

Logic of China's Rise: From List's Model to List-Afa's Error-Tolerant Model

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Error-tolerantism developed from liberalism holds that national development generally considers four fundamental concepts, trial and error costs, trial and error competences, trial and error directions, and rights to be wrong. China's rise is that state-owned enterprises basically bear trial and error costs of capital intensive industries, overcoming neoliberal defects; private companies mainly bear those of labor intensive industries, and foster new markets for capital intensive industries, learning neoliberal advantages. The Government develops economy through special economic zones for limited trial and error costs; good relations maintain between Chinese higher education and foreign scientific centers of the Soviet Union, Europe, the United States, etc., and can help China improve trial and error competences. Privatization of small state-owned enterprises solves waste and inefficiency, and also participates in global competition to recover trial and error costs. The error-tolerant market economy based on error-tolerantism emphasizes that the powers to be wrong of entrepreneurs or financial units are empowered by the people, so they should benefit the people by reasonable redistribution. Error-tolerantism regards that China's rise has developed List's standard model to List-Afa's error-tolerant model.

Keywords: China model, Beijing Consensus, Washington Consensus, neoliberalism, error-tolerantism

Introduction

From the Opium War in 1840 to the new founding of the People's Republic of China in 1949, unfair international trades lasted for more than 100 years, and an enormous amount of wealth was deprived by aggression, so that China became one of the poorest countries in the world. In 1978, GDP per capita in Nigeria was \$527, while that in China was only \$155 (GDP, 1978). 40 years later, China's GDP per capita reached \$9,627 in 2018, an increase of more than 61 times; Nigeria's GDP per capita was only \$2,028, an increase of 2.8 times (GDP, 2018). Surprisingly, Africa that embraced market economy and liberal democracy in the 1980s and 1990s has been plagued by poverty reduction (Beegle & Christiaensen, 2019), but China insisting on independently exploring a path of modernization that conforms to its own national conditions, is facing a great opportunity for renaissance in the early 21st century. With the rising of China, it has solved the problems of being beaten and being starved, but now it has been confronted with the challenge of Western values strongly (Xu, 2018). China's economic success has made itself become a superpower, however, its rising is bound to pose a great threat to the world order constructed by the United States since China's leaders only attach

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importance to economic development and refuse to practice Western democratic politics (Chen, 2015). Barma and Ratner (2006) notice that the China model includes two components: illiberal capitalism, which implements and promotes governance strategies under the context of free markets but no free politics; illiberal sovereignty, which emphasizes the inviolability of national borders and freedom from international interference.

Although it took China only 40 years from the brink of economic collapse in 1978 to the rise of the early 21st century, China doesn't fully understand the reasons for its own rise. Western countries advocating market economy and liberal democracy have witnessed the outbreak of the financial crisis in 2008, and this is a major setback for their values. The whole political and economic theories in America are urgently facing reconstruction. By contrast, China's rise is particularly striking. Dani Rodrik (2006) even declared before the financial crisis in 2008: "The question now is not whether the Washington Consensus is dead or alive; it is what will replace it." (p. 974). Especially, the government's failure to handle Covid-19 has killed more than one million Americans, signaling the urgent need to rebuild the free market economy and liberal democracy (Zhou, Tan, & Liu, 2020).

Generally speaking, China's rise is beyond the interpretive framework of liberalism and liberal democracy. But on the other hand, why is liberalism so strange to China's development? Is liberalism not universal enough? Actually, China's development has learned a lot from neoliberalism or the Washington Consensus (Lardy, 2014). For instance, the large-scale wave of privatization of small state-owned enterprises (SOEs) in the late 1990s meant that China partly accepted neoliberalism or the Washington Consensus, but China also kept SOEs. This kind of mixed ownership economy cannot be regarded as legitimate by Western Values. So there is a tough task for Chinese scholars to develop neoliberalism and liberal democracy, and then form a more general theory that includes Chinese and Western development paths. This is crucial to the construction of a sound Sino-US relation. So this paper explores the internal logic of China's rise, and develops the List's standard model (List, 2022; Allen, 2011) to the List-Afa's error-tolerant model on the basis of error-tolerantism developed from liberalism (Zhou, 2018; 2019).

Literature Review

The China model has become a hot topic around the world since Ramo (2004) put forward the Beijing Consensus in 2004, which includes innovation and experiment, actively defending national borders and interests, and the best path to realize modernization by "groping for stones to cross the river", instead of making one-big, shock-therapy leap. Ramo (2004) even states that China has overturned traditional concepts such as privatization and free trade, as has been criticized by scholars who have found that China's development has many characteristics of neoliberalism or the Washington Consensus (Girdner, 2004; Harvey, 2005; Kwong, 2006). China's growth has benefited from a relatively favourable financial environment, growing security of property rights, and private-sector dynamism toward economic and political liberalism (Hart-Landsberg & Burkett, 2005; Huang, 2008; 2011). The key to China's economic development is to sacrifice sustainability and equality on the altar of economic growth through low value-added assembly and deep integration of the global capitalist economy (Naughton, 2010; Kennedy, 2010). However, Ramo doesn't take into account the differences between Chinese scholars and policymakers on what economic development should look like and how to achieve economic development, so there is no Beijing Consensus (Ferchen, 2013). China's rising depends on state capitalism (Breslin, 2004; Bremmer, 2010; The Economist, 2012; Kelly, 2013; Naughton &

Tsai, 2015), authoritarian capitalism (Buruma, 2008; Wright, 2010), corporate Leninism (Callick, 2007), or regulatory capitalism, but Nicholas Lardy (2014) argues that China has maintained exceptionally rapid growth, largely due to the liberalization of the private sector and the shrinking of the state since 1978. Thus China does not represent an alternative model to capitalism.

