This explains the horror to many of limiting the
number of children an individual can have via the one-child policy. Or, the restrictions on internal migration in China, due to the fact one’s hukou (household registration) belongs to a different city. For many, this can be an affront to basic sensibilities and hence our uneasiness to accept the philosophical underpinnings of the Beijing Consensus.

Nevertheless, the Beijing Consensus is philosophically attractive to many nations given it effectively undermines engagement with the West, who have long used forms of soft-power for political and economic gain, and control. Its adoption may potentially create policy experimentation and rapid economic development, yet at the same time, contravene principles of human rights, democracy, rule of law and good governance. The touting of the Beijing Consensus by authoritarian and semi-authoritarian states, notably in Africa and the Middle East, who see it as a stark contrast to the Western forms of influence is not surprising. In turn, however, if you catch mice by violating civil and political rights, in spite of increasing economic development, other nations and international actors will take notice and vehemently object. This is the balancing act of employing the philosophical underpinning of the Beijing Consensus in policy deliberation.

**Future Direction and Implications for China**

There are three directions that the Beijing Consensus can take. First, is to continue to confuse the Chinese model of development with the Beijing Consensus. Here we see individuals such as John Williamson assuming that the Beijing Consensus basically refers to the Chinese way of doing things, with the relevant critiques following suit, and analysts’ conflating critiques of China’s development experience and the Beijing Consensus as one and the same. This is faux pas to say the least. Second, if we accept the analytical difference between the China model of development and the Beijing Consensus, there can be a continued discrediting of the Beijing Consensus. This will occur under the grounds that it lacks policy prescriptions and as such, it lacks utility for the policy maker. It will further be discredited given that the Beijing Consensus is overtly positivistic and pragmatic in nature. It inherently lacks moral appeal.

A third direction is to embrace the notion that policies ought to be tailored for a specific circumstance. A nation’s development path may
require an individualized approach. Policy makers should be flexible in solving multifarious problems and issues, and ideally in an environment where they have the requisite risk-elasticity to experiment. In the same breath, it may be the case that we ought to continue to adopt many of the policy prescriptions by the Washington Consensus – if pragmatism, of course, dictates.

Returning to the case of China, ironically pragmatism may allow for diversity in the Chinese context. Xi Jinping inherited an economy where there are widening socio-economic disparities and accompanying social welfare concerns, with groups such as farmers, migrant workers and lower/middle-class urbanities quietly grumbling about rising living costs, and a perceived lower quality of life. Their concerns are further accompanied by greater public awareness of corruption in both the state and non-state sectors. This has potentially led to lower levels of trust and confidence in public and private institutions by the general public.

By embracing the ultra-pragmatism rooted in the Beijing Consensus, it has become apparent to the Xi regime that China should pursue further political and economic reforms. We have already seen a smaller and streamlined government ushered in during the Xi Jinping’s
With greater centralized decision-making, paradoxically, the local government will increasingly become an active and important actor in implementing policy initiatives. One of attendant worries in China in the past is a discord between policy intentions and their execution at the local level. One of the consequences of the new setup is that the local government will have greater room to manoeuvre and to experiment in the creation and implementation of policy. While the local government’s ultimate task will be to encourage economic growth, thereby increasing the Party’s popular legitimacy, they will be able to manage this by greater experimentation with procurements and partnerships with non-state actors such as social organizations and private enterprises.

While the mantra appears to be business as usual, the ultra-pragmatic approach, rooted by the philosophical spirit and intentionality of the Beijing Consensus, is bringing forth changes to provide a framework to ensure China continues to increase its dominant position in the world economy; and at very least, ensure that the Chinese government can rapidly respond to its citizens’ potential discontent. This will be particularly important as China moves from its position as the ‘great factory to the world’, to one in which its native state and non-state enterprises become increasingly service and innovation oriented.

In short, ultra-pragmatism will eventually suggest to Chinese policymakers the need to rethink its development strategy, which has so far suppressed the nation’s vast potential of internal final consumption, while rapidly ramping up production capacity. This combination will be increasingly untenable – and again will require, using the precepts of the pragmatism rooted in the Beijing Consensus, to reform.