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Some reflections on China and globalization

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No. 145

Some Reflections on China and Globalization

Grzegorz W. Kołodko

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Grzegorz W. Kolodko

Some Reflections on China and Globalization

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I. Interview for “China Publishing & Media Journal”, January 22nd, 2021

(http://tiger.edu.pl/ChinaPublishingandMediaJournal_02.02.2021.pdf)

1. *A month ago, you have been awarded the Special Book Award of China 2020. Can you share your cooperation experience with Chinese publishing houses or related project with China? What is the most impressive thing to you these years in writing, translating or publishing China-related works?*

I cooperate with China for a long time, in many ways. My first visit to China was in 1989. Recently, I travel there two-three times every year. I am an academic scholar and my main concern are the interdisciplinary economic studies. I turned my research attention to China already in the 1980s, during the early stage of the Deng Xiaoping’s market reforms. It was inspiring to compare the Chinese attempts with our reforms, in Poland, and in some other East European countries, as Hungary and Yugoslavia, or with the Gorbachev’s *perestroika* in the Soviet Union. I perceive China also in a contextual way and hence, my main theoretical concerns have been regarding three great processes of our epoch: (1) policy of economic development, (2) systemic transformation, and (3) globalization. If one studies these domains, one must understand the Chinese case. As a result, I publish a great deal on China: books, research papers, essays, interviews. Most of them in English and in my native language, Polish, but also in translation in dozen other languages – from Russian to Japanese, from Italian to Ukrainian, from Hungarian to Arabic: <http://www.tiger.edu.pl/english/kolodko/publikacje.htm>.

Recently, the notion of Chinism – the terms I have coined to describe the Chinese economic system and policies – is becoming more and more popular.

2. *During the evolvement of writing, translating or publishing China-related works, do you realize some effective or touching details that can facilitate the cooperation between Chinese publishers and overseas partners like bookstores, cultural*

organizations or distribution platforms, in aim to promote mutual understanding and become interested in China?

Unfortunately, I do not speak Chinese, so I must trust that my works are correctly translated and edited in the Chinese language. My experience with working with the Chinese publishers and journals, with the editors and translators are generally positive; I cannot complain. Yet, sometimes I am asking my colleagues, or PhD students with whom I stay in touch, to have a look in the Chinese language version of my works. In such cases, we work in English, as the intermediate language. Of great assistance with this matters always is Professor Hu Biliang, form Beijing Normal University, the Director of Belt and Road School where I am Distinguished Professor. Couple of times it happened that my works were translated from Polish and in such situation, the Poland's embassy in Beijing or the China's embassy in Warsaw extended a helpful hand. Recently, I am receiving a lot of friendly support from Chinese Ambassador in Warsaw, Mr. Liu Guangyuan.

3, The Covid-19 pandemic has changed the world, has your related work been affected by this? How do you cope with the new normal? Will the international exchange and cooperation be affected by the pandemic in the future? Can you share some suggestions?

I have published some research papers on economics and politics of pandemic in the Chinese language (http://www.tiger.edu.pl/english/kolodko/artykuly.htm#in_chinese). Personally, I am affected seriously by this calamity, since it is almost impossible to travel. The year 2020 was the first year in last decade when I did not go to China. My lectures with the MBA international class at Beijing Normal University were online via ZOOM. If in 2019 I spent 105 days abroad – from Antarctica do Papua, from China to USA – in 2020 I was abroad for just 5 days... The result of such shift is quite interesting: I published even more than usually, but I attended less direct conference's meetings. No doubt, also the subject of my policy-oriented research was affected by the Covid-

19. There is hardly any interview (including this one) in which I am not being asked about the pandemic...

4. *Which government cultural project are you taking part in? And can you give us some advice on how to make these projects more valuable, acceptable and influential in your countries?*