Yang Yao (2010) also claims that China's economy has clearly moved towards the traditional market doctrine of neoclassical economics, emphasizing sound financial policies, economic opening, privatization, market liberation, and protection of private property, for more than 80 percent of China's SOEs have been privatized or transformed into public limited companies. Katrin Bennold describes the Beijing Consensus as a mixture of Confucianism-Communist-Capitalism under the umbrella of a one-party state, with massive government guidance, tight control of capital markets, and an authoritarian decision-making process, which is very different from the neoclassical economics concluded by Yang Yao (Sau, 2010). Yifu Lin's New Structural Economics based on the practice of China's reform and opening-up does not represent a competitive counter-hegemonic model, but a supplement to the global capitalist system. In other words, the China model does not challenge the dominant neoliberal paradigm of global market integration (Lin, 2012; Aberg & Becker, 2020).

Many scholars find that China's rise has learned from the East Asian model. Randall Peerenboom (2008) argues that China's authoritarian regimes that follow the East Asian model and invest in human capital and institutional development have achieved remarkable success. Halper (2010) puts forward the concept of China's market-authoritarianism benefited from the Asian growth model, popular among leaders in developing countries. Suisheng Zhao (2010) stresses that China has drawn on a wider East Asian development model, which consists of three core features: policy pragmatism, a strong pro-developmental state, and selective learning from other liberal capitalist models. Fukuyama (2014) summarizes the characteristics of the China model from four aspects, a centralized, bureaucratic, and authoritarian government, relatively active government policies that promote industrialization just like East Asia, practicing the market economy but not trustworthy, and modest social safety net. For Di (2019), China's rise has adopted the export-oriented East Asian model, high savings rates, strong development oriented government, active industrial policies, high investment in infrastructure, education and high R&D, etc. Arthur Kroeber (2020) claims that China's economic development mode is similar to the development country model in East Asia, because it includes "land to the tiller" agricultural reform, export-oriented manufacturing, and financial repression, but there still exist two central features of China's approach that makes China different from its East Asian neighbors, namely, heavy reliance on SOEs and extensive use of foreign direct investment in special economic zones (SEZs). Roland (2021) argues that Xiaoping Deng had the foresight to realize that the economic success of imitating the export strategy of East Asia could prevent the collapse of the regime.

Scholars notice the experimental characteristics of the China model. The greatest contribution of China's economy rise to modern economics is to push economic development by creating a series of transitional institutional arrangements, constantly promoting reform, and breaking bottlenecks that hinder economic development (Li, 2011; Wu, Wang, & Zhang, 2009; Qian, 2020). Sebastian Heilmann (2018) finds that decentralized reform initiatives and local reform experiments have become a national political platform crucial to China's economic development since 1978. This special policy experiment method can open up unimaginable opportunities for action in the cumbersome, bureaucratic, and authoritarian government system. Furthermore, the China's rise can be explained from its unique traditional culture. Martin Jacques (2009)

notices that the role of the state is omnipresent and omnipotent, as manifested in providing assistance to private enterprises, managing state-owned enterprises, promoting the internationalization of the RMB, and becoming the architect of an economic strategy that has driven China's economic transformation. The collapse of neoliberalism from the Anglo-American model will make the Chinese model even more pertinent to many countries. Daniel Bell (2015) argues that Westerners tend to divide the political world into good democracies and bad authoritarian regimes, but the Chinese political model does not fit neatly in either category. Over the past three decades, China has evolved a political system that can best be described as "political meritocracy" in its political culture.

There is no doubt that the rise of China is a systematic project and closely related to national initial conditions. The West generally discovers that China's success is due to its huge and cheap labor supply, attractive domestic markets for foreign investment, strong government supports, and its access to the U.S. market, which provides a perfect spendthrift opponent for China's exports and a high savings rate. Especially, Beijing has used carrots in its potentially huge domestic market to persuade foreign investors to share their technology (The Economist, 2001; Huang, 2001; Li, 2015). Angang Hu (2007) also emphasizes that the scale of population, labor employment, market trade, and resource consumption has laid the economic foundation for China's development. In addition, he recognizes that the governing capability of the Chinese Communist Party constitutes the political foundation for China's rise. Giovanni Arrighi (2007) mentions that China's attraction to foreign investment is not its rich and cheap labor resources, but because of the high quality of labor in health, education, and self-management capabilities, as well as the rapid expansion of their supply and demand environment for productive mobility in China. Barry Naughton (2010) singles out a set of economic conditions unique to China, such as the size of the internal market, the productive potential of an economy with sufficient labor forces and a relatively healthy and well-trained labor force, and an authoritarian political system that actively intervenes in the market during the transition from communism. Andrew Nathan (2015) regards that it is not easy for other countries to follow China's example, for the China model requires a lot of financial resources, technological maturity, well-trained and loyal security institutions, as well as sufficient political discipline within the regime to avoid the publicity of power struggle.

