
Once Again on the Chinese Model

**Author's Reply to Eduard Ponarin's Review of the Book by V.V. Popov
"The Chinese Model: Why China Used to Lag Behind the West and Is Now
Overtaking It" (Yerevan: Fortis Press, 2025).**

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Anyone who has read Eduard Ponarin's review² will surely say that our explanations of China's success are complementary rather than mutually exclusive. But, as they say, there are nuances: Ponarin, as a sociologist, emphasizes historical and cultural factors as opposed to economic ones. Roughly speaking, he focuses on the long-term stability of the state—it is this, he believes, that shapes strong institutions and leads to economic success.

“...the long-term existence of a stable state by itself creates robust and self-reproducing state institutions—something that one might call a state instinct or inertia. Moreover, the longer a stable state exists, the stronger these institutions become... The same research shows that the state antiquity is statistically correlated not only with low murder rates, etc., but also with economic growth in the second half of the 20th century. And it is no coincidence that it is precisely the states of East Asia that feature long, continuous histories.”

In my view, while the long existence of a stable state may contribute to economic progress, it is in itself the result of low inequality—the fundamental feature of “Asian values” (the primacy of collective interests over individual ones), the “Chinese model” or the “Chinese path of development,” which preserves social harmony and the institutional potential of the state [Popov 2020].

¹ The author is grateful to Eduard Ponarin and regrets that the limitations of this article do not allow to respond to the opponent's comments on value orientations in different countries around the world, in particular on the measurement of “individualism-collectivism.” Perhaps in the next article.

² Ponarin, E., 2025. On the Chinese Model of Economic Development, State History, and Social Values. *Contemporary World Economy*, Vol. 3, No 1(9). P. 132–139. Available at: <https://cwejournal.hse.ru/article/view/27786>

Our differences

Until the 16th century, inequality was relatively low everywhere—otherwise it was difficult to survive in a world of widespread poverty (only about \$500 per capita GDP in 1990 dollars at purchasing power parity). Inequality began to grow systematically for the first time with the destruction of the community and enclosure in England, and then throughout northwestern Europe in the 16th–18th centuries: this made it possible to sharply increase the rate of savings and investment and achieve a dramatic acceleration of growth (the transition to capitalism), but only at the cost of social polarization, the undermining of institutional capacity, and even a prolonged decline in life expectancy (Part II of the book).³ Some developing countries then followed the same path with similar results (accelerated growth, but also increased inequality and social tension), while others, such as East Asia, despite externally imposed Westernization, managed to avoid increasing inequality and only later, in the second half of the 20th century, increased savings and investment, but with greater efficiency and more impressive results.

This is, of course, a rough scheme, but one that allows us to highlight the main points. China is the most striking example, and it is not at all obvious that a “stable state” existed there for a long time. China was conquered twice—by the Mongols in the 12th century and by the Manchus in the 17th century—and both conquests led to the founding of new dynasties. And there have been more than enough uprisings and the collapses of the country in Chinese history. The Westernization of China after the Opium Wars of the mid-19th century immediately provoked widespread resistance—the Taiping Rebellion (1850–1864) and the Boxer Rebellion (1898–1901). Both uprisings were suppressed with the help of Western armies. In 1915–1927, the country effectively collapsed, and a civil war began between the Kuomintang and the Communist Party of China, which continued until 1950, concurrently with the anti-Japanese war of 1937–1945. After the beginning of Westernization in the mid-19th century and until the creation of the PRC in 1949, China hardly had three decades of peaceful development.

It was not the long-term stability of the state, but the restoration of strong state institutions after the socialist revolution of 1949 (the Liberation, as it is called in China) that triggered the growth mechanism. Such strong institutions had not existed in the country

³ This explanation, offered in the book, differs from the main theories in the literature. The traditional interpretation ([Landes 1998; Mokyr 2002; Mokyr 2012]—perhaps the most famous contemporary works) is that particular social innovations or their totality shortly before and immediately after the 16th century led to the acceleration of Western development. These social innovations include the abolition of serfdom and personal freedom, the formation of free cities, Protestant ethics, the Magna Carta, universities, freedom of discussion and the unhindered exchange of ideas, etc.