Again, I am the man of science, although because my research has been most of the time policy-oriented I was engaged by politics too. I was four times deputy prime minister and minister of finance of Poland, I was advising international organizations, such as OECD, the World Bank and IMF. The significance of my contribution to economic thought is reflected on the concept of New Pragmatism upon which, to certain extent, also Chinese reforms and policies rely. Nevertheless, the field of my main professional activities is the research and teaching, theoretical studies and policy advice, intellectual debates and media's dissemination of progressive social thoughts. For these reasons, I pay a great attention to cooperation with Chinese people and institutions. As I mentioned, I am Distinguished Professor at BRI at BNU. I am also Visiting Professor at Renmin University in Beijing and HUST in Wuhan. I am International Advisor at the Center for China and Globalization. For several years, I was Honorary Chairman of Chinese Institute for Public Diplomacy. I had a chance to visit a number of other universities and think tanks and possibilities to publish several articles, essays and interviews in the Chinese newspapers and magazines. For two years, each month I wrote as a columnist to "Chinese Economic Weekly". Indeed, the list of my Chinese language publications is very extensive: it includes five books and over 50 articles and essays (http://www.tiger.edu.pl/kolodko/Kolodko_Chinese%20Publications.pdf). We must keep talking and discussing the various issues to meet the challenges of the future. No doubt, China can contribute a lot to the solution of problems faced by our civilization. I want to be a part of this paramount effort and that is one more reason that my cooperation with China is so robust and lively. The more so I do appreciate the

Special Book Award of China 2020. It is a great honor.

Qu Jingfan conducted the interview

II. Interview for “People’s Daily”, January 4th, 2021¹

1. *In recent years, you have paid great attention to issues related to the Chinese economy. When did you start to study the Chinese economy? How would you rate the development of China's economy in the past four decades?*

Prof. Grzegorz W. Kolodko, Kozminski University, Warsaw, and Distinguished Professor of Belt and Road School at Beijing Normal University

I turned my research attention to China already in the 1980s, during the early stage of the Deng Xiaoping’s market reforms. It was inspiring to compare the Chinese attempts with our reforms in Poland and in some other East European countries, as Hungary and Yugoslavia, or with the Gorbachev’s *perestroika* in the Soviet Union. At that time, nobody did appreciate the significance of China’s efforts and its future consequences for the world economy because not a single person had expected such enormous economic growth in China in the subsequent decades. I was considering the possibility of Chinese expansion but not to such a great extent as it happened later. In the history of humankind, not any other country has accomplished so huge scale of social and economic progress. Moreover, none will be able to repeat it.

I perceive China in the contextual way. My main theoretical and policy-oriented concern has been regarding three great processes of our epoch: (1) policy of economic development, (2) systemic transformation, and (3) globalization. If one studies these domains, one must understand the Chinese case. Otherwise, it would be somehow

¹ Published, with editorial abbreviations, in the Chinese language as: “‘Jiānchí jiǎng zhēn huà jiùshì jièshào zhōngguó de zuì hǎo fāngshì’ - fāngwèn bōlán qián fù zǒnglǐ, kǎo míng sī jī dàxué jiàoshòu Kēwòdkē” (‘Insisting on telling the truth is the best way to present China’ - an interview with Kolodko, former deputy prime minister of the Republic of Poland and professor at Kozminski University”), „People’s Daily”, March 31, 2021, p. 17 (http://paper.people.com.cn/rmrb/html/2021-03/31/nw.D110000renmrb_20210331_1-17.htm).

ignorant, wouldn't it?

Nowadays, it is of utmost importance that China is truly committed to continuation of globalization. Indeed, it is an irreversible process, yet to make it working better it must be more inclusive. Here, China is coming with her proposition of so-called win-win globalization. The next decade will show how successful we will be to this end.