Chinese and foreign scholars hold different opinions on whether the Chinese model exists. For most Chinese scholars, the China model is clear and unique. Keping Yu (2005) concludes that the key to the China model lies in adhering to market-oriented economic reform supplemented by strong government regulation; actively participating in the process of globalization according to its own national conditions, while always maintaining its own characteristics and autonomy; correctly handling the relationship between reform, development, and stability, which Weiwei Zhang (2009) also mentions; carrying out incremental economic and political reforms, taking gradual reforms as the main development strategy, and exercising necessary breakthrough reforms at the same time. For Jirong Yan (2012), the China Model has created the China economic miracle by relying on such elements as "marketism plus party-state system plus government leadership plus economic priority plus export-oriented economy plus local incentives" (p. 4). Yi Wen (2016; 2018) believes that the reason why China's rise is unstoppable is that it has found the right development strategy and has been following it from rural to urban, from labor intensive to capital intensive to financial industries, and from high savings to high welfare, as is a correct, step-by-step industrialization sequence. Although the China model looks clear, it still faces huge doubts (Ferchen, 2013). Except for some generalities, there is almost no domestic consensus on what the China model consists of (Chen, 2010). Horn-Phathanothai

(2008) thinks that the China model of ontology is questionable, because the China model has at least three meanings: success, replicability, and careful planning, all of which are still up for debate. Shaun Breslin (2011) finds that the China model, previous Asian models of state developmentalism, and even earlier European and American systems of state-guided development have not deviated from the List's model. So Breslin's conclusion is that it is better to talk about the neo-Listian development model with Chinese characteristics than the China model.

China's rise, in general, is mainly reflected in its economic rise, lacking values, or the rise of civilization in the world. Yongnian Zheng (2010; 2021) has actively participated in the summary of the China model, but finally worries that Chinese scholars have not yet created original philosophical and social sciences to explain and guide the rise of China, i.e., the connotation of the China model is still at the empirical level and lacks theoretical support. Xu (2018) has seen clearly the essence of all China models that exhibit a full-blown statist commitment to wealth and power as ultimate goals, but neglects the dimension of values. Facing Liberal Democracy's monopoly on democracy, Wei Pan (2008) suggests that China downgrade liberal democracy as a universal value to local knowledge, but his bold suggestion has been refuted by Chinese scholars (Xiao, 2008). Pan Wei's advice is closely related to his understanding of the China model, which is a social model of organic harmony between officials and the people, a political model where a people-oriented party represents the masses and exercises power, and an economic model where SOEs guide citizens (Pan, 2009). Dingding Chen (2015) shows that for most liberal Chinese, as long as the Chinese government does a good job in solving the problems of corruption, environmental pollution, and inequality, their desire for freedom and democracy will quickly decline.

To sum up, Chinese scholars recognize the importance of the China model, but they have failed to create a theoretical system for dialogue with liberalism. The philosophical basis behind the Washington Consensus is liberalism developed in the West for more than 330 years since John Locke (1967) first put forward liberalism in 1689, and liberalism has been integrated into political science, economics, sociology, history, and other disciplines, and become the core of philosophy and social sciences. Therefore, it is imperative to construct a new system of philosophy and social sciences based on China's practice or experience. To this end, I have first constructed error-tolerantism (Zhou, 2018; 2019): the theoretical starting point of liberalism "the state of nature" coupled with trial and error systematically formulated by Karl Popper (1972) can evolve into error-tolerantism, which is more explanatory than liberalism in the context of governing Covid-19 (Zhou, Tan, & Liu, 2020; Zhou & Qu, 2021; Zhou, Qu, & Shen, 2021), and then the China model can be summarized from the angle of error-tolerantism, dialoguing with liberalism. Error-tolerantism accepts that fundamental characteristic of human activities or practices are trial and error. Human ideas are conceived by trial and error practices, and improved through subsequent trial-and-error practices (Zhou, 2018; 2019). Only those who master the qualification of trial and error practice, the right to trial and error or the right to be wrong, can have the opportunity to create new concepts, i.e., new concepts are born from it, and old concepts die from it. Therefore, error-tolerantism realizes that the right to trial and error or right to be wrong has the characteristic of matriarchy. Since trial and error is an essential feature of practice, every advance has to pay its trial and error costs. When the cost of trial and error is quite limited, how to reduce it is very important, which the China model has to solve. In addition, countries need to determine trial and error directions at different stages according to their national initial conditions, and trial and error costs beyond their own stage of development often have to pay a higher price. Therefore, error-tolerantism believes that the development and even rise of any economy should

consider four core concepts, namely, trial and error costs, trial and error competences, trial and error directions, and the right to be wrong. In this article, we will examine the road of China's rise based on the above four fundamental concepts.