Proponents of another approach ([Diamond 1997; Diamond 2010; Pomerantz 2000; Pomerantz 2017]—again, only some contemporary authors) believe that there were no major differences in the development of the West and the East before the 18th century. Even in the 18th century, according to Kenneth Pomerantz, China was not inferior to Europe in terms of technology, consumption levels, and the development of institutions that could support technological innovation (corporations and financial institutions capable of mobilizing large amounts of capital). The fact that growth accelerated in England but not in China can be explained, in his opinion, by a combination of rather accidental circumstances—the existence of iron ore and coal deposits in close proximity to each other in England and the large outflow of population from Europe after the “discovery” of America.

since at least the mid-19th to mid-20th centuries, neither under the emperors nor under the Kuomintang. They were created only by the Communist Party, often by authoritarian methods, but efficiently created—by taking control of the entire national territory, ending internal wars and strife, ensuring law and order, reducing crime to one of the lowest levels in the world, guaranteeing the rights of economic entities, providing public goods, and ensuring strict compliance with the government’s decrees and regulations.

For the first time in Chinese history, central authority reached every village and every peasant, as the Communist Party of China (CPC) relied on a network of rural cells and could change the direction of a huge country with a stroke of a pen in the center—such a vertical power structure was unimaginable not only to Vladimir Putin, but even to Qin Shi Huangdi. Tax collection by the central government grew from 3% of GDP in the 19th century and no more than 5% under the Kuomintang to 20% of GDP in 1978 [Lu 1999]. The crime rate in China in the 1970s was one of the lowest in the world, the shadow economy was virtually non-existent, and corruption, even according to Transparency International,⁴ an organization not particularly favorable to communist countries, was the lowest in the developing world in 1985.

Meanwhile, it turned out that the Western path of forced development based on the rejection of collective values, a focus on individual interests (“inalienable human rights”) and the accompanying growth of inequality was, in fact, a dead end. It was a kind of Faustian bargain with the devil—rapid growth over nearly five centuries came at the cost of destroying the mechanisms that guarantee the survival of civilization. Today, the liberal Western model is experiencing growing difficulties due to its inability to limit human rights in a wide variety of areas (growing inequality caused by the rejection of progressive taxation and active income regulation, environmental destruction and resource depletion, uncontrolled populism in the media and politics). All this stimulates internal conflicts, reduces competitiveness, and causes lagging behind countries that more decisively restrict individual rights for the common good. The liberal West is beginning to lose out to collectivist East Asia, the Muslim East, and, to some extent, South Asia in terms of economic and social progress.

Is inequality low in China?

Contrary to popular belief, inequality in China and East Asia is lower today than in other countries, if comparisons are made correctly—with adjustments for country size and level of development [Popov 2025, part IV; Popov 2020; Popov 2022].

Yes, China’s Gini coefficient is almost the same as that of the US and the EU (if the EU is considered not as a group of countries but as a single entity).⁵ However, as explained in

⁴ Recognized as an undesirable organization in the Russian Federation. — *Ed.*

⁵ Many provinces in China are larger than large and medium-size countries in terms of population, area, and economic potential. The population of two Chinese provinces (Guangdong and Shandong) exceeds 100 million people, and the population of Henan province is 99 million. Several other provinces are home to more than 50 million people (i.e., more than most US states and European countries). Therefore, China should be compared with the US (which has a population four times smaller but a GDP at least comparable to China’s) or with regions consisting of several states (such as the EU or ASEAN), rather than with individual countries.

the book, inequality in China is mainly caused by differences in income *between* provinces (24 percentage points), as in Europe—*between* countries (23 percentage points), rather than differences in income *within* provinces/countries. In the US, only 6 percentage points of the total Gini coefficient of over 40% are related to income inequality between states [Milanovic 2012]. If China manages to reduce the income gap *between* its provinces (and the EU *between* countries) to a level close to that *between* US states, then overall inequality between citizens will fall to a fairly low level—just over 20%.