2. *Your book made a lot of positive comments on China's economy and society. But today's Western medias has many misunderstanding reports about China. What methods do you think can clarify these misunderstandings? And how to introduce China objectively to your readers in Western society?*

The best way to clarify misunderstandings is to keep talking. It is a long shot... Sometimes we need plenty of time to convince the others what is a true and what is not, what is a fact and what is a fake news. How many years we needed to convince everybody that the Earth circumnavigates the Sun, not the other way around? How many generations it took to persuade the people that they are walking the globe, not the flat ground? Some still do not want to believe in facts, also about the Chinese realities. It is quite disappointing that there is plenty of popular misunderstandings and deliberate manipulations of public opinion by some politicians, driven by the different ideologies or pressure of groups of special interest. Nevertheless, it is a pity that similar misconceptions occur in the social sciences where it should not happen.

What can be done? What I do? I continue my research, I conduct my comparative studies, and I do publish the results of my works in various languages, including, of course, English, but also in Chinese, Russian, and Japanese. I am also verbatim keeping talking – presenting lectures and keynote speeches at numerous prestigious conferences and seminars; recently, *inter alia*, in Chicago, New York, Austin, Davos, Istanbul, Budapest, Kiev, Moscow, Berlin, Delhi, and frequent in Poland. Undoubtedly, it is of great importance to appear in opinion-forming media programs, as long as you manage to reach recipients with your thoughts in this media turmoil. However, if anyone can, it

works.

Going back to the scientific field, just recently I was invited to contribute a research papers for special issues of major international journals, from the JCR list: “Acta Oeconomica” and “Communist and Post-Communist Studies”. Both papers were published in the last quarter of 2020. Their translations are published also in Russian, Ukrainian, Japanese and Polish languages. I believe, such efforts and systematic works are bringing – gradually and slowly, yet they do–the positive results. Consequently, there is less of the misunderstanding of Chinese phenomenon in the West, at least within the intellectual, academic and professional circles. Isn’t it very interesting that my recent book on China and the global affairs (“China and the Future of Globalization: The Political Economy of China’s Rise”, published in the USA by Bloomsbury in 2020) was distinguished as the “Summer 2020 book” by “Financial Times”, the most influential and opinion leading Western newspaper?

Aside of writing, publishing, discussing particular issues, taking a part in media disputes, etc. critical for mutual understanding is travelling and visiting each other. I encourage doing so as many people as possible. Whenever I am in China, I try to go somewhere else – far away from the city center, hotel, and university auditorium – to see the country, to meet the people, to observe the life and how it is changing. Therefore, I have visited plenty of places in China – not only Beijing and Shanghai, Shenzhen and Chengdu, or Guangzhou and Xi’an. Chinese history and culture is fascinating and the nature is beautiful! The more people see and feel it, the better.

3. You have been to China many times in the past decades. What is your most impressive experience or story about China? When was the first time you went to China? What was the biggest change between China at that time and China today?

Most of my contacts in China are with the academic and think tank circles. While I visit China, I am meeting not only the professors and research staff but the students too. I am quite impressed by the open minds of the young generation and their eagerness to

get as much knowledge as possible. They do know what the meaning of the knowledge is, they have good understanding of the significance of knowledge-based economy for both – the country's progress and their own future well-being. This attitude has changed incredibly during last three decades, since my first visit to China in the summer of 1989.

What is the biggest change from that remote time? I think the positive fact that one do not see any more poor people on the streets. As for the economist, no doubt, the biggest difference between then and now is that China was able to replace the low-inefficient economy of shortages with the high-competitive economy of balanced consumers' market. Well, maybe there is even too much of consumerism as a negative side effect of the achieved progress.

4. What do you think are the development methods of China's economy that other countries should learn from? What are the problems or difficulties that China needs to pay attention to in the process of development?

As for the development methods that other countries may learn from the Chinese experience, the most important is the ability to combine the power of invisible hand of market with the power of the visible (yet maybe sometime too much visible...) hand of the government. At the foundation of the successful economic system, which has evolved over last four decades – which I call Chinism, and this new term is getting momentum both in professional literature and in media – lies positive synergy of market spontaneity and government policy, of private entrepreneurship and state leadership. Chinism is a unique combination of these features, but all the time one has to be careful to avoid, on the one hand, wrong interventionism of state bureaucracy and corruption, and, on the other hand, disequilibria overshooting and social inefficiencies of the market. Chinism is a kind of meritocracy where rational people in a rational way are taking rational decisions.