The Road of China's Rise From the Perspective of Error-Tolerantism

From the Opium War in 1840 to the independence in 1949, China had changed from the richest country in the world to one of the poorest. The reason why China was invaded and humiliated by Japan and Western powers is that China failed to realize its industrialization. So how should new China develop its own industries? There are merely two ways: the first is transition from light industries to heavy ones; the second is reverse. Just after the founding of the People's Republic of China, China encountered with the tragic Korean War (1951-1953). The Chinese Volunteer Army, lacking the support of aircraft and artillery, could only fight the steel torrent of the United States and others with their lives, so the Korean War has taught China the truth: to survive, Chinese socialism must realize industrialization, especially heavy industries. Meanwhile, the Korean War also gave China the opportunity to develop 156 heavy-industry projects, such as iron and steel complexes, automobile factories, tractor factories, heavy machinery factories and so on with the help of the Soviet Union (Report, 2009). Now that heavy industries are the foundation for China to realize its modernization, then who can bear trial and error costs and corresponding costs of being right? Private enterprises cannot afford it, only the state itself can, and the state must organize scientists and workers to engage in this cause. Laplane and Mazzucato emphasize the importance of the state in implementing high-risk innovation driven projects that cannot be invested by private sectors alone (Ashford, Hall, Arango-Quiroga, Metaxas, & Showalter, 2020). From the above, we conclude that the public ownership emphasized by Marxism that can help China develop is closely related to the initial conditions of China's industrialization. However, in the first three decades (1949-1978), China did not realize that capitalism and socialism could learn from each other, and it was undoubtedly wrong to exclude capitalism from socialism completely. The inappropriate comprehension of public and private ownership made China further away from the process of industrialization during the Great Cultural Revolution (1966-1976). Universities were forced to shut down until 1977 and a large number of scientists were humiliated and lost human dignity for mastering modern scientific knowledge. As a result, trial and error competences and corresponding ones of being right for China were systematically destroyed.

After the Great Cultural Revolution in 1976, there are strong forces that hindered China's Reform and Opening up, especially the "Two Whatevers (2022)": We will resolutely uphold whatever policy decisions Chairman Mao made, and unswervingly follow whatever instructions Chairman Mao gave. On May 11, 1978, Guangming Daily published the article wrote by the special commentator that practice is the sole criterion for testing truth (Hu, 1978), which has triggered a big discussion about the standard of truth, and finally has denied "Two Whatevers". Error-tolerantism upholds the idea that practice is the only standard to test truth and emphasizes that in the field of innovation, the fundamental characteristic of practice is trial and error. The decisions and instructions given by great men are formed in trial and error practices, and are also corrected in following trial and error practices. Therefore, decisions and instructions given by great men are also needed to be modified in following trial and error practices. Revision like that has broken the shackles in thoughts and carried out a new chapter for China. On the practice, the new understanding of the dialectical relationship between public and private began in 1978. At that time, 18 farmers in Xiaogang Village, Anhui Province, took great risks and allocated collective land to each family in order to survive. As a result, the problem of food and

clothing was solved in the next year. It should be noted that most farmers in the village had been beggars (Xiaogang Village, 2021). The experiment of Xiaogang Village to solve individual or family's survival crisis is synchronized with China's Reform and Opening up and emancipation of mind to solve national survival crisis, so the practice in Xiaogang village is accepted by the government. In the early 1980s, collective production arrangements effectively were disbanded throughout rural China, replaced by the household responsibility system in which farm land was assigned to individual families (Pilling, 2008).

China's Reform and Opening up was coincided with the late 1970s and early 1980s, when Prime Minister Margaret Thatcher and US President Reagan were pursuing neoliberal policy (Steger & Roy, 2010). The core purpose of neoliberalism is to advocate the Western values of privatization, marketization, liberalization, and globalization, similar to the Washington Consensus proposed by John Williamson (1990). But the key of China's rising from 1978 to the beginning of the 21st century is that China had overcome the fundamental defects of comprehensive privatization. The Reform and Opening up that started in 1978 has not completely denied public ownership for just due to the failure of previous planned economy. Error-tolerantism notes that the most fundamental defect of the free market economy is that in the context of comprehensive privatization, giving individuals freedom will make them voluntarily give up the freedom of core industries. For developing countries, they have not participated in the first two Industrial Revolutions, their costs of trial and error are limited, and trial and error competences are low in core industries, so private enterprises are unable to participate in the third Industrial Revolution. Therefore, given the right to be wrong to entrepreneurs in fully privatized developing countries, they will voluntarily give it up in heavy industries for high trial and error costs. By contrast, those governments who can bear the costs of trial and error in core fields, like high-tech, national defenses etc, can protect their rights to be wrong as an original right, i.e., the right to liberty in innovative fields.