The income gap between workers and managers is another important dimension of inequality. In many production cooperatives in Western and developing countries, there is a formal rule that the highest salary should not exceed the minimum by more than a factor of 10. In socialist countries, this informal rule was effectively applied nationwide (with a few exceptions, such as royalties, salaries of actors, musicians, etc.). But today, in Western countries, this gap can reach astronomical proportions. The remuneration of top managers of the largest companies, both private and state-owned, amounts to several tens of millions of dollars a year in the US and slightly less in Russia. However, in Europe, the incomes of top managers are significantly lower, and in China, even lower.⁶

In addition, the “oligarch intensity” (the ratio of billionaires’ wealth to GDP), which measures inequality at the very top of the wealth pyramid, is lower in China than in most other countries. According to Forbes magazine, in 2024 there were nearly 2,800 dollar billionaires in the world: 813 in the US (with a combined fortune of \$5.7 trillion, or 22% of GDP in PPP terms), 406 in China (\$1.3 trillion, 4% of GDP), 200 in India (\$944 billion, 7% of GDP), 132 in Germany (\$644 billion, 12% of GDP), and 120 in Russia (\$537 billion, 9% of GDP⁷); other countries had fewer than 100.

Inequality and institutions

Inequality in income distribution, as is well known, is associated with the undermining of the quality of institutions, if this quality is measured by objective indicators—the level of crime and the share of the shadow economy [Popov 2011; Popov 2014]. The number of murders per 100,000 inhabitants in China is 0.6, compared to 5–6 in the US and several dozen (with few exceptions) in sub-Saharan Africa, Latin America, and many former Soviet republics—feel the difference, as the saying goes. In this respect, China is closer

⁶ The 10 highest-paid American top managers earned between \$47 million and \$156 million in 2014 (<http://www.aflcio.org/Corporate-Watch/Paywatch-2014/100-Highest-Paid-CEOs>). In Russia, the highest-paid executive is Andrei Kostin, president of VTB, who earned \$37 million in 2013, while Alexey Miller earned \$25 million (<https://www.forbes.ru/rating-photogallery/273703-25-samykh-dorogikh-top-menedzherov-rossii-i-igor-sechin-reiting-forbes>). In continental Europe, remuneration is lower by an order of magnitude, and in China—two orders of magnitude lower (http://www.china.org.cn/top10/2012-07/10/content_25855492.htm). The ratio of senior managers’ salaries to the company average was 400 to 500 in the US, 22 in the UK, 15 in France, and 12 in Germany (<http://work.chron.com/ceo-compensation-vs-world-15509.html>). In France and Germany, there are legal restrictions on the remuneration of top managers.

⁷ According to the World Bank’s new calculations, Russia’s GDP in PPP terms in 2022 was \$6 trillion, twice as much as in the previous calculation (and oligarch intensity, according to the previous calculation, will be twice as much, at almost 20% of GDP).

to Europe, East and South Asia (except the Philippines), and the Middle East (from less than one to several people per 100,000 inhabitants).

When the Western model was extended to developing countries (through colonial pressure “from above” or voluntary imitation “from below” (sub-Saharan Africa, Latin America, the Russian Empire), it led to increased inequality and higher rates of accumulation, but also to a decline in the quality of institutions (increased social tension, crime, shadow economy), which worsened the starting position for economic growth. Developing countries that followed the Western path in the 18th–20th centuries experienced some growth, but were unable to catch up with the West, even though they paid the same Faustian price.

According to available estimates (regressions linking the Gini coefficient to per capita GDP, population density, urbanization, and colonial status), colonialism increased the Gini coefficient by 13 percentage points. In Latin America, the Gini coefficient reconstructed on the basis of these regressions rose from 22.5% in 1491 to over 60% in 1929 [Williamson 2009].⁸

Other regions of the developing world that were less exposed to colonial influence and better preserved traditional institutions (East and South Asia, the Middle East) had low savings rates and remained in the Malthusian trap until the 20th century, but managed to avoid the weakening of state institutions. The gradual and very slow increase in GDP per capita as a result of technological progress in the 16th–20th centuries allowed them to find another way out of the Malthusian trap—increasing the rate of accumulation without increasing inequality, poverty, mortality, and undermining institutions.