The other important thing the other countries should learn from China is an ability to exercise the long-term policy. With this respect, China has done a lot, including

eradication of extreme poverty, what has happened in 2020, but still has much to do, starting from cleaning and protecting the natural environment, and diminishing income and wealth inequality. Such large inequality as it is currently happening in China, would be not compatible with the long-term sustainable socio-economic development. China must go along the line describe by my new pragmatism – an outline of policy-oriented, heterodox theory of economics and economic policy aiming for triple – not only economic, but also social and environmental – balanced development. Economic pragmatism with the Chinese characteristics sounds as good recipe for a better future.

So, some can learn something important from China just as China should learn from other nations' achievements. After all, the development process is learning by doing.

Eric Yu conducted the interview

III. Xinomics or Chinism?

(Unpublished letter to “The Economist”, August 18th, 2020)

Sir, you say Xinomics, I say Chinism. As you wish, China's economic policy can be described as Xinomics – *per analogiam* to Reaganomics in the 1980s in the US or Abenomics recently in Japan – but there is more to it. During the past two decades, a fundamentally different political, social and economic system has emerged that is neither state capitalism nor market socialism. This is a new and different entity, which must not be approached in traditional manner. I call it Chinism that is a syncretic economic system based on multiple forms of ownership of means of production, with a strong macroeconomic policy and flexible government control with respect to microeconomic management. Deregulation is subordinated to maintaining enterprises' activities on the course that is in line with the social and political goals set by the ruling so-called Communist party. Far-reaching interventionism applies indicative planning addressing the business sphere and command planning with respect to certain state-owned enterprises and infrastructure. The pricing system is decentralised, which, despite lack of fully hardened budget constraints for public enterprises, guarantees

market equilibrium. Unlike in classical state socialism, there are no shortages of neither basic or luxury goods.

You are right that "a mix of autocracy, technology and dynamism can fuel growth for years" (Chinese Economic Model, August 13). It will. Hence, the West, especially the US, must understand that China should not be turned into an enemy because it cannot be defeated. Chinism is to remain and this epochal phenomenon must be understood. In the era of irreversible globalization, we need to seek pragmatic cooperation with such a gigantic economy, and not fight it. Especially that against the backdrop of the crisis of liberal democracy - from ill-advised Trumponomics to emotion-driven Brexit, from revolt of yellow vests in France to the rise of illiberal democracy in Hungary - Chinism is becoming more and more attractive in many emerging markets. Sinophobia will not weaken Chinism, and perversely it may favor its expansion in other countries. Is this what the West wants?

IV. Don't make a foe from China, work with them

(Essay)

Since history is not over, instead of looking for an opportunity to deepen irreversible globalization by making it more reasonable and inclusive, some countries and their leaders are clearly in search of an enemy. It is already a problem if these are small states; it becomes more serious if these are large countries. It is alarming that the USA wishes to make China its foe. It is reassuring that China does not wish to turn other countries into enemies and looks for further channels for cooperation with them. It is astounding, but China seems to understand better than the leader (until recently) of the free world and protector of liberal democracy, the USA, what is at stake at the current civilizational crossroads.

Hence, I strongly disagree with professor Janos Kornai when he claims that the aim of "The leaders of modern China (...) is to become the hegemonic leader of the globe." (*Economists share blame for China's 'monstrous' turn*, "Financial Times", July 11th,

2019). No, it is not. Their aim is to make China great again, but not at the cost of the other nations but with a productive synergy with them. The China's foreign activity, including the bold Belt and Road Initiative, must be seen as the means to the end of solution of mounting domestic problems and not as a kind of new international expansionism.