It can be seen that the theoretical starting point of liberalism, the state of nature, which hasn't been integrated into trial and error, cannot explain the importance of SOEs in developing countries. Correspondingly, since SOEs bear trial and error costs in core industries, the Chinese government promotes the continuous industrial upgrading of SOEs through active industrial policies mainly by the Five-year Plan. From 1949 to 2022, the Chinese government has formulated a total of 14 Five-year Plans: China could not build a tractor in 1949 while by 2022, it can create a series of high-tech productions, such as high-speed train, Shenzhou spacecraft, Chang'e lunar exploration, Beidou system, Jiaolong submarine, 5G, and aircraft carrier, etc. (The 14th Five-year Plan, 2021). For instance, "made in China 2025" supported by the government that bears the costs of trial and error by subsidies, has tried to create 10 world-leading industries, including aviation, technology, and energy, which together covers nearly 40% of its manufacturing (Kolodko, 2020). Each of the above projects has to pay high trial and error costs, and it is impossible for private enterprises to finish them. Therefore, the key of China's rise is that SOEs bear trial and error costs in core industries. In other words, if SOEs are fully privatized, it will be difficult for China to rise. So China does not fully accept Western suggestions of the market driven-innovation and industrial upgrading (Wuttke, 2017).

Actually, the sign of China's rise at the start of the 21st century had already showed up in the first 20 years. In the 1950s and 1960s, the government organized China's best talents to complete the world-renowned "Two Bombs and One Satellite" project: on Nov. 5, 1960, China successfully launched its first missile designed on the basis of imitating a Soviet missile; On Oct. 16, 1964, China's first atomic bomb exploded successfully, making China the fifth country to have an atomic bomb. On June 17, 1967, the explosion test of China's first

hydrogen bomb succeeded; On April 24, 1970, China successfully launched its first man-made satellite, making China the fifth country able to launch it (Miao, 2004). Under extreme poverty, China's completion of "Two Bombs and One Satellite" project has proved to the world that China is capable enough of keeping up with the forefront in scientific development, as long as China has an opportunity to learn. As we know, the Korean War gave China the opportunity to learn heavy industries from the Soviet Union (Report, 2009); in the "Two Bombs and One Satellite" project, there are 23 men of great merit. Except for Min Yu and Ji Qian, the other 21 have studied in the United States, Britain, France, Germany, the Soviet Union, and other countries. Among them, 11 men ever studied in the United States and accounted for more than a half of them (Sun, 2011). Trial and error costs of the "Two Bombs and One Satellite" project were very expensive, and mainly depended on natural resources and agriculture, while farmers had to endure hunger to support their development. So the key of China's success in industrialization is that China had an opportunity to learn from scientific centers, such as the Soviet Union and the United States, and the ability to accumulate enough costs of trial and error.

So, how can China accumulate enough costs of trial and error for heavy industries? From 1949 to 1978, those for them mainly depended on agriculture and natural resources, while labor intensive light industries were not prosperous enough. From 1978 to 2000, China's practice showed that developing light industries to subsidize heavy industries can not only provide enough costs of trial and error for them, but can foster a market for them to recover their costs, and even make profits. So China won the opportunity to rise. Here, error-tolerantism further expounds the main causes of China's rise from the following five aspects: (1) the rise of township and village enterprises (TVEs) that are mainly private enterprises; (2) the development of SEZs; (3) privatization of small SOEs and share-holding reform of large SOEs; (4) improving China-US relationship and enthusiastically developing education; (5) the concept of common prosperity.

First, the emergence of TVEs as private enterprises in China in the 1980s marked that the right to be wrong and the corresponding right to be right in economic fields were partially transferred from the government to the people, which reflected economic democratization. In the 1980s, the number of TVEs increased by 12 times, the GDP and jobs created by them reached 13.5 times and 100 million respectively, and the indirect benefits were even greater. For instance, the per capita income of farmers increased by 12 times (Wen, 2016; 2018). This kind of achievement was achieved without clear protection of the right to private property, and it was not until 2004 that legislation was enacted to protect it (Amendment, 2004). From 1978 to 1999, the number of poor people in China decreased by 216 million, among which TVE was an important contributor factor (Huang, 2008). Moreover, China has become the world's largest textile producer and exporter in 1995 (Wen, 2016; 2018). Barma and Ratner (2006) regards that China's rise is a successful and increasingly digital model of national development, a unique alternative to the western democratic library. But actually, China's rise began when labor intensive industries embraced neoliberalism or the Washington Consensus of promoting marketization and privatization.

Second, for the consideration of limited trial and error costs, SEZs are regarded as experimental areas for developing China's economy. China's Reform and Opening up belongs to a major innovation in human history, and it can only be explored through trial and error practices. Therefore, Xiaoping Deng (1995) has advocated the gradual trial and error of "crossing the river by touching the stone". He holds the idea that economical development is a new problem for China, and it has to pay tuition fees (Deng, 1995). Crossing the river by touching the stone needs to pay trial and error costs. So, how can the government reduce them? Deng (1995) suggests that before the unified plan for the whole country is proposed, all central departments conduct pilot