Income and wealth inequality in these countries, especially when adjusted for size and level of development, was significantly lower than in Westernized Latin America and sub-Saharan Africa, the share of government spending and consumption in GDP (again, when adjusted for size and level of development) was significantly higher, and the levels of homicide and the shadow economy were significantly lower [Popov 2012; Popov 2025; Popov 2014; Popov 2020; Popov 2022; Popov 2023].

Yes, these developing countries (East and South Asia, the Middle East), remaining on their traditional trajectory, lagged behind at the start, showing virtually no growth until the mid-20th century (so that the gap with the West continued to grow), but they maintained low inequality and high institutional capacity, so that when it finally became

⁸ According to Ponarin, “Popov’s generalized statement to the effect that Westernization corrupts institutions by increasing inequality (and with it come crime and corruption) is probably applicable only to those countries that had strong home-grown institutions (probably also China), but is unlikely to apply, for example, to equatorial Africa, where institutions were tribal, not state-based.” But there are also arguments in favor of the view that in Africa and other countries where states were often not yet fully formed, colonialism destroyed communal and tribal institutions. The proof is the cases of mass starvation after the arrival of colonizers in Africa and India, which had not been seen on such a scale before colonialism (whereas food production increased in the colonial era, its distribution became more uneven due to the destruction of community). Even in China, a century of Westernization led to an increase in deaths from starvation: In China, between 1644 and 1795, an average of 8,000 people died of starvation each year; between 1796 and 1871, the figure was 57,000; between 1871 and 1911, it was 325,000; and 583,000 between 1911 and 1947, already during the Republic. The famine of 1876–1879 alone claimed the lives of 10 million people—twice as many as all other famines since 1644 ([Popov 2025] – calculations by Minfan Xia, cited in: [Pomerantz 2008. P. 91]).

possible to raise the level of savings and investment without increasing inequality and to launch the growth mechanism, they began to grow faster than all the others due to relatively low inequality and strong state institutions. An era of “economic miracles” began—rapid catch-up development that neither the West nor the first group of developing countries that followed the Western path could have dreamed of.

Even under Mao, China grew faster than others: despite the “Great Leap Forward” of the late 1950s and the “Cultural Revolution” from 1966 to 1976, the Chinese economy, although it experienced temporary downturns, grew overall at an average rate of about 5% per year during the three decades of the pre-reform period (1949–1978). Few developing countries can boast such rapid growth over a period of 30 years. And since the late 1970s, China has experienced truly unprecedented growth, unparalleled in world economic history. China (and earlier other countries and regions based on Chinese culture—Japan, Korea, Taiwan, and Southeast Asian countries) managed to raise its growth rate to 7–10% in the postwar period and maintain this growth rate for several decades.

As a result, in the second half of the 20th century, East Asia became, in essence, the only major region that managed to close the gap in economic development with the West. Neither Latin America, the Middle East, South Asia, Africa, the former USSR, nor Eastern Europe managed to do so. At one time, in the 1950s–1970s, it seemed that the USSR and Eastern Europe, as well as Latin America, were closing the gap with the West. But then their import substitution development model collapsed: in Latin America after the debt crisis of the early 1980s, and in the USSR and Eastern Europe in the 1990s, when they experienced a decline in production comparable only to the Great Depression of the 1930s.

Let me emphasize once again: until the mid-20th century, no country maintained a growth rate of 10% per year for several decades. The West became wealthy gradually, by raising per capita income growth rates to 1–2% per year only after the completion of the industrial revolution and by maintaining these rates for more than a century. East Asia has traveled this path in a few decades, making an unprecedented leap from poverty and backwardness to the modern world.

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