Once, a long time ago, *Pax Romana* reigned across the Mediterranean civilization. Not forever. Once, not so long ago, *Pax Americana* was to reign all over the world. This situation was very short-lived. Now some fear and other delude themselves that *Pax Sinica* is coming. Not, it is not, though we can pin some hopes on the fact that with China's inevitably growing role in the global political and economic playfield, with time, the country will be able to transmit to the certain other parts of the world at least some of its capacity for useful collective actions.

Janos Kornai correctly writes that western intellectuals “not only watched China's transformation with approval but actively contributed to these changes”. I have taken a part in it too but I fundamentally disagree with his claim that we “bear moral responsibility for not protesting against the resurrection of the Chinese monster.” First, there is not any monster. Second, most of us has been contesting the wrong reforms and policies and suggesting the correct course of changes, which has been the dominant one over last four decades. Without our influence, the situation in China would be much worse, or – if one wishes –not as good as it is. If one wants to see the monster, let him go to North Korea, not to China.

If civilization is to survive in peace, at least moderate one, this can prove realistic solely based on social market economy. In fact, it is hard to imagine that any other economic and political system could assure worldwide existential rationality. I hope that China – having left behind long time ago the monster of Maoist communism, will go toward social market economy and will not be neither the state crony capitalism nor the Western-type of neoliberal capitalism. What we are witnessing there, in highly diverse economic structures, is an interesting circulation of economic thought on the amicable co-existence of the state intervention and private sector, free market

entrepreneurship and government-led economic policy, regulation and spontaneity, technology and culture. It is neither socialism nor capitalism; it is a new creature, but not a monster, which I call Chinism.

Well, barbarians are already at the gate, but this time they are not other nations or states with their armies. The Earth and humanity are not threatened by external foes as we do not have them; what we have are worldwide challenges concerning governance of globalization, the regulation of world trade and finance, the protection of natural environment. That is the enemy we need to take on. We have to get organized and defend ourselves against it; together, because separately it is no longer possible. With this respect, the foe is not China under the leadership of President Xi Jinping but rather the USA under the bizarre presidency of Donald Trump.

We need to manage economic exchange in a different way than in the past. It should happen within the framework of worldwide institutional order rather than amid chaotic mess. How to organize such an order well? It requires also some functional form of leadership. How to appoint it? Instead of old business as usual or new nationalism, either the Western or Eastern one, we do need a new pragmatism. I believe China can be usefully involved in a quest for it, hence let us treat her as a partner in our global endeavors and not as a monster.

V. Interview for China News Service, February 9th, 2021

<https://mp.weixin.qq.com/s/mYHx7XGqUSALmkEAFiV59g>

1. The latest data from the Chinese Ministry of Commerce showed that China's foreign trade with the Central and Eastern European countries (CEEC) ticked up 8.4 percent in 2020 to topple \$103.45 billion, dwarfing the \$100 billion threshold for the first time. What is your view of the China and Central and Eastern European countries cooperation? Do you think there has been a win-win situation in the recent years?

It is too early to proclaim the so-called win-win situation as far as the economic relations between China and East Central European countries are concerned. Nevertheless, there are some good news, especially considering the growing trade exchange. Indeed, an increase of 8.4 percent is remarkable, the more so since it happened under extremely challenging conditions caused by the disruption in the production and supply chains. Despite these difficulties, a rising number of firms from the CEEC understand that enhancing trade with China is very profitable for them. What is important is the fact that in several CEE economies the trade deficit has shrunk because export to China was growing faster than import from China. A less optimistic view is vis-à-vis the flow of capital, especially Foreign Direct Investments, FDIs. There were expectations that more Chinese capital will be invested not only in the infrastructure but also in industries and services.

My most important policy recommendation for the years to come would be the smart investing by the Chinese companies in the CEE-17 economies. Most of them are already considered by the World Bank as the high-income countries (China may join this category in 2024), yet they are still thirsty of capital and FDIs. It is a strategic matter to prove that China's 17+1 initiative is going to be indeed a win-win exercise both for China and for particular countries involved. The FDIs can serve as a game-changing instrument to this end.