ideas to avoid big errors. Xiaoping Deng's idea of piloting at the national level is quite different from neoliberalism, because Hayek (2011) regards that pilot ideas can create inequality artificially, so cannot be accepted. Under limited costs, piloting is in line with China's national condition. In the 1980s, China established SEZs, such as Shenzhen, which attracted labor intensive enterprises from emerging industrialized economies in East Asia and other high income countries that China tried to simulate. This pragmatic approach has enabled China to maintain stability and achieve miraculous growth under the adverse overall infrastructure and business environment (Pilling, 2008; Lin, 2018). SEZs not only solve problems like employment, foreign exchange, etc, but also provide opportunities for mainland to learn advanced technologies. In this way, China has developed labor intensive industries and quickly became the world factory (Lin, 2018). Moreover, China's Reform and Opening up was coincided with the Western countries' promotion of de-industrialization in the 1980s and 1990s (Duggan, 2017). Therefore, when European and American countries transferred labor intensive industries outward, China grasped the opportunity, and SEZs are the window of learning to improve its trial and error competences and corresponding ones to be right, and accumulate trial and error costs for capital intensive heavy industries.

Third, neoliberalism or the Washington Consensus emphasizes that privatization is the foundation of the market economy, while the Chinese government has the power to be wrong as an original power in economic fields, continues to maintain the core position of SOEs, and is unwilling to fully privatize them, but has to learn from the Western market economy. So China has to create a new concept that the market economy is both compatible with private enterprises and SOEs, and it is in line with the concept of error-tolerantism theory: those who master the right or power to be wrong can create new ideas and destroy old ones. In the 1980s, many large SOEs could not survive on their own strength, for their trial and error competences and costs are insufficient, and the corresponding market for recovering trial and error costs has not yet formed, especially for heavy industries. To further protect SOEs, a dual-tracked system has been invented, i.e., they can enjoy state subsidies to protect their powers to be wrong, while private enterprises such as TVEs have to comply with the market principles (Lin, 2018).

From 1978 to 1992, the reform of SOEs focused on decentralization of power and transfer of profit as the basic feature, which recognized the existence of corporate and personal interests, but SOEs were still an appendage of the government (Xu & Meng, 2009). From the 14th CPC National Congress in 1992 to the 15th CPC National Congress in 1997, the main reform goal of SOEs is to establish a modern company system (MCS) under the new background of establishing a socialist market economic system (Heilmann, 2018). The MCS is summarized as adapting to the market economy and socialized mass production, requiring clear property rights, clear definition of rights and obligations, separation of government and enterprises, and scientific management, so that enterprises can become legal entities and market competitors that operate independently, assume sole responsibility for their own profits and losses, self-development, and self-discipline (Li, 1995). The MCS is an important means to realize the combination of SOEs and the market economy, and participate in international competition. Especially in 1995, the Central Committee promoted the concept of "grasping the large, releasing the small" (Li, 1995), i.e., small SOEs were privatized, while large and medium-sized ones promoted specialization. As a result, the number of SOEs fell from 127,600 in 1996 to 61,300 in 1999 (Lardy, 2014). "The Decision of the CPC Central Committee on Several Major Issues Concerning the Reform and Development of SOEs" adopted by the Fourth Plenary Session of the 15th CPC Central Committee in 1999 further recognized that the existing state-owned economy was too widely distributed, i.e., the trial and error

practices of SOEs were too scattered. When trial and error costs were quite limited, the dispersion of trial and error costs led to weaker specialization of SOEs. The lack of cooperation with each other has resulted in their inability to form dominant industries (The Decision, 1999). Therefore, SOEs should give up several powers to be wrong, further affirm “grassing the large, releasing the small” policy, and let the privatization of small SOEs bear more rights or powers to be wrong. As for the government, it only needs to occupy the dominant position in core industries. So in the process of privatization, China has once again partially practiced the ideas of neoliberalism or the Washington Consensus, privatization and marketization.

Yi Wen (2016; 2018) stresses that after the industrialization in the 1980s and 1990s, China has become the world's largest market for infrastructures and heavy industrial products, such as chemicals, raw materials, energy, steel, transportation, communications, and various mechanical equipments. Such a huge market can support whole heavy industrial sectors. With the improvement of China's trial and error competences in many fields, it already possesses the technological advantages and it is necessary for it to develop the global market to recover its costs and make profits. So, China has more actively accepted globalization advocated by neoliberalism. After joining WTO in 2001, China has continuously reduced tariff protection (Hu, 2007), so that it has followed the neoliberalism or Washington Consensus in advantageous industries and gained a larger market share partly. On the other hand, China cannot longer protect its rights to be wrong and corresponding rights to be right in many key fields, and more depends on the world market without vigilance, such as chip industries. Finally, China, which believes in globalization, is being strangled by the United States in the chip field in the Sino-US trade war (Diwakar, 2021).