The fine art of policies, not only in 2021 but also in the entire third decade of the 21st century, will be to combine the expanding Chinese intellectual and academic potential with such in the CEE-17 states. There should be more initiatives to develop strong, modern academic centers such as the Fudan University in Budapest. In the coming years, in each country of East Central Europe, a joint, world-quality academic center should be established.

I suggest selecting a very modern area (something in the sphere of AI, or clean energy, or medical support), where leading in such a field by the CEE-17 countries, with appropriate Chinese investments and in sound cooperation with China, could demonstrate their superiority, or even just an intellectual level equal to the countries of

rich Western Europe and the United States.

2. Has the COVID-19 pandemic hit the cooperation hard, especially the Belt and Road Initiative? Are you optimistic about the development after the pandemic?

No, and yes. No, the COVID-19 pandemic has not affected the cooperation between China and her partners participating in the 17+1 initiative very much. Obviously, we could always do better and more but the frictions caused by the virus have mainly hit the supply chains in manufacturing sectors. As for the Belt and Road Initiative, it is directed primarily at investments, chiefly in the infrastructure. The nature of this sector of economy is such that it is more resistant to pandemic frictions caused by work downtimes and disruptions in the ability to meet the household demand. Certain problems with insufficiently dynamic BRI's investments in the CEEC countries – the most spectacular one being the reluctance to accept the Huawei investments in the G-5 network – have not been caused by the COVID-19 shock but by the ill-advised politics, where the American pressure during the Donald Trump presidency played a significant role. In some countries, it has spoiled the climate for absorbing inward Chinese investments.

Yes, I am optimistic about the East-Central European–Chinese economic developments after the pandemic because the progress in the fields of trade, investments, capital flow, exchange of technologies and expertise, and joint venture projects are raising the overall capital efficiency and labor productivity in all countries involved. In the longer run, it is contributing to raising the population's standard of living and people, being aware of this mechanism, are in favor of continuing and enhancing mutually fruitful cooperation. It is important for the CEEC, and their political leaders, to be smart enough and not to allow themselves to be drawn as a pro-American party into the conflict between the US and China.

3. China regards the 17+1 framework as a contribution to multilateralism. However, politicians in Brussels often criticize that it is an attempt to divide the EU. What is your opinion on this issue?

This is nonsense to claim that the 17+1 project is an attempt to divide the EU! Only those who do not understand the essence of the current phase of international economic cooperation, the indispensable features of which are transnational capital flows and foreign direct investments, may express such wrong and harmful opinion. Globalization is irreversible and skeptical bureaucrats in Brussels and elsewhere must at last understand it. Of course, Chinese activity in the CEEC must be seen also from a geopolitical perspective, the more so since 12 out of 17 countries involved in the China-led initiative are the members of the European Union and the remaining five most likely will join the grouping in the late 2020s. The proper response to the growing activity of China in this part of Europe is not to discourage the countries of the region from engaging more in economic exchange with China but to encourage it, including increasing Chinese investments, especially in hard infrastructure, where Chinese companies are very competitive.

A wise strategy would be to coordinate the EU's investment plans for 2021-27 with China's investment intentions in the Central and Eastern Europe region. Indeed, a multilateral approach is a good one in this case. With respect to upgrading the hard infrastructure in the CEEC – which is still lagging behind the West European standard, and is more often much worse than what has been accomplished in this regard in China – Chinese capital, firms, and technologies must not be seen as an enemy, or a hostile competitor, but as an ally.

4. Countries like Serbia and Hungary are already using or buying Chinese vaccines. Do you think China and the 17 countries could work together more in the fight against the pandemic?

I do trust professionals. Being myself a professional economist, when it comes to the adequate ways of fighting with the COVID-19 pandemic, I rely on the opinions of professional epidemiologists. Well, similarly to economists, they present contradictory opinions too often, yet there seems to be a consensus that the paramount task of vaccinating billions of people is not just a matter of particular countries or bidding between pharmaceutical companies as to whose vaccine is better. It ought to be coordinated on a global scale and no other organization is better suited to this end than the World Health Organization. It was a scandal that the former US president had withdrawn the US from the WHO, and it is good that President Biden re-engaged the US with it. It is up to a given country which vaccines it prefers, as long as their efficacy is confirmed in an independent, qualified manner. From this perspective, it is good news that we have a growing number of promising remedies, including Chinese and Russian.

As for myself, I am still looking forward to getting the shot. Unfortunately, despite applying, I do not have a vaccination date set yet. If it will happen to be a Chinese remedy, good. It will be great as long as it works, disregarding the country of production and the country of use. The most important thing is to protect against this calamity as many people as possible in the shortest feasible time. I believe, also to this end, that China can help a lot.

Dawei Peng conducted the interview

VI. New Pragmatism as a recipe for stakeholders' capitalism

(Comments for the Kiev International Economic Forum)

For over a dozen years, I have been talking about the need to reformulate the goals of economic activities in modern capitalism². My theory of New Pragmatism, oriented

² See my book published in dozen languages, including Polish: "Wędrujący świat", Prószyński i S-ka, Warszawa 2008; English: "Truth, Errors and Lies: Politics and Economics in a Volatile World", Columbia University Press, New York 2011; Russian: "Mir v dwizhenyi", Magistr, Moscow 2011; and Ukrainian: "Minliwij swit", Nacionalna Akademia Nauk Ukrainy, Kiev 2012.

towards economic practice, argues that on a macroeconomic scale this goal should not be maximization of GDP, but concern for the long-term well-being of society. One must strive for this on the paths of triple – economically, socially and ecologically – sustainable development. This is also necessary for making globalization more inclusive and hence irreversible. In the microeconomic scale, this goal is still the maximization of profits on invested capital, but the pursuit of private companies to this aim must be surrounded by an appropriate institutional structure, the quality of which is the responsibility of the State.

The present era is not the time of the free market, but of the regulated market. State regulations and legal framework for the functioning of economy must take into account not just the interests of private capital, which constantly cares for itself, but other participants in the economic game, primarily employees, consumers, natural environment and next generations. Of course, while intervening in the market, one must be aware of the risk of governments' misconduct and a possibility to shift towards state capitalism, which also is not a good way to the future. In economic reality, the Scandinavian countries – and, to certain extent, Canada and New Zealand – are the closest to such a model of capitalism, where, due to many years of political determination and enlightened leadership, they have managed to consolidate the social market economy.

While this is nothing new, it is good that the 2021 World Economic Forum has highlighted the imperative of moving from shareholder capitalism to stakeholder capitalism. However, I do not think that the class of powerful people of this world, associated with the private capital and their lobbies, is indeed changing its system of values and views. They fear the rising tide of populism, which is the wrong response to the evil of neoliberalism. In addition, they fear the Chinism – the unique economic system of China, characterized by the positive synergy of state and market³. Chinism – resulting in remarkable growth, even at the time of pandemic – is proving to be

³ Grzegorz W. Kolodko (2020). “China and the Future of Globalization: The Political Economy of China's Rise”, Bloomsbury I.B. Tauris, London – New York.

successful, and thus is becoming relatively more attractive for the developing countries than some states of liberal democracies. As in the past the welfare state capitalism had emerged as a response to the threat of the alternative of socialism and communism, alike this time the stakeholders economy and inclusive globalization, both based on New Pragmatism, may arise as the proper answer for failing shareholder capitalism.