Fourth, in the process of China's rise, actively developing education and improving Sino-US relation are crucial to increase China's trial and error competences and reduce trial and error costs. The “Two Bombs and One Satellite” project has proved that Chinese have enough enthusiasm, competences, and attitude to learn modern science and technology, and the key of China's rise lies in selecting excellent talents from a large population. Therefore, popularizing compulsory education and developing higher education are the foundation of China's rising. In 1949, the gross enrollment rate of Chinese universities was only 0.26%, and the number of college students was 117,300. In 1970, that fell to 0.06%, and the number was 47,800. After the resumption of the college entrance examination in 1977, the gross enrollment rate of universities in 1978 was 1.56%, and the number was 1,321,900. In 2002, the gross enrollment rate of universities was 15.3%, and the number was 15,126,200, which marks that China's higher education has entered the stage of massification (Yang & Zhang, 2009). In 2019, the gross enrollment rate of higher education was 51.6%, and the number was 40,020,000 (National Statistical Bulletin, 2021), which means that Chinese higher education has entered the stage of popularization. Moreover, China is increasingly recognizing the importance of large-scale research funding. The National Bureau of Statistics pointed out that China's R&D expenditure in 2020 accounted for about 54% of the US expenditure, which is 2.1 times that of Japan. Currently, China's R&D spending ranks second in the world (China's R&D Spending, 2021).

Comparing with American's higher education, China's higher education hasn't yet reached the top-class level in trial and error competences, so there are too few original researches in China, as manifested in too few Nobel Prizes. Therefore, China should strive to maintain the opportunity to learn from the US and European science centers etc. In the context of the US-Soviet hegemony, the United States brought China into its camp as a buffer against Soviet hegemony, and China quickly seized the opportunity (Yao, 2010). President Nixon's visiting to China in 1972 opened the prelude of a friendly relationship between China and the United States.

However, after the Reform and Opening up, neoliberalism or the Washington Consensus implemented by the United States has brought a great impact to China's social stability. But in order to improve its trial and error competences in core industries, reduce trial and error costs, and get rid of the backward situation, China has to hide its strength and bide its time in diplomatic field, as is essentially the ability to endure humiliation. For instance, the Chinese Embassy in Belgrade was bombed in 1999, and China had to endure the shame of being bombed without military counterattack (Williams, 1999). After George W. Bush took office in 2001, the relationship between China and America changed from strategic partners to competitors. On April 1, 2001, Wei Wang's fighter jet collided with a U.S. EP-3E surveillance plane, resulting into Wang's death. After the Bush administration offered its first expressions of "sorrow" but coupled them with several warnings (Wright & Chu, 2001), China chose to swallow broken teeth. After September 11 attacks in 2001, the United States would like to improve its relationship with China, for it put its focus on new anti-terrorism (Haubrich, 2003). In view of this, China actively cooperated with the United States to overcome the financial crisis in 2008 to maintain a good relationship, under which the number of Chinese students studying in the United States reached 3,267,685 from 2010 to 2020 (Textor, 2022). Only in this way can China further improve its trial and error competences. In the past 40 years, although China's higher education has made great progress, its trial and error competences in science still lag behind that of scientific centers of America, Europe, Japan, etc. Huawei mobile phone, for instance, which has become a world brand, develops not only by Chinese scientists, but also 400 Japanese ones. This shows that China did and still relies heavily on foreign human resources for R&D, simply because trial and error competences of domestic scientists in many fields cannot reach the world-class level (China's rise, 2021).

Fifth, the Reform and Opening up promoted by Deng Xiaoping (1994) is aimed at common prosperity. Since 1978, the government has delegated the power to be wrong in economic fields to empower the people and encourage them to develop private enterprises, as reflected economical democratization. At the beginning of Reform and Opening up, Xiaoping Deng (1994) has advocated "let some people and some regions become prosperous first" on the background of the socialist market, and the reason why some people and some regions have the right or power to become rich or prosperous first is because they are empowered by other people and regions from the angle of error-tolerantism, therefore, they should empower and benefit all the others accordingly. That is why Deng Xiaoping regards it as an obligation for the former rich to drive the latter (Deng, 1994). The above process is called the error-tolerant market economy (Zhou, Qu, & Shen, 2021), rather than the free market economy. In addition, Deng (1994) also advocates the principle of gradual trial and error, so the error-tolerant market economy is highly consistent with Deng's thought. But the idea of common prosperity cannot be incompatible with neoliberalism. Neoliberalism holds the idea that people who get rich first only exercise their rights to freedom, not given by others. Therefore, neoliberalism opposes the establishment of a redistribution system, and suggests that the few Chinese who become rich at first have no responsibility or obligation to help the poor get rich at all (Kolodko, 2020). Neoliberalism also believes that poverty alleviation through state power is a violation of the property rights of the rich (Hayek, 2011). But in the past 40 years, China has implemented a neoliberal market economy without paying sufficient attention to redistribution. In 2008, the overall Gini coefficient of China had reached 0.47, the same as that of the United States (Yao, 2010). Naughton (2017) declares that China cannot be regarded as a socialist country unless it makes greater progress in achieving its declared policy goals of universal social security, moderate income redistribution, and

improving environmental issues. In the 2006 Lunar New Year speech, Premier Wen pledged to “pay attention to maintaining social justice” and put “issues concerning the vital interests of the people” firstly, because the leaders of the Communist Party of China worried that the growing inequality, polarization called by the Chinese, may trigger large-scale unrest and even affect the legitimacy of its governance (Shirk, 2007).