VII. Great changer.

Thoughtful and far-reaching reforms are propelling China out of poverty

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<https://www.chinadaily.com.cn/a/202104/23/WS60820e66a31024ad0bab9bda.html>)

In the history of humankind, there has never been a case where, in a brief episode of the life of one generation, the relative economic strength has changed on such a large scale for so many people as it has in China and Russia over the past three decades. Both countries are undergoing profound structural and institutional changes, but while the former has recorded impressive results in terms of developing and catching up with the advanced economies, the latter’s achievements have been very modest. This happened due to many factors – from the traditional cultural heritage to geopolitical conditions, from the legacy of the previous state socialism to different natural resources bases – however, the substance and duration of the political leadership of Deng Xiaoping in China was of fundamental importance. Without taking into account the influence of the thoughts and actions of this statesman, it is impossible to understand the essence of tectonic changes that have occurred in the world economy recently.

Thirty-two years ago, on May 15 to 18, 1989, the Chinese-Soviet summit was held in Beijing in which Chinese paramount leader Deng met the Soviet leader Mikhail Gorbachev. On this occasion, Henry Kissinger – who already had an abundance of his own geopolitical experience – published an essay in a weekly magazine, “Newsweek”, in which he asked the fundamental question: Who is right? Gorbachev, who considering the Soviet reality engaged in certain political reforms, but did not go too far in terms of

economic changes? Or Deng, who boldly initiated economic changes that made the economy more market-oriented?

I referred to this query when I first met Kissinger in the summer of 1996 in Paris. Later, I have come back to the choosing of the path of reforms during subsequent meetings with Gorbachev – always in Moscow – and especially during more numerous conversations with Kissinger – in Beijing and in New York. Even though this grand question, if at all, can be answered completely and satisfactorily only by history, it is worth investigating the subject as much as possible, including having direct discussions with the people who were making the history.

Considering the matter as expressed by Kissinger – either-or – on each subsequent occasion neither of us had any doubt that Deng was right, not Gorbachev. What happened to the two economies from the time of the meeting of these two titans of politics were tectonic changes. Nobody expected the incredible development of the Chinese economy, nor the economic stagnation of Russia, and thus that there would be such a huge difference in the growth dynamics of the two countries. Suffice to say that while in 1989, calculating according to purchasing power parity, the GDP of Russia, still Soviet back then, was about 50 percent higher than that of China. Today the GDP of China is almost nine times greater than that of Russia.

Obviously, the comparisons cannot be reduced solely to the dynamics and the level of GDP but the relationship of these indicators is very telling. After all, the observation of many other fields of socio-economic development is also strikingly meaningful. It is enough to look at the dynamic development of transport infrastructure, which both facilitates the life of the Chinese population and contributes to the improvement of the international competitiveness of Chinese companies.

It is worth mentioning also that at the beginning of the 1990s, GDP per capita was slightly higher in India than in China. Now it is about two and a half times higher in China than in India. Moreover, while the extreme poverty (defined according to the methodology of the World Bank as daily consumption below \$1.9 at purchasing power parity) has been eliminated in China, because of many years of high production

dynamics and appropriate government income distribution policy, it still affects around 12 percent of the Indian population; around 100 million people. The complete elimination of extreme poverty is a great achievement, which has not been accomplished on a similar scale by any country on a level of development similar to that of China. It is worth noting that when the current leader of China President Xi Jinping announced in 2012 that this goal would be achieved in such a short time frame, many sceptics did not believe it. Some still do not want to believe that in 2024 or 2025 China will advance to be part of the group of economies treated by the World Bank as high-income countries.

All this has been possible because China has adopted a development model in which rational people act rationally, pragmatically solving problems. It is good that the New Pragmatism – a useful economic theory that I propose in place of discredited neoliberal capitalism and leading-astray populism – is widely used in Chinese socio-economic policy. It is a specific polity, referred to in China as socialism with Chinese characteristics, which I call Chinism – the system of creative synergy between the visible hand of the State and the invisible hand of the market, accompanied by the intelligent policies of taking advantage of irreversible globalization – that is the cause of China's great economic success. The more globalization is inclusive, the more it will truly be win-win. And the more developing countries are able to learn from Chinism, the more it may help in their economic progress.