Conclusion: List-Afa's Error-Tolerant Model

Friedrich List (2022), the founder of German Historical School, has criticized Adam Smith's theory, especially the theory of free trade from the perspective of national interests for Germany and later-developing countries, and proposed that backward countries achieve four goals in order to catch up with and even surpass developed countries on the road of industrialization: (1) creation of a unified national market by eliminating internal tariffs and building transportation infrastructure, which can help enterprises recover trial and error costs and the corresponding cost of being right. But the improvement of transportation also needs to bear trial and error costs. Then, who should bear them? Thus for developing countries, national investment in infrastructure is particularly important, although private investment in infrastructure is popular; (2) the erection of an external tariff to protect their industries from British competition. In the process of industrialization, developing countries have insufficient trial and error costs and competences in various fields, so protection without external tariffs is equivalent to voluntarily giving up the right to be wrong as an original right, the right to liberty in innovative fields. Only when trial and error competences are greatly improved, can tariffs be gradually reduced; (3) the chartering of banks to stabilize the currency and finance industrial investment. The development of China's private enterprises has gradually received strong supporting from the state since 1978. For instance, banks extended new loans to private enterprises by an average of two-thirds more than SOEs from 2010 to 2012 (Lardy, 2014); (4) establishment of mass education to upgrade the labor force (Allen, 2011; List, 2022). Education is the best way to improve a country's competences of trial and error and corresponding ones to be right and reduce the cost. For developing countries, the key to establish a good education system, especially higher education, is to maintain a good relationship with science centers in developed countries and improve their competences of trial and error in industrialization by sending students to study there (Shirk, 2007).

Based on List's standard model (Allen, 2011), error-tolerantism adds another nine items which are accorded with China's national conditions: (5) for developing countries that just got independent during the third industrial revolution (after World War II), only SOEs can bear trial and error costs in heavy industries, which is contrary to the idea of total privatization advocated by neoliberalism or the Washington Consensus; (6) private enterprises such as TVEs and some from the privatization of small SOEs, mainly bear trial and error costs in labor intensive fields, and foster markets for heavy industries; (7) there is enough agricultural and natural resources to provide trial and error costs for industrial development. The development of heavy industries in China in the first three decades mainly depended on agriculture and natural resources. Since the Reform and Opening up, agriculture and natural resources have provided abundant costs of trial and error and corresponding costs of being right in labor intensive industries; (8) in the process of industrialization, it is very important to decide the direction and scale of each stage under different national conditions. Since 1953, China has issued 14th Five-Year Plans. At the beginning of the first Five-Year Plan, China was not able to build a tractor, while at the start of the 21st century, China has created high-tech projects such as Shenzhou spacecraft and high-speed train, etc. (The 14th Five-year Plan, 2021); (9) with limited trial and error costs, the economy

develops by means of pilot projects, namely the establishment of SEZs, which introduces advanced technology and management to China through tax exemption, good infrastructure, efficient management, etc; (10) in line with the globalization advocated by neoliberalism or the Washington Consensus, Chinese enterprises set up overseas R&D centers, and joint ventures with incumbent firms mainly located in advanced economies, etc, to improve trial and error competences and corresponding ones to be right by taking advantage of global intelligence (Golley & Song, 2011); (11) the recognition of the Chinese nation by outstanding scientists and mathematicians is crucial to the China's rise. Xuesen Qian et al. (Sun, 2011) who overcame all kinds of temptations and obstacles, sacrificed their personal interests, and returned to China, have greatly improved trial and error competences for China, reduced costs, and made great contribution to the completion of the "Two Bombs and One Satellite" project; (12) the ability to endure humiliation. It takes a long time to develop trial and error competences, and China needs to maintain good relations with Western countries. Even if the Chinese Embassy in Belgrade was bombed (Williams, 1999), military revenges should be avoided as far as possible; (13) the error-tolerant market economy rather than neoliberal market economy. The connotation of error-tolerant market economy is that rights or powers to be wrong for entrepreneurs or financial industries are empowered by the people, so the rich individuals or units should empower and benefit the poor, corresponding to supervision and reasonable redistribution respectively. The above 13 aspects are called List-Afa's error-tolerant model, which seems to be scattered, but in fact, it is elaborated around trial and error costs, trial and error competences, trial and error directions, and the right to be wrong, as is the inherent requirements of error-tolerantism.

The prerequisite for List-Afa's error-tolerant model to be effective is that China has the ability to digest the technology from the Soviet Union when the Soviet Union helped it develop its heavy industries, and even completed the "Two Bombs and One Satellite" projects after the Soviet Union withdrew its experts. On the other hand, although China has the opportunity to realize its rise, it still needs to recognize the gap that still exists between itself and the West. China's dependence on foreign technology exceeds 50%, while that of industrialized economies does not exceed 30%, and that of the United States and Japan is about 5% (Golley & Song, 2011). Therefore, the road to China's rise is still long and hard. Finally, the error-tolerant model emphasizes the concept of trial and error, which means that even if high trial and error costs are paid by any developing country, the road to industrialization still has the risk of failure.